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OFFICE MEMORANDUM

TO: All IFC Staff

DATE: October 11, 1974

FROM: Ladislaus von Hoffmann

SUBJECT: Speech at IFC Annual Lunch 1974

In this speech I tried to sum up where IFC stood at the point of this year's Annual Meeting, and to put forward some thoughts on the future. I thought you would be interested to see it.

Attachment

Makarand V. Dehejia

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Room D-1208

INTERNATIONAL FINANCE CORPORATION

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360



Ladislaus von Hoffmann

IFC Luncheon Speech

October 2, 1974

Shoreham Americana Hotel

Washington, D.C.

This year it falls to me, for the first time, to extend to you, on behalf of all of us in IFC, a warm welcome to this annual lunch.

Usually, on this sort of occasion, the speaker asks his audience to allow him to end on a personal note. Today I'm going to ask your permission to begin on a personal note.

I am standing here today in place of my immediate predecessor, Bill Gaud. He has retired in theory although I doubt if he ever will in practice, and he is with us today, no doubt to keep an eye on me.

I am under other scrutiny, for Bill Gaud's two predecessors are also with us -- Marty Rosen and Bob Garner, whom we can call the founding father of IFC.

Together the three of them embody the whole 18 years of IFC's existence, and it is due to their achievements that IFC is what it is today -- a unique international organization with 100 governments as its shareholders and with its expert team comprised of nationals of 38 countries. I am

grateful to them for the experience I have gained in working with them over the years.

Despite the times we live in, IFC is not only alive and well but looking forward with confidence to whatever the future may bring.

As to figures, let me just say that since 1956 we have ourselves invested more than one billion dollars in 225 enterprises in 54 developing countries in company with other investors, local and foreign, who have invested four billion dollars alongside us.

Today our portfolio amounts to about \$770 million, including \$220 million held for the account of participants in our loans. We recognize the contribution of the many banks and business enterprises, foreign and local, which have helped us to build this record.

IFC is, of course, in the development business. At the same time our investments need to be profitable if we are to attract partners. That is what our Charter instructs us to do.

The figures I've just mentioned show that my predecessors created a strong institution. I'm grateful to them for that, but I also have a grievance against them -- for they have left me to carry on in a world in a greater state of financial disrepair than ever it was in their time.

So I'm beginning cautiously -- so cautiously that I'm going to disappoint any of you who may be expecting me to dilate on the present international financial scene.

Quite enough is being said elsewhere during this week to make us all realize, if we didn't know it already, that we live in difficult and unpredictable times. It is pretty obvious that the only way in which I can appear credible here today is to admit that there is nothing IFC can do to resolve the basic issues confronting us.

But the business we -- and you -- are in is one in which we can look beyond immediate problems, and I believe we can do that with confidence. I say that on the basis of one or two thoughts I would like to outline to you.

First, international private investment is an essential element in the functioning of today's interdependent world, and, indeed, of international cooperation. The developing countries need it to support their economic expansion. Developed and developing countries benefit from the division of labor and trade which international flows of capital provide.

It is thus in the common interest of all, developed and developing countries alike, that international private investment should not be allowed to collapse under current financial stresses.

It is fortunate, therefore, that those countries which have lately found themselves with unexpectedly large capital resources have recognized their own stake in supporting international investment, and that they are searching for ways in which they can channel at least part of their surplus resources into productive investment in developing countries.

That fact leads me to a second thought -- that the future of international private investment will largely depend on its ability to adapt to new situations. The world economic map is changing and the world investment scene is changing with it. Old investment conditions are being reviewed and new conditions are being assessed.

The investment policies which are being planned today and which will be adopted tomorrow will determine for the 1980's what will be produced when, where, by whom and at what cost. But those policies will necessarily have to take account of changed circumstances.

For instance, it is daily becoming clearer that, either for political or economic reasons, or a combination of both, future international and national private investment will often need to be made in partnership with public capital or be supplemented by it.

Again, the developing countries have a vital interest in attracting investment, for they do not themselves possess the resources fully to realize their productive potential and so to speed their economic development. Nevertheless, there are among those countries wide differences of view about the role private enterprise and investment should play in their economic development.

The great majority of those countries recognize the benefit that private initiative and private capital can bring with them. But in the investment world of tomorrow those countries will not be willing merely to play the passive role of host countries. Rather, they and their

nationals will expect increasingly to play the active role of partners.

I believe that, within the World Bank Group, IFC as a cooperative investment institution has an important contribution to make in helping investors, local and foreign, to adjust to these new situations and so to maintain the role of private investment as an essential element in international cooperation.

It is the law of nature that survival is dependent on an ability to adjust to changing environments. International institutions are no exception to this rule. We in IFC, no less than other investors, must adapt ourselves to the changes in the international investment scene, and we are very much aware of that fact. So while we will continue in the future to do, where appropriate, what we've been doing in the past, we will also seek new ways in which we can stimulate economic development through international investment.

Already, through our project promotion department, we are searching out new investment opportunities in cooperation with private investors, local and foreign, and sometimes with the local authorities.

We also see an expanding role for local financial institutions in the developing countries. In the last decade IFC has helped to create 27 such institutions, and a number of them are becoming important channels for the transfer of resources from the capital surplus countries to the domestic private sectors.

We are also looking at ways in which we can encourage the establishment of capital market institutions designed to mobilize domestic resources for private investment.

Inevitably, investment priorities shift, between one country and another and between one sector and another within a country, and the circumstances in which investment is made shift with them. We in IFC are very much alive to such shifts, and we are looking for ways of attuning our activities to them -- always given that while our investments must contribute to development they must also be profitable.

To those of you here today whose organizations have shared in the IFC story, let me say: "Thank you". I hope you will stay with us. And to those among you whom we have not so far welcomed as partners, may I say: "Come and help us with the next 18 years of our story. Whatever else they may be, those years will certainly be more challenging than our first 18 years."