Folder Title:	Operational - Development Banks - General - Correspondence - Volume 10
Folder ID:	30132359
Series:	Operations Policy and procedures
Dates:	03/01/1967 - 12/27/1967
Fonds:	Central Files
ISAD Reference Code:	WB IBRD/IDA ADMCF-04
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DEVELOPMENT BANKS - General Vol. X

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RETURN TO
RECORDS CENTER ROOM HB-1
1966-68 MATERIAL
BOX NO. 3412

[redacted]

DEV.BANKS- Gen.

Vol. X

Ms. Twomey	7.22.68	
Shu	3/27/69	

THIS FILE CLOSED AS OF ~~OCTOBER~~ Dec. 31, 1967

FOR FURTHER REFERENCE PLEASE SEE VOL. X.

Coord. of Econ. Work
with Regional Banks

Dev. 8-gen.
x Econ. Reports

Mr. Irving S. Friedman December 27, 1967

Andrew M. Kamarck

A. M. Kamarck (signed)

Preliminary Proposal for More Coordinated Economic Work With Regional Banks

As you know, we now have worked out a complete system of cooperation with the regional banks on external debt data. This results in a worldwide economy of effort by centralizing work on external debt in one place, helps our member countries by eliminating duplication in correspondence and reporting and so forth. It seems to me that this cooperation should be extended into the broader field of country economic reports.

The regional banks already receive and use our country reports. This is not completely satisfactory, however, because they have no assurance that a report will exist when they need it and they have no regular way of being able to get the benefit of the consideration and discussion of reports in the World Bank. What I would propose is that our help to them in this regard be made more formal and more efficient. Specifically, my proposal would be that we would reach a specific agreement with each of the regional banks on this subject; we would undertake the responsibility of doing a basic economic report on each developing country in their area and that we would do a regular annual review of each country. This would mean that for fundamental economic work on each country the regional banks could rely on the World Bank. They would still need to keep in touch with current developments but this could be done by a much smaller staff than if they have to have the capacity to do country studies in depth.

If the World Bank Group should take on this responsibility, we would have to strengthen our staff since this would mean that we would have to cover some countries that in our normal course we might not cover so regularly. In world terms, however, it would be much more efficient and less costly to centralize the individual country work in one institution than to scatter it and duplicate it among institutions. For our member countries it would mean that they would have fewer missions to cope with. For the regional banks it would mean that their economic staffs could devote most of their attention to studying regional problems as well as keeping currently informed on developments but they would not have to try to staff up with the teams of specialists for country economic missions that otherwise would be necessary.

cc: Messrs. Adler and Collier

AMK:ner

FORM No. 209-IFC
(11-67)

INTERNATIONAL FINANCE CORPORATION

INCOMING MAIL ROUTING SLIP	Date JAN 15 1968

	Name	Room No.
✓	Mr. Dajany	900
✓	~~Mr. Diamond~~	950
	Mr. Dodd	945
	Mr. Garcia Rayneri	1043
	Mr. Jeffries	957
	Mr. Khosropur	1043
	Mr. Mauritz	961
	Mr. Paterson	919
	Mr. Pollan	952
	Mr. Powell	949
	Mr. Raj	900
	Mr. Richards	976
	Mr. Rosen	900
	Mr. Sekse	958
	Mr. Sullivan	950
	Mr. Von Hoffmann	910

Remarks

From Communications Unit, Room 244, Ext. 2023

Dev. B - Gen.

BANCA NAZIONALE DEL LAVORO

IL DIRETTORE GENERALE

Rome, December 27, 1967

Dear Mr. Diamond,

Many thanks for your note of December 11 and enclosures.

Both the records that you have sent us are of great interest to us.

Best regards,

Sincerely yours,

A. Ferrari

(A. Ferrari)

Mr. William Diamond
Director
International Finance
Corporation
1818 H. Street, N. W.
Washington, D. C. 20433

Dec. 15 - Jan.

IDA	IBRD	IFC

FORM NO. 92
(10-61)

CORRESPONDENCE RECORD FORM

FROM

L. Peter Chatenay
IBRD, Paris

DATED
Dec. 26, 1967

SUBJECT
Letter enclosing documents on "Revillon Freres" and "Compagnie Internationale de Bangue" and reply to letter of 12/5/67 about Mr. Boutinard-Rouelle

Addressed to Mr. Mathew

REFERRED TO
Mr. Diamond

DATE RECEIVED
Dec. 29, 1967 mpb

Dco B - gen.

December 20, 1967

Dear Mr. Kayalioglu:

Thank you for your letter of December 13, explaining how you have arrived at the minimum size of loans from the stand-point of profitability, that is, the break-even point of individual loans in your company.

I have read it with interest and am grateful, indeed, for the explanation.

Yours sincerely,

B.H. Shin
Development Finance Companies

Mr. Bahaeddin Kayalioglu
Assistant General Manager
Turkiye Sinai Kalkinma Bankasi A.S.
Necatibey Caddesi 241-247
Tophane
Istanbul, Turkey

BHShin:ts

cc (with incoming letter):

Mr. Jeffries

December 20, 1967

Mr. A. S. G. Hoar
Managing Director
Commonwealth Development
Finance Corporation
1 Union Court
Old Broad Street
London E.C.2, England

Dear Stanley:

I have only just returned to Washington and hasten to write to thank you for your kindness in having me to lunch on November 20. It was a miserable day, I know, to receive outsiders; devaluation was on everybody's mind and introspection was the order of the day. Nevertheless, you and your staff were extraordinarily kind and helpful to me and to Mr. Stephansen. We are both grateful. Let me say too, that Mr. Arango and Mr. Muramatsu were also grateful for your kindness and helpfulness to them, when they passed through London a week before I did.

I shall be writing to you before long to let you know something about the views I developed during my brief visit both to Ghana and to Kenya.

With all good wishes for the New Year.

Sincerely yours,

D

William Diamond
Director
Development Finance Companies

WDiamond:lgs

Dev. B-Gen.

Mr. Mathew December 15, 1967

E. Waldo Mauritz

Development Finance Companies' Obligations Regarding Maintenance of Accounts, Submission of Reports and Audit

You are in a much better position than I to judge as to the desirability of introducing into Bank loan agreements client obligations concerning financial statements, audit reports, etc., as indicated on page 2 of your draft of December 12. Personally, I like to see these provisions incorporated in one section of the agreement because I believe it lends emphasis to the requirements.

I realize that the same obligations can be incorporated in a letter to the development finance company but I would trust that these would always be communicated to the dfc and made available to the accounting firm at the time they are undertaking the initial audit engagement to which the audit conditions and reporting requirements would apply. If this is done, it should facilitate the negotiation of fee and any other related matters between the accountant and his client.

EWM/p

cc - Mr. Richards, IFC Legal Department
 - Circulation - 2

aváslasici ?

TÜRKİYE SINAİ KALKINMA BANKASI A. Ş.

(INDUSTRIAL DEVELOPMENT BANK OF TURKEY)

33081

P.O. Box : 17 Karaköy,
İstanbul, Turkey

Cable Address :
KALKINMABANK, İstanbul

December 13, 1967

BP

Mr. B. H. Shin
Development Finance Companies
International Finance Corporation
1818 H Street N. W.
Washington D. C. 20433

U. S. A.

Dear Mr. Shin :

This is in reference to your letter of November 14, 1967 concerning the small-size loans operations of TSKB.

In determining the minimum loaning level of TL. 250.000.-, below which loans appear to be unprofitable except certain maturities, several factors have been taken into account as we had pointed out in our previous letter.

As is known, a precise calculation in this respect is almost impossible, nevertheless, the approximative calculations made in this bank, merely from the point of view of profitability of each loan to be extend, can be summarized as follows :

Three groups of expenses have been taken as the basis for calculations. Interest expenses, personnel expenses and administrative expenses. Interest expenses have been treated as variable expenses because of the fact that their amount varies in conformity with the loans allocated. On the other hand other two groups of expenses have been regarded as fixed expenses for certain periods. Keeping in mind our observations that the size of the projects grows faster than the number of projects we also assumed the number of projects would be accepted as constant for certain periods or to the extent that the personnel expenses could be accepted as fixed expenses. According to the above stated bases, the number of projects is (150), fixed expenses is TL. 8.000.000.- and

./..

Ack Dec 20, 1967

the average profit margin, namely, the difference batween the interest received and that of paid, is 3,6 %. On the basis of a maturity of (6) years, the minimum amount of loan would be :

$$\frac{\frac{8.000.000}{150}}{\frac{3,6}{100} \times 6} = \text{TL.}\ 245.000.\text{- or}$$

in round figure TL. 250.000.-

Sincerely yours,
TÜRKİYE SINAÎ KALKINMA BANKASI A.Ş,

Alparslan Alagöz
(Deputy-Director Loan and Investment and Financial Analysis Department)

Bahaeddin Kayalıoğlu
(Assistant General Manager)

AA/sa

Dev. Banks Gen
Sp-Bandesco
Gh-NIB
UK-CDC
x-Kenya DFCK
Ma-MIDFL
UK-CDFC
-Nig-NIBD
-Uganda
-Caribbean
-UNIDO
Ko-KDFC
Tha-IFCT

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: December 13, 1967

FROM: T. Stephansen T.S.

SUBJECT: Notes on Mr. W. Diamond's meetings in London on November 20 and 21, 1967.

Barclays Bank

Mr. William Diamond met with Mr. Bryan and Mr. Ambrose separately in London on November 20, 1967. Mr. Stephansen was present.

Mr. Bryan brought up the forthcoming shareholders' meeting of BANDESCO, and was told that Mr. Diamond will not attend it. BANDESCO has proposed a 6 percent dividend payment, which Mr. Bryan thought reasonable, but he did not agree to the proposed 10 percent to the Board, because prudent reserves should first be built up. Mr. Diamond agreed and said that the dividend to the shareholders ought to be as high as permissable under the Law, which is 6 percent.

Mr. Bryan said that he had heard that Mr. Rosen had expressed satisfaction with BANDESCO in Rio during the Annual Meeting. He also said that the Special Committee appointed in Frankfurt to study the use of BANDESCO staff in seminars for prospective investors had not yet met. He closed by saying that BANDESCO had unfortunately not developed as expected and that there was now nothing to do, but get out.

Mr. Ambrose

Mr. Diamond asked for Mr. Ambrose's opinion on the investment possibilities in Ghana, and his reaction to a change of NIB.

Mr. Ambrose thought that the economic conditions in Ghana were improving, but the country was not out of the woods yet. The foreign debt was especially troublesome and would certainly have to be rescheduled again soon. He also mentioned the fact that it was not possible to get dividends out of Ghana. This did not make new investments more attractive. Barclays investment in NIB had been made as a gesture. In principle, Barclays prefers to invest directly in projects through its own development organization. Consequently, NIB was of less interest to it. However, Mr. Ambrose presumed there would be some arm twisting in case NIB is recapitalized, in which case Barclays might put in some money for political reasons. Mr. Ambrose said he would advise Mr. Pearce, Barclays representative in Accra, of our trip.

Mr. Ambrose had the impression that DFCK was doing quite well. Barclays had, however, its own setup which it preferred to use in case of investments.

CDC - Commonwealth Development Co.

Mr. W. Diamond's meeting with
Mr. Meinertzhagen in London on
November 21, 1967.
Mr. Stephansen was present.

Kenya - DFCK

Mr. Meinertzhagen said that he had the impression that the Government of Kenya was well satisfied with DFCK and its operations and he emphasized that DFCK is in no need of resources. They are presently £3 million, of which about £2.4 million has been committed as of September 30, 1967. The problem is projects not capital. The rate of new projects was about one project approved every month and he thought DFCK developed satisfactorily. DFCK would probably pay a dividend for the first time next year. The partners in DFCK were ready to increase their holdings when needed. Due to a 45 percent dividend tax in Kenya, the share capital had not been increased. Income notes were used instead.

Mr. Meinertzhagen expressed the opinion that the Government considered IPS to be an institution serving strictly a minority group.

He thought that the Government wanted financial resources for purposes other than those which DFCK would finance, that is for purposes not very interesting from a business standpoint. He mentioned agriculture and small scale industry. He felt quite certain that the Government would come up with a request for assistance in those fields during our visit to Kenya.

As far as ICDC was concerned Mr. Meinertzhagen mentioned that it was short of funds. What sometimes happened was that ICDC took on projects which DFCK was not interested in.

Mr. Meinertzhagen did not think that the industrial estate program in Kenya would be successful. On the basis of CDC's experience in Africa, he just did not believe that enough entrepreneurs would be interested in setting up enterprises on the estates. He said that this was different from their experience in Asia where industrial estates had been reasonably successful, such as one in Singapore.

Nigeria

CDC had for the time being closed its dfc. in the Eastern Region. The company in the Northern Region was now doing better than ever before.

Malaysia - MIDFL

When asked about MIDFL Mr. Meinertzhagen said that he thought the trouble in MIDFL to be nothing unusual for a dfc. Governments' attitude towards dfcs. sometimes changed and he felt that the matter would settle down again. It might be quite possible that the commercial banks had taken some business away from MIDFL; as had happened to other institutions where CDC had investments. Mr. Meinertzhagen did not seem worried about CDC's own seat on the Board, which he said he felt confident that CDC would keep. On Mr. Diamond's question why he felt so certain, he said that CDC had been assured of it by the Government.

Ghana

Mr. Meinertzhagen mentioned that CDC had been asked by the Government to assist in its re-organizing of its industrial enterprises, and in that connection Mr. Piper, CDC representative, had been in Ghana for the last couple of months.

Comments

Mr. Meinertzhagen was very cagey in speaking about the subjects Mr. Diamond brought up. With regard to DFCK in Kenya it seemed quite obvious that CDC does not want IFC as a partner.

CDFC - Commonwealth Development Finance Co. Ltd.

Discussion in London during lunch on
November 20, 1967.

Present were:

DFCK	IFC
Mr. A.S.G. Hoar	Mr. William Diamond
Mr. W.H.J. Christie	Mr. T. Stephansen
Mr. B. Berkoff	
Mr. G. Rothery	
Mr. Garvin	

Ghana - NIB

Mr. Diamond outlined briefly the NIB proposal for "privatizing" the company with the Government, IFC and private domestic investors holding 51 percent (Government and IFC equal number of shares) and foreign investors holding 49 percent. Mr. Berkoff thought that it might prove difficult to get investors' interest at the present time. For one thing, the industry in Ghana had a substantial amount of unused capacity, thus making new investments less attractive. Secondly, the foreign investors were not able to get out dividends from Ghana. While this might make them willing to place such capital in a venture like NIB, it would not result in making foreign exchange available.

CDFC's representatives mentioned further that CDFC's shareholding in NIB was minor, only N₵40,000 and CDFC does not have a close contact with NIB. On Mr. Diamond's question, Mr. Berkoff pointed out that CDFC is in no way co-ordinating the British shareholders in NIB. When Messrs. Arango and Muramatsu visited London last week it was actually the first time CDFC had brought the British shareholders together. Should Arango and Muramatsu come through London on their way back from Ghana, CDFC would be happy to do the same thing. Mr. Hoar added that in all cases CDFC would appreciate being kept informed of developments. (CDFC has no other investments in Ghana.).

Nigeria - NIDB

Mr. Diamond mentioned that the staff of NIDB was now being further reduced by Mr. Akinrele's departure. Since Mr. Daniyan does not know much about the day-to-day running of the ICON Securities, which Akinrele has been handling, the two most urgent problems at the present time are (i) to find somebody that can take care of the ICON Securities, and (ii) to strengthen the administrative staff of NIDB. He mentioned that a staff member of ICICI had been thought of in this connection. The question of a new advisor to NIDB seems less important at the present time because the business activity is low.

CDFC's representatives agreed in the above. They said that as an afterthought now it seemed a mistake not to have appointed another foreign manager when Mr. Raj left. Mr. Diamond said that at that time everybody concerned thought that Daniyan would be able to do the job with help from an advisor. It was not clear that this was wrong; in any event it was irreversible.

Malaysia - MIDFL

The general condition of MIDFL was discussed in view of Governor Ismail and Minister Tan's denouncing of the Board and Management.

Mr. Rothery said that the management had in his opinion, not been good, except during Mr. Kuipers stay there. MIDFL's work on projects went very slowly. Letters were often not answered or it could take as long as six months to get a reply to a simple question. Local business people did not have much trust in MIDFL because of the Government influence and were reluctant to reveal data to MIDFL. CDFC had the impression that the commercial banks with shareholdings in MIDFL wanted as little trouble as possible because other dealings they had with the Government might be of much greater importance to them. Their subscription of shares in MIDFL was probably in the first place made for political reasons.

Mr. Berkoff aired the possibility of changing the whole Board and management. However, the general feeling seemed to be that no solution was readily apparent; for one reason, nobody knew what is really on Ismail's mind. The CDFC staff expressed bitter criticism of him.

Kenya

Mr. Hoar mentioned that CDFC had three investments in Kenya. It was also mentioned that there had been less harmony within DFCK (and TDFL, Tanzania) after NOFC had become a partner. There were, therefore, some second thoughts about taking NOFC up as a partner in Uganda.

Caribbean

Mr. Berkoff mentioned after the lunch that there will be a meeting in Kingston in about two weeks, in which the Caribbean countries were supposed to set up a charter for the dfc based on the report Mr. James had made for UNDP. He expected, however, the meeting to draw up the principles of the charter, leaving the details to the committee. Dennis Pearl would represent the British Government at the meeting.

UNIDO

Mr. Berkoff will be on the United Kingdom delegation to the Athens meeting in December.

The Chartered Bank

Mr. William Diamond's Meeting in London on November 20, 1967, with Mr. S. Northcote, General Manager of the Chartered Bank. Mr. Stephansen was present.

A. Korea - KDFC

Mr. Diamond said that he had written to the Chartered Bank regarding the subscription of shares in KDFC. The question being whether or not the Chartered Bank wanted to purchase the shares from IFC, or alongside it, within the arrangement which IFC has negotiated with the Korean Government. The letter had not reached Mr. Northcote yet, and Mr. Diamond went on to explain the background and nature and the arrangement whereby the foreign shareholders did not feel very excited about the extra feature, but IFC had pursued the matter with the Government in order to establish a principle.

Mr. Northcote said the Chartered Bank's stake in KDFC would be a small one, and that it was only in for political reasons, as it could use the money far better other places. As the Chartered Bank had said before, it would buy from IFC. Mr. Diamond said that in the letter he had asked for a telegraphic answer, but that would not be necessary now.

B. Malaysia - MIDFL

Mr. Diamond recalled the August shareholders' and Board meeting. He also informed Mr. Northcote of the meetings Mr. Rosen had with Governor Ismail and Minister Tan in Washington, and his own discussions with Mr. Foo.

Mr. Northcote said that he had heard of shareholders' and Board meetings and thought that Ismail and Tan were putting up a show and that a lot of the complaints were not well founded. The feeling in Malaysia was however, perhaps that it was considered that the foreign shareholders had too much influence in MIDFL. He mentioned that the possibility of Mr. Sanders (Hong Kong) and himself alternating on the MIDFL Board had been suggested by somebody. Mr. Diamond pointed out that such an arrangement would mean a reduction of the foreign representation on the Board, which had been agreed upon by all parties concerned, and which, as a matter of fact, was below what the foreign shareholdings should justify. Mr. Northcote said that so far it was all preliminary talks. He promised to inform IFC of any development.

Mr. John Wilson of the Chartered Bank, is presently travelling in the Far East. It had not been the intention that he should visit Malaysia, but in view of the situation, Mr. Northcote would now suggest to him that he should do so.

In connection with the devaluation of £ sterling, Mr. Northcote said that he cannot see how Malaysia can go on without devaluation.

C. Thailand - IFCT

Mr. Diamond referred to the last quarterly report from IFCT in which there seemed to be a typographical error regarding the shareholdings of the Chartered Bank, or, alternatively that Chartered had sold out. Mr. Northcote confirmed that the Bank's shareholding is 1832 shares.

c.c. Messrs. Rosen/Raj
Diamond/Mathew
von Hoffmann
Arango
Jeffries
Powell
Eynon
Horsley
Winterton
Tolley
Gibbs

Dev. B.- 7 ew

FORM NO. 59
(2-55)

CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: December 11, 1967

TO: Mr. Stevenson

FROM: Mr. B.B. King

FILED UNDER: Indebtedness

SUMMARY: Re: Arrangements with Regional Development Banks on debt information.

Dec. B - Gen.

FORM No. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: DECEMBER 10, 1967 2142

LOG NO.: WU 5/11

TO: MATHEW CORINTFIN

FROM: FRANKFURTMAIN

ROUTING

ACTION COPY: MR. MATHEW

INFORMATION COPY:

DECODED BY:

TEXT:

17

ARRIVED FRANKFURTERHOF YOUR 12 AND BRIEF RECEIVED

THANKS

DIAMOND

FAMILY NOTIFICATION HAS BEEN MADE

IFC

MT

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

TYPED

DEC 11 8 36 AM 1967
GENERAL FILES
COMMUNICATIONS

Dev. B - gen

December 6, 1967

Mr. Kevin F. Cunningham
International Law Center
Colombia University
New York 10027

Dear Mr. Cunningham:

As I promised you over the telephone yesterday afternoon I am enclosing a list of the development finance companies with which the World Bank Group is associated, together with a booklet entitled, "The Role of National Development Finance Companies in Industrial Development", prepared by the World Bank Group.

I hope you will find them useful.

Yours sincerely,

BS

B.H. Shin
Development Finance Companies

Enclosures

BHShin:ts

Dev. B - Gen.

December
~~November~~ 5, 1967

Dear Mr. Ridgman:

Thank you for your letter of November 28 enquiring about publications that might be helpful to your banking correspondent who is thinking of establishing an investment bank.

I am enclosing herewith a study prepared by the staff of the International Finance Corporation, "Private Development Finance Companies", that may be of assistance to your correspondent.

I am enclosing also a pamphlet, IFC GENERAL POLICIES, describing the Corporation's field of action, including, beginning on Page 5, a summary description of the assistance IFC is prepared to give in the establishment of a development investment bank in the less developed countries among IFC's membership.

If your correspondent feels that his project is qualified, he should write for further information to Mr. William Diamond, Director, Department of Development Finance Companies, International Finance Corporation, 1818 H Street N.W., Washington, D.C. 20433, U.S.A.

I am enclosing copies of the above publications, together with copies of the Corporation's latest Annual Report, in duplicate, so that you may have copies after forwarding a set to your correspondent.

If we could be of any further service, please do not hesitate to enquire of me.

Yours sincerely,

Frank O'Brien, Jr.
Chief, Information Services - IFC

Enclosures

Mr. W. Ridgman, Manager
Overseas Trade Promotion Dept.
Midland Bank Limited
P.O. Box 181
60 Gracechurch Street
London E.C.3, England

c.c. Mr. Diamond
FO'B:jl

Dev. B - gen.

Mr. Diamond

December 5, 1967

E. Waldo Mauritz

Draft O.M. on Development Finance Companies

A copy of your draft dated November 3, 1967 was circulated to me by Mr. Davies and I have a comment to make concerning item 50. Audit. In my opinion, it would be preferable if we stated that the annual audit of the company's accounts be done in accordance with generally accepted auditing standards and that the auditor's report shall be prepared in accordance with generally accepted international accounting principles in a form satisfactory to the Bank.

The next point I have is mostly for information, and it pertains to the types of records to be maintained. As you know, in our IFC investment agreements (which I realize are not the same as Bank loan agreements), we have a provision which contains, in part, the following language:

> "maintain books of account and other records adequate to reflect truly and fairly the financial position of the Company and the results of its operations in conformity with generally accepted accounting principles consistently applied".

Is the matter of accounting records for Bank loan agreements covered by side agreements or special letters?

EWM/pym

cc - Circulation - 2

Dev. B - gen.

UTOQUAI 43
8008 ZÜRICH

30th November 1967

Mr. William Diamond,
Director,
Development Finance Companies
International Finance Corporation
1818 H Street, N.W.,
WASHINGTON D.C. 20433
U.S.A.

~~Mr. Rosen~~
Files

Dear Bill,

Thank you for writing to me so fully on 24th October 1967.

The information was just what I wanted. I shall work on the matter as soon as possible, but recent European developments have been keeping me on the move, and it now looks like being 1968 before I shall be able to tackle the matter systematically.

I enjoyed renewing contact with you. I expect to be in North America again around March/April 1968, but trust that before then I shall have had the pleasure of seeing you in Zurich.

With best wishes,

Yours sincerely,

Edward

E.S.G. Bach

43/EB/TF

Midland Bank Limited

Overseas Branch

PO Box 181
60 Gracechurch Street
LONDON EC3

40/WR

International Finance Corporation,
1818 H Street N.W.,
WASHINGTON D.C.

28 November 1967

Dear Sirs,

One of our banking correspondents is considering the possibility of setting up an Investment Bank in their own country.

They have asked us to suggest a text book, or some technical literature, setting out the requirements for establishing such a bank and which would describe the normal range of services an investment bank would be expected to provide.

Unfortunately we have been unable to find such a book in London and we should be very grateful if you could make any recommendation which we could pass on to our friends.

Yours faithfully

W. Ridgman

W. Ridgman
Manager
Overseas Trade Promotion Department

Telephone Monarch 9944 Telex 21681 Foreign Exchange Department Telex 21235
Inland Telegrams Cinnaforex London Telex Overseas Telegrams Cinnaforex London EC3

acc. Nov. 5, 1967

Midland Bank Limited

Overseas Branch

PO Box 181
60 Gracechurch Street
LONDON EC3

40/WR

International Finance Corporation,
1818 H Street N.W.,
WASHINGTON D.C.

28 November 1967

Dear Sirs,

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Unfortunately we have been unable to find such a book in London and we should be very grateful if you could make any recommendation which we could pass on to our friends.

Yours faithfully

W. Ridgman
Manager
Overseas Trade Promotion Department

Dev. Banks - gen.

November 24, 1967

Mr. Carl B. Winqvist
Stockholms Enskilda Bank
8 Kungstradgardsgatan
Stockholm 16, Sweden

Dear Mr. Winqvist:

Thank you for your letter of November 20 to Mr. Diamond concerning Incentive Research Development AB. Mr. Diamond is at present out of the country but will be interested to see this information upon his return to Washington.

With best regards,

Sincerely yours,

Douglas Gustafson
Development Finance Companies

cc: Circ:(2)
DGustafson:tk

November 22, 1967

Dear Mr. Svoboda:

Thank you for your letter of November 14, 1967 on small-size loans, letting us know that the delay in your reply has been due to heavy pressure of work.

We are glad to learn that in spite of difficulties you have made some progress on your review of the subject and would be able to furnish us with some findings before long.

We are grateful for the efforts you have been making for us, and are looking forward to receiving your findings soon.

Yours sincerely,

BS

B.H. Shin
Development Finance Companies

Mr. L.M. Svoboda
General Manager
Malaysian Industrial Development
Finance Berhad
Hwa-Li Building
63-65 Jalan Ampang
Kuala Lumpur
Malaysia

cc: Mr. Jeffries

BHShin:ts

Dev. B - gen.

Mr. Joseph H. Lenfant November 22, 1967

Robert F. Skillings

Draft Operational Memorandum on Development Finance Companies

I have the following comments:

Paragraph 7: The last sentence says, "A government participating in excess of 50% is unacceptable, as are also any special rights or powers that give government an overriding voice in the Company's affairs (including the choice of management)." I think our practice with respect to choice of management is a little more complicated than this. There is at least one case in which the chief executive is to be nominated by the government, subject to the approval of the Board, and several where we accept the situation where in a less formal way the government's voice in the choice of management is preponderent. Indeed, we have always said that in any finance company where the government has given assistance, it would be inopportune for there to be management which is unacceptable to the government. It seems to me that this question of management ought to be treated more fully, and separately from the other questions of ownership and control.

Paragraph 9: It might be worth pointing out that the Bank is willing to regard the Corporation's investment as "private" when measuring the degree of private ownership and control of a development finance company.

Paragraph 11: There seems to me to be a difference between saying that quasi-equity "may be desirable in some circumstances" and saying, later on, "in general, if quasi-equity is lacking, the Bank may prefer to wait....". In fact in almost all cases we have preferred to wait. Also, I would substitute the phrase "for concrete results of operations" by the phrase "until it has achieved a record of profitability".

Paragraph 12: I was not aware that in practice the Bank took any special care to ensure that the companies' policy statements took into account the developmental objectives of the member country in which the company is located. The statements do in fact sometimes take such objectives into account (i.e. Tunisia, where the company's emphasis on tourism is in response to general developmental objective of the country), but the initiative in these cases came from the companies, not from the Bank.

Paragraph 18: I find the division of responsibility for approval of such projects between the Development Finance Companies Department and the Area Departments a difficult one, and I think it would be better if there were some arrangement whereby the Area Departments delegated to the Development Finance Companies Department responsibility for project approval. The Working Party would be consulted only in cases where, in the opinion of the Director of the Development Finance Companies Department, a policy issue was involved.

Paragraph 23: It is said that the amount of a Bank loan will normally be decided on the basis of the company's need for capital over one or two years, but "where the amount involved is large and where the company has a broad degree of freedom in using the Bank's loan, a shorter period is preferred." I do not understand the logic of this. Where the amount is large and the freedom great, we are, by the same token, dealing with a company in which we have confidence, and I should have thought that the criteria applied in deciding the amount of the credit should be at least as favorable to the company as for a smaller company to whom we allowed less discretion.

Paragraph 29: It is not fair to say that theloan account is credited "automatically" for projects below the free limit. Such crediting requires quite some paper work by the Area and Treasurer's Departments! Also, postponing crediting the loan account after approval has been given is no longer an advantage for most companies, now that the Bank's normal commitment charge policy applies. It would only be relevant in those rare cases where the commitment charge is postponed until the loan account is credited. This should be made explicit.

Paragraph 30: The reference to requiring the government-borrower of an IDA Credit to apply to the development finance company the "policy" which the Bank would have applied, is not clear. I assume that what is meant is the interest rate and commitment fee policy. If so, it should be said explicitly.

Paragraph 35: Adjustment of the amortization schedule if the development finance company reschedules its loan must be limited by the maximum period over which the Bank loan may be repaid. To do otherwise would mean going to the Board for an amentment to the Bank loan agreement, which would hardly ever be justified.

Paragraphs 42 & 43: I like this new formulation of our policy with respect to refinancing.

Paragraph 46: I would add to the last sentence the words, "in fixing the Closing Date".

Paragraph 48: I have never understood why the Bank wanted to obtain contractual rights in respect of enterprises financed by the development finance company. They are not obligated to repay the Bank and I do not understand why we should claim any other rights.

Paragraph 50: In line with the recent general Bank Operational Memorandum, I think an audit should be required not only after the Bank has lent but also, in the case of an established company, just before.

General: One minor point, the phrase "loan contract" which occurs in several places ought to be "loan agreement".

cc: Mr. P.M. Mathew

RFSkillings:jd

Dev. B - files.

Mr. Gordon M. Street November 21, 1967

William S. Humphrey

Comments on Draft Operational Memorandum on Development Finance Companies

I have the following comments on the draft memorandum:

Para. 4(c) - This implies that a pre-requisite of helping a D.F.C. is that there must be a clearly defined institutional gap in the capital market which a development finance company will be able to fill, partly or fully. One can envisage circumstances where there is no institutional gap, but merely a shortage of funds available from existing institutions. Under these circumstances, the Bank may either lend to an existing institution, or, if existing institutions are judged to be unsuitable channels for Bank funds, help establish a DFC.

Para. 7(a) - This paragraph lays down a pretty hard line on Bank involvement in DFCs where the Government has a substantial interest. There is an absolute prohibition on lending to institutions where the Government holding is greater than 50%. This would mean that the more flexible attitude the Bank is now taking towards lending to government-controlled manufacturing industry, with the emphasis on management and efficiency, rather than ownership, would not apply to DFCs - even though DFCs are intermediaries, rather than ultimate, borrowers. In addition, the policy laid down in this paragraph does not distinguish between direct government holdings of shares in the DFC and holdings of DFC shares by autonomous or semi-autonomous public authorities and the pension funds etc. of such institutions. Presumably, all such holdings would be classified as "Government holdings." In an economy where the public sector is large, this may deprive the DFC of a valuable source of funds. In addition, it seems a little unrealistic to expect the Government to provide "quasi-equity" (para 11), but not to have any influence whatever over the institution.

Para. 23 - There is no mention of administrative costs in foreign exchange which in certain past cases have been financed out of Bank loans. Is the omission deliberate?

Para. 41 - This raises the whole question of local currency financing. In certain countries, on general economic grounds, we agree to finance a portion of the local costs of projects, without linking this portion to the foreign exchange component of locally manufactured items. This paragraph implies that when we lend through a DFC in such countries, the proceeds can only be used for imported goods or for the foreign exchange component of domestically manufactured goods. A further practical reason for avoiding ~~is~~ tying the proceeds of the Bank loan to the foreign exchange element of locally manufactured goods is that the DFC will have to get its sub-borrowers to find out from their suppliers what the foreign exchange component is. This may be difficult, time-consuming and not very meaningful, particularly if the local manufacturer has bought his components from other local firms and these components also have an import component.

cc: Mr. Gibbs

WSHumphrey/aga WH

Mr. Leonard B. Rist November 20, 1967

Badri Rao

Regional Development Banks

As promised, here is the excerpt from Page 168 of the DAC Chairman's 1967 Review of Development Assistance Efforts and Policies about which I spoke to you.

"The multilateral structure is itself becoming increasingly complicated. The role of UNCTAD is by no means clear (see Chapter X). The new United Nations Industrial Development Organisation is still in process of definition. The United Nations Capital Fund has been created by the General Assembly, but is still only a blueprint. The Asian and African Banks have just opened their doors. And several other new agencies are in the stage of initial consideration. Many of the new organisations have areas of overlap with older organisations and with each other. Staffs may duplicate each other's work, and less developed countries can be bewildered as to where to turn for this or that particular form of assistance. Clearly there is some point at which the benefits from proliferation will be less than the costs in terms of growing staff requirements and the burdens on both developed and less-developed countries of meeting duplicating demands for information, receiving visiting representatives, and sending delegations to meetings. It is not that there are not requirements for action, but that there is some loss in total effectiveness when the basic problem of economic development is parcelled out among a considerable number of agencies. As the main suppliers of resources to these various agencies, DAC Members have a reason to be concerned over recent trends."

BR

BRao:mk

Dev. B-gen.

Mr. L. Rist

November 16, 1967

Badri Rao BR

Regional Development Banks

I am sending you herewith a note on the proposed Industrial Bank for Equatorial Africa and an up-dated draft of a paper on the Central American Bank for Economic Integration.

As per our discussion yesterday, you now have from me memos on the following institutions:

1. The Inter-American Development Bank.
2. The African Development Bank.
3. The Asian Development Bank.
4. The Central American Bank for Economic Integration.
5. The proposed Caribbean Devebpment Bank.
6. The proposed East African Development Bank.
7. The proposed Arab Development Bank,and
8. The proposed Industrial Bank for Equatorial Africa.

I wonder whether we shouldn't include in our study my memo on the Kuwaiti Fund also. While, undoubtedly it is only a channel for bilateral assistance, so is the SPTF of IDB.

I shall be sending you the comparative table you wanted in due course.

Attachments

BRao:mk

Dev. B - Gen.

INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

To: DFC Professional Staff

From: William Diamond November 16, 1967

Subject: Operational Memorandum on Development Finance Companies

Attached is the draft Nov. 13, 1967 of World Bank Operational Memorandum 5.11 on Development Finance Companies. This draft will be discussed in about a month's time by the senior staff of the Bank.

It contains, to my knowledge, nothing new. It is, as nearly as I could make it, an exact reflection of how we think and behave about development banks at this time.

I send it to you for information. Please read it and let me know in what respects, if any, you think it diverges from present practice.

cc General Files
IFC Library

WDiamond:us
DFC/IFC

TELEPHONE 26371/5
TELEGRAMS "MALINDEV"
KUALA LUMPUR
CODE BENTLEY'S SECOND

Malaysian Industrial Development Finance Limited
INCORPORATED IN THE STATES OF MALAYA
شريكة ڤودالن كماجوان ڤراوسهائن مليسيان برحد

MIDFL

BANGUNAN HWA-LI
63-65 JALAN AMPANG
KUALA LUMPUR
P. O. BOX 2110

OUR REF:

YOUR REF:

BB

DATE: November 14, 1967.

Mr. B.H. Shin,
Development Finance Corpn.,
1818 H Street, N.W.
Washington D.C. 20433,
U.S.A.

Dear Mr. Shin,

I refer to your letters of September 8 and October 17 about small-size loans.

I regret the delay in putting together the material that you wanted, but we wish to spend some time reviewing our experience in this field against the most up-to-date situation. We have also been subject to unduly heavy operational pressure of work as well as urgent work requiring elaborate submissions for an Ad Hoc Committee set up by the Board of Directors to review the progress of the Company. As the Committee wishes to complete its work before the end of this year, the pressure is likely to continue for some time.

Nonetheless, we have made some progress in our review of small-size loans, and we hope to be able to give you a brief note before the end of this month.

Yours sincerely,

L.M. SVOBODA
General Manager

ack Nov. 22

Malaysian Industrial Development Finance Limited
INCORPORATED IN THE STATES OF MALAYA

MIDFL

TELEPHONE 26371/5
TELEGRAMS "MALINDEV"
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KUALA LUMPUR
P. O. BOX 2110

OUR REF:

YOUR REF:

DATE: November 14, 1967.

18

Mr. B.H. Shin,
Development Finance Corpn.,
1818 H Street, N.W.
Washington D.C. 20433,
U.S.A.

Dear Mr. Shin,

I refer to your letters of September 8 and October 17 about small-size loans.

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Nonetheless, we have made some progress in our review of small-size loans, and we hope to be able to give you a brief note before the end of this month.

Yours sincerely,

L.M. SVOBODA
General Manager

1967 NOV 30 AM 8:38
COMMUNICATIONS

ack Nov. 22

TuTSKB Gen

November 14, 1967

Dear Mr. Kayalioglu:

Thank you very much for your letter of November 8, 1967 on the small-size loans operations of the Turkiye Sinai Kalkinma Bankasi A.S. I have found the information useful.

I note with special interest that you have found loans of less than LT 250,000 with certain maturities unprofitable. Are the studies or data leading to such findings available? If so, I would be most grateful if you could send me a copy of them.

Yours sincerely,

BS

B.H. Shin
Development Finance Companies

Mr. Bahaeddin Kayalioglu
Assistant General Manager
Turkiye Sinai Kalkinma Bankasi A.S.
Necatibey Caddesi 241-247
Tophane
Istanbul, Turkey

cc: (with a copy of incoming letter)
Mr. Jeffries

acn. Dec. 13/67

BHShin:ts

Div. B - gen.

Stockholms Enskilda Bank

Mr. J Wint

Telegram
Nitton - Stockholm
Telefon
24 65 00
Direktionen
22 19 00

Hg

Stockholm 16, November 13, 1967

Mr. William Diamond
Director
Development Finance Companies
International Finance Corporation
1818 H Street, N.W.
WASHINGTON, D.C. 20433

Dear Bill:

Just a few lines to tell you that your letter of October 19 regarding Incentive arrived here when I was still away.

I hope to be able to come back to the letter early next week.

Kindest regards,

Sincerely,

Carl

Carl B. Winqvist

Dev. B - Gen.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

RESTRICTED

SENIOR STAFF MEETING

SSM/A/67-21

November 13, 1967

DRAFT O.M. ON DEVELOPMENT FINANCE COMPANIES

The attached draft Operational Memorandum on the above subject is circulated with a view to discussion at a meeting in the near future.

C. H. Davies
Secretary

Distribution:

Senior Staff (Bank and IFC)

D R A F T

OPERATIONAL MEMORANDUM 5.11

Development Finance Companies

1. The Bank is interested in promoting and strengthening development finance companies. Its principal objective in doing so is to help build strong and effective domestic investment institutions which can channel domestic savings and external capital into productive enterprises in the private sector, thereby contributing both to the growth of those enterprises and to the development of the capital market in its member countries. Another objective is to use development finance companies as conduits through which to finance private enterprises which, for whatever reason, the Bank cannot finance directly. The Bank's relations with a development finance company reflect these two objectives; its focus is both on the enterprises the company finances and on the company itself, which it seeks to build into a strong, viable, independent institution.

2. This Memorandum is not concerned with intermediary institutions which are simply conduits for Bank funds. Such has, for example, been the case of the Bank's loans to the Japan Development Bank and the Yugoslav Investment Bank for the benefit of particular industrial enterprises, or the Bank's loans to CORFO of Chile and Nacional Financiera of Mexico for various public projects. In such cases, circumstances peculiar to the member country require the use of an intermediary, but the intermediary is only an incidental object of the Bank's interest.

3. A large variety of institutions are called development banks or development finance companies and have in common the objective of formulating, promoting and providing medium- and long-term finance and technical assistance for productive investments. However, the Bank's principal interest is in companies which are privately owned and controlled institutions, designed to promote private investment on business principles in the interest of the sound economic growth of a member country.

Conditions for Assistance to Development Finance Companies

4. In looking at requests to help establish, finance or otherwise assist a development finance company, the Bank is governed by the following considerations:

(a) The development of a strong private sector must be among the member country's over-all aims, and there must exist a climate conducive to the growth of the private sector.

(b) There must be opportunities for a substantial volume of private investment, and hence good prospect for a continuing demand for medium- and long-term loans and for equity capital.

(c) There must be a clearly defined institutional gap in the capital market which a development finance company will be able to fill, partly or fully.

(d) The creation or expansion of a development finance company must be a matter of relatively high economic priority in the member country concerned.

Characteristics of Development Finance Companies to be Supported by the Bank

5. A development finance company financed by the Bank is characteristically one which is owned by a broad range of investors, both foreign and domestic, but with a clear domestic majority; having government support in a form which does not give control to the government; providing finance only to privately controlled enterprises, principally but not exclusively in the manufacturing sector; empowered to make medium- and long-term loans, invest in share capital and underwrite securities; acting primarily as a financial institution rather than a holding or management company; making its investment decisions after careful appraisal, on the basis of sound investment criteria and giving due weight to the economic benefits to be obtained; combining financial prudence with a promotional outlook and a willingness to take risks; having both the objective and the prospect of paying a reasonable dividend to its shareholders, after setting aside adequate reserves.

6. These features cannot be found, or even sought, in all cases, for a company has to fit the needs and suit the conditions of the member country in which it operates. Hence, the capital structure, the distribution of ownership, the scope of operations, the policy orientation and other characteristics of development finance companies may differ widely, depending on the interests of their sponsors and the conditions and needs of the countries in which they are located. But several characteristics are essential for Bank assistance.

7. a. Private Control. Private control is essential because it helps assure the continuity of sound policy and experienced management and the conduct of operations on economic and financial rather than political criteria. The existence of a governmental interest (direct or indirect) in the company's voting share capital does not preclude Bank assistance if the requisite private capital is not available, if the government is prepared to dispose of its holdings to private investors as and when they become interested, and if the government's interest is not so large as to give it a controlling voice in the company's policies, personnel selection and investment decisions. Normally, the Bank expects a government participation not to exceed 25%, but it is prepared to accept a larger participation. A government participation in excess of 50% is unacceptable, as are also any special rights or powers that give government an overriding voice in the company's affairs (including the choice of management).

8. b. Domestic Control. The Bank seeks to encourage foreign as well as domestic investors to participate in the ownership of a development finance company, so as to facilitate the introduction of experience in investment banking and contacts with foreign business, both technical and financial. However, domestic investors must hold a majority of the voting capital, in order to assure that the company is identified with the member country and to facilitate the governmental support which it is likely to need.

9. In suitable cases, an investment by the International Finance Corporation has helped give the company the requisite image of a national institution. The Corporation may be willing, when circumstances justify, to restrict its sales of shares of a development finance company to private investors within the country concerned.

10. c. Profitability. The development finance company should have prospects of paying, in due course, a dividend reasonable in terms of investor expectations in the country concerned. Only if it pays adequate dividends can it look forward to increasing its share capital as needed and to borrowing in due course from conventional sources at home and abroad.

11. Adequate profitability is sometimes difficult to achieve, especially in the early years, because of the inability of the company to obtain sufficient leverage and a wide enough spread between its borrowing and lending rates. Interest-free or low-interest long-term and subordinated loans (from Government), which serve to increase both leverage and spread, may be desirable in some circumstances. Such funds, called "quasi-equity", also serve in various ways to increase the interest of investors in the share capital of the institution. There are, of course, other devices which may be used to achieve the goal of adequate profitability; and cheap and subordinated loans have the disadvantages of exposing a company to government pressure and relieving it of the need to conform to market conditions. But, in general, if "quasi-equity" is lacking, the Bank may prefer to wait for concrete results of operation before participating in financing a development finance company.

Statement of Operational Policies

12. When making a first loan to a development finance company which has not had a long operational record, the Bank normally requires that the company's sponsors and directors draw up and formally approve a statement setting forth the company's general policies. (In other cases, the Bank may also require such a statement.) The object of this statement is to assure the Bank that the company's objectives are, and that its behavior will be, consistent with the Bank's own objectives and with the developmental objectives of the member country in which the company is located. The statement is expected to spell out, more precisely and clearly than its charter will, the scope of operations of the company, its investment policies, its general intentions regarding reserves and dividends, and its plans concerning development of a staff.

13. The company's behavior will be continuously judged against the background of this statement of policies. However, it is intended to provide, not inflexible regulations, but general guidelines, from which departures may be made in exceptional circumstances, after due deliberation. Additions to, or changes in, the statement may be required from time to time, in the light of the development of the company and the changing conditions of the country. Where the Bank has made a loan, such amendments require the approval of the Bank.

Organization and Responsibility

14. Responsibility for the formulation, study and promotion of arrangements for the establishment of new, or the reorganization and expansion of existing development finance companies rests with the Development Finance Companies Department of the Corporation.

15. That Department is also responsible for the appraisal of, and negotiations with, development finance companies in connection with proposed investments by the Corporation in them; for the appraisal of such companies in connection with proposed Bank loans; for the recommendation of operational policies, managerial services, technical assistance, and terms and conditions of Corporation investments and Bank loans; for the review of individual investment projects when required; and for the continuing review and reappraisal of the companies in which investments, or to which loans, have been made. For the purpose of making and administering Bank loans, the Department acts as technical advisor to the Area Departments of the Bank.

16. Development finance companies are dealt with by joint working parties. The Corporation's Investment and Development Finance Companies Departments are represented on Bank working parties dealing with development finance companies, even if there is no existing or prospective investment by the Corporation. The appropriate Area Department of the Bank is represented on a Corporation working party involving a development finance company, even if no loan is involved. In cases involving only a loan or a loan and investment, the chairman of the working party is the representative of the Bank Area Department concerned. In the case of an investment alone, the chairman is the representative of the Development Finance Companies Department.

17. A loan for a development finance company will be arranged and negotiated in accordance with the regular procedure. If a Corporation investment is being made jointly with a loan or credit, arrangements should be made for simultaneous negotiations; and, subsequently, a joint meeting of the Boards of the Bank and of the Corporation will consider the loan and investment proposals.

18. In approving projects requiring prior Bank approval, the Bank Area Department Director acts on the advice of the Development Finance Companies Department. The Working Party is not consulted unless, in the opinion of either Director, a policy issue is involved.

Types of Assistance Available from the Bank

19. Technical. The Corporation provides technical assistance principally to development finance companies which are present or potential financial clients of the Bank and Corporation. It is normally available to other companies, including government-controlled companies only when there are prospects that they are likely to become eligible for the Bank's financial assistance.

20. The Corporation advises on the organization or reorganization of a development finance company in a form suitable for Bank assistance, if the conditions referred to in Paragraph 4 prevail.

21. The Corporation is willing to assist a private development finance company in finding management, advisors and senior staff. Neither the Bank nor the Corporation will normally share the cost of managers, staff or advisors of development finance companies.

22. The Bank and the Corporation arrange training for staff of development finance companies, in modest numbers, in the EDI, the Corporation and other development finance institutions.

23. Financial. The Bank provides loans to help meet the capital requirements of a development finance company. Normally the amount provided at any one time is the sum which (together with other available funds) the company needs, within the limits of prudent borrowing policy, to meet the expected demand for capital over a period of one to two years. Where the amount involved is large and where the company has a broad degree of freedom in using the Bank's loan, a shorter period is preferred. The amount of a loan may also be limited by the country's creditworthiness and, in the case of countries eligible for Association funds, by the amount of such funds that can be made available to the country.

24. An investment by the Corporation in a development finance company takes the form of a subscription to share capital. Only in special circumstances will the Corporation consider making a loan to such a company.

Special Terms of Loans to Development Finance Companies

25. Project Description. The description of the project for which the loan is made reflects the double focus of the Bank's interest: the financing of private enterprises, and provision of capital to enable the company to carry on its business.

26. Commitment Fee. The Bank applies to development finance companies its standard policy with respect to commitment charges. However, the Bank is prepared to consider concessional treatment in special circumstances, such as the case of a new company or one which has not had an opportunity to build up its business to an adequate level. Concessional treatment would mean applying the commitment fee only when a credit is made to the loan account for a specific investment project, and only to the amount credited for that investment project.

27. Crediting the Loan Account. The commitment and disbursement of the proceeds of the loan are related to the specific investment projects for which they are to be used.

28. The Bank expects a development finance company to apply high standards in the appraisal of its investment projects. Nevertheless, the Bank takes the right to approve all investment projects before portions of the proceeds of the loan are committed for them. The degree to which the Bank exercises this right depends on its experience with the company; it normally allows a certain degree of freedom. In general, the Bank starts with a new development finance company by allowing it to request commitment of funds for an individual project up to a specified limit, of say, $50,000, without prior approval by the Bank. As the company's staff and experience develop, and as the Bank's confidence in the company grows, the degree of freedom is increased until, in practice, no projects need to be submitted for prior approval. The Bank may change this limit at its discretion.

29. Upon request of the company, the Bank credits the loan account with the amount required for the investment project. In the case of an investment project which does not require prior approval, the loan account is credited automatically upon request of the company. In the case of an investment project requiring prior approval, the credit is not made until the Bank's approval has been given. Approval and crediting in such cases, are normally simultaneous. However, in certain circumstances, where simultaneous action would create a hardship on a company, the Bank is prepared to consider postponing crediting the account for a reasonable time after approval has been given, pending a request for a credit.

30. In the case of an IDA credit, the entire amount of the credit is credited to the credit account on the effective date and no commitment fee is charged by the Association to the government-borrower. However, the government-borrower is required to apply to the development finance company the policy which the Bank would have applied in the case of a Bank loan. In such a case of an IDA credit, the company does not request a credit to the credit account; it asks for permission to withdraw from the credit account.

31. Approval of Investment Projects. The requirement of approval is largely a device for introducing development finance companies to the methods and practices of investment banking, raising their appraisal standards and familiarizing the Bank and the company with each other. It is not primarily designed to assure that particular projects and investment decisions are sound and that the Bank's funds are being properly used in particular projects, or to remove decision-making on particular investment projects from the company to the Bank. In a sense, therefore, the Bank's review constitutes an appraisal of the appraisal rather than an appraisal of the investment project, a check to see that the company has considered all factors relevant to a sound decision. The responsibility for the investment decision remains with the company.

32. The larger the investment project, the greater the care with which the company should have appraised it, and the greater the care with which the appraisal will be reviewed by the Bank, for prior approval of the project. In the case of an unusually large and complex project, the Bank might go more deeply into the substance of the project and might even undertake a field appraisal of the project. However, the Bank expects the company, in most such cases, to seek partners, including the Corporation, to share the risk.

33. Generally the Bank reviews only projects which are to be financed from the proceeds of a Bank loan. Since, however, the risk to the company is the same whether Bank funds or other funds are used, there may be a case for review by the Bank of all large or complex projects, without regard to the source of their financing. The Bank has, on several occasions, required prior approval of projects other than those using Bank funds.

34. To review an investment project, the Bank requires that an adequate amount of information be submitted about it. In order to minimize extra work required of the company, the Bank ordinarily asks for the same documentation that is submitted to the company's Board of Directors, if that is adequate. As regards investment projects which do not require prior Bank approval, the Bank asks only for the basic data required to permit the commitment of funds and their disbursement, and to keep itself informed of the end-use of its funds.

35. Amortization. A Bank loan to a development finance company is repaid in approximate conformity with the repayments received by the company from its own borrowers. The amortization schedule of the Bank's loan is the composite of the amortization schedules agreed with the company for all the investment projects it has financed with the proceeds of the loan. In order to simplify the administration of this policy, a single amortization schedule is agreed during negotiations, which reflects the estimated composite of repayment schedules of loans to be made with the proceeds of the loan. This pro forma schedule is modified from time to time as needed, to bring it into approximate conformity with the amortization schedule of the loans actually made by the company. If the company receives a prepayment from one of the enterprises it has financed from the proceeds of the Bank loan (or if it sells an equity investment it has made with those proceeds), it must repay the Bank correspondingly. On the other hand, if the amortization of a loan to an enterprise is rescheduled by the development finance company, its repayment schedule to the Bank is correspondingly modified if adequate notice is given.

36. The loan contract specifies a maximum period (usually 15 years) for repayment of any individual investment financed with its proceeds.

37. Interest Rate. A loan to a development finance company does not carry a fixed interest rate. When a part of the loan is credited to the loan account for a specific investment project, the rate applicable to that part of the loan is the Bank's standard lending rate when the credit is made.

38. Scope of Operations. The fields of enterprise for which the proceeds of the loan may be used are all those in which the development finance company is allowed by its charter and its policy to operate. If the law under which the company operates, or its charter, allows operations considered inappropriate for a company which the Bank is financing, the policy statement will require withdrawal from such activity; or, if these activities are such that the use of the Bank loan would not be appropriate, the fact will be dealt with in some suitable way.

39. Use of Loan for Investment in the Form of Share Capital. The loan may be used to finance the company's investments in share capital as well as its loans. However, this is permitted only within the framework of an agreed prudent policy with respect to the aggregate of the company's exposure in equity investments and every such project requires prior Bank approval no matter what its size. When the loan is used to finance an investment in share capital, an arbitrary amortization schedule is agreed with the company for the part of the loan used in this fashion, spread over a period of years not more than the maximum allowed in the loan contract.

40. Use of Loan to Finance Working Capital. The loan may be used to finance not only fixed assets, but also the initial stock of raw materials and supplies needed for the commencement of operations, or the increase in such stock needed for the expansion of operations, of an investment project.

41. Use of Loan to Finance Imports. The proceeds of a loan to a development finance company may be used only for imported goods (whether paid for abroad or purchased from the shelf at home) or for domestic goods to the extent they incorporate imported material and components.

42. Use of Loan to Refinance Previously Incurred Expenditures. Ordinarily the loan may not be used to cover expenditures incurred more than 90 days before the submission of the investment project to the Bank for approval (or, where approval is not required, before the request to credit the loan account). This is designed to encourage a company to enter into the planning and financing of a project at an early stage. However, in the circumstances in which many development finance companies operate, this is very difficult to achieve. Where there are good reasons, therefore, the Bank will consider providing for a longer period in dealing with some companies or waiving the restriction in the case of certain specific investment projects.

43. Although the Bank does not encourage a development finance company to engage in refinancing operations, which may often be required because of poor planning or poor management, the Bank does not object to a development finance company's using some of the proceeds of the Bank loan for refinancing if the investment projects have been carefully appraised and merit finance. For example, the refinancing of permanent working capital, in order to achieve a properly balanced financial structure, is often particularly important. Such cases, when considered suitable, are dealt with as an exception to the normal restriction on financing expenditures already incurred.

44. <u>Disbursement</u>. Disbursement ordinarily takes place on the basis of a list of goods for each individual project financed with the proceeds of the loan. The development finance company is responsible for assuring the suitability of the list of goods and the reasonableness of their prices. The list is received at the time a credit to the loan account is requested, in the case where no prior approval is required; where prior approval of the Bank is required, the list is submitted together with the project.

45. <u>Foreign Exchange Risk</u>. The Bank will assure itself that the development finance company can and will adequately protect itself against exchange risk. There are various methods by which this can be done.

46. <u>Period of Commitment and Disbursement of Loan</u>. The Bank sets a time limit for the submission of investment projects for crediting to the loan account. The time limit is set by reference to the one to two-year period referred to in Paragraph 23; it is subject to extension by mutual agreement. An additional one to two years is allowed for completion of disbursements.

47. <u>Supervision.</u> The Bank obtains the rights to receive information it requests concerning the operations and financial condition of the development finance company, and to visit the company. The information and regular visits are used to maintain a continuing reappraisal of the performance, position and prospects of the company. All the operations of the company are scrutinized, and not simply those financed with the proceeds of the Bank loan.

48. The Bank also requires that the company obtain from its clients who receive finance from the proceeds of a Bank loan, certain contractual rights on behalf of the Bank, including the right of independent access to the individual investment projects. In practice, the Bank carries out its inspections of investment projects in the company of the company's representatives.

49. <u>Debt/Equity Ratio</u>. The loan contract carries a limit on the debt which any company may incur. The limit used is an agreed multiple of the equity of the company. The Bank may, at its discretion, include in the equity (and exclude from debt) borrowings of the company which are adequately subordinated to the Bank's loan. The Bank normally fixes the ratio at three, at the beginning of its experience with a development finance company. It is prepared to review and revise that ratio in the light of the company's loss record, the quality of its portfolio and its prospects, of the economic outlook of the country, and of other relevant factors.

50. <u>Audit</u>. The development finance company must retain a firm of independent public accountants acceptable to the Bank, to audit the company's accounts annually, and to do so in accordance with generally accepted international accounting principles and in a form satisfactory to the Bank; and the company needs to transmit those reports to the Bank, together with any related letters from the auditor.

51. Procurement. It is not practicable to require the clients of a development finance company to procure goods under international competitive bidding arrangements. The Bank does expect, however, that the company, in appraising investment projects, will satisfy itself that the goods and services to be purchased are suitable to the projects and are reasonably priced. In the case of unusually large investment projects, the company is expected to go further and ensure that its clients have canvassed the main sources of supply and are purchasing from the most advantageous source or, if the expense is not prohibitive, are basing procurement on international bidding.

52. General. The Bank relies fundamentally on the Board and management of a development finance company to act in accordance with sound investment banking practices within the framework of a body of policy agreed before the loan is made. The quality of management and performance remains under continuing review. Arrangements must be made for adequate and timely discussion of any intention to change the management or to change substantially the policies agreed upon.

W. Diamond

November 3, 1967

Dev. B - Gen

November 9, 1967

Dear Mr. Senga:

This is to reply to your letter dated October 30, 1967 to the Director of Development Finance Companies Department concerning the literature on development banks.

I note that you have already read three publications, one by S. Boskey and two by W. Diamond. Recently the World Bank Group has prepared a paper entitled, "The Role of National Development Finance Companies in Industrial Development" as an information paper for the International Symposium on Industrial Development sponsored by the United Nations Industrial Development Organization to be held in Athens, Greece in December 1967. I am enclosing a copy of it for your information. I hope you will find it useful.

You indicated in the letter your interest in materials particularly on the evaluation of the contribution of the development finance companies to economic development in the developing countries. We usually make such evaluations for operational purposes on the companies which the World Bank Group has assisted. However, unfortunately we are not in a position to make such information public since it was obtained on a confidential basis.

Incidentally, for general readings, you may also wish to include in your list a publication entitled, "Public External Financing of Development Banks in Developing Countries" by Raymond F. Mikesell and Robert W. Adler, University of Oregon Eugene, Oregon, 1966, which contains a selected bibliography on industrial development banking.

Yours sincerely,

BS

B.H. Shin
Development Finance Companies

Attachment

Mr. William M. Senga
1111 Dartmouth Ave. Apt. 124
Claremont, California 91711

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Tu TSKB

TÜRKİYE SINAİ KALKINMA BANKASI A. Ş.

(INDUSTRIAL DEVELOPMENT BANK OF TURKEY)

P.O. Box : 17 Karaköy,
İstanbul, Turkey

Cable Address : 29497
KALKINMABANK, İstanbul

November 8, 1967

BS

Mr. B. H. Shin
Development Finance Companies
International Finance Corporation
1818 H Street N. W.
Washington D. C. 20433

U. S. A.

Dear Mr. Shin :

This is in reference to your letters of September 8, October 17, 1967 concerning the small-size loans made by TSKB.

The Industrial Development Bank of Turkey, having been the only institution financing the private industry, has had to treat all loan applications coming from industrial concerns, be it small, medium or large, in the same manner.

TSKB follows generally the same appraisal, lending procedure and follow-up supervision for all loans. The major problem in this respect arises from the lack of a financial institution which would handle small-size financial requirements of the private industry. This fact puts TSKB in a difficult position by pushing it to find ways out to meet such requirements on the one hand and to make efforts to save time and speed up project investigation in order to be able to satisfactorily appraise bigger and more profitable projects.

According to the calculations made on the break-even basis, the loans under TL. 250.000.- have been found unprofitable within certain maturities.

Our investigations also show that the loans within this limit make up about 36 % of all applications and thus inefficiently occupy the staff and time and delay unjustly the investigation of other projects which are more profitable and beneficial both to the entrepreneurs and to the Turkish Economy.

In view of the above considerations and the ever increasing loan applications the Bank has started practising the following policy decision :

1- Except for the additional loans required by the projects which have been financed by this Bank and which are at the stage of construction and for such regions whose development is envisaged within the framework of the Plan targets and strategy, requests for loans made from other regions in foreign exchange and/or Turkish Lira below the level of TL. 250.000.- shall not be taken into consideration ;

./..

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.

(INDUSTRIAL DEVELOPMENT BANK OF TURKEY)

29197

KALKINMABANK, İstanbul

November 8, 1967

Mr. S. H. Shin
Development Finance Companies
International Finance Corporation
1818 H Street N. W.
Washington D. C. 20433

U.S.A.

Dear Mr. Shin :

This is in reference to your letters of September 6, October 17, 1967 concerning the small-size loans made by TSKB.

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2- No loans below the level of $. 50.000.- shall be approved from the loans obtained from such external sources as the International Bank for Reconstruction and Development, the International Development Association, the European Investment Bank and the US Agency for International Development with the exception of the additional loans necessary for the completion of the projects which have been financed from these sources;

3- No minimum limit shall be fixed for the foreign exchange allocations against payment of counterpart in cases where such limit may interrupt the operation of the existing plants; whereas, applications for foreign exchange allocations, against payment of counterpart, for a new investment, which are lower than $. 25.000.-, shall not be taken into consideration.

4- The lending from the Turkish Lira resources of the counterpart in Turkish Liras of foreign exchange allocations to be made from the Quota in amounts higher than $. 50.000.- to the extent that the foreign resources would not permit a loan shall be restricted to such cases where the insufficient financial resources of the entrepreneur would make such lending necessary and compelling.

Sincerely yours,
TÜRKİYE SINAÎ KALKINMA BANKASI A.Ş.

B. Kayalıoğlu

Alparslan Alagöz
(Deputy-Director Loan and Investment and Financial Analysis Department)

Bahaeddin Kayalıoğlu
(Assistant General Manager)

Sec. B-gen.

Mr. Morton M. Mendels

William Diamond

Agenda for Senior Staff Meeting

November 8, 1967

Attached is the stencil of a draft operational memorandum for discussion at the forthcoming Senior Staff meeting. Mr. Cope will confirm to you that Mr. Knapp and he would like it circulated and put on the agenda at an appropriate time.

Would you be good enough to send me 40 extra copies ?

Attachment

cc Messrs. Knapp
Raj
Cope

WDiamond:us

D R A F T

OPERATIONAL MEMORANDUM 5.10

Development Finance Companies

1. The Bank is interested in promoting and strengthening development finance companies. Its principal objective in doing so is to help build strong and effective domestic investment institutions which can channel domestic savings and external capital into productive enterprises in the private sector, thereby contributing both to the growth of those enterprises and to the development of the capital market in its member countries. Another objective is to use development finance companies as conduits through which to finance private enterprises which, for whatever reason, the Bank cannot finance directly. The Bank's relations with a development finance company reflect these two objectives; its focus is both on the enterprises the company finances and on the company itself, which it seeks to build into a strong, viable, independent institution.[1]

2. A large variety of institutions are called development banks or development finance companies and have in common the objective of formulating, promoting and providing medium- and long-term finance and technical assistance for productive investments. However, the Bank's interest is in companies which are privately owned and controlled institutions, designed to promote private investment on business principles in the interest of the sound economic growth of a member country.

Conditions for Assistance to Development Finance Companies

3. In looking at requests to help establish, finance or otherwise assist a development finance company, the Bank is governed by the following considerations:

(a) The development of a strong private sector must be consistent with the member country's over-all aims, and there must exist a climate conducive to the growth of the private sector.

(b) There must be opportunities for a fairly large volume of private investment, and hence good prospect for a continuing demand for medium- and long-term loans and for equity capital.

(c) There must be a clearly defined institutional gap in the capital market which a development finance company will be able to fill.

1/ There are, however, occasional special cases when the Bank's primary, if not sole, interest is the final user of its finance, and the intermediary institution is simply a conduit. This has been the case of the Bank's loans to the Japan Development Bank and the Yugoslav Investment Bank for the benefit of particular industrial enterprises, or the Bank's loans to CORFO of Chile and Nacional Financiera of Mexico for various public projects. Here circumstances peculiar to the member country require the use of an intermediary, but the intermediary is only an incidental object of the Bank's interest.

(d) The creation or expansion of a development finance company must be a matter of relatively high economic priority in the member country concerned.

4. Where these conditions do not exist, the Bank will not promote or finance development finance companies, but will seek other means to assist such countries in financing their productive sectors. On the other hand, where these conditions do exist, the Bank is prepared to be flexible in applying its policies regarding development finance companies.

Characteristics of Development Finance Companies to be Supported by the Bank

5. In promoting and assisting development finance companies, the Bank prefers a company owned by a broad range of investors, both foreign and domestic, but with a clear domestic majority; having government support in a form which does not give control to the government; providing finance only to privately controlled enterprises, principally but not exclusively in the manufacturing sector; empowered to make medium- and long-term loans, invest in share capital and underwrite securities; committed to act in such a way as to contribute to the growth of the capital market; acting primarily as a financial institution rather than a holding or management company; making its investment decisions after careful appraisal, on the basis of a sound investment criteria and giving due weight to the economic benefits to be obtained; combining financial prudence with a promotional outlook and a willingness to take risks; having both the objective and the prospect of paying a reasonable dividend to its shareholders, while setting aside adequate reserves.

6. Although the Bank prefers these characteristics, it seeks to establish and support an institution which fits the needs and suits the conditions of a member country. Hence the capital structure, the distribution of ownership, the scope of operations, the policy orientation and other characteristics of development finance companies may differ widely, depending on the interests of their sponsors and the conditions and needs of the member countries in which they are located, while still qualifying for Bank assistance. But several characteristics are essential for Bank assistance.

7. a. Private Control. Private control is essential because it helps assure the continuity of sound policy and experienced management and the conduct of operations on economic and financial rather than political criteria. The existence of a governmental interest (direct or indirect) in the company's voting share capital does not preclude Bank assistance if the requisite private capital is not available, if the government is prepared to dispose of its holdings to private investors as and when they become interested, and if the government's interest is not so large as to give it a controlling voice in the company's policies, personnel and investment decisions. Normally, the Bank expects a government participation not to exceed 25%, but it is prepared to accept a larger participation. A government participation in excess of 50% is unacceptable, as are also any special rights or powers that give government an overriding voice in the company's affairs (including the choice of management).

8. b. Domestic Control. The Bank seeks to encourage foreign as well as domestic investors to participate in the ownership of a development finance company, so as to facilitate the introduction of experience in investment banking and contacts with foreign business, both technical and financial. However, domestic investors must hold a majority of the voting capital, in order to assure that the company is identified with the member country and to facilitate the governmental support which it is likely to need.

9. The Internatioanl Finance Corporation has been regarded as national, rather than foreign, in some member countries so that a majority made up of holdings by genuinely domestic investors (including the government) and the Corporation can give the company the requisite image of a national institution. The Corporation may be willing, when circumstances justify, to restrict its sales of shares of a development finance company to private investors within the country concerned. The participation by the Corporation can thus help, not only to provide the capital needed to create a development finance company, but also to assure private control and domestic control.

10. c. Profitability. The development finance company must be potentially profitable. The company should have prospects of paying, in due course, a dividend reasonable in terms of investor expectations in the country concerned. Profitability is a measure of the company's effectiveness and efficiency. Only if it pays appropriate dividends, can the company look forward to increasing its share capital as needed and borrowing in due course from conventional sources at home and abroad.

11. Adequate profitability is sometimes difficult to achieve, especially in the early years, because of the inability of the company to obtain sufficient leverage and a wide enough spread between its borrowing and lending rates. Interest-free long-term and subordinated loans, which serve to increase both leverage and spread, may be desirable in some circumstances. Such funds, called "quasi-equity", serve in various ways to increase the interest of investors in the share capital of the institution. There are, of course, other devices which may be used to achieve the goal of adequate profitability; and interest-free subordinated loans have the disadvantages of exposing a company to government pressure and relieving it of the need to conform to market conditions. But, in general, if quasi-equity is lacking, the Bank may prefer to wait for concrete results of operation before participating in financing a development finance company.

Statement of Operational Policies

12. On the occasion of a first loan to a development finance company which has not had a long operational record, the Bank normally requires that its sponsors and directors draw up and formally approve a statement setting forth the company's general policies. (In other cases, the Bank may also require such a statement.) The object of this statement is to assure the Bank that the company's objectives are, and that its behavior will be, consistent with the Bank's own objectives and with the developmental objectives of the member country in which the company is located. The statement is expected to spell out, more precisely and clearly than its charter will, the scope of operations of the company, its investment policies, its general intentions regarding reserves and dividends, and its plans concerning development of a staff.

13. The Bank attributes considerable importance to this statement of policies. The behavior of the company will be continuously judged, in part, for conformity with it. However, the statement is intended to provide, not inflexible regulations, but general guidelines, from which departures may be made in exceptional circumstances, after due deliberation. Additions to, or changes in, the statement may from time to time be required, in the light of the development of the company and the changing conditions of the country. Where the Bank has made a loan, such amendments require the approval of the Bank.

Organization and Responsibility

14. Responsibility for the formulation, study and promotion of arrangements for the establishment of new, or the reorganization and expansion of existing development finance companies rests with the Development Finance Companies Department of the Corporation.

15. That Department is also responsible for the appraisal of, and negotiations with, development finance companies in connection with proposed investments by the Corporation in them; for the appraisal of such companies in connection with proposed Bank loans; for the recommendation of operational policies, managerial services, technical assistance, and terms and conditions of Corporation investments and Bank loans; for the review of individual investment projects when required; and for the continuing review and reappraisal of the companies in which investments, or to which loans, have been made. For the purpose of making and administering Bank loans, the Department acts as technical advisor to the Area Departments of the Bank.

16. Development finance companies are dealt with by joint working parties. The Corporation's Investment and Development Finance Companies Departments are represented on Bank working parties dealing with development finance companies, even if there is no existing or prospective investment by the Corporation. The appropriate Area Department of the Bank is represented on a Corporation working party involving a development finance company, even if no loan is involved. In cases involving only a loan or a loan and investment, the chairman of the working party is the representative of the Bank Area Department concerned. In the case of an investment alone, the chairman is the representative of the Development Finance Companies Department.

17. A loan for a development finance company will be arranged and negotiated in accordance with the regular procedure. If a Corporation investment is being made jointly with a loan or credit, arrangements should be made for simultaneous negotiations; and, subsequently, a joint meeting of the Boards of the Bank and of the Corporation will consider the loan and investment proposals.

18. In approving projects requiring Bank approval before the Loan Account may be credited, the Bank Area Department Director acts on the advice of the Development Finance Companies Department. The Working Party is not consulted unless, in the opinion of either Director, a policy issue is involved.

Types of Assistance Available from the Bank

19. Technical. The Corporation provides technical assistance principally to development finance companies which are present or potential financial clients of the Bank and Corporation. It is normally available to other companies, including government-controlled companies, only when there are prospects that they are likely to become eligible for the Bank's financial assistance.

20. The Corporation advises on the organization or reorganization of a development finance company in a form suitable for Bank assistance, if the conditions referred to in Paragraph 3 prevail.

21. The Corporation is willing to assist a private development finance company in finding management, advisors and senior staff. Neither the Bank nor the Corporation will normally share the cost of managers, staff or advisors of development finance companies.

22. The Bank and the Corporation arrange training for staff of development finance companies, in modest numbers, in the EDI, the Corporation and other development finance institutions.

23. Financial. The Bank provides loans to help meet the capital requirements of a development finance company. Normally the amount provided at any one time is the sum which (together with other available funds) the company needs, within the limits of prudent borrowing policy, to meet the expected demand for capital over a period of one to two years. Where the amount involved is large and where the company has a broad degree of freedom in using the Bank's loan, a shorter period is preferred. The amount of a loan may also be influenced by the country's creditworthiness and, in the case of countries eligible for Association funds, by the amount of such funds that can be made available to the country.

24. The Corporation invests in the equity of a development finance company. Only in special circumstances will it consider making a loan to such a company.

Special Terms of Loans to Development Finance Companies

25. Project Description. The description of the project for which the loan is made reflects the double focus of the Bank's interest: the financing of private enterprises, and provision of capital to enable the company to carry on its business.

26. Commitment Fee. The Bank applies to development finance companies its standard policy with respect to commitment charges. However the Bank is prepared to consider concessional treatment in special circumstances, such as the case of a new company or one which has not had an opportunity to build up its business to an adequate level. Concessional treatment would mean ~~analyzing~~ the commitment fee
applying

only when a credit is made to the loan account for a specific investment project, and only to the amount credited for that investment project.

27. Crediting the Loan Account. The commitment and disbursement of the proceeds of the loan are related to the specific investment projects for which they are to be used.

28. The Bank expects a development finance company to apply high standards in the appraisal of its investment projects. Nevertheless, the Bank takes the right to approve all investment projects before portions of the proceeds of the loan are committed for them. The degree to which the Bank exercises this right depends on its experience with the company; it normally allows a certain degree of freedom. In general, the Bank starts with a new development finance company by allowing it to request commitment of funds for an individual project up to a specified limit, of say, $50,000, without prior approval by the Bank. As the company's staff and experience develop, and as the Bank's confidence in the company grows, the degree of freedom is increased until, in practice, no projects need to be submitted for prior approval. The Bank may change this limit at its descretion.

29. Upon request of the company, the Bank credits the loan account with the amount required for the investment project.1/ In the case of an investment project which does not require prior approval, the loan account is credited automatically upon request of the company. In the case of an investment project requiring prior approval, the credit is not made until the Bank's approval has been given. Approval and crediting in such cases, are normally simultaneous. However, in certain circumstances, where simultaneous action would create a hardship on a company, the Bank is prepared to consider postponing crediting the account for a reasonable time after approval has been given, pending a request for a credit.

30. Approval of Investment Projects. The requirement of approval is a device for introducing development finance companies to the methods and practices of investment banking, raising their appraisal standards and familiarizing the Bank and the company with each other. It is not primarily designed to assure that particular projects and investment decisions are sound and that the Bank's funds are being properly used in particular projects, or to remove decision-making on particular investment projects from the company to the Bank. In a sense, therefore, the Bank's review constitutes an appraisal of the appraisal rather than an

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1/ In the case of an IDA credit, the entire amount of the credit is credited to the credit account on the effective date and no commitment fee is charged by the Association to the government-borrower. However, the government-borrower is required to apply to the development finance company the policy which the Bank would have applied in the case of a Bank loan. In such a case of an IDA credit, the company does not request a credit to the credit account; it asks for permission to withdraw from the credit account.

appraisal of the investment project, a check to see that the company has considered all factors relevant to a sound decision. The responsibility for the investment decision remains with the company. Only in unusual circumstances would the Bank substitute its own judgment for that of the company.

31. The larger the investment project, the greater the care with which the company should have appraised it, and the greater the care with which the appraisal will be reviewed by the Bank, for prior approval of the project. In the case of an unusually large and complex project, the Bank might go more deeply into the substance of the project and might even undertake a field appraisal of the project. However, the Bank expects the company, in most such cases, to seek partners, including the Corporation, to share the risk.

32. To review an investment project, the Bank requires that an adequate amount of information be submitted about it. In order to minimize extra work required of the company, the Bank ordinarily asks for the same documentation that is submitted to the company's Board of Directors, if that is adequate. As regards investment projects which do not require prior Bank approval, the Bank asks only for the basic data required to permit the commitment of funds and their disbursement, and to keep itself informed of the end-use of its funds.

33. Amortization. A Bank loan to a development finance company is repaid in approximate symmetry with the repayments received by the company from its own borrowers. The amortization schedule of the Bank's loan is the composite of the amortization schedules agreed with the company for all the investment projects it has financed with the proceeds of the loan. In order to simplify the administration of this policy, a single amortization schedule is agreed during negotiations, which reflects the estimated composite of repayment schedules of loans to be made with the proceeds of the loan. This prepared schedule is modified from time to time as needed, to bring it into approximate conformity with the amortization schedule of the loans actually made by the company. If the company receives a prepayment from one of the enterprises it has financed from the proceeds of the Bank loan (or if it sells an equity investment it has made with those proceeds), it must repay the Bank correspondingly. On the other hand, if the amortization of a loan to an enterprise is rescheduled by the development finance company, its repayment schedule to the Bank is correspondingly modified if adequate notice is given.

34. The loan contract specifies a maximum period (usually 15 years) within which repayment of the loan will be completed. The period relates to the individual investment projects financed with its proceeds.

35. Interest Rate. A loan to a development finance company does not carry a fixed interest rate. When a part of the loan is credited to the loan account for a specific investment project, the rate applicable to that part of the loan is the Bank's lending rate when the credit is made.

36. Scope of Operations. The fields of enterprise for which the proceeds of the loan may be used are all those in which the development finance company is allowed by its charter and its policy to operate. If public law or the charter of the company allows operations considered inappropriate for the use of a Bank loan, this fact will be dealt with in the policy statement, which would require withdrawal from such activity.

37. Use of Loan for Share Capital. The loan may be used to finance the company's investments in share capital as well as its loans. However, this is permitted only within the framework of an agreed prudent policy with respect to the aggregate of the company's exposure in equity investments and every such project requires prior Bank approval no matter what its size. When the loan is used to finance an investment in share capital, an arbitrary amortization schedule is agreed with the company for the part of the loan used in this fashion, spread over a period of years not more than the maximum allowed in the loan contract.

38. Use of Loan for Working Capital. The loan may be used to finance not only fixed assets, but also the initial stock of raw materials and supplies needed for the commencement of operations, or the increase in such stock needed for the expansion of operations, of an investment project.

39. Use of Loan for Imports. As an exception to normal Bank policy described in 2.03, the proceeds of a loan to a development finance company may be used only for imported goods (whether paid for abroad or purchased from the shelf at home, and including the import component of domestic goods).

40. Use of Loan for Refinancing. Ordinarily the loan may not be used to cover expenditures incurred more than 90 days before the submission of the investment project to the Bank for approval (or, where approval is not required, before the request to credit the loan account). This is designed to encourage a company to enter into the planning and financing of a project at an early stage. However, in the circumstances in which many development finance companies operate, this is very difficult to achieve. Where there are good reasons, therefore, the Bank will consider providing for a longer period in dealing with some companies or waiving the restriction in the case of certain specific investment projects.

41. Although the Bank does not encourage a development finance company to engage in refinancing operations, which may often be required because of poor planning or poor management, the Bank does not object to a development finance company's using some of the proceeds of the Bank loan for refinancing if the investment projects have been carefully appraised and merit finance. For example, the refinancing of permanent working capital in order to achieve a properly balanced financial structure, is often particularly important. Such cases, when considered suitable, are dealt with as an exception to the normal restriction on financing expenditures already incurred.

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46. Debt/Equity Ratio. The loan contract carries a limit on the debt which any company may incur. The limit used is an agreed multiple of the equity of the company. The Bank may, at its descretion, include in the equity (and exclude from debt) borrowings of the company which are adequately subordinated to the Bank's loan. The agreement reached reflects a compromise between the Bank, which seeks security for its loan, and the company, which seeks maximum leverage. The Bank normally fixes the ratio at three, at the beginning of its experience with a development finance company. It is prepared to review and revise that ratio in the light of its assessment of the company's loss record, of its portfolio and prospects, of the economic outlook of the country, and of other relevant factors.

47. Audit. The development finance company must retain a firm of independent public accountants acceptable to the Bank, to audit the company's accounts annually, and to do so in accordance with generally accepted international standards of accounting practice.

48. Procurement. It is not practicable to require international competitive bidding of the clients of a development finance company. The Bank does expect, however, that the company, in appraising investment projects, will satisfy itself that the goods and services to be purchased are suitable to the projects and are reasonably priced. In the case of unusually large investment projects, the company is expected to go further

and ensure that its clients have canvassed the main sources of supply and are purchasing from the most advantageous source or, if the expense is not prohibitive, are basing procurement on international bidding.

49. General. The Bank relies fundamentally on the Board and management of a development finance company to act in accordance with sound investment banking practices within the framework of a body of policy agreed before the loan is made. The quality of management and performance remain under continuing review. Arrangements must be made for adequate and timely discussion of any intention to change the management or to change substantially the policies agreed upon.

W. Diamond

October 16, 1967

DW. B-gen.

FORM No. 26
(6.65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: NOVEMBER 7, 1967 1210

LOG NO.: RC 24/8

TO: DIAMOND CORINTFIN

FROM: LONDON

ROUTING

ACTION COPY: MR.DIAMOND

INFORMATION COPY:

DECODED BY:

TEXT:

WOULD VERY MUCH LIKE YOU COME TO DRINKS MY HOUSE DURING YOUR FORTHCOMING LONDON VISIT. WOULD NOVEMBER 20TH OR 21ST SUIT BEST REGARDS

WILFRID RUSSELL

MT

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

TYPED

GENERAL FILES
COMMUNICATIONS

NOV 8 8 35 AM 1967

Dev. B - Gen.

Mr. Diamond

November 7, 1967

L. Murick /initialed/ L.N.

Draft Operational Memorandum (5.10) on
Development Finance Companies

I asked Leo Cancio to look over your draft Operational Memorandum on Development Finance Companies and I am enclosing the copy with his markings. There are two points in particular. It seems to me that we have never been very clear as to how we figure the foreign exchange component of a subloan (paragraph 39), especially where we get into "notional" estimates, and I would suggest that that paragraph be expanded. The other point is that I doubt that there are "generally accepted international standards of accounting practice." As you probably know, the SEC argues constantly with foreign issuers about accounting standards.

Enclosure

LMurick:vv

cc: Mr. Cancio

Dev. B-Gen.

November 6, 1967

Alhaji Shehu Malami
Princeton University
2525 Graduate College
Princeton, New Jersey

Dear Alhaji:

Many thanks for your letter of November 1. I am glad to see that you will be visiting Washington from the 11th through the 14th and I am looking forward to seeing you when you come. Dr. Khosropur is due back November 8 and, I am sure, he too will be glad to see you. He has been in Nigeria for a couple of days at the end of October.

I have made the following appointments for you tentatively:

Monday, November 13

11:00 am - Dr. Khosropur
11:30 am - Mr. Pollan

I hope I may have the pleasure of your company at luncheon on the 13th.

Regarding your desire to call on Mr. Joseph Palmer of the State Department, we are in touch with his office. We understand he will not be here at the time you come. In case you want to see someone in Mr. Palmer's office, the State Department will be glad to make arrangements.

We shall be in touch with Mr. Adamu Mohammed in regard to the arrangements for your stay in Washington.

Looking forward to seeing you.

Yours sincerely,

Brus

P. M. Mathew
Deputy Director
Development Finance Companies

P.S. Mr. Pollan is the Chief of a division in this Department looking after certain countries including Nigeria.

cc: Messrs. Khosropur, Pollan
PM Mathew:mbc

Dev. B-Gen
MC
copy 68

FORM NO. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Martin M. Rosen

DATE: November 2, 1967

FROM: William Diamond WD

SUBJECT: Development Finance Companies Lunch : 1968

Tris Beplat called to ask the date of your annual lunch, in 1968. Manufacturers Hanover needs to decide early, and has in mind Tuesday or Wednesday, October 1 or 2.

I told him you had not yet decided, and would not do so for some months. However, I suggested that a Tuesday would be pretty safe for him. He said he would so proceed.

cc Mr. Mendels

WDiamond:us

1111 Dartmouth Ave., Apt. 124
Claremont, California 91711
October 30, 1967

The Director
Development Finance Companies Dept.
International Finance Corporation
The I.B.R.D.
Washington, D.C.

Mr. Stern:
Please handle.
Mr. Diamond also
recently handled
some such requests
& you may want to
speak to him.
RWZ

Dear Sir:

REF: LITERATURE ON DEVELOPMENT BANKS

I am a graduate student in Development Economics and have a very special interest in Development Banks (Development Finance Companies). So far I have carefully read (1) *Development Banks* by Wm. Diamond (2) *Problems and Practices of Development Banks* by S. Boskey (3) Diamond, "Development Finance Companies," *The Fund and Bank Review: Finance and Development* (June 1965).

I am wondering whether you can be of some help to me by suggesting any studies done in recent years especially in the context of trying to determine (theoretically or statistically) how successful the banks (companies) have been in their contribution to economic development in the less developed countries. Presumably there might be some ~~stu~~ such studies which have not even been published and so I would be interested in obtaining mimeographed copies at my own expense.

I realize that your office is a very busy one but would hope that you can find a little time to help me. Thank you.

Sincerely yours,

William M. Senga
Kenya Student at Claremont Graduate School

acc. Nov. 9/67

1111 Dartmouth Ave., Apt. 124
Claremont, California 91711
October 30, 1967

The Director
Development Finance Companies Dept.
International Finance Corporation
The I.B.R.D.
Washington, DC

Dear Sir:

Ref. LITERATURE ON DEVELOPMENT BANKS

I am a graduate student in Development Economics and have a very special interest in Development Banks (Development Finance Companies). So far I have carefully read (1) Development Banks by Wm. Diamond (2) Problems and Practices of Development Banks by S. Boskey (3) Diamond, "Development Finance Companies," The Fund and Bank Review: Finance and Development (June 1965).

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I realize that you must be a very busy one but would hope that you can find a little time to help me. Thank you.

Sincerely yours,

William M. Senga
Kenya Student at Claremont Graduate School

Dev. B - gen

Mr. Iddi Simba

William Diamond

October 30, 1967

As I said Friday, I am sorry I forgot this.

Enclosed are :

(1) Copies of Mrs. Boskey's book and of mine.

(2) A pamphlet on The Role of National Development Finance Companies in Industrial Development.

(3) A speech by Mr. Rosen on Industrial Promotion.

(4) A paper by me on The Role of Private Institutions in Development Financing, concerning promoting private enterprise and developing a capital market.

In addition, you might be interested in the following books on development finance companies in Africa :-

Jean-Marc Spiro, Les Banques de Developpement et le Credit aux Petits Producteurs en Afrique Noire et en Amerique du Sud, Librairie Droz, Geneva, 1966.

Robert Badouin, Les Banques de Developpement en Afrique, Editions A. Pedone, Paris, 1964.

Institut d'Etudes Bancaires et Financieres, Les Banques de Developpement dans le Monde, Dunod, Paris, Vol. I (1964) and Vol. 2 (1965).

Attachments

WDiamond:us

Dev. B - gen.

October 30, 1967

Professor G.L. Sharma
Department of Commerce
Deshbandhu College
Kalkaji, New Delhi-19
INDIA

Dear Professor Sharma:

This is to reply to your letter of October 19, 1967 addressed to Mr. Diamond. Your letter to Mrs. Boskey of the same date has also been referred to us.

I am afraid that there is not much for us to help you, in that, living in India, you are in a better position to obtain materials and first-hand information on the subject. However, I am enclosing our two booklets on the development finance companies. Also, I mention below certain books which are, as you might know, relevant to your subject:

The Theory & Practice of Development Banking, A Study in the Asia Context, by S.K. Basu, Asia Publishing House, New York, 1965.

Foreign Investments in India, by Michael Kidron, Oxford University Press, 1965.

Capital Market in a Planned Economy, National Council of Applied Economic Research, 1966.

Yours sincerely,

A. M.

A. Muramatsu
Development Finance Companies

Enclosures (2)

cc: Mr. Diamond
Mrs. Boskey

AM/ds

October 30, 1967

Professor O.L. Sharma
Department of Commerce
Deshbandhu College
Kalkaji, New Delhi-19
INDIA

Dear Professor Sharma:

This is to reply to your letter of October 19, 1967 addressed to Mr. Diamond. Your letter to Mrs. Boskey of the same date has also been referred to us.

I am afraid that there is not much for us to help you, in that, living in India, you are in a better position to obtain materials and first-hand information on the subject. However, I am enclosing our two booklets on the development finance companies. Also, I mention below certain books which are, as you might know, relevant to your subjects:

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<u>Foreign Investments in India</u>, by Michael Kidron, Oxford University Press, 1965.

<u>Capital Markets in a Planned Economy</u>, National Council of Applied Economic Research, 1966.

Yours sincerely,

A. Muramatsu
Development Finance Companies

Enclosures (2)

cc: Mr. Diamond
Mrs. Boskey

AM/de

1967 OCT 31 PM 2:17
COMMUNICATIONS
GENERAL FILES

Dev. B-gen.

Mr. J. Burke Knapp

October 27, 1967

William Diamond

Draft Operational Memorandum (5.10) on Development Finance Companies

Mr. Woods has sent me the attached note see memo dtd Oct. 23, 1967 regarding draft O.M. 5.10.

Would you be good enough to let me know what next step you want me to take?

cc Mr. Rosen/Mr. Raj
Mr. Cope
Mr. Nurick

WDiamond:us

Dev. B - gen

October 25, 1967

Dear Professor Sharma:

I am replying to your letter of October 19, in which you asked me to send you some materials on development banks and to suggest some reading materials which would be useful for your research project on development banking, problems and prospects in India.

I no longer have any official responsibility for development bank matters. These are now handled for the Bank group of institutions by the Development Finance Companies Department of the International Finance Corporation, an affiliate of the Bank. I have therefore referred your letter to the office of Mr. William Diamond, Director of the Development Finance Companies Department, with the request that he reply to you directly.

Sincerely yours,

Shirley Boskey
Development Services Department

Professor G.L. Sharma
Department of Commerce
Deshbandhu College
Kalkaji, New Delhi-19
India

SEBoskey:tsb

cc: Mr. Diamond

Incoming letter with carbon
to Mr. Diamond

Dev B - Gen.

Mr. William Diamond October 25, 1967

B.H. Shin

Dividends on IFC's Equity Investments in Development Finance Companies

Attached is a table, prepared at your request, showing dividends actually received during our fiscals 1965-66 and 1966-67, and estimate of dividends to be received during fiscal 1967-68, on IFC's equity investments in seventeen development finance companies.

Attachment

cc: Mr. Rosen
Mr. Raj
Mr. Y.L. Chang
Division Chiefs in DFC

BHShin:ts

BS

DIVIDENDS FROM

DEVELOPMENT FINANCE COMPANIES

	Actual				Estimate			
	Fiscal 1965-66		Fiscal 1966-67		Fiscal 1967-68			
	%	Amount($)	%	Amount($)	%	Local Amt.	US$ Amt.	Remarks
CF Caldas	7	4,900 shares of par value Col$ 100 each	7	5,243 shares of par value Col$ 100 each and	7	5,610 shares of par value Col$ 100 each		
			1	4,595	1	Col$ 80,143	4,917[5/]	
CF Colombiana	-	-	5[2/]	55,668	11	Col$ 1,993,300	122,228[5/]	of which $27,791 received
CF Nacional	7½	45,021	12½[3/]	82,371	10	Col$ 1,069,091	165,588[5/]	
IFF	5	7,797	5	7,797	5	Fmk 25,100	5,976	
NIBID	-	-	-	-	-	-	-	
BIDI	-	-	-	-	-	-	-	
LBIDI	-	-	-	-	-	-	-	
MI	-	-	5	24,338	5	M$ 125,000	40,800	of which $20,254 received
BNDE	3	44,695	3	44,568	3½	DH 262,500	52,112	Received
NIDB	-	-	-	-	-	-	-	
PICIC	7½	31,234	8	33,333	8	Rs 160,000	33,333	
PDCP	10½	21,497	10	20,471	2½[6/]	₱ 20,000	5,103	Received
BANDESCO	-	-	-	-	-	-	-	
IFCT	11	18,722	7	13,494	7	B 280,300	13,524	of which $30 received
SNI	-	-	-	-	4	D 12,000	22,993	Received
TSKB	12	99,119	12	99,119	12	LT 901,200	100,133	
CAVENDES	-	-	2[4/]	26,667	4	Bs 240,000	53,334	
Total		268,085[1/]		412,421[1/]			520,041[1/]	

For footnotes see next page.

1/ Excluding CF Caldas' stock dividend.

2/ Part payment of 11% dividend declared for 1966.

3/ Consisting of part payment (2½%) of 10% dividend declared for 1965 and of 10% dividend declared for 1966.

4/ Part payment of 4% dividend declared for 1966.

5/ Exchange rate of Col$ 16.30 to US$1.

6/ Quarterly payment of dividend declared for 1966.

IFC/DFC

October 25, 1967
BHShin:ts

Sec. B-Ven.

~~Mr. Kundhi~~

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

Re: Summary of Operations - Development Finance Companies at September 30, 1967

This is to advise that the IFC Commitment of $ 7,500,000 to CAVENDES, Venezuela, signed on September 28, 1967 was left out from the above-mentioned report which was circulated on October 11, 1967.

Treasurer's Department
Finance Division
October 24, 1967

DW. B.

October 23, 1967

Dear Mr. Kayalioglu:

I refer to your letter of June 1, 1967 commenting on my draft paper on "Administered Funds" which I acknowledged on June 15.

I have revised the draft in the light of your comments and am enclosing a copy of the revised draft for your review.

I will be most grateful if you would take time to look it over and let me know at your early convenience any further comments you may have on it.

Yours sincerely,

BS

B.H. Shin
Development Finance Companies

Enclosure

Mr. Bahaeddin Kayalioglu
Assistant General Manager
Turkiye Sinai Kalkinma Bankasi A.S.
Necatibey Caddesi 241-247
Tophane
Istanbul, Turkey

cc: Mr. Jeffries

BHShin:ts

Dev. B - Gen.

Mr. William Diamond

October 23, 1967

S. R. Cope

Interest Rates - Development Finance Companies

Until the Bank's standard rate of interest is changed, amounts credited to the loan account under loan and credit agreements with development finance companies should be at 6%.

SRCope:mmr
IBRD/IFC
cc: Mr. J. Burke Knapp
Mr. G. Alter
Mr. I. P. Cargill
Mr. A. El Emary
Mr. M. L. Lejeune

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Central Files

TO: Mr. George D. Woods 10/25

DATE: October 23, 1967

FROM: William Diamond WD

SUBJECT: Draft Operational Memorandum (5.10) on Development Finance Companies

1. You asked, the week before last, for a draft for O.M. 5.10 which accurately reflects current practice. Attached is my old draft of April 10, 1966, revised to reflect recent developments. It is, I believe, an accurate statement of how we behave today.

2. The O.M. is still long, because I've tried to spell out details on which there has been confusion. If such detail is not needed, the memo could be shortened.

3. If you agree, we should ask the views of the senior staff on this draft.

BM

I agree – I've read this rather hurriedly but it seems to accord with my understanding of your practices although by this I do not mean to be in the position of having "approved" the draft. It should proceed in the normal fashion. My objective is to get something "in the book" on this important part of our business so that the newer staff will know what its all about. I hope we can do so in the not too distant future

Woods 10/25

Attachment

cc Messrs. Rosen
Knapp
Raj
Cope
Nurick

WDiamond:us

D R A F T

OPERATIONAL MEMORANDUM 5.10

Development Finance Companies

1. The Bank is interested in promoting and strengthening development finance companies. Its principal objective in doing so is to help build strong and effective domestic investment institutions which can channel domestic savings and external capital into productive enterprises in the private sector, thereby contributing both to the growth of those enterprises and to the development of the capital market in its member countries. Another objective is to use development finance companies as conduits through which to finance private enterprises which, for whatever reason, the Bank cannot finance directly. The Bank's relations with a development finance company reflect these two objectives; its focus is both on the enterprises the company finances and on the company itself, which it seeks to build into a strong, viable, independent institution.[1]

2. A large variety of institutions are called development banks or development finance companies and have in common the objective of formulating, promoting and providing medium- and long-term finance and technical assistance for productive investments. However, the Bank's interest is in companies which are privately owned and controlled institutions, designed to promote private investment on business principles in the interest of the sound economic growth of a member country.

Conditions for Assistance to Development Finance Companies

3. In looking at requests to help establish, finance or otherwise assist a development finance company, the Bank is governed by the following considerations:

(a) The development of a strong private sector must be consistent with the member country's over-all aims, and there must exist a climate conducive to the growth of the private sector.

(b) There must be opportunities for a fairly large volume of private investment, and hence good prospect for a continuing demand for medium- and long-term loans and for equity capital.

(c) There must be a clearly defined institutional gap in the capital market which a development finance company will be able to fill.

1/ There are, however, occasional special cases when the Bank's primary, if not sole, interest is the final user of its finance, and the intermediary institution is simply a conduit. This has been the case of the Bank's loans to the Japan Development Bank and the Yugoslav Investment Bank for the benefit of particular industrial enterprises, or the Bank's loans to CORFO of Chile and Nacional Financiera of Mexico for various public projects. Here circumstances peculiar to the member country require the use of an intermediary, but the intermediary is only an incidental object of the Bank's interest.

(d) The creation or expansion of a development finance company must be a matter of relatively high economic priority in the member country concerned.

4. Where these conditions do not exist, the Bank will not promote or finance development finance companies, but will seek other means to assist such countries in financing their productive sectors. On the other hand, where these conditions do exist, the Bank is prepared to be flexible in applying its policies regarding development finance companies.

Characteristics of Development Finance Companies to be Supported by the Bank

5. In promoting and assisting development finance companies, the Bank prefers a company owned by a broad range of investors, both foreign and domestic, but with a clear domestic majority; having government support in a form which does not give control to the government; providing finance only to privately controlled enterprises, principally but not exclusively in the manufacturing sector; empowered to make medium- and long-term loans, invest in share capital and underwrite securities; committed to act in such a way as to contribute to the growth of the capital market; acting primarily as a financial institution rather than a holding or management company; making its investment decisions after careful appraisal, on the basis of a sound investment criteria and giving due weight to the economic benefits to be obtained; combining financial prudence with a promotional outlook and a willingness to take risks; having both the objective and the prospect of paying a reasonable dividend to its shareholders, while setting aside adequate reserves.

6. Although the Bank prefers these characteristics, it seeks to establish and support an institution which fits the needs and suits the conditions of a member country. Hence the capital structure, the distribution of ownership, the scope of operations, the policy orientation and other characteristics of development finance companies may differ widely, depending on the interests of their sponsors and the conditions and needs of the member countries in which they are located, while still qualifying for Bank assistance. But several characteristics are essential for Bank assistance.

7. a. Private Control. Private control is essential because it helps assure the continuity of sound policy and experienced management and the conduct of operations on economic and financial rather than political criteria. The existence of a governmental interest (direct or indirect) in the company's voting share capital does not preclude Bank assistance if the requisite private capital is not available, if the government is prepared to dispose of its holdings to private investors as and when they become interested, and if the government's interest is not so large as to give it a controlling voice in the company's policies, personnel and investment decisions. Normally, the Bank expects a government participation not to exceed 25%, but it is prepared to accept a larger participation. A government participation in excess of 50% is unacceptable, as are also any special rights or powers that give government an overriding voice in the company's affairs (including the choice of management).

8. b. Domestic Control. The Bank seeks to encourage foreign as well as domestic investors to participate in the ownership of a development finance company, so as to facilitate the introduction of experience in investment banking and contacts with foreign business, both technical and financial. However, domestic investors must hold a majority of the voting capital, in order to assure that the company is identified with the member country and to facilitate the governmental support which it is likely to need.

9. The Internatioanl Finance Corporation has been regarded as national, rather than foreign, in some member countries so that a majority made up of holdings by genuinely domestic investors (including the government) and the Corporation can give the company the requisite image of a national institution. The Corporation may be willing, when circumstances justify, to restrict its sales of shares of a development finance company to private investors within the country concerned. The participation by the Corporation can thus help, not only to provide the capital needed to create a development finance company, but also to assure private control and domestic control.

10. c. Profitability. The development finance company must be potentially profitable. The company should have prospects of paying, in due course, a dividend reasonable in terms of investor expectations in the country concerned. Profitability is a measure of the company's effectiveness and efficiency. Only if it pays appropriate dividends, can the company look forward to increasing its share capital as needed and borrowing in due course from conventional sources at home and abroad.

11. Adequate profitability is sometimes difficult to achieve, especially in the early years, because of the inability of the company to obtain sufficient leverage and a wide enough spread between its borrowing and lending rates. Interest-free long-term and subordinated loans, which serve to increase both leverage and spread, may be desirable in some circumstances. Such funds, called "quasi-equity", serve in various ways to increase the interest of investors in the share capital of the institution. There are, of course, other devices which may be used to achieve the goal of adequate profitability; and interest-free subordinated loans have the disadvantages of exposing a company to government pressure and relieving it of the need to conform to market conditions. But, in general, if quasi-equity is lacking, the Bank may prefer to wait for concrete results of operation before participating in financing a development finance company.

Statement of Operational Policies

12. On the occasion of a first loan to a development finance company which has not had a long operational record, the Bank normally requires that its sponsors and directors draw up and formally approve a statement setting forth the company's general policies. (In other cases, the Bank may also require such a statement.) The object of this statement is to assure the Bank that the company's objectives are, and that its behavior will be, consistent with the Bank's own objectives and with the developmental objectives of the member country in which the company is located. The statement is expected to spell out, more precisely and clearly than its charter will, the scope of operations of the company, its investment policies, its general intentions regarding reserves and dividends, and its plans concerning development of a staff.

13. The Bank attributes considerable importance to this statement of policies. The behavior of the company will be continuously judged, in part, for conformity with it. However, the statement is intended to provide, not inflexible regulations, but general guidelines, from which departures may be made in exceptional circumstances, after due deliberation. Additions to, or changes in, the statement may from time to time be required, in the light of the development of the company and the changing conditions of the country. Where the Bank has made a loan, such amendments require the approval of the Bank.

Organization and Responsibility

14. Responsibility for the formulation, study and promotion of arrangements for the establishment of new, or the reorganization and expansion of existing development finance companies rests with the Development Finance Companies Department of the Corporation.

15. That Department is also responsible for the appraisal of, and negotiations with, development finance companies in connection with proposed investments by the Corporation in them; for the appraisal of such companies in connection with proposed Bank loans; for the recommendation of operational policies, managerial services, technical assistance, and terms and conditions of Corporation investments and Bank loans; for the review of individual investment projects when required; and for the continuing review and reappraisal of the companies in which investments, or to which loans, have been made. For the purpose of making and administering Bank loans, the Department acts as technical advisor to the Area Departments of the Bank.

16. Development finance companies are dealt with by joint working parties. The Corporation's Investment and Development Finance Companies Departments are represented on Bank working parties dealing with development finance companies, even if there is no existing or prospective investment by the Corporation. The appropriate Area Department of the Bank is represented on a Corporation working party involving a development finance company, even if no loan is involved. In cases involving only a loan or a loan and investment, the chairman of the working party is the representative of the Bank Area Department concerned. In the case of an investment alone, the chairman is the representative of the Development Finance Companies Department.

17. A loan for a development finance company will be arranged and negotiated in accordance with the regular procedure. If a Corporation investment is being made jointly with a loan or credit, arrangements should be made for simultaneous negotiations; and, subsequently, a joint meeting of the Boards of the Bank and of the Corporation will consider the loan and investment proposals.

18. In approving projects requiring Bank approval before the Loan Account may be credited, the Bank Area Department Director acts on the advice of the Development Finance Companies Department. The Working Party is not consulted unless, in the opinion of either Director, a policy issue is involved.

Types of Assistance Available from the Bank

19. Technical. The Corporation provides technical assistance principally to development finance companies which are present or potential financial clients of the Bank and Corporation. It is normally available to other companies, including government-controlled companies, only when there are prospects that they are likely to become eligible for the Bank's financial assistance.

20. The Corporation advises on the organization or reorganization of a development finance company in a form suitable for Bank assistance, if the conditions referred to in Paragraph 3 prevail.

21. The Corporation is willing to assist a private development finance company in finding management, advisors and senior staff. Neither the Bank nor the Corporation will normally share the cost of managers, staff or advisors of development finance companies.

22. The Bank and the Corporation arrange training for staff of development finance companies, in modest numbers, in the EDI, the Corporation and other development finance institutions.

23. Financial. The Bank provides loans to help meet the capital requirements of a development finance company. Normally the amount provided at any one time is the sum which (together with other available funds) the company needs, within the limits of prudent borrowing policy, to meet the expected demand for capital over a period of one to two years. Where the amount involved is large and where the company has a broad degree of freedom in using the Bank's loan, a shorter period is preferred. The amount of a loan may also be influenced by the country's creditworthiness and, in the case of countries eligible for Association funds, by the amount of such funds that can be made available to the country.

24. The Corporation invests in the equity of a development finance company. Only in special circumstances will it consider making a loan to such a company.

Special Terms of Loans to Development Finance Companies

25. Project Description. The description of the project for which the loan is made reflects the double focus of the Bank's interest: the financing of private enterprises, and provision of capital to enable the company to carry on its business.

26. Commitment Fee. The Bank applies to development finance companies its standard policy with respect to commitment charges. However the Bank is prepared to consider concessional treatment in special circumstances, such as the case of a new company or one which has not had an opportunity to build up its business to an adequate level. Concessional treatment would mean ~~analyzing~~ applying the commitment fee

only when a credit is made to the loan account for a specific investment project, and only to the amount credited for that investment project.

27. <u>Crediting the Loan Account</u>. The commitment and disbursement of the proceeds of the loan are related to the specific investment projects for which they are to be used.

28. The Bank expects a development finance company to apply high standards in the appraisal of its investment projects. Nevertheless, the Bank takes the right to approve all investment projects before portions of the proceeds of the loan are committed for them. The degree to which the Bank exercises this right depends on its experience with the company; it normally allows a certain degree of freedom. In general, the Bank starts with a new development finance company by allowing it to request commitment of funds for an individual project up to a specified limit, of say, $50,000, without prior approval by the Bank. As the company's staff and experience develop, and as the Bank's confidence in the company grows, the degree of freedom is increased until, in practice, no projects need to be submitted for prior approval. The Bank may change this limit at its descretion.

29. Upon request of the company, the Bank credits the loan account with the amount required for the investment project.1/ In the case of an investment project which does not require prior approval, the loan account is credited automatically upon request of the company. In the case of an investment project requiring prior approval, the credit is not made until the Bank's approval has been given. Approval and crediting in such cases, are normally simultaneous. However, in certain circumstances, where simultaneous action would create a hardship on a company, the Bank is prepared to consider postponing crediting the account for a reasonable time after approval has been given, pending a request for a credit.

30. <u>Approval of Investment Projects</u>. The requirement of approval is a device for introducing development finance companies to the methods and practices of investment banking, raising their appraisal standards and familiarizing the Bank and the company with each other. It is not primarily designed to assure that particular projects and investment decisions are sound and that the Bank's funds are being properly used in particular projects, or to remove decision-making on particular investment projects from the company to the Bank. In a sense, therefore, the Bank's review constitutes an appraisal of the appraisal rather than an

---

1/ In the case of an IDA credit, the entire amount of the credit is credited to the credit account on the effective date and no commitment fee is charged by the Association to the government-borrower. However, the government-borrower is required to apply to the development finance company the policy which the Bank would have applied in the case of a Bank loan. In such a case of an IDA credit, the company does not request a credit to the credit account; it asks for permission to withdraw from the credit account.

appraisal of the investment project, a check to see that the company has considered all factors relevant to a sound decision. The responsibility for the investment decision remains with the company. Only in unusual circumstances would the Bank substitute its own judgment for that of the company.

31. The larger the investment project, the greater the care with which the company should have appraised it, and the greater the care with which the appraisal will be reviewed by the Bank, for prior approval of the project. In the case of an unusually large and complex project, the Bank might go more deeply into the substance of the project and might even undertake a field appraisal of the project. However, the Bank expects the company, in most such cases, to seek partners, including the Corporation, to share the risk.

32. To review an investment project, the Bank requires that an adequate amount of information be submitted about it. In order to minimize extra work required of the company, the Bank ordinarily asks for the same documentation that is submitted to the company's Board of Directors, if that is adequate. As regards investment projects which do not require prior Bank approval, the Bank asks only for the basic data required to permit the commitment of funds and their disbursement, and to keep itself informed of the end-use of its funds.

33. Amortization. A Bank loan to a development finance company is repaid in approximate symmetry with the repayments received by the company from its own borrowers. The amortization schedule of the Bank's loan is the composite of the amortization schedules agreed with the company for all the investment projects it has financed with the proceeds of the loan. In order to simplify the administration of this policy, a single amortization schedule is agreed during negotiations, which reflects the estimated composite of repayment schedules of loans to be made with the proceeds of the loan. This prepared schedule is modified from time to time as needed, to bring it into approximate conformity with the amortization schedule of the loans actually made by the company. If the company receives a prepayment from one of the enterprises it has financed from the proceeds of the Bank loan (or if it sells an equity investment it has made with those proceeds), it must repay the Bank correspondingly. On the other hand, if the amortization of a loan to an enterprise is rescheduled by the development finance company, its repayment schedule to the Bank is correspondingly modified if adequate notice is given.

34. The loan contract specifies a maximum period (usually 15 years) within which repayment of the loan will be completed. The period relates to the individual investment projects financed with its proceeds.

35. Interest Rate. A loan to a development finance company does not carry a fixed interest rate. When a part of the loan is credited to the loan account for a specific investment project, the rate applicable to that part of the loan is the Bank's lending rate when the credit is made.

36. Scope of Operations. The fields of enterprise for which the proceeds of the loan may be used are all those in which the development finance company is allowed by its charter and its policy to operate. If public law or the charter of the company allows operations considered inappropriate for the use of a Bank loan, this fact will be dealt with in the policy statement, which would require withdrawal from such activity.

37. Use of Loan for Share Capital. The loan may be used to finance the company's investments in share capital as well as its loans. However, this is permitted only within the framework of an agreed prudent policy with respect to the aggregate of the company's exposure in equity investments and every such project requires prior Bank approval no matter what its size. When the loan is used to finance an investment in share capital, an arbitrary amortization schedule is agreed with the company for the part of the loan used in this fashion, spread over a period of years not more than the maximum allowed in the loan contract.

38. Use of Loan for Working Capital. The loan may be used to finance not only fixed assets, but also the initial stock of raw materials and supplies needed for the commencement of operations, or the increase in such stock needed for the expansion of operations, of an investment project.

39. Use of Loan for Imports. As an exception to normal Bank policy described in 2.03, the proceeds of a loan to a development finance company may be used only for imported goods (whether paid for abroad or purchased from the shelf at home, and including the import component of domestic goods).

40. Use of Loan for Refinancing. Ordinarily the loan may not be used to cover expenditures incurred more than 90 days before the submission of the investment project to the Bank for approval (or, where approval is not required, before the request to credit the loan account). This is designed to encourage a company to enter into the planning and financing of a project at an early stage. However, in the circumstances in which many development finance companies operate, this is very difficult to achieve. Where there are good reasons, therefore, the Bank will consider providing for a longer period in dealing with some companies or waiving the restriction in the case of certain specific investment projects.

41. Although the Bank does not encourage a development finance company to engage in refinancing operations, which may often be required because of poor planning or poor management, the Bank does not object to a development finance company's using some of the proceeds of the Bank loan for refinancing if the investment projects have been carefully appraised and merit finance. For example, the refinancing of permanent working capital in order to achieve a properly balanced financial structure, is often particularly important. Such cases, when considered suitable, are dealt with as an exception to the normal restriction on financing expenditures already incurred.

42. Foreign Exchange Risk. The Bank will assure itself that the development finance company can and will adequately protect itself against exchange risk. There are various methods by which this can be done.

43. Period of Commitment and Disbursement of Loan. The Bank sets a time limit for the submission of investment projects for crediting to the Loan Account. The time limit is set by reference to the one to two year period referred to in Paragraph 23; it is subject to extension by mutual agreement. An additional one to two years is allowed for completion of disbursements.

44. Supervision. The Bank obtains the rights to receive information it requests concerning the operations and financial condition of the development finance company, and to visit the company. The information and regular visits are used to maintain a continuing reappraisal of the performance, position and prospects of the company. All the operations of the company are scrutinized, and not simply those financed with the proceeds of the Bank loan.

45. The Bank also requires that the company obtain from its clients who receive finance from the proceeds of a Bank loan, certain contractual rights on behalf of the Bank, including the right of independent access to the individual investment projects. In practice, the Bank carries out its inspections of investment projects in the company of the company's representatives.

46. Debt/Equity Ratio. The loan contract carries a limit on the debt which any company may incur. The limit used is an agreed multiple of the equity of the company. The Bank may, at its descretion, include in the equity (and exclude from debt) borrowings of the company which are adequately subordinated to the Bank's loan. The agreement reached reflects a compromise between the Bank, which seeks security for its loan, and the company, which seeks maximum leverage. The Bank normally fixes the ratio at three, at the beginning of its experience with a development finance company. It is prepared to review and revise that ratio in the light of its assessment of the company's loss record, of its portfolio and prospects, of the economic outlook of the country, and of other relevant factors.

47. Audit. The development finance company must retain a firm of independent public accountants acceptable to the Bank, to audit the company's accounts annually, and to do so in accordance with generally accepted international standards of accounting practice.

48. Procurement. It is not practicable to require international competitive bidding of the clients of a development finance company. The Bank does expect, however, that the company, in appraising investment projects, will satisfy itself that the goods and services to be purchased are suitable to the projects and are reasonably priced. In the case of unusually large investment projects, the company is expected to go further

and ensure that its clients have canvassed the main sources of supply and are purchasing from the most advantageous source or, if the expense is not prohibitive, are basing procurement on international bidding.

49. General. The Bank relies fundamentally on the Board and management of a development finance company to act in accordance with sound investment banking practices within the framework of a body of policy agreed before the loan is made. The quality of management and performance remain under continuing review. Arrangements must be made for adequate and timely discussion of any intention to change the management or to change substantially the policies agreed upon.

W. Diamond

October 16, 1967

Dev.B - gen.

Replied on 10/30

Deshbandhu College(Evening)
Kalkaji, New Delhi

October 19, 1967

Respected Mr. Diamond,

Inspired by your writings on 'Development Banking', I have undertaken a research project leading to Ph.D. Degree of the Panjab University, Chandigarh, on "Development Banking ~~and~~ Problems, Prospects in India."

Since Development Banking is of very recent origin, so there is an acute shortage of published material on this subject. I have been facing many difficult problems and therefore have decided to request you to help me in resolving the conflicting views on this subject.

I, therefore, request you to kindly send some published materials and suggest some titles for reading on this subject. I will put certain problems before you in my next letter.

Hoping an favourable and early reply.

With regards,

Yours sincerely,

G.L.Sharma

(G.L.Sharma)
Department of Commerce
Deshbandhu College (Evening)
Kalkaji, New Delhi-19
(I N D I A)

Promises to become a [illegible] in the rel. Let us be mildly discouraging. Send him some material [illegible] recently sent to an Indian student in this country [illegible]

Mr. William Diamond
Development Institute
International
Monetary Fund & I.B R.D.
19th and H.Streets
N.W. Washington, D.C. 20431
U.S.A.

acv Oct. 30, 1967

BY AIR MAIL
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भारत INDIA

Mr. William Diamond
International Finance Corporation
~~Development Institute~~
International
Monetary Fund & I.B.R.D.
19th and H.Streets
N.W. Washington, D.C.20431
U. S. A

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इस पत्र के अन्दर कुछ न रखिये NO ENCLOSURES ALLOWED

RECEIVED
1967 OCT 2 AM 11:40
COMMUNICATIONS

भेजने वाले का नाम और पता:- SENDER'S NAME AND ADDRESS:-

Professor G.L.Sharma
Department of Commerce
Deshbandhu College (Evening)
Kalkaji, New Delhi - 19

भारत INDIA

Replied Oct. 25, 1967

Deshbandhu College (Evening)
Kalkaji, New Delhi

October 19, 1967

Respected Madam Boskey,

Inspired by your writings on 'Development Banking', I have undertaken a research project leading to Ph.D. Degree of the Panjab University, Chandigarh, on "Development Banking ~~and~~ Problems & prospects in India."

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Hoping an favourable and early reply.

With regards,

Yours sincerely,

G.L. Sharma

(G.L.Sharma)
Department of Commerce
Deshbandhu College (Evening)
Kalkaji, New Delhi-19
(I N D I A)

Madam Shirley Boskey
Development Institute
International,
Monetary Fund & I.B.R.D
19th and H Streets
N.W. Washington, D.C.20431
U. S. A.

ack Oct. 25, 1967

BY AIR MAIL
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हवाई पत्र
AEROGRAMME

65 पै.
भारत

Madam Shirley Boskey

Development Institute

International

Monetary Fund & I.B.R.D.
19th and H. Streets
N.W. Washington, D.C.20431
U. S. A

1967 OCT 24 PM 12:35
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CENTRAL FILES
COMMUNICATIONS

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दूसरा मोड़ SECOND FOLD

इस पत्र के अन्दर कुछ न रखिये NO ENCLOSURES ALLOWED

भेजने वाले का नाम और पता:- SENDER'S NAME AND ADDRESS:-

Professor G.L.Sharma

Department of Commerce

Deshbandhu College (Evening)

Kalkaji, New Delhi-19

भारत INDIA

Dev. B - Ban.

October 17, 1967

Dear Mr. Kayalioglu:

I refer to my letter of September 8, requesting a brief note on your experience with small-size loan operations.

I am enclosing a duplicate copy of the letter in case it failed to reach you.

I would be grateful for your attention to this matter.

Yours sincerely,

BS

B.H. Shin
Development Finance Companies

Attachment

Mr. Bahaeddin Kayalioglu
Assistant General Manager
Turkiye Sinai Kalkinma Bankasi A.S.
Necatibey Caddesi 241-247
Tophane
Istanbul, Turkey

BHShin:ts

cc: Division Chief

Dcv-B - Gen.

October 17, 1967

Dear Mr. Brodrick:

Attached is a list of all the development finance companies with which we are associated, together with the names of their Chief Executives and their addresses.

On second thoughts we felt that there was no need to delete any of them since all of them could contribute something at one time or another to the information you are interested in.

Also attached is the Business International list we talked about during your visit.

Yours sincerely,

P.M. Mathew
Deputy Director
Development Finance Companies

Attachments

Mr. Walter Brodrick
Editor
Business Communications Operation
1346 Connecticut Avenue, N.W.
Washington D.C. 20036

PMMathew:ts

EMERGING NATIONS BUSINESS REPORTS
1346 Connecticut Avenue, N.W. / Washington, D. C. 20036
TELEPHONE
Area Code 202
296-6525
Cable: ENBRINC

October 16, 1967

Mr. William Diamond
Director, Development Finance
Companies Department
International Finance Corporation
1818 H Street, N. W.
Washington, D. C. 20433

Dear Mr. Diamond:

I wanted to thank you for setting aside time for our visit Friday. It was useful to discuss ENB Reports with you and Mr. Mathew.

The active development finance companies overseas can be important sources of information for ENB Reports. If it is possible to obtain a list of the well established organizations (with the names of the key operating officials), I would very much appreciate it.

we sent him ours and 'Business International' yesterday.

Sincerely,

Walter Broderick

Walter Broderick
EDITOR

1967 OCT 18 AM 8:30

rec Oct. 17, 1967

EMERGING NATIONS BUSINESS REPORTS
1346 Connecticut Avenue, N.W. / Washington, D. C. 20036

TELEPHONE
Area Code 202
296-8526
Cable: ENBRING

October 16, 1967

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Director, Development Finance
Companies Department
International Finance Corporation
1818 H Street, N. W.
Washington, D. C. 20433

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Sincerely,

Walter Broderick
EDITOR

Dev. B - Gen.

V. V. GEORGE

' Mayflower'
S. Kalamassery.
Dist. Ernakulam
Kerala (India)

My dear Achakutty,

rec'd Oct 14

I thank you very much for your letter.

I am being offered a hospitality tour to New York by Air India in the 2nd week of November this year.

I am thinking of taking this opportunity to visit Washington and Chicago. If possible I would like to be with you for a day or two and I am writing this to find out whether you would be in Washington during 15th to 20th of November. I shall telephone you from New York so that I could tell you about my arrival.

With kind regards.

Yours sincerely,

(V. V. George)

Mr. P. M. Mathew,
Dy. Director, Development Finance Compnies Dept.
International Finance Corporation,
(World Bank),
Washington D.C. (U.S.A.)

V. V. GEORGE

' Mayflower'
S. Kalamassery.
Dist. Ernakulam
Kerala (India)

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With kind regards.

Yours sincerely,

(V. V. George)

Mr. P. M. Mathew,
Dy. Director, Development Finance Companies Dept.
International Finance Corporation,
(World Bank),
Washington D.C. (U.S.A.)

BY AIR MAIL
PAR AVION

To

V.V.George,
'Mayflower'
S.Kalamassery.
Ernakulam
Kerala (India)

Mr. P. M. Mathew,
Dy. Director,
Development Finance Companies Dept.
International Finance Corporation,
(World Bank),
Washington D.C. (U.S.A)

Dw. B-5 cn.

Messrs. Mathew, Powell, Jeffries, Garcia and Pollan
William Diamond

October 13, 1967

Future Revision of an Operational Memorandum

Attached is the copy of a draft of an operational memorandum which I prepared in April 1966. I have been asked to revise it in such manner as to reflect precisely today's practice. Would you be good enough to look over this quickly but thoroughly and to give me a note with your suggestions and corrections by 10:00 a.m. Monday at the latest. You may, if you prefer, indicate corrections and suggestions right on the text, rather than typing up a separate note.

Attachment

WDiamond:fmg

Record Removal Notice

The World Bank Group
Archives
& Records Management

File Title	Barcode No.
Operational - Development Banks - General - Volume 10	30132359

Document Date	Document Type
October 13, 1967	Memorandum

Correspondents / Participants
Lester Nurick to files

Subject / Title
Senator Javits' proposed bill for a "Domestic Development Bank"

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
April Miller	Aug 30, 2011

Dev. B - Gen.

Mr. Roger Chaufournier October 6, 1967

Robert F. Skillings RX

Mining Banks

As you requested, I spoke to Mr. Diamond about our policy with respect to mining banks. Mr. Diamond feels that there is no reason to exclude mining banks in principle from consideration, but he also feels that the reasons that lead the Bank not to lend to government-owned industrial development banks apply equally to government-owned mining banks.

May we write to Mr. Labarthe confirming these policies?

cc: Mr. Diamond
Mr. Wyss

RFSkillings:jd

Arising out of Annual Meeting (General)
Dev. B - gen.

Mr. P. M. Mathew

September 30, 1967

William Diamond

Pending Matters

Asian Development BBnk: Prepare a note for Watanabe on the Bank's terms and conditions for lending to dfcs. Please arrange draft.

Ivory Coast: Mr. Sidi will call on us at 10:00 am on October 6.

Mr. Rhonfelder wants to visit us after the 10th. He will telephone us on that date, to fix a time.

Lebanon: Pierre Eddé will come at noon and stay through lunch on October 11. However, he will call from New York next week to confirm. Meanwhile please consider lunch set up. Include Lejeune.

China: Felix Chang will be in at 10:30 am October 13.

WDiamond:mbc

Dev. B - Gen.

September 21, 1967

Dr. Carlos Restrepo Dumit
Vice President
Corporacion Financiera Nacional
Apartado Aereo 1039
Medellin, Colombia

Dear Dr. Restrepo:

I recently returned to my office after home leave and found your letter of July 27 on the draft descriptive memoranda on Corporacion Financiera Nacional awaiting my arrival.

I am very grateful for your careful review of the draft, in the light of which I have revised and put it into final form. I am enclosing two copies for your information.

Yours sincerely,

BS

B. H. Shin
Development Finance Companies

Enclosures

BHShin:phm

Dev. B - Gen.

September 20, 1967

Mr. R. D. Botjer
First National City Bank
(Overseas Division)
399 Park Avenue
New York, N.Y.

Dear Mr. Botjer:

Per our telephone conversation of yesterday, I am enclosing a list of the development finance companies in which the World Bank Group takes an interest and the number of foreign banks holding shares in each of these companies. As indicated in the footnote of the list, the number reflects only those foreign banks which own shares of more than 1% of total shares in each finance company and it includes the subsidiary or subsidiaries of foreign banks.

I hope you will find it useful.

Yours sincerely,

BS

B. H. Shin
Development Finance Companies

Enclosure

BHShin:phm

DEVELOPMENT FINANCE COMPANIES IN WHICH WORLD BANK GROUP TAKES INTEREST AND NUMBER1/ OF FOREIGN BANKS2/ HOLDING SHARES IN THEM

INSTITUTION

Oesterreichische Investitionskredit Aktiengesellschaft (Austria)

None

China Development Corporation

1 U.S. bank

Corporacion Financiera de Caldas (Colombia)

3 U.S. banks

Corporacion Financiera Colombiana (Colombia)

2 U.S. banks

Corporacion Financiera Nacional (Colombia)

2 U.S. banks

Corporacion Financiera del Norte (Colombia)

2 U.S. banks

Corporacion Financiera del Valle (Colombia)

2 U.S. banks

2 non-U.S. banks

Development Bank of Ethiopia

None

Teollistamisrahasto Oy (Finland)

4 U.S. banks

2 non-U.S. banks

National Investment Bank for Industrial Development, S.A. (Greece)

2 U.S. banks

10 non-U.S. banks

The Industrial Credit and Investment Corporation of India Limited

4 U.S. banks

12 non-U.S. banks

Industrial and Mining Development Bank of Iran

2 U.S. banks

8 non-U.S. banks

INSTITUTION

Industrial Development Bank of Israel Limited

2 non-U.S. banks

Banque Ivoirienne de Developpement Industriel (Ivory Coast)

2 U.S. banks

4 non-U.S. banks

The Liberian Bank for Industrial Development and Investment

2 U.S. banks

Malaysian Industrial Development Finance Berhad

4 U.S. banks

10 non-U.S. banks

Banque Nationale pour le Developpement Economique (Morocco)

1 U.S. bank

11 non-U.S. banks

Nigerian Industrial Development Bank Limited

5 U.S. banks

5 non-U.S. banks

Pakistan Industrial Credit and Investment Corporation Ltd.

4 U.S. banks

19 non-U.S. banks

Private Development Corporation of the Philippines

11 U.S. banks

4 non-U.S. banks

Banco del Desarrollo Economico Espanol (Spain)

1 U.S. bank

3 non-U.S. banks

Industrial Finance Corporation of Thailand

5 U.S. banks

5 non-U.S. banks

INSTITUTION

Societe Nationale d'Investissement (Tunisia)

3 non-U.S. banks

Turkiye Sinai Kalkinma Bankasi A.S. (Turkey)

3 non-U.S. banks

C.A. Venezolana de Desarrollo (Venezuela)

5 U.S. banks

2 non-U.S. banks

1/ Include subsidiaries.

2/ Only those holding shares in excess of 1% of total shares.

Dev. B - gen.

September 19, 1967

Mr. P. N. Singh
College of Business Administration
University of South Carolina
Columbia, S.C. 29208

Dear Mr. Singh:

In reply to your letter of September 12, 1967, I attach a list of the names and addresses of the State development financing institutions in India.

I also enclose our two booklets on development finance companies and am sending to you shortly the latest annual reports of IFC and IBRD/AID when they are published.

Yours sincerely,

P. M. Mathew
Deputy Director
Development Finance Companies

Attachments

AMuramatsu:ss
am

State Institutions

1. Andra Pradesh State Financial Corporation
   Chapel Road, Gunfoundry, Hyderabad-1
2. Assam Financial Corporation
   Shillong, Assam
3. Bihar State Financial Corporation
   Fraser Road, Patna-1
4. Gujarat State Financial Corporation
   5th Floor of Gujarat State Co-operative Marketing Society's Building opposite Relief Cinema, Relief Road, P.B. No. 262, Ahmedabad-1
5. Kerala Financial Corporation
   Vellayambalam, Trivandrum-1
   Sub-office: 19/1222, Madhavan Nair Road, Calicut-2
6. Madhya Pradesh Financial Corporation
   Shiv Vilas Palace, Indore-2
7. Maharashtra State Financial Corporation
   United India Building, 1st Floor, Sir Pherozeshah Mehta Road, Fort, Bombay-1
8. Mysore State Financial Corporation
   "Sri Sailam", No. 7, First Main Road, Gandhinagar, Bangalore-9
9. Orissa State Financial Corporation
   Killa Maidan, Cuttack-1
10. Punjab Financial Corporation
    72/73, 17-B, Bank Square, Chandigarh
11. Rajasthan Financial Corporation
    Surya Nivas, C-18, Bhagwandas Road, P.B. No. 63, Jaipur
12. Uttar Pradesh Financial Corporation
    7/154, Swarupnagar, Kanpur
13. West Bangal Financial Corporation
    P-11, Mission Row Extension (Fifth Floor), Calcutta-1
14. Madras Industrial Investment Corporation Ltd.
    23 Nungambakkam High Road, Nungambakkam, Madras-34. P.B. No. 3308

Dev. B - Gen.

Mr. Bernard Chadenet September 14, 1967

L. J. C. Evans

Board Discussions on Development Finance Companies

1. In reply to your memorandum of September 8, 1967, on the above subject, I would like to designate Don Stoops, Head of our Agricultural Credit and Livestock Development Section, to attend Board discussions on development loan companies. In Mr. Stoops absence, I would like to designate Mr. Eugenio or Mr. Stonehan, whichever is present in the Bank at the time of the Board discussions. I assume that the appropriate documents will be sent to Mr. Stoops so that he or Mr. Eugenio or Mr. Stoneham can acquaint themselves with the project prior to Board discussions.

DStoops:nw

PMM

P. N. Singh
College of Business Adm.
University of South Carolina
Columbia, S. C. 29208 USA

September 12, 1967.

Shri P.M.Mathew, Deputy Director,
Development Finance Companies,
International Finance Corporation,
1818 H Street, N.W. Washington D.C. 20433.

Dear Sir:

Thanks for your letter of September 8, 1967 giving me the necessary materials and valuable suggestions regarding my research project.

Capital Market in a Planned Economy is not available in the U.S. I have placed an order with the publishers in India and have requested them to send the book immediately.

I have already written to the National financial institutions stated on the attachment sheet of your letter requesting them to send as many annual reports as possible. I have also stated that if they are not in a position to send them, they may kindly intimate me the sources in India from where I can obtain them.

However, I have not written to the State financial corporations for the required information on account of the lack of their addresses in your letter. Unfortunately I too lack any information in this matter. If it is possible for you to have their addresses kindly send them to me at your earliest convenience.

Further, I request you kindly to send me the annual reports of the International Finance Corporation and other materials that relate to the underdeveloped countries, if any.

As the work on my research project progresses, I may need your further guidance and suggestions. When the need arises, I will approach you for help. 1967 SEP 14 PM 3:58

Looking forward to hearing from you at your convenience.

With regards,

Yours sincerely,
PNSingh

acn. sept. 19/67

Dev.B-gen.

*Singh PN

September 8, 1967

Mr. P. N. Singh
College of Business Administration
University of South Carolina
Columbia, S.C. 29208

Dear Mr. Singh:

Thank you for your letter of August 2, 1967 to Mr. Diamond.

In reply to your enquiry, I attach a list of development financing institutions operating in India, so that you may write them requesting their financial statements. I think that the financial statements of the Industrial Development Bank of India will be especially helpful to you in that they touch on the overall picture of various institutions. Also I mention below certain books which I believe are relevant to your subject:

Foreign Investments in India by Michael Kidron, Oxford University Press, 1965

Capital Market in a Planned Economy, National Council of Applied Economic Research, Cambridge Printing Works, Kashmere Gate, Delhi 6, 1966

Theory and Practice of Development Banking, A Study in the Asian Context by S. K. Basu, Asia Publishing House, New York, 1965.

Wishing success in your work,

Yours sincerely,

P. M. Mathew
Deputy Director
Development Finance Companies

Attachment

AMuramatsu:ss
cc: Messrs. Diamond) with copy of incoming letter.
Pollan)

acx Sept. 12, 1967

Developing Financing Institutions in India

Nationwide Institutions

1. Industrial Credit and Investment Corporation of India Limited, 163 Backbay Reclamation, Bombay 1

2. Industrial Finance Corporation of India, Reserve Bank Building, 6 Parliament Street, New Delhi

3. Industrial Development Bank of India, P. O. Box 1241, Bombay

4. Unit Trust of India, P. O. Box 2000, Bombay 1

5. Life Insurance Corporation of India, Yogakshema, Madame Cama Road, Bombay 1

State Institutions

1. Andhra Pradesh State Financial Corporation
2. Assam Financial Corporation
3. Bihar State Financial Corporation
4. Gujarat State Financial Corporation
5. Jammu & Kashmir State Financial Corporation
6. Kerala Financial Corporation
7. Madhya Pradesh Financial Corporation
8. Maharashtra State Financial Corporation
9. Mysore State Financial Corporation
10. Orissa State Financial Corporation
11. Punjab Financial Corporation
12. Rajasthan Financial Corporation
13. Uttar Pradesh Financial Corporation
14. West Bengal Financial Corporation
15. Madras Industrial Investment Corporation Ltd.

Sep. 8 - real.

Mr. L. J. C. Evans

September 8, 1967

B. Chadenet B. Chadenet

Board Discussions on Development Finance Companies

It would be worthwhile if a member of your staff in charge of agricultural credit projects were present at the Board discussions on development loan companies. Many remarks, questions, comments and discussions may apply to our agricultural credit projects. Therefore, both for the sake of education and coordination I suggest that you make arrangements for one person to study the papers and to be present at the Board discussions of development finance company loans. Please give me the name of the person who will attend each time.

BChadenet:jfe

c.c. Mr. Mendels

Sec. B-[illegible]

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

DECLASSIFIED
JUL 31 2013
WBG ARCHIVES

CONFIDENTIAL

SecM67-244

September 6, 1967

FROM: The Secretary

*Memorandum of Discussion during Meeting of Executive Directors on Policy Governing Commitment Fee Charged to Development Finance Companies (Documents FPC67-7 and R67-123, dated respectively August 2 and August 4, 1967), on August 4, 1967.

1. There were present:

CHAIRMAN

J. Burke Knapp, Vice President

EXECUTIVE DIRECTORS AND ALTERNATES ACTING AS EXECUTIVE DIRECTORS

Reignson C. Chen
D. Fernandez (Alternate)
O. Haushofer (Alternate)
Mohamed Nassim Kochman
Luis Machado
Maung Gyi (Alternate)
R. E. Radford (Alternate)
P. M. Reid (Alternate)
I. Simba (Alternate)
Abderrahman Tazi
Otto Donner
Joaquin Gutierrez Cano
A. A. Jahanshahi (Alternate)
Pieter Lieftinck
Jean Malaplate (Alternate)
Jorge Mejia-Palacio
K. S. S. Rajan
E. Rice (Alternate)
J. O. Stone
V. Thor (Alternate)

ALTERNATES NOT ACTING AS EXECUTIVE DIRECTORS

M. Bako
S. Guhan
C. P. Song
F. Gianani
J. Jaeckel
A. Valencia

OFFICERS AND STAFF PARTICIPATING

Martin M. Rosen
R. H. Demuth
M. Shoaib
M. M. Mendels
W. Diamond
L. Nurick

* This memorandum consists of staff notes of the discussion and is not an approved record.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

2. The Chairman reopened the discussion which had been begun in the August 1 Executive Directors' meeting and continued in Financial Policy Committee on August 3 by drawing the attention of the Executive Directors to the draft decision which had been circulated (R67-123). The draft read as follows:

> In the future the Bank will apply to development finance companies its standard provisions with respect to commitment charge, provided however, that in special cases, such as that of a new institution or one which has not had time to build up its business and profits to an adequate level, the Bank will be prepared to consider limiting the commitment charge, as in the past, to amounts actually credited to the loan account. /In cases in which the standard policy with respect to commitment charge would prevail, the development finance company would normally be given relatively liberal "free limits" within which it could make commitments without prior Bank approval./

3. The Chairman explained that the development finance companies to which the normal commitment fee policy would apply would in general also be those to which relatively liberal "free limits" would apply. At the same time, the bracketed sentence was put up to Directors without formal recommendation since it went somewhat beyond the original focus of the discussion.

4. Mr. Fernandez said he was unhappy with the bracketed sentence and would prefer to leave the size of "free limits" up to the negotiators in each particular situation. Otherwise he agreed with the draft decision.

5. For Mr. Tazi, the weakness of the draft decision lay in its failure to establish uniform standards for all the Bank's borrowers. He was ready to accept that new institutions should receive some special treatment but had difficulty in interpreting the clause which referred to development finance companies which had "not had time to build up ... reserves and profits to an adequate level". He also felt that the words "relatively liberal 'free limits'" should be clarified.

6. Mr. Rosen replied that "relatively liberal" meant precisely what it said, namely that there would be about the same relative degree of freedom for a small institution as for a large. This meant that the same "free limit" would not be appropriate for both. As for Mr. Tazi's other concern, Mr. Rosen said that the question of when to apply the Bank's normal commitment charge policy would have to be a matter for the Board to decide in each case, taking into account the President's recommendation. Clearly an institution which had had ten or fifteen years of operating experience was in a position to pay the normal commitment charge, while one with only one or two years' was not.

7. An adequate level of profits depended not only on the operation of the development finance company, Mr. Tazi said, but also on the amount of interest-free money available to the company from the government.

8. Mr. Rosen agreed, and assured Mr. Tazi that the decision whether to apply the normal commitment charge policy would be based on the period of operation rather than on the size of the reserves. A company in operation for fifteen years would clearly be required to pay the commitment charge in the normal way, whatever the level of its reserves.

9. Mr. Stone said that, though he had originally suggested an amendment of the kind embodied in the bracketed sentence, he was prepared to withdraw it and support a decision based on the first sentence of the draft in the interests of reaching an early conclusion to the debate. He now saw that policy on "free limits" was perhaps more appropriately a matter for negotiation in situ.

10. Dr. Lieftinck welcomed Mr. Stone's statement, saying that there was no logical link between the commitment charge and the size of the "free limit". Because Mr. Stone had dropped his amendment, he had decided not to propose that loans to development finance companies subject to the Bank's normal commitment charge policy should also bear a fixed rate of interest. Nevertheless, he was still uneasy that whether to charge the normal commitment fee was to be made a matter for decision in individual cases. He would have much preferred some general rule, and therefore proposed that the normal commitment fee policy be applied only to those development finance companies which had been in operation for at least ten years.

11. Mr. Tazi expressed his agreement with Dr. Lieftinck's proposal.

12. Mr. Kochman said that he fully supported the draft decision. It was clear and flexible and gave the staff freedom to decide each case on its merits.

13. Dr. Donner agreed that the bracketed sentence would be better deleted and also suggested the deletion of the words "and profits" from the draft decision. He was prepared to support the draft decision even without the latter change. Dr. Donner said, however, that he was not in agreement with Dr. Lieftinck's suggestion that the normal commitment charge policy should be deemed to apply to all development banks of more than a certain age. In certain circumstances, a development finance company could be fully established after a very short time, while in other circumstances many years might be required. The Bank already provided different treatment to different customers on matters such as local currency financing, grace periods, and maturities. Making ad hoc distinctions between different types of development banks was in this sense not an innovation.

14. Dr. Machado said he was happy to support the draft decision and to withdraw his previous support for Mr. Stone's amendment. On the other hand, he felt that the wording of the decision could be considerably improved and suggested that it should read as follows:

> The Bank will apply to development finance companies its standard provisions with respect to commitment charge. In special cases, such as that of a new institution or one which has not had time to build up its business and profits to an adequate level, the Bank may consider limiting the commitment charge to amounts actually credited to the loan account.

15. Mr. Malaplate said that, in his view, the Bank should have standard policies for each class of borrower. For this reason he agreed with Dr. Lieftinck's suggestion. At the same time he doubted whether the difference between applying the Bank's normal commitment charge policy and limiting the charge to amounts actually credited to the loan account would be sufficiently great to warrant making the special concession. In short, he favored applying the normal policy to all borrowers without exception.

16. Mr. Gutierrez-Cano also spoke in favor of Dr. Lieftinck's suggestion, and agreed that the bracketed sentence in the original draft should be deleted.

17. Though basically in agreement with Mr. Malaplate, Mr. Reid said that in the interests of compromise he was prepared to accept the substance of the draft decision, with the omission of the bracketed sentence. He felt Dr. Machado's verbal amendments improved the text of the decision.

18. Mr. Rajan asked whether there should not be some reference in the draft to the interest rate to be charged on loans to development finance companies, but he accepted the Chairman's judgment that this was an inappropriate place to refer to such a subject. He agreed that Dr. Machado's amendments improved the text of the draft and he was prepared to support the decision. Though sympathetic to Dr. Lieftinck's suggestion, he felt that the period for which development finance companies should be exempt from the normal policy on commitment charges could vary.

19. Dr. Mejia-Palacio said that, for the record, he wanted to make it clear that he was still not convinced of the need to change previous policy. If the change in policy would have such a slight impact on the development finance companies, how would it serve the purpose of encouraging them to draw down borrowed funds more promptly? Previous policy had worked well for more than ten years. He was also concerned because it seemed to him that this change was just one more step in a general policy, which had been taking shape for some months, to make life more difficult for the developing countries.

20. The Chairman assured Dr. Mejia-Palacio that the Bank was devoted to the interests of the developing countries. In this case the issue was whether developing countries as a whole should continue to carry the burden of a subsidy paid to one group of them.

21. The Chairman then proposed that the verbal amendments to the original draft decision be considered. After some discussion, it was agreed that the draft decision should read as follows:

> The Bank will apply to development finance companies its standard provisions with respect to commitment charge, provided however, that in special cases, such as that of a new institution or one which has not had time to build up its business to an adequate level, the Bank may consider limiting the commitment charge to amounts actually credited to the loan account.

22. The discussion then turned to Dr. Lieftinck's substantive amendment that the previous policy on commitment charges should continue to apply on loans to all development finance companies of less than ten years of age. Mr. Rice said that he agreed with the amendment in principle, but was not sure that ten years was the right period for which to grant special treatment. Mr. Rosen explained that the first Bank loan to a development finance company had been that to the Turkish development bank in 1951, the second to ICICI in 1955, and the third to PICIC in 1957. Mr. Rice said that he would be prepared to ignore the loans to the Turkish bank and to ICICI and argue that, from PICIC on, all development banks should be allowed to borrow Bank funds on the previous basis for a period of ten years from their inception.

23. Mr. Rosen said that, if Dr. Lieftinck's amendment were adopted, the new policy would initially apply only to three companies - the Turkish development bank, ICICI, and PICIC. This had certainly not been his intention in suggesting a change in policy. The Chairman also expressed the concern of the management at the proposed amendment.

24. Mr. Tazi asked whether the ten year period was to date from the inception of the development bank or only from the time when the Bank granted it a first loan. If the former, it seemed likely that the new policy would still be applied to some companies without an adequate level of resources.

25. Mr. Stone said that he had been impressed both by the desirability of setting objective standards by which to judge development finance companies and by the fact that accepting the "ten-year amendment" would not really achieve the objectives of the staff. Under these circumstances, he found himself driven to accepting Mr. Malaplate's view that the normal commitment fee policy should be applied to all development finance companies without exception.

26. Mr. Radford said that he would not wish to extend a ten-year concession merely for the sake of fixing a definite standard.

27. Mr. Jahanshahi was opposed to Dr. Lieftinck's amendment. It was impossible to find one solution which would adequately suit the circumstances of different countries and different companies. Dr. Chen agreed with Mr. Jahanshahi, stating that the proposed amendment would unduly restrict the flexibility of the management. He was ready to support the language of the decision then before the Board. Dr. Donner also agreed, expressing dislike for the inflexibility introduced by the amendment. Dr. Machado said it was important to leave as wide a margin for good judgment to future Boards of Directors as possible.

28. The Chairman then asked whether anybody had any objection to substituting the words "had not been able" for "had not had time", as had been suggested by Dr. Machado. Mr. Stone objected to the change but was overruled by the Chairman who felt the two sets of words meant almost exactly the same.

29. Mr. Rice said that, after reflection, he had decided to withdraw his support for the "ten-year amendment" and support the original formulation. He felt that the amendment conflicted with the main purpose of the policy change.

30. The Chairman thereupon called for a vote on Dr. Lieftinck's amendment. Only Dr. Gutierrez-Cano, Dr. Lieftinck, and Mr. Tazi supported it, and Mr. Tazi immediately withdrew his support because of a misunderstanding of its intention. The amendment was clearly defeated.

31. Mr. Malaplate then moved and Mr. Reid seconded, an amendment to the effect that the Bank's standard provisions with respect to commitment charge should apply to all development finance companies without exception. This amendment also failed, though supported by Messrs. Reid, Malaplate, Lieftinck, Stone, and Thor.

32. Finally the Chairman put the motion that "The Bank will apply to development finance companies its standard provisions with respect to commitment charge, provided however, that in special cases, such as that of a new institution or one which has not been able to build up its business to an adequate level, the Bank may consider limiting the commitment charge to amounts actually credited to the loan account." This motion was carried on a show of hands, Mr. Jahanshahi abstaining.

Secretary's Department

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL FINANCE CORPORATION

October 31, 1967

Mr. Cope:

Re: your telephone call on the rate of interest payable by development finance companies on IDA Credits:

The only credit being committed now is the 4th credit to TSKB, Turkey. In this case the rate of interest payable by TSKB to the Government of Turkey is the current interest rate of the Bank.

I gave this information to Mr. Metherate.

PMM

P. M. Mathew

Form No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. S. R. Cope

DATE: September 6, 1967

FROM: William Diamond

SUBJECT: Board Discussion on Development Finance Companies

To your list of subjects for presentation to the Board, you may wish to add the following (if they are not already on your list):

1. Lending to government-controlled companies.

2. Fixed versus variable interest rates.

3. Fixed versus variable amortization schedules.

4. Debt:equity ratios.

5. Local currency financing.

6. Review of sub-projects.

cc: Messrs. Rosen, Knapp.
Circ. (2)
WDiamond:tk

Dev. B - Gen.

Mr. S. R. Cope September 6, 1967

William Diamond WD

Board Discussion on Development Finance Companies

To your list of subjects for presentation to the Board, you may wish to add the following (if they are not already on your list):

1. Lending to government-controlled companies.
2. Fixed versus variable interest rates.
3. Fixed versus variable amortization schedules.
4. Debt:equity ratios.
5. Local currency financing.
6. Review of sub-projects.

cc: Messrs. Rosen, Knapp.
Circ. (2)
WDiamond:tk

Dev. B - Gen.

Secretary's Files August 16, 1967

K. S. Venkatraman

Commitment Charge on Loans to Development Finance Companies - Background of 1950 Decision

1. The policy of not charging commitment charges for loans to development finance companies started in 1950. The earliest loans to development banks were Loan 32 to Ethiopia and Loan 34 to Turkey. In connection with the loan to the Turkish Industrial Development Bank, there were extensive discussions in July 1950 when the Working Party went into the question. As a result of these discussions, it was stated in the Staff Loan Committee memorandum (SLC/O/239) of July 24, 1950 that:

(a) A single loan contract for $9 million would be signed. No commitment charge would run against this sum. (The Working Party felt that the possible implications of such a procedure on other borrowers should be considered by the Staff Loan Committee.)

(b) I.B.R.D. would enter into firm commitments only on at least 90 days (or 60 days) notice.

(c) Such commitments would be for minimum amounts of $500,000 (or $250,000).

(d) The customary commitment charge would be levied against these firm commitments beginning 90 days (or 60 days) prior to the date on which withdrawals are to be available.

(e) An interest rate would be set in the original contract, which would provide, however, that the rate would be fixed again for each tranche firmly committed. The following formula for interest rate revision would be provided in the original contract: as each firm commitment is made, the interest rate would be adjusted by an amount equal to the variation in yield of I.B.R.D.'s bonds of comparable maturity (or of U.S. Government bonds), to the nearest 1/8 of 1 per cent.

2. At the SLC meeting held on July 28, 1950, the following modifications were made to the above recommendations:

(a) it was agreed to make a single loan contract for $9 million with the qualification that the Bank would retian a broader than usual right to cancel any unused portion of the loan;

(b) the recommendation that the I.B.R.D. enter into firm commitments only on at least 90 days notice was rejected;

(c) it was agreed that there would be no minimum of amounts committed. The customary commitment charge would begin to run whenever the I B.R D notified the Industrial Development Bank of Turkey of its approval of a project;

(d) the Committee turned down the idea of a formula for interest rate revision. They recommended instead that each party would have the right to ask for review of the interest rate every six or eight months on the basis of current market conditions. If no agreement was reached on such interest rates, no further withdrawals would be permitted.

3. During the same period, extensive discussions were under way in the staff (see SLC/O/235) and the Board (see R-367 of August 11, 1950). There was also a Working Party set up to study charges for firm commitments (see SLC/O/284 and R-401).

KSV/hmf

Form No. 59
(2-55)

CROSS REFERENCE SHEET

COMMUNICATION: Minutes of Joint Meeting of the E D - SM67-28

DATED: August 9, 1967

TO:

FROM:

FILED UNDER: Minutes of EDs meetings

SUMMARY: Re:

Exerpt:

Financial Policy Committee

LOANS TO DEVELOPMENT FINANCE COMPANIES - Commitment Charge

7. The Committee considered document FPC67-7 entitled "Commitment Charge on Bank Loans to Development Finance Companies', dated August 2, 1967, and decided to record their decision at the meeting of the Executive Directors on August 4, 1967.

Dev. B - Gen.

Mr. Munir Benjenk August 8, 1967

Mr. Lejeune

Development Finance Companies - Commitment Charge Policy

Since we have several Development Finance Companies in our countries, you will wish to acquaint yourself with the debate on the question of the commitment charge to be paid by Development Finance Companies. While I do not have the exact words as I write this, the decision reached by the Board on Friday was approximately as follows: "The Bank will apply to Development Finance Companies its standard provisions with respect to commitment charge, provided however that in special cases, such as that of a new institution or one which has not had time to build up its business to an adequate level, the Bank will be prepared to consider limiting the commitment charge to amounts actually credited to the loan account."

The effect of this is that a special case has to be made whenever we wish to relieve a Development Finance Company of the necessity to pay commitment charge from the very beginning on the total amount of the loan. In effect, the Board has reserved to itself the decision in each such case. SNI is immediately a case in point. Probably before you return, a decision will have been made on what to recommend to the Executive Directors in the case of SNI, but the action by the Board will not come until after I have gone. You will wish to insure that anyone who is going to say anything at the Board which may bear upon this point is well instructed ahead of time.

The point also comes up with respect to IDBI in Israel. Before this debate, we had assumed that although the IDBI loan had been set up on the old pattern (i.e., deferred commitment charge) we would bring it into line with the then proposed new pattern before the Board acted. However, as a result of the debate I suppose that one will have to consider whether or not IDBI is now an exception to the general rule adopted.

Late Friday it was agreed that IFC would send Bose to Israel to do any necessary updating of the IFC appraisal of IDBI and presumably he will satisfy himself on this particular point at the same time. This loan will not come before the Board until after I return, but you had better keep your eye on the preparations.

MLL:est

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CONFIDENTIAL

R67-123

August 4, 1967

DRAFT DECISION

In the future the Bank will apply to development finance companies its standard provisions with respect to commitment charge, provided however, that in special cases, such as that of a new institution or one which has not had time to build up its business and profits to an adequate level, the Bank will be prepared to consider limiting the commitment charge, as in the past, to amounts actually credited to the loan account. [In cases in which the standard policy with respect to commitment charge would prevail, the development finance company would normally be given relatively liberal "free limits" within which it could make commitments without prior Bank approval.]

Dev. B-gen.

August 3, 1967

Dear Mr. Chercaoui:

On behalf of Mr. Diamond I have pleasure in enclosing, in reply to your letter of July 24, copies in French of some publications on development banking. They are Mr. Diamond's book "Development Banks", a subsequent book by Mrs. Shirley Boskey of the IBRD staff, "Problems and Practices of Developments"Banks", and a recent IFC publication "The Role of National Development Finance Companies in Industrial Development" which describes the activities of the World Bank Group in this field.

We shall look forward to seeing your study when it is completed.

Yours sincerely,

R. A. Morton
Development Finance Companies

Enclosures

Mr. Rachid Chercaoui
46, Avenue de l'Armée Royale
Casablanca, Morocco

cc: Mrs. Boskey, Information Department
RAMorton:mm

August 3, 1967

Dear Mr. Chercaoui:

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R. A. Morton
Development Finance Companies

Enclosures

Mr. Rachid Chercaoui
46, Avenue de l'Armée Royale
Casablanca, Morocco

cc: Mrs. Boskey, Information Department
RAMorton:ma

P. N. Singh
College of Business Adm.
University of South Carolina
Columbia, S. C. 29208 USA

PMM
Dev. B - gen
x Alpha - Singh

August 2, 1967.

Mr. William Diamond,
The Economic Development Institute,
International Bank for Reconstruction and Development,
Washington, D.C.

Dear Sir:

I have been here in the Business School of the University of South Carolina in their doctoral program for over a year.

For my doctoral dissertation I have ~~I have~~ selected a topic entitled " Development Banking in a Developing Economy". On this topic I have received sufficient material and insight into the subject from your book.

My plan is to examine the role of development banks, of which so many have come into existence recently, in the context of the special significance of the corporate sector in India in their contribution to the contry's industrialisation (to the exclusion of the State owned companies), the impotancy of the traditional institutions of the capital market in providing venture capital and enterprise, the lack of facilities like the investment banking system of the United States, the impediments created by the Managing Agency system in the way of Indian capital market's efficiency, the role of fiscal and monetary policies in the required growth and vigor of the capital market for enabling it to meet the strains and stresses generated by the Five Year Plans.

The study is intended to cover the period after Idependence in 1947, and particularly since 1951 when the Five Year Plans were put into action. Naturally the policy of the government to bring about rapid industrialisation, partly on its own initiative and party through the private sector had much to do with the capital market, for sustaining and strengthening which a number of development banks were set up in quick succession.

Thus in brief I have given you what I plan to do for my dissertation. But my greatest difficulty is the lack of relevant literature on this topic in the library of this University, and my inability to move out of the city for the time being due to lack of funds and my indifferent health.

My purpose in approaching you is stated below:-

1. I need a complete bibliography on the subject with addresses from where I can get them. Since you have done the poineer work on this subject you are in the best position to assist me in the matter.

2. I need to know the lines on which the enquiry should proceed. If it is not a kind of pressure on you, please indicate

ack Sept. 8, 1967

the object and scope of the study along which I should proceed in my inquiry. I wish to cover the Plan Period, 1951-1967 adding a chapter for the period between 1947 and 1951. Your comments on the lines on which I should proceed in this study will add emmensely to the value of the work and will facilitate my approach to the subject.

I, therefore, request you kindly to guide me on this topic with full comments as to how I should proceed and by supplying me the necessary details on the points No. 1 and 2 stated earlier. I realise that my request will put some pressure on your already busy programs and assignments. But your few lines on the topic and your guidance will enable me to complete the project in time. I shall always remain grateful for this assistance.

I am looking forward to hearing from you at your earliest convenience.

With regards,

Yours sincerely,

Pnsingh

P. N. Singh.

Mr. Rasmussen

Dev. B. file c. Interest, Com. & Fig.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CONFIDENTIAL

FOR EXECUTIVE DIRECTORS' MEETING

For consideration on August 3, 1967

FROM: The President

FPC67-7

August 2, 1967

COMMITMENT CHARGE ON BANK LOANS TO DEVELOPMENT FINANCE COMPANIES

1. It is the Bank's normal practice to charge a commitment fee on the undisbursed portion of its loans. The fee is at present 3/8 of 1 per cent, and accrues from a date 60 days after the date of the loan agreement.

2. For loans to development finance companies, the Bank has hitherto made a concession in that the commitment charge is made not on the entire undisbursed amount of the loan, but only on the undisbursed portion of amounts which have been credited to the loan account. This policy was originally adopted on two grounds. The first was the desire of the Bank to foster the creation of development finance companies and to help keep down their expenses during their formative years. The second arose out of the fact that subprojects financed by Bank loans to development finance companies have in many cases required prior approval by the Bank; to this extent it was possible to argue that only as the Bank actually approved projects for credit to the loan account, did it make a definitive commitment of funds.

3. In reviewing this matter recently, the staff came to the conclusion that the policy is no longer appropriate. Most of our development finance company loans are now going to well-established companies, who have built up their earnings position to the point at which they can reasonably be expected to pay the commitment charge on the Bank's normal basis. Furthermore, in making loans to such companies, the Bank has provided increasingly large "free limits" within which the companies are able to make commitments without prior Bank approval; to the extent that this takes place, any difference between a Bank loan to a development finance company and to another borrower disappears.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

4. The above considerations relate to loans to well-established development finance companies, and suggest that for these companies the Bank's normal commitment charge provisions should apply. There still may be reason, however, for granting some concession to a newly-established company or to one which has not yet had time to build up its business and profits to an adequate level.

5. The financial impact of making the full charge on well-established companies will vary from company to company, depending on such factors as its capital structure, the volume of new business in relation to old, and the charges it makes to its own customers. However, as illustrated by the case of the proposed loan to China Development Corporation (see Paragraph 64, Page 20 of the report entitled "Appraisal of China Development Corporation" attached to Document R67-113 dated July 20, 1967), this impact will normally be quite insignificant in relation to the company's earnings and finances.

6. I recommend that in future the Bank apply to well-established development finance companies the same provisions as are applicable to its loans in general, i.e. a commitment charge accruing 60 days from the date of the loan agreement, but that in the case of other development finance companies the Bank be prepared to consider limiting the commitment charge as in the past, to those amounts actually credited to the loan account.

George D. Woods

by J. Burke Knapp

Copy taken for Mr. Shin. TB

CORPORACION FINANCIERA NACIONAL

APARTADO AEREO 1039 CABLES: FINANCIERA

MEDELLIN-COLOMBIA

Medellín, Julio 27 de 1967

Señor
B. H. Shin
Development Finance Companies
International Finance Corporation
Washington, D.C.

No. VP- 5733

Apreciado señor Shin:

Nuevamente nos referimos a su atenta comunicación del 22 de junio, con la cual se sirvió acompañarnos, por duplicado, un memorándum actualizado que describe la estructura, operaciones y resultados financieros de esta Corporación hasta el 31 de diciembre de 1966.

Hemos revisado cuidadosamente el texto de este documento y confrontado sus cifras y, de acuerdo con sus deseos, devolvemos una de las copias de su memorándum.

Los espacios en blanco que allí aparecen han sido llenados así: -

Página 2, No. 7.- PIF approvals of loans by CFN totalled Col. $ 86,0 million.

Annex 3 - Salaries and social benefits 1966, Col. $ 2,0 million.

Other administrative expenses 1966, Col. $ 1,6 million.

Por otra parte, observamos lo siguiente:

En la página 5, bajo el número 23, en la línea de los préstamos otorgados a menos de 2 años, a la altura de las cantidades correspondientes al año de 1966, aparecen Col. $ 35,9 millones.- La cifra correcta es Col.$ 36,9.

Ack: Sept, 21

CORPORACION FINANCIERA NACIONAL

Señor B. H. Shin .... Julio 27 de 1967 ....

En la página 8, bajo el número 35, donde se anota la disminución de los beneficios antes de impuestos entre los años de 1965 y 1966, nos permitimos sugerir que se explique esa rebaja como consecuencia del dividendo extraordinario de Col. $ 3,4 millones pagado por Industrias Metálicas de Palmira en el año de 1965.

Consideramos, por lo demás, ajustada a la realidad la información preparada por ustedes. Del texto definitivo les rogamos enviarnos varios ejemplares, que nosotros distribuiríamos entre algunos amigos muy exclusivos.

Al expresar a usted y al grupo de funcionarios de IFC que han participado en la elaboración de este reporte nuestros agradecimientos muy sinceros, nos repetimos como sus atentos servidores y amigos,

Carlos Restrepo Dumit,
Vicepresidente

CRD/ead.

Dev. B-gen.

Rachid CHERCAOUI
46, avenue de l'Armée Royale,
CASABLANCA

Le 24 juillet 1967.

Mr. Selso[illegible]
Send him copy of my book. Banking book, & [illegible] policy [illegible] [illegible] forward [illegible] [illegible]

Monsieur William DIAMOND
Directeur
" Department of Operations "
1818 Street N.W.
WASHINGTON D.C. 20433
U. S. A.

Monsieur,

Je viens d'apprendre par Monsieur BENKIRANE, Directeur Général de la Banque Nationale pour le Développement Economique, que vous avez publié récemment une importante étude sur les banques de développement.

Etant moi-même fort intéressé par ce sujet (je prépare une ètude en ce sens avec la Faculté de Paris) et n'ayant pu trouver votre ouvrage ni sur le marché ni dans les bibliothèques publiques, je vous prie d'avoir l'extrême obligeance de m'en faire parvenir un exemplaire, dans le texte anglais ou français.

Je vous suis infiniment reconnaissant de me faire bénéficier de votre apport sur un problème de la plus grande importance en notre temps.

Je me permettrai également, si vous le voulez bien, de vous adresser les fruits de mon travail une fois achevé, afin de recueillir vos avis qui ne peuvent être que précieux pour quelqu'un qui commence à pénétrer dans un domaine d'une extrême complexité mais combien passionnant.

Je vous renouvelle toute ma gratitude et vous prie de croire, Monsieur, à l'expression de mes sentiments distingués.

Rachid CHERCAOUI

ack. Aug. 3, 1967

DevB - gen.

IDA	IBRD	IFC

FORM NO. 92 (10-61)

CORRESPONDENCE RECORD FORM

FROM	DATED
CHECCHI AND CO. Washington, D.C.	July 21, 1967

SUBJECT

Letter addressed Messrs. Bose and Husain requesting some information on the operation and administration of Development Banks.

REFERRED TO	DATE RECEIVED
Mr. Powell	August 7, 1967 na

Dev Banks - Gen

Mr. Sekse, Mr. Powell, Mr. Pollan, Mr. Jeffries July 20, 1967

P. M. Mathew

Commitment Charge

In the President's Reports relating to the finance company loans now in various stages, the proposal to levy a commitment charge should be expressed in words to the following effect:

"The proposed loan will carry the Bank's normal commitment fee, i.e., on the entire undisbursed amount of the loan starting 60 days after the signing of the loan agreement. This is in accordance with a new practice proposed to be applied to Bank loans to development finance companies."

In the case of CDC, I have ascertained from the Secretary's office that the circulation to the Board has not taken place. Circulation should be held up until the change has been made. When the change has been made, the new text should be given to Mr. Richards. In the case of SNI the draft before LC (?) should be modified.

cc: Mr. Richards

PMMathew:mbc

Dev Banks - ds
Gen MC

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Martin M. Rosen

DATE: July 18, 1967

FROM: P. M. Mathew PMM

SUBJECT: Loans to Development Finance Companies - Determination of Amount

You said at the Senior Staff Meeting today that the loans to development finance companies which we are presently negotiating or which we are now about to submit to the Board should cover only one year's requirements of foreign exchange. I understood that the papers submitted to the Loan Committee should supply in each case a basis for the Committee to decide on the appropriate amount. We are in touch with the concerned Bank Area Departments.

The following statement indicates the amounts originally proposed on the basis of two year's requirements and the status of each case:

Company	Amount $ million	Status
CDC China	15.0	Amount approved by Loan Committee. Board action proposed August 1st week.
SNI Tunisia	10.0	Papers being submitted to Loan Committee in a day or two. Board action proposed August 1st week.
PICIC Pakistan	35.0	Papers being submitted to Loan Committee in a day or two. Board action proposed August 1st week.
ICICI India	25.0 - 50.0	To be negotiated.
NIBID Greece	12.5	Negotiated, except for some aspects of Guarantee Agreement. Pending further discussion with Government and company. Not ready for Loan Committee.
DFCC Ceylon	4.0	Negotiated, not ready for Loan Committee.
IDBI Israel	15.0	Negotiated. Submitted to Board.

In the case of CDC, action to submit papers to the Board has been stopped pending fresh determination of the amount by Management. In other cases, a decision of the Loan Committee about the amount to be mentioned will be sought in the next two days.

An obvious consequence of the decision to grant a smaller loan will be the need, in the interest of good relations, to explain the change in good time to the borrowers and the governments. In the case of each loan negotiated, they had, as usual, been told that the amount mentioned (as given in the statement on the preceding page) would be recommended by Management to the Board.

On the basis of one year's requirements, the new amount to be considered in each case is being worked out. Perhaps we should, at the same time, decide on a consistent criterion to determine the requirements; an approval on a commitment basis, in cases where the difference is material.

cc: Messrs. Raj
Powell
Pollan
Sekse

PMMathew:mbc

Dev. B - Gen.

July 12, 1967

Dr. Tulio de Andrea
President
Banco Industrial del Peru
Casilla Postal 1230
Lima, Peru

Dear Tulio:

I am writing to introduce to you a good friend -- Mr. Roberto T. Villanueva, President and Chairman of the Board of Directors of the Private Development Corporation of the Philippines (PDCP).

As you probably know, PDCP is one of the most important institutional sources of industrial capital in the Philippines. (You might like to see the attached memorandum about it.) The World Bank family helped promote and finance PDCP and has been closely associated with it since its establishment in 1963. Mr. Villanueva was one of the promoters and has been a member of the Board from the start; he became Chairman and President in March 1966. Mr. Villanueva is a leading and highly respected figure in Philippino financial and business circles and is President or Director of a number of important companies, including Luzon Stevedoring Corporation, Binalbagan-Isabela Sugar Company and Trans-Philippines Investment Corporation.

Mr. Villanueva (accompanied by Mrs. Villanueva) is planning to attend the forthcoming Annual Meeting of the World Bank Group in Rio de Janeiro. He wants to take advantage of the trip to visit some important financial institutions in Latin America. He particularly wants to see Banco Industrial del Peru and to meet you and I have encouraged him to do so. Mr. Villanueva's schedule calls for him to be in Lima from October 10 to October 13. He will be staying at the Grand Hotel Bolivar.

I should be very grateful if you would receive Mr. Villanueva. I know he will find his visit interesting and useful. I am also sure that you will enjoy meeting him.

With kind regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Attachment

cc: Mr. Villanueva
RMFernandes/WDiamond/va
cc: Mr. Powell, Division

July 12, 1967

Dr. Ignacio Copete
President
Corporación Financiera Colombiana
Apartado Aéreo 11843
Bogotá, Colombia

Dear Ignacio:

I am writing to introduce to you a good friend -- Mr. Roberto T. Villanueva, President and Chairman of the Board of Directors of the Private Development Corporation of the Philippines (PDCP).

As you probably know, PDCP is one of the most important institutional sources of industrial capital in the Philippines. (You might like to see the attached memorandum about it.) The World Bank family helped promote and finance PDCP and has been closely associated with it since its establishment in 1963. Mr. Villanueva was one of the promoters and has been a member of the Board from the start; he became Chairman and President in March 1966. Mr. Villanueva is a leading and highly respected figure in Philippino financial and business circles and is President or Director of a number of important companies, including Luzon Stevedoring Corporation, Binalbagan-Isabela Sugar Company and Trans-Philippines Investment Corporation.

Mr. Villanueva (accompanied by Mrs. Villanueva) is planning to attend the forthcoming Annual Meeting of the World Bank Group in Rio de Janeiro. He wants to take advantage of the trip to visit some important financial institutions in Latin America. He particularly wants to see Corporación Financiera Colombiana and to meet you and I have encouraged him to do so. Mr. Villanueva's schedule calls for him to be in Bogotá from October 15 to October 18. He will be staying at the Tequendama.

I should be very grateful if you would receive Mr. Villanueva. I know he will find his visit interesting and useful. I am also sure that you will enjoy meeting him.

With kind regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Attachment

cc: Mr. Villanueva
RMFernandes/WDiamond/va
cc: Mr. Powell, Division

July 12, 1967

Mr. Jayme Magrassi de Sá
President
Banco Nacional do Desenvolvimento Economico
Rua 7 Setembro, 48
Rio de Janeiro, Brazil

Dear Mr. Magrassi de Sá:

I am writing to introduce to you a good friend -- Mr. Roberto T. Villanueva, President and Chairman of the Board of Directors of the Private Development Corporation of the Philippines (PDCP).

As you probably know, PDCP is one of the most important institutional sources of industrial capital in the Philippines. (You might like to see the attached memorandum about it.) The World Bank family helped promote and finance PDCP and has been closely associated with it since its establishment in 1963. Mr. Villanueva was one of the promoters and has been a member of the Board from the start; he became Chairman and President in March 1966. Mr. Villanueva is a leading and highly respected figure in Philippino financial and business circles and is President or Director of a number of important companies, including Luzon Stevedoring Corporation, Binalbagan-Isabela Sugar Company and Trans-Philippines Investment Corporation.

Mr. Villanueva (accompanied by Mrs. Villanueva) is planning to attend the forthcoming Annual Meeting of the World Bank Group in Rio de Janeiro. He wants to take advantage of the trip to visit some important financial institutions in Latin America. He particularly wants to see Banco Nacional do Desenvolvimento Economico and to meet you and I have encouraged him to do so. Mr. Villanueva's schedule calls for him to be in Rio from September 23 to October 2. He will get in touch with your office to make an appointment with you.

I should be very grateful if you would receive Mr. Villanueva. I know he will find his visit interesting and useful. I am also sure that you will enjoy meeting him.

With kind regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Attachment
cc: Mr. Villanueva
RMFernandes/WDiamond/va
cc: Mr. Powell, Division

July 12, 1967

Mr. Roberto T. Villanueva
President and Chairman
Private Development Corporation
of the Philippines
CBTC Building
Ayala Avenue
Makati, Rizal
Manila, Philippines

Dear Bert:

Thanks for your letter of June 22 concerning your visit to Latin America. I have written letters of introduction to the Presidents of the three Corporations referred to in your letter. I am quite confident that they will make you welcome. Incidentally, I expect I shall have an opportunity to introduce you to them at the Rio meetings; all three of them will be at Martin Rosen's lunch.

I notice that your schedule calls for stops in Cali and in Caracas. In those places, too, we can introduce you to the Presidents of the Financieras should you feel you have the time to call.

With best personal regards,

Sincerely yours,

D

William Diamond
Director
Development Finance Companies

WDiamond:us:gb

cc - Mr. Garcia-Rayneri
Mr. Powell.

Dev. B - Gen.

Mr. Mohamed Nassim Kochman

July 5, 1967

William Diamond W

Re: Our Conversation Last Week

Attached are:

A. References to two items on development banks in Africa, available in the Bank/Fund Library.

B. A paper by Postel-Vinay, Director General of the Caisse Centrale, on its activities.

C. The Caisse Centrale's 1965 Annual Report. (Please return to Mr. Sekse.)

D. A note on our discussions with Somalia.

E. A note on our last contacts with Congo (Kinshasa).

I shall be very happy to talk to you again when you are ready.

Attachments

cc: Mr. Sekse

WDiamond:mm

June 30, 1967

Dear Mr. Kheradjou:

You will recall that while you were here in Washington last time you told me that upon your return you would review and let me have your comments on the section of my draft paper, Administered Funds, dealing with the Industrial and Mining Development Bank of Iran.

I understand that when you returned you must have found yourself enmeshed with many pressing matters, but I would appreciate if you could find the time to let me have the benefit of your comments at your earliest convenience.

Yours sincerely,

BS

B. H. Shin
Development Finance Companies

Mr. A. Gasem Kheradjou
Managing Director
Industrial and Mining Development Bank
of Iran
204 Boulevard Karaj
Tehran Iran

cc: Mr. Pollan

BHShin:ts

Ref. Dec 26

June 30, 1967

Dear Mr. Kheradjou:

You will recall that while you were here in Washington last time you told me that upon your return you would review and let me have your comments on the section of my draft paper, Administered Funds, dealing with the Industrial and Mining Development Bank of Iran.

I understand that when you returned you must have found yourself enmeshed with many pressing matters, but I would appreciate it if you could find the time to let me have the benefit of your comments at your earliest convenience.

Yours sincerely,

BHS

B. H. Shin
Development Finance Companies

Mr. A. Gasem Kheradjou
Managing Director
Industrial and Mining Development Bank
of Iran
204 Boulevard Karaj
Tehran Iran

cc: Mr. Pollan

BHShin:ts

1967 JUL -3 PM 2:04

Dcv. B - Gen

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

+ Ref. to Country File

OFFICE MEMORANDUM

TO: Files

DATE: June 26, 1967

FROM: William Diamond

SUBJECT:

Latin America

1. Erich Bachem is going to visit several countries in Latin America at the time of the Annual Meeting. He is likely to choose Chile and Colombia, in addition to Brazil. I have promised him letters of introduction. He will send us his itinerary soon. (This will be his first visit to Latin America.)

IFCT

2. Bachem is disturbed about our leaving IFCT. He meant the Bank's not extending the commitment date. He did not know about IFC's intentions until I told him. Bachem's concern stems not from any disagreement with our evaluation of IFCT. He pointed out that, at our request, KfW had modified its terms in order to make them coincide with those of the Bank; and he thought that, since we had gone into the IFCT loan together, the Bank should not have abandoned ship alone. He hoped IFC would not get out, too; for there was more hope of improvement of IFCT's prospect with us in than out. I told him of Serm's and Puey's reaction to my letters, and of our undertaking to review the situation with them in Rio. I promised Bachem we would keep him informed.

3. IFCT has applied for a new loan from KfW. (The Asian Development Bank also has an application for a loan of $5 million.)

Korea

4. Bachem was happy we were proceeding with Korea. He said he had been consulted by Deutsche Bank and had recommended that they invest in KDFC.

5. Dr. Krebs acknowledged receipt of our letter passing on a copy of our letter to C. H. Kim. He is content.

6. Carlo Bombieri and I spoke briefly about his proposal to have the Korean Government guarantee the exchange risk on our equity investment in KDFC. He promised to send us a copy of the BCI-Iranian contract (to which he referred in his letter) as soon as he returned to Milan.

SNI

7. I told Bombieri of our general satisfaction with SNI, of the negotiations for a new loan, of our conviction that an advisor will be needed for some time after Luri's contract was up, and of our feeling that Luri was doing a good job and should, if possible, continue. I asked whether, if Mathari wanted Luri to extend his contract and if Luri wanted to do so, BCI would let him stay. Bombieri assured me there would be no problem at all. Indeed, he said he could offer Luri some extra fringe benefits to sweeten the extension. Bombieri was pleased Luri was working to everyone's satisfaction.

8. Walter Davies said that, although Morgan had not been interested in investing in SNI early last year, the situation might have changed. He promised to check, on his return to New York next week.

TSKB

9. When Dr. Hengel asked me to sketch out IFC's activities from Turkey to Pakistan, I referred to our holdings in PICIC and TSKB, especially the latter. He thought the Aga Khan might be interested in it, and he promised to let us know. I described generally TSKB's activity and profit record, its dividends and its recent market price.

BNDE

10. I did not have a chance to talk about BNDE, but Siebel and Helling told me Deutsche Bank was disturbed by the situation there - the change in the Presidency and the elimination of 3 European Directors. It appeared Deutsche Bank knew 2 weeks in advance the name of the new President. We knew 2 days. in advance.

cc: Messrs. Rosen
Powell
Garcia
Sekse
Jeffries

WDiamond:gb

June 26, 1967

Mr. P. D. Assimakis
c/o E. Javaras
137 East 38th Street
New York, New York

Dear Mr. Assimakis:

Thank you for your letter of June 16, 1967, and its enclosure, "Finance Company Lending." Also, thank you for the greetings conveyed from Greece following your recent visit there. I was interested in your impressions of the situation in Greece and your hopeful views concerning the future of the Greek economy.

I will indeed be pleased to see you when you come to Washington. I doubt that I shall have any business in New York before seeing you here.

With best regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

DGustafson:lgs

PRIVATE DEVELOPMENT CORPORATION
OF THE PHILIPPINES
CBTC BUILDING
AYALA AVENUE, MAKATI, RIZAL

TELEPHONE: 88-89-91

CABLE ADDRESS "PRIDECOP"
P. O. BOX 4590, MANILA

MR

Mr Diamond
Mr Garcia R.
To prepare the required letters
DG

Get biography from Powell

June 22, 1967

Mr. William Diamond
Director, Development Finance Companies
International Finance Corporation
1818 H Street, N. W.
Washington, D. C. 20433, U.S.A.

filed op files H61 ph

Urgent!

Dear Bill:

Further to my letter of May 26, 1967, I enclose a copy of our itinerary for the trip this Fall.

As you will note from the schedule, I could probably visit the Banco Nacional de Desenvolvimento Economico in Rio sometime between September 23 - October 2, 1967, the Banco Industrial del Peru in Lima on October 10-13, 1967 and the Corporacion Financiera Colombiana in Bogota on October 15-18, 1967. If you can advise the heads of these institutions in advance, I shall be glad to ring them up as soon as I get to these cities for the necessary appointments to visit them.

With kind regards,

Sincerely,

Bert

ROBERTO T. VILLANUEVA
President

Encl. a/s

ack July 12

AN AMERICAN PA

Page - 2

DATE PREPARED ITINERARY FOR

...erto T. Villanueva Mr. Rob...

...n Villanueva June 20, 1967 Mrs. Corazo...

DATE	TIME	CARRIER and FLIGHT NO.		STATION		
[illegible]	[illegible]	[illegible]	Lv	New York	Fri	[illegible]
	7:45 AM	Confirmed	Ar	Rio de Janeiro	Sat	Sep 23
			Lv			
			Ar			
			Lv			
			Ar			
			Lv			
			Ar			
			Lv			
			Ar			
			Lv			
			Ar			

...ks: Rema...

...schedules subject to change without notice. Please consult local PAA office ... hours before each departure.

Sales Representative

Office

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

ITINERARY FOR: Mr. & Mrs. R. T. Villanueva

DATE PREPARED:

	STATION		DATE	TIME	CARRIER and FLIGHT NO.
Lv	- Cali, Colombia		Open date		
Ar	- Bogota, Colombia				
Lv	- Bogota, Colombia	Wed	Oct 18	2:35 PM	I B 982 Jet DC-8F
Ar	- Caracas, Venezuela	Wed	Oct 18	5:25 PM	Confirmed
Lv	- Caracas	Sun	Oct 22	6:20 PM	V A 732 Jet DC-8
Ar	- Madrid	Mon	Oct 23	7:50 AM	Confirmed
Lv					
Ar					
Lv					
Ar					
Lv					
Ar					

I B - Iberia Airlines

Remarks: V A - Viasa Venezolana Internacional de Aviacion

Schedules subject to change without notice
Please consult local PAA offices
prior to each departure.

C. Victoriano Sales Representative
PAA-Manila

Office

WORLD'S MOST EXPERIENCED AIRLINE

HOTEL RESERVATIONS

LOCATION	NAME OF HOTEL	DATES	STATUS
Buenos Aires	Inter-Continental Plaza	Oct. 2nd-7th	Requested
Montevideo	Inter-Continental Victoria Plaza	Oct. 7th-9th	Requested
Santiago	Carrera Hotel	Oct. 9th-10th	Requested
i m a	Inter-Continental Grand Hotel Bolivar	Oct. 10th-13th	Requested
C a l i	Alferez Real Hotel	Oct. 13th-15th	Requested
Bogota	Inter-Continental Tequendama	Oct. 15th-18th	Requested
Caracas	Inter-Continental Tamanaco	Oct. 18th-22nd	Requested
drid	Castellana Hilton	Oct. 23rd-25th	Requested

Note: Accommodations requested are for double-rooms, w/bath, maximum rates.

PAN AMERICAN

ITINERARY FOR:

DATE PREPARED:

	STATION	DATE	TIME	CARRIER and FLIGHT NO.
Lv				
Ar				
Lv				
Ar				
Lv				
Ar				
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Ar				

Remarks:

Schedules subject to change without notice
Please consult local PAA offices
prior to each departure.

Sales Representative

Office

WORLD'S MOST EXPERIENCED AIRLINE

FORM NO. 59
(2-55)

Dev. Banks-Gen.

CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: June 21, 1967

TO: Mr. Friedman

FROM: Mr. S.H. Thompson

FILED UNDER: Committees - Econ. Committee

SUMMARY: Re: Participation of Representatives of Regional Development B anks in Economic Committee Meetings.
Commenting on the above.

Dev. B -

June 19, 1967

Mr. Gustavo A. Tavares
Donaldson, Lufkin & Jenrette, Inc.
Investment Bankers
1, Whitehall Street
New York 4, N.Y.

Dear Mr. Tavares:

Thank you for your letter of May 29, 1967 requesting information on private development companies sponsored by the Bank, IDA or IFC in Central America.

I understand that you have already had the opportunity to visit the Bank and exchange views with the IFC staff in regard to the matters of interest to you. I am now writing mainly to reiterate what has already been conveyed to you, namely, that neither the Bank nor the IFC is at present financing any private development companies in Central America and that we do not have any such projects at present under consideration for financing.

As you know, USAID is financing private financieras in four of the five Central American countries and is at present developing a similar project in Guatemala for possible financing by it.

With kind regards,

Sincerely yours,

Roger Chaufournier
Deputy Director
Western Hemisphere Department

Cleared with and cc: Mr. Garcia (IFC)

cc: Mr. Guerra

HMirza:gbo

IDA	IBRD	IFC

FORM NO. 92
(10-61)

CORRESPONDENCE RECORD FORM

FROM

P. D. Assimakis
New York, N.Y.

DATED
June 16, 1967

acu June 26

SUBJECT

Enclosed pamphlet on "Finance Company Lending"

Addressed and

REFERRED TO
Mr. Diamond

DATE RECEIVED
June 22, 1967 mpb

Record Removal Notice

The World Bank Group
Archives
& Records Management

File Title	Barcode No.
Operational - Development Banks - General - Volume 10	30132359

Document Date	Document Type
June 8, 1967	Memorandum

Correspondents / Participants
Lester Nurick to Mssrs. Cancio and Loh

Subject / Title
Insurance clause and clause prohibiting sale of assets in development finance company loans

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
April Miller	Aug 30, 2011

Mr. W.C.P.Rutland June 2, 1967

Y. L. Chang

Commitment Charge - Development Finance Companies

At a meeting of the Staff Investment Committee held on June 1, 1967 on the reappraisal of a proposed Bank loan to PICIC, Mr. Diamond recommended, among other things, that PICIC should pay a commitment charge to the Bank under the normal practice rather than the concessional treatment heretofore granted to the development finance companies. In other words, such commitment charge shall accrue from a date 60 days after the date of the Loan Agreement rather than from the several dates on which amounts shall be credited to the Loan Account.

At the beginning of the discussion the opinion of the Committee was somewhat divided. I reminded the Committee the history of the commitment charge and the main purposes for levying such a charge. I also stated that in the early years a concessional treatment to the DFCs was warranted in order to keep the financial expenses as low as possible. Many of these DFCs have now become mature and profitable that the present rate of commitment charge should not be considered as an excessive burden.

In agreeing to Mr. Diamond's recommendation, I further suggested that henceforth this formula should be applicable to all DFCs and that PICIC would be the first borrower to come under the new procedure. Mr. Diamond replied that it was his intention to do so except in the case of a first Bank loan to a DFC a concessional treatment would still apply.

The Committee agreed to Mr. Diamond's recommendation and also concurred that this matter should be taken up with Mr. Knapp.

At this morning's meeting, Mr. Diamond reported that he had spoken to Mr. Knapp and that Mr. Knapp has agreed with the recommendation.

cc: Mr. Cavanaugh
Mr. Poore

YLChang;ara

Dev. B-5m.

Mr. William Diamond June 2, 1967

Francis R. Poore FRP

Amortization Schedules for Bank Loans
to Development Finance Companies

This refers to Mr. Cavanaugh's memorandum of April 12, your reply of May 1, 1967, and our conversation in regard to the three points mentioned in the memoranda.

There is complete understanding on Point 1.

No matter when Development Finance Companies submit amortization tables for sub-loans, whether before or after the loan account is credited, such tables will not be used to amend the amortization schedules as provided in the loan agreement until there is a general revision of the amortization schedules. See Point 2.

We agreed that two months' notice from a Development Bank would be a reasonable time to amend a repayment schedule. As we discussed, bills go out six weeks in advance and at least another two weeks is necessary to make desired amendments. See Point 3.

cc: Messrs. Cope, Murick
Cavanaugh, Rutland

FRPz

Dev. B - gen

Mr. Naokado Nishihara June 1, 1967

B. H. Shin

Material on Development Finance Companies (Data Books I-IV)

At Mr. Diamond's request, I send you a copy of each of the Data Books I-IV which I have thus far circulated to the staff of this Department. I will also send you from time to time data for the Books that will be newly prepared, revised or updated.

Attachment

BS

BHShin/ts

FORM NO. 75
(2-60)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

ROUTING SLIP	Date June 5, 1967

NAME	ROOM NO.
Mr. ~~William~~ Diamond	950
Mr. Fernandes	
for action	
WD	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

REMARKS

I would appreciate your guidance in replying to the attached letter. May I discuss this with you at your convenience?

From Humayun Mirza

Mr. Fernandes

DONALDSON, LUFKIN & JENRETTE, INC.

MEMBER NEW YORK STOCK EXCHANGE

INVESTMENT BANKERS
ONE WHITEHALL STREET
NEW YORK 4, N.Y.

WHITEHALL 3-0300
CABLE: PINESTOCK

GUSTAVO A. TAVARES

May 29, 1967

Mr. Roger Chaufournier
Deputy Director
Western Hemisphere Department
International Bank for Reconstrucion and Development
1818 H Stree, N. W.
Washington, D. C. 20433

Dear Mr. Chaufournier:

Thank you very much for your letter dated May 25th and the literature on the World Bank activities in Latin America.

One of our very good clients who until recently was one of the top executives in Litton Industries and holds minor industrial interest in Peru and Argentina has visited our office today, and has expressed his interest in expanding his activities in South America.

He has shown interest in the possibility of a private development company associated with local interest in Central America. I have read your brochures and have noted that there are several such companies which have been sponsord by the World Bank and its affiliates IDA and IFC. However, I have noticed that there are none located in Central America.

Will you please inform me if your organization has sponsored any institutions of this type in Central America and if there would be a possibility of cooperating with this man in his interest.

Thanking you in advance for your information and cooperation, I remain,

Sincerely yours,

Gustavo A. Tavares

Ack. June 19

GAT:mj

Dev. 8 - 9 ln.

Messrs. Cope and Nurick May 29, 1967

B. H. Shin

Data on Provisions of Loan Agreement
for Development Finance Companies

Mr. Diamond asked me to send you a copy of Data Book I on the above subject, which contains a completely updated version of the data sent to you from time to time in the past. We would be grateful for your review and comment.

BS

BHShin:va

Dec. 8 - Gen.

May 22, 1967

Mr. Einar Sekse

B. H. Shin BS

On Commitment Charge

1. This is a revision of my memorandum to you of March 14, 1967 on the same subject, which includes most of the development finance companies[1/] to which the Bank has made loans.

Commitment Charge

2. Column A of the table shown below indicates commitment charges received by the Bank on a Bank loan or loans to the company during several years, while Column B indicates commitment charges that would have been received on the loans during the same period if regular commitment fee were charged, that is, if commitment charge is computed on the loan amount not disbursed from a date 60 days after the date of the loan agreement. Column C indicates difference between Columns B and A, reflecting that the development finance company should have paid that much in addition to what it already paid.

Commitment Charge

Institution	Year	Loan Number	A Actual Commitment Charges	B Possible Commitment Charge if Regular Method were Employed[2/]	C B-A
			$	$	$
IVK	1958[3/]	192	37,568[a/]	58,429	20,861
	1959	192	41,196[a/]	46,151	4,955
		237	0	8,877	8,877
			41,196	55,028	13,832

1/ The remaining seven companies namely, DBE, TSKB and five Colombian companies are ~~however~~ not included: the first two are because of the files on the commitment charges on the first Bank loans to them being unavailable and in the case of the Colombian companies which receive re-loans from the Central Bank of the Bank loan, it is not possible to allocate commitment charges among the five companies.

2/ Consists of actual commitment charges received by the Bank, plus an approximation of the extra amount that would have been paid if commitment charges were calculated from 60 days after loan signing.

3/ First business year.

a/ Adjusted on a calendar year basis.

Institution	Year	Loan Number	A Actual Commitment Charges	B Possible Commitment Charge if Regular Method Were Employed[1]	C B-A
			$	$	$
IVK (Austria)	1960	192	16,064[a]	16,064	0
		237	7,370[a]	64,678	57,308
			23,434	80,742	57,308
	1961	192	8[a]	8	0
		237	11,687[a]	47,632	35,945
			11,695	47,640	35,945
CDC (China)	1965	397	9,811[a]	50,905	41,094
	1966	397	9,900[a]	36,859	26,959
IFF (Finland)	1963	352	0	6,473	6,473
	1964	352	5,387[a]	34,787	29,400
	1965	352	8,143[a]	11,414	3,271
		420	1,279[a]	16,950	15,671
			9,422	28,364	18,942
	1966	352	2,669[a]	2,669	0
		420	8,743[a]	42,521	33,778
			11,412	45,190	33,778
ICICI (India)	1955[2]	109	0	47,671	47,671
	1956	109	0	75,000	75,000
	1957	109	0	75,000	75,000
	1958	109	8,959	75,000	66,041
	1959	109	26,262	68,887	42,625
		232	0	22,808	22,808
			26,262	91,695	67,433
	1960	109	21,466	36,587	15,121
		232	9,109[a]	75,000	65,891
		269	0	2,049	2,049
			30,575	113,636	83,061
	1961	109	13,323	15,634	2,311
		232	46,082[a]	75,000	28,918
		269	9,653[a]	147,933	138,280
			69,058	238,567	169,509
IMDBI (Iran)	1961[2] *	240	0	5,648	5,648
	1962 *	240	985	38,823	37,838
	1963 *	240	2,704	36,594	33,890
	1964 *	240	1,354	33,140	31,786

* Up to March 14

1/Consists of actual commitment charges received by the Bank, plus an approximation of the extra amount that would have been paid if commitment charges were calculated from 60 days after loan signing.

2/First business year.

a/Adjusted on a calendar year basis.

Insti-tution	Year	Loan Number	A Actual Commit-ment Charges	B Possible Commit-ment Charge if Regular Method were Employed 1/	C
			$	$	$
IDBI (Israel)	1965	424	0	9,658	9,658
	1966	424	26,145 a/	49,703	23,558
MIDFL (Malaysia)	1964 *	348	763	33,264	32,501
	1965 *	348	4,635	33,014	28,379
	1966 *	348	2,180	18,839	16,659
	1967 *	348	4,544	14,845	10,301
	* Up to March 30				
BNDE (Morocco)	1963	329	992	97,129	96,137
	1964	329	8,703	74,265	65,562
	1965	329	7,992	35,501	27,509
	1966	329	13,100	19,265	6,165
		447	5,744 *	31,977	26,233
			18,844	41,242	32,398
	* Up to January 15, 1967.				
PICIC (Pakistan)	1958 2/	185 2/	0	27,530	27,530
	1959	185	16,353	34,586	18,233
		236	0	9,863	9,863
			16,353	44,449	28,096
	1960	185	8,470	12,409	3,939
		236	4,39[illegible] a/	75,000	70,602
			12,868	87,409	74,541
	1961	185	2,789	4,683	1,894
		236	28,348 a/	75,000	46,652
		286	0	39,452	39,452
			30,137	119,135	87,998
PDCP (Philip-pines)	1963 2/	331 2/	0	79,829	79,829
	1964	331	2,848	80,011	77,164
	1965	331	12,735	42,218	29,483
	1966	331	21,133	28,598	7,465
		467	122	9,872	9,750
			21,255	38,470	17,215

1/ Consists of actual commitment charges received by the Bank, plus an approximateion of the extra amount that would have been paid if commitment charges were calculated from 60 days after loan signing.

2/ First business year.

a/ Adjusted on a calendar year basis.

Institution	Year	Loan Number	A Actual Commitment Charges $	B Possible Commitment Charges if Regular Method were Employed 1/ $	C B-A $
IFCT (Thailand)	1964	370	0	7,301	7,301
	1965	370	262 a/	8,392	8,130
	1966	370	314 a/	6,499	6,185
SNI (Tunisia)	1966	449	1,876 a/	10,586	8,710

Profitability

3. Column A of the table shown below indicates the actual profitability of the company (by profitability is meant the ratio of net profits before tax to average net worth) and Column B indicates the profitability that would have been affected if the companies paid commitment charges computed in regular way on the Bank loan or loans to the development finance company.

Profitability

Institution	Year	A Actual Profitability %	B Estimated Profitability if Regular Commitment Charge Were Paid %	C Percentage Difference $(\frac{A - B}{A} \times 100)$
IVK (Austria)	1958 2/	-5.51	-9.73	76.59
	1959	21.05	19.91	5.42
	1960	15.91	12.91	18.85
	1961	18.13	16.46	9.21
CDC (China)	1965	18.30	17.32	5.36
	1966	19.69	19.10	3.00
IFF (Finland)	1963	9.36 3/	9.04	3.42
	1964	13.42 3/	11.95	10.95
	1965	15.96 3/	15.07	5.58
	1966	22.57 3/	21.06	6.69
ICICI (India)	1955 2/	5.56	5.12	7.91
	1956	7.18	6.48	9.75
	1957	9.50	8.81	7.26
	1958	9.97	9.38	5.92
	1959	12.12	11.51	5.03
	1960	15.71	15.00	4.52
	1961	16.42	15.08	8.16

1/ Consists of actual commitment charges received by the Bank, plus an approximation of the extra amount that would have been paid if commitment charges were calculated from 60 days after loan signing.

2/ First business year.

3/ In computing profitability Series B shares owned by the Central Bank were excluded from equity.

a/ Adjusted on a calendar year basis.

Institution	Year	A Actual Profitability	B Estimated Profitability if Regular Commitment Charge Were Paid	C Percentage Difference $(\frac{A-B}{A} \times 100)$
		%	%	%
IMDBI (Iran)1/	1961 2/	8.03	7.24	9.84
	1962	13.13	12.51	4.72
	1963	13.79	13.24	3.99
	1964	16.15	15.69	2.24
IDBI (Israel)	1965	19.48 3/	19.46	0.10
	1966	19.41 3/	19.36	0.26
MIDFL (Malaysia)4/	1964	7.01	6.31	9.99
	1965	9.92	9.38	5.44
	1966	12.35	12.04	2.51
	1967	n.a.	n.a.	n.a.
BNDE (Morocco)	1963	6.68	4.97	25.60
	1964	7.06	6.10	13.60
	1965	7.44	7.05	5.24
PICIC (Pakistan)	1958 2/	3.69	3.05	17.34
	1959	9.43	8.81	6.57
	1960	12.98	11.30	12.94
	1961	16.82	15.31	8.98
PDCP (Philippines)	1963 5/	5.56	3.86	30.58
	1964	20.14	18.87	6.31
	1965	18.50	18.12	2.05
	1966	17.82	17.61	1.18
IFCT (Thailand)	1964	8.77	8.24	6.04
	1965	9.67	9.22	4.65
	1966	10.52	10.18	3.23
SNI (Tunisia)	1966	7.74	7.52	2.84

1/ Fiscal year ending March 20.

2/ First business year.

3/ In computing profitability Government-owned Ordinary B shares and Preference A shares were excluded from equity.

4/ Fiscal year ending March 31.

5/ Commenced business but remained inactive.

n.a. Not available.

BHShin/ts

May 17, 1967

Mr. Naokado Nishihara
IFC Special Representative in the Far East
c/o Daiichi Mutual Fire and Marine
Insurance Company
1, 4 Chome, Shiba - Tamuracho
Minato-ku, Tokyo
Japan

Dear Mr. Nishihara:

I want to thank you for your letters of April 10 and 18 in which you put together an interesting set of figures on the level of operations in relation to staff size of CDC, PDCP, IFCT and MIDFL, as well as figures on the results to date of projects they have financed. We have checked those figures which we have for these companies, related to performance, and for the most part they agree with ours. As you rightly point out, the usefulness of these figures is limited by the wide variations of the environments in which these institutions operate and also by the variations in the categories themselves as defined by each development finance company, but they are nevertheless interesting and useful.

I will only make a general observation from these data, and that is that they confirm our feeling that of the four institutions CDC and PDCP appear to be the most effective. I am also enclosing a note prepared by Mr. Shin giving his observations on your tables. As you know he is the person in the Department responsible for putting together data on all of the development finance companies we are associated with. He has already accumulated considerable information on the sort of subjects which interested you. In general, I think it would be better and simpler for him to collect and collate such data rather than your doing it directly. This would save you the trouble, and would also help assure that the data from the various companies are in fact comparable. If you wish to have data on some particular phase of various companies' operations, he will be glad to sent it to you or to go about collecting it, if he does not already have it on hand.

When you are next in Washington, we will go over the information which Mr. Shin has put together, especially the data books which he keeps up to date for us. I find these books extremely useful and you may wish to have a set of your own. We can also see whether there are any particular types of data we are not collecting which you think we should.

Last January, we talked about your undertaking a directorship for us. You were good enough to say you would do so. We are now ready. Mr. Sullivan is about to resign from MIDFL's Board; he will do so as soon as he returns from Europe, next week. We plan to put your name forward in his place. Please do let me know by cable that this is O.K. with you.

With best personal regards,

Sincerely yours,

WD

William Diamond
Director
Development Finance Companies

Enclosure

cc: Mr. Shin
Circ. (2)

DWJeffries/WDiamond:tk

DWJ

Attachment

Observations on Mr. Nishihara's Two Tables Enclosed with his Letter Dated April 18, 1967

1. Table A contains the number and value of projects approved annually by CDC, PDCP, IFCT and MIDFL, the outstanding disbursements, the annual expenses, the staff number of these companies and the ratios of the first three to the last (i.e. number and value per employee). Table B contains information on status of the projects financed by these companies as at the end or close to the end of 1966.

2. Both tables are interesting. Especially Table B enables us to see in some perspective the operational status of sub-projects financed by these companies. It is a useful presentation whereby one can quickly comprehend where the companies stand with regard to their sub-projects.

3. The following are a few observations made from Table A. As to the figures on Table A some differences are noted between Table A and our data. For instance, regarding the number of projects approved (see Item A in Table A), the two sets of figures are indicated below:

	1964		1965		1966	
	Table A	Ours	Table A	Ours	Table A	Ours
CDC	35	42	39	48	31	35
PDCP	19	16	15	19	12	=
IFCT	12	11	13	=	32	=
MIDFL	12	=	49	47	41	=

= denotes the same

I do not know exactly how the differences are accounted for. In the case of CDC, it may be that while our data indicate gross number, Table A shows only projects net of cancellation.

4. Another example is seen about the value of projects approved (see Item B in Table A). Similar to the above, the two sets of figures are shown below:

	1964		1965		1966	
	Table A	Ours	Table A	Ours	Table A	Ours
CDC	9,563	=	9,978	=	10,027	=
PDCP	9,228	=	10,415	10,413	6,375	6,419
IFCT	2,386	2,313	1,571	=	4,971	=
MIDFL	1,909	1,800	7,071	6,300	7,941	5,000

MIDFL shows considerable differences which are difficult to explain.

5. Despite the fact Table A gives the definition of the term "investment" to denote all types of investment, "loans, equity investments, etc." all of the four companies failed to attach significance to the meaning of "etc.", i.e., all the risk-taking activities other than loans and equity investments. CDC understood it for loans and equity investments. The rest took it for only loans. (Whether MIDFL took it for both loans and equity investments is uncertain) As a consequence, PDCP and MIDFL left out entirely underwritings which were of some importance for PDCP's operations and significant for MIDFL's. Similarly, CDC and IFCT did not include long-term guarantees extended to their clients.

6. Precise definition of the terms used is needed. For instance, the term "commitment" is used throughout Table A, but no definition is given. The word "commitment" is used here to mean "approval", unlike the meaning of the word we usually use, i.e., signing of a contract. Also, no definition is given for the words "officer" and "clerk". As a result, there seems to be a widely different interpretation of the words among the companies. Take an example, in 1966 CDC's officers and clerks number 12 and 61, respectively, whereas IFCT shows an opposite pattern of 46 officers and 8 clerks. Obviously, the comparison between the two companies of the basis of these figures is misleading. I think it would have been better to distinguish professional from non-professional staff rather than officers from clerks.

B. H. Shin

BS

BHShin:tk

DCO. B-gen

Mr. Norman G. Jones May 15, 1967

Donald Jeffries

Your Memorandum to Mr. Diamond dated March 29, 1965 on Loans and Credits to Development Finance Companies

1. The above memorandum, a copy of which is attached, has been used as a part of the reference material for the staff of this Department, which is currently being updated.

2. Would you be good enough to review and revise your memo, if necessary, and bring the attached table up-to-date at your earliest convenience.

Attachment

BHShin/ts

DJ

May 15, 1967

Forthcoming Shareholders' Meetings of
Development Finance Companies in which IFC has an Investment

Date	Country & Company	Meeting	Attendance
May 15, 1967	Greece - NIBID	Extraordinary Gen. Assembly of Share-holders	Proxy to Mr. N. Chrssovelonis
June 30, 1967	Greece - NIBID	Annual Meeting	None
June 1967*	Morocco - BNDE	Annual Meeting	?
July 1967*	Tunisia - SNI	Annual Meeting	?
August 1967*	Malaysia - MIDFL	Annual Meeting	?
September 1967*	Venezuela - CAVENDES	Semi-Annual Meeting	?

* Date not yet fixed.

May 15, 1967

Forthcoming Meetings of
Boards of Development Finance Companies on which IFC is Represented

Date	Country & Company	Expected Attendance
1/	Colombia - CALDAS	-
2/	Venezuela - CAVENDES	-
May 12, 1967	Greece - NIBID	Proxy to Mr. Kalamariotis
May 22, 1967	Morocco - BNDE	J. G. Beevor
May 29, 1967	Malaysia - MIDFL	-
June 19, 1967	Spain - BANDESCO	W. Diamond
June 21, 1967	Nigeria - NIDB	J. G. Beevor
August 21, 1967	Malaysia - MIDFL	
3/	Turkey - TSKB	-

1/ Board Meeting held on alternate Tuesday.

2/ Board Meeting held every Thursday.

3/ Board Meeting held every Saturday.

Dev Banks

Mrs. Marie B. Clark May 10, 1967

H. Pollan

Board Meetings, Shareholders' Meetings, etc.

COUNTRY	MEETING	DATE AND PLACE
Nigeria - NIDB	Board	6.21.67. - Lagos (Presumably Mr. Beevor attending)
Iran - IMDBI	Annual General	6.10.67 - Tehran (Involving no IFC investment)

HPollan/bj

Dec. B-9 en
x Alpha. Dr. Pepe

Dott. Federico Pepe
Piazza Giolitti, 3 - Tel. 290221
Milano

Milan, May 3, 1967
FP/rp

BY AIR MAIL

Mr Shaw
Ben can you draft a reply for me to send. Don J.

Mr. William Diamond

Director, Development
Financial Companies Department
International Finance Corporation
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Diamond,

I am interested in studying the problems of development banks, a matter on which not much printed material can be found.

With reference to your interesting book on "Development Banks", I submit to your kind attention a request of information.

At page VIII and IX of the Preface it is written that coordination of work on development banks in the International Bank for Reconstruction and Development has been assigned to a single office, which was going to treat sistematically the problems of these particular financial institutions and produce a series of specific case studies drawn from many countries. Moreover it was announced that the International Cooperation Administration had on the way an other study and that the United Nations had authorized a sistematic examination of such institutions.

Besides in the first appendix of your book, at page 89, a selected list of development banks appears. I would be very grateful if you could give instruction to your office to send me information about the following points :

1^) - Exact name of publications on development banks ot the special office of International Bank for Reconstruction and Development as well of those of the International Cooperation Administration and of the United Nations. I would like also to know where I can order these publications.

./.

Dott. Federico Pepe
Piazza Giolitti, 3 - Tel. 290221
Milano

2^) - I am interested also to know whether the "Economic Development Institute" has printed other studies on the same subject.

3^) - With reference to the selected list of development banks, I would like to know, besides the name of the institutions, also the exact address of each of them, where I can write in order to get a copy of their By-laws and of their last Balance-sheets.

As you certainly know, under the sponsorship of "Banca d'Italia", some regional development banks have been started recently in Italy: among them the "Finanziaria Regionale Piemontese", the "Centro-Finanziaria" (with activity restricted to some regions in central Italy), the "Società Finanziaria Giulia" (with activity restricted to the Veneto region) and the "Finanziaria Genovese".

With due respect to these initiatives and to the people involved in them, it is my impression that these new institutions will mainly act as providers of long and medium-term loans (duplicating - in doing so - already existing institutions), and have a certain tendency to fail their main task of promotors in the creation, expansion and mergers of industrial enterprises, of supplier of risk capital for participations in such enterprises and of financial advisers to them.

Observing the inadequacy of written studies and generally speaking of widely spread clear ideas in my country on development banks, on the basis of my not long but sound financial experience, I would like in the next future to study these particular problems and to try to conclude with a publication on them.

I hope you will give me your support and I thank you in advance

Very truly yours,

Fed Pepe

(Federico Pepe)

Mr. William Diamond May 3, 1967

R. L. Powell R.L.P.

Financial Forecasts

Mr. Tariq Husain, who has had experience over the past four years in programming computers, has proposed that the calculation of the financial forecasts (income statements, sources and uses of funds, balance sheets,) included in our appraisal reports on DFCs be made in future by computer. This requires the preparation of a single program in a form suitable for use on any of the DFCs in which we are or may become interested. Mr. Husain has now completed such a program.

In order to prepare forecasts by computer for a particular DFC, we would first tabulate two groups of information: (i) the known facts, e.g. the latest balance sheet figures; and (ii) our assumptions, e.g. commitments, disbursements, and interest rates. It is in the second area that the initial judgments would be made -- as it is at present. The tabulated data would be passed to Statistical Services (of the Economics Department), which would record it on punched cards. The cards would be processed by the computer on the basis of the program mentioned above, and the required financial statements would be printed in the form we already use. We could normally expect to receive the printed statements within 24 hours from the time Statistical Services received the data.

The cost of computer time is $9 per minute during the day, and $7.50 per minute at night. Mr. Husain estimates that the preparation and printing of 10 sets (e.g., on various assumptions as to interest rates, disbursements, and transfers to reserve, etc.,) of the three financial statements would require about one half minute of computer time.

The proposed system has attractive possibilities for improving the quality of our information and therefore of the judgements based on it. I recommend that we probe it further. To enable us to do so, the next step would be for Mr. Husain's program to be punched in Statistical Services and tested and checked on the computer. The maximum cost in computer time is estimated at $75 and the probable cost at below $50.

May I have the green light for the next step?

cc: Mr. Jeffries
Mr. Husain

RLPowell:lvr

Mr. Robert W. Cavanaugh May 1, 1967

William Diamond

<u>Your memorandum of April 12 concerning amortization schedules</u>

1. Reur one. <u>Yes</u>. My understanding is the same.

2. Reur two. <u>Yes</u> and <u>No</u>. (a) The reason for asking for the schedule is not to facilitate appraisal. Rather, the schedule is a vital fact, not less important for the purpose of creditting than the name of the company and the amount of the sub-loan; (b) There is no reason that I know of for the Treasurer's Department to "review" the schedule either before or after creditting the Loan Account; (c) It seems to me that your Department should "record" the schedule when the Loan Account is creditted. However, you know best.

3. Reur three. <u>No</u>. I think three months notice is unreasonable for the situation we are dealing with here. You say the reason is that we and the borrowers must agree on revision. That is no doubt right for conventional borrowers. But development finance companies are not conventional borrowers. Their repayments to us are tied <u>by our wish</u> to <u>their</u> clients' repayments to them. Revision of <u>their</u> repayment schedules from their clients is up to <u>them</u>; our role in individual cases is only to learn and to record, not to consider and approve. In the circumstances we need time, not for review and consideration, but only for recording and billing. I should think a few weeks is sufficient for this.

cc Messrs. Cope
Nurick

WDiamond:us

See Mem. June 2

Data Business
Performance:-

CDC DEC
PDP [illegible]

840. B. 5am.

INTERNATIONAL FINANCE CORPORATION

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - CORINTFIN

cc Pollan
Powell
Gustafson
Shin.

Tokyo, SP-67-30
April 18, 1967

Mr. William Diamond
Director
Development Finance Companies
International Finance Corporation

Dear Mr. Diamond,

I have enclosed herewith the revised and compiled tables of CDC, PDCP, IFCT and MIDFL, as Mr. Kraisri, General Manager of MIDFL, had sent me the revised two tables. I also enclosed the Summary.

I hope these tables could be some interest to you and your department.

This is not necessary to add of course, that these tables are produced and compiled on different basis, conditions, climate, circumstances and surroundings for each finantial institution.

Looking forward to seeing you late May.

Very truly yours,

Naokado Nishihara

Naokado Nishihara

P.S. Please convey my thanks to Mr. Jeffries for his letter of April 11.

ack. May 17

INTERNATIONAL FINANCE CORPORATION
1818 H Street, N.W., Washington, D. C. 20433, U.S.A.
Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - CORINTFIN

Tokyo, SP-67-30
April 18, 1967

Mr. William Diamond
Director
Development Finance Companies
International Finance Corporation

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Looking forward to seeing you late May.

Very truly yours,

Naokado Nishihara

P.S. Please convey my thanks to Mr. Jeffries for his letter of April 11.

1967 APR 24 AM 8:45
COMMUNICATIONS

TABLE A

Business Performance - productivity

MAR. 31.1967

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(A) New Commitment of Investment : Number									
C.D.C.	13	39	30	46	61	35 (41)	39 (44)	31 (33)	294 (281)
P.D.C.P.					4	19 (76)	15 (79)	12	50
I.F.C.T.	0	1	8	16	15	12 (11)	13	32	97 (96)
M.I.D.F.L.			7	9	10	12	49 (47)	41	128
(B) New Commitment of Investment : Amount (US$1,000)									
C.D.C. 'loans & equity' investment	1,417	6,157	5,046	4,574	5,893	9,563	8,978	10,027	51,660
P.D.C.P.					351	9,228	10,415 (3)	6,375 (6,419)	26,369
I.F.C.T. no guarantees	0	96	543	1,048	1,613	2,386 (2,313)	1,571	4,971	12,228
M.I.D.F.L. no equity, no underwritings			3,598	934	436	1,909 (1,800)	7,071 (6,306)	7,941 (5,806)	21,889
(C) Outstanding Disbursement : Amount (US$1,000)									
C.D.C.	712	3,531	6,311	10,387	12,722	17,390	21,631	28,894	
P.D.C.P.					128	2,990	11,028	15,469	
I.F.C.T.	0	96	385	950	1,501	2,021	3,159	6,390	
M.I.D.F.L.			704	1,233	3,854	4,571	9,269	12,353	
(D) Administrative Expense (US$1,000)									
C.D.C.	65	122	162	191	212	202	219	235	
P.D.C.P.					58	250	269	329	
I.F.C.T.	0	41	50	63	100	136	152	181	
M.I.D.F.L.			43	74	147	196	269	340	

no underwritings arrears

Business Performance - Productivity

 MAR. 31.1967

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(E) Number of Employee : Total (person)									
C.D.C.	40	53	59	65	66	68	70	73	
P.D.C.P.					23	30	47	60	
I.F.C.T.	8	16	17	25	29	37	44	54	
M.I.D.F.L.			7	11	45	34	45	57	
(F) Number of Employee : Officer (person)									
C.D.C.	9	9	11	12	11	11	12	12	
P.D.C.P.					6	7	7	9	
I.F.C.T.	6	10	11	20	24	29	36	46	
M.I.D.F.L.			2	5	13	16	20	23	
(G) Number of Employee : Clerk, etc (person)									
C.D.C.	31	44	45	53	55	57	58	61	
P.D.C.P.					17	23	40	51	
I.F.C.T.	2	6	5	5	5	8	8	8	
M.I.D.F.L.			5	6	32	18	25	34	
(H) New Commitment Number per Employee ; A/E									
C.D.C.	0.33	0.74	0.51	0.71	0.92	0.52	0.56	0.43	(0.60)
P.D.C.P.					0.17	0.63	0.32	0.20	(0.31)
I.F.C.T.	0	0.06	0.47	0.64	0.52	0.32	0.30	0.59	(0.42)
M.I.D.F.L.			1.00	0.52	0.22	0.35	1.09	0.72	(0.64)

diff. definit.

MAR. 31. 1967

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(I) New Commitment Amount per employee : B/E (US$1,000)									
C.D.C.	35	116	86	70	89	141	128	137	(105)
P.D.C.P.					15	308	222	106	(165)
I.F.C.T.	0	6	32	42	56	64	36	92	(53)
M.I.D.F.L.			514	85	10	56	157	139	(110)
(J) New Commitment Number per officer : A/F									
C.D.C.	1.44	4.33	2.73	3.83	5.55	3.18	3.25	2.58	(3.38)
P.D.C.P.					0.67	2.71	2.14	1.33	(1.72)
I.F.C.T.	0	0.10	0.73	0.80	0.63	0.41	0.36	0.70	(0.53)
M.I.D.F.L.			3.50	1.80	0.77	0.75	2.45	1.78	(1.62)
(K) New Commitment Amount per officer : B/F (US$1,000)									
C.D.C.	157	684	459	381	536	869	748	836	(594)
P.D.C.P.					58	1,318	1,488	708	(909)
I.F.C.T.	0	10	49	52	67	82	44	108	(67)
M.I.D.F.L.			1,799	187	34	119	354	345	(277)
(L) Outstanding Disbursement Amount per employee : C/E (US$1,000)									
C.D.C.	17	67	107	160	193	256	309	396	
P.D.C.P.					6	99	235	258	
I.F.C.T.	0	6	23	38	52	55	72	118	
M.I.D.F.L.			101	112	86	134	206	217	

MAR. 31.1967

Business Performance - productivity

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(8) Outstanding Disbursement Amount per officer : C/F (US$1,000)									
C.D.C.	79	392	574	866	1,157	1,581	1,803	2,408	
P.D.C.P.					21	427	1,575	1,739	
I.F.C.T.	0	10	35	47	63	70	88	139	
M.I.D.F.L.			352	247	296	286	463	537	
(9) Administrative Expense per employee : D/E (US$1)									
C.D.C.	1,633	2,294	2,739	2,946	3,215	2,969	3,124	3,225	(2,850)
P.D.C.P.					2,506	8,338	5,714	5,491	(5,663)
I.F.C.T.	0	2,613	2,922	2,918	3,466	3,663	3,446	3,355	(3,152)
M.I.D.F.L.			6,657	6,727	3,267	5,765	5,978	5,965	(5,397)

TABLE A

Reservation was made by PDCP as follows: this will be sent to CDC, IFCT and MIDF.

One may be greatly simplifying the operational aspects of each development finance corporations in such a compilation since the figures themselves will not indicate what the particular investment climate may have been during the periods covered as well as the prevailing monetary and fiscal policies; whether there was extreme credit restriction which in all likelihood would have affected the number of new and expanding projects and whether the government fiscal sector may have pre-emptive funds normally flowing to the private sector thereby adversely affecting private industries and the willingness of entrepreneurs to proceed with projects.

In other words, the figures may or may not provide significant conclusions unless there is to a certain extent some analysis of the situation under which each corporation had been operating.

Nonetheless, the figures should provide some interesting aspects of individual operation provided great care is given in arriving at conclusions.

Note to the institutions:

1. Please make this table from the first business year until current business year. (of 1966, please put the figures at the end of the latest month available.)

2. As to Column A and B Investment in one project shall be taken as one whether it is divided into equity investment and loan, etc.

3. Disbursement in Column C shall include every cash investment in broad means such as loan disbursement, equity purchase and underwriting, etc.

4. Outstanding Disbursement in Column C shall be as of the end of each business year. (of 1966, please put the figures at the end of the latest month available.)

5. 'Officer' in Column F shall include executive manager; 'Clerk, etc' in Column G shall include manuel employee, so F + G should be equal to E.

6. Number of Employee shall be as of the end of the business year. (of 1966, please put the figures at the end of the latest month available.)

7. If some figures are not available, please fill the blanks with the mark "N.A.".

Status

TABLE B — Results of Inv[illegible] projects

MAR. 31. 1967

	1959	1960	1961	1962	1963	1964	1965	1966	Total
(A) Investments applied for in the year									
C.D.C.	61	154	76	105	116	70	68	52	727
P.D.C.P.					33	65	[illegible]	67	224
I.F.C.T.	0	4	13	30	27	21	57	76	227
M.I.D.F.L.			34	27	[illegible]	80	[illegible]	71	292
(B) declined already as of today									
C.D.C.	44	102	30	59	60	42	[illegible]	19	[illegible]
P.D.C.P.					29	[illegible]	[illegible]	46	115
I.F.C.T.	0	3	0	18	7	20	17	10	76
M.I.D.F.L.			35	12	29	38	7	6	146
(C) remained under construction as of today									
C.D.C.	0	0	0	0	0	0	0	9	9
P.D.C.P.					0	0	2	7	9
I.F.C.T.	0	0	[illegible]	0	3	0	7	47	56
M.I.D.F.L.			0	0	[illegible]	0	0	29	29
(D) approved but not yet disbursed as of today									
C.D.C.	0	0	0	1	0	[illegible]	0	11	12
P.D.C.P.					0	0	4	11	15
I.F.C.T.	[illegible]	0	0	0	0	0	3	8	[illegible]
M.I.D.F.L.			0	0	[illegible]	0	4	17	21

MAR. 31. 1967

Results of Invested Projects

	1959	1960	1961	1962	1963	1964	1965	1966	Total
(E) Approved and disbursed already as of today									
C.D.C.	17	42	26	50	60	35	38	13	281
P.D.C.P.					4	19	11	1	35
I.F.C.T.	0	5	7	12	13	8	20	11	76
M.I.D.F.L.			7	9	10	12	39	19	96
(F) completed as scheduled as of today									
C.D.C.	13	25	14	17	33	15	14	1	133
P.D.C.P.					0	8	3	0	11
I.F.C.T.	0	5	7	12	13	7	18	5	67
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	53
(G) completed behind schedule as of today									
C.D.C.	4	13	12	32	26	12	3	1	103
P.D.C.P.					4	11	8	1	24
I.F.C.T.	0	0	0	0	0	0	0	0	0
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	36
(H) under construction on schedule as of today									
C.D.C.	0	0	0	0	0	2	4	9	15
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	0	0	0	0	0	2	6	8
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	?

MAR. 31. 1967

Results of Invested Projects

	1959	1960	1961	1962	1963	1964	1965	1966	Total ([illegible])
(I) under construction behind schedule as of today									
C.D.C.	0	1	0	1	1	6	15	1	25
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	0	0	0	0	1	0	0	1
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	8
(J) construction has not yet started as of today									
C.D.C.	0	0	0	0	0	0	1	0	1
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	0	0	0	0	0	0	0	0
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	17
(K) construction cancelled as of today									
C.D.C.	0	2	0	0	0	0	1	1	4
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	0	0	0	0	0	0	0	0
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	10
(L) completed and operating as of today									
C.D.C.	13	35	23	42	56	27	17	2	215
P.D.C.P.					4	19	11	1	35
I.F.C.T.	0	5	7	12	13	7	18	6	68
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	89

MAR. 31.1967

Results of Invested Projects.

	1959	1960	1961	1962	1963	1964	1965	1966	Total
(1) paying dividend as of today									
C.D.C.	5	16	9	19	21	9	5	0	85
P.D.C.P.					3	8	4	0	14
I.F.C.T.	0	0	1	0	0	0	0	0	1
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	52
(2) not paying dividend but making profit as of today									
C.D.C.	7	17	10	16	28	14	9	2	103
P.D.C.P.					2	6	3	1	13
I.F.C.T.	0	5	5	12	13	7	16	6	66
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	17
(3) suffering loss as of today									
C.D.C.	0	2	4	7	7	4	3	0	27
P.D.C.P.					0	5	1	0	6
I.F.C.T.	0	0	1	0	0	0	0	0	1
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	20
(M) completed but not operating as of today									
C.D.C.	4	4	3	7	3	0	0	0	21
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	0	0	0	0	0	0	0	0
M.I.D.F.L.			0	0	0	0	0	0	0

MAR. 31. 1967

Results of Invested Projects

	1959	1960	1961	1962	1963	1964	1965	1966	Total (average)
(N) under construction but already partially operating as of today									
C.D.C.	0	1	0	1	1	6	14	9	32
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	0	0	0	0	0	1	1	2
M.I.D.F.L.			0	0	0	0	0	0	0
(O) under construction and not yet operating as of today									
C.D.C.	0	0	0	0	0	2	5	1	8
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	0	0	0	0	1	1	4	6
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	11
(P) sub-total (L + M + N + O)									
C.D.C.	17	40	26	50	60	35	36	12	276
P.D.C.P.					0	0	0	0	0
I.F.C.T.	0	5	7	12	13	8	20	11	76
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	100

TABLE B

Reservation was made by PDCP as follows: this will be same to CDC, IFCT and MIDFL.

See TABLE A.

Note to the institutions:

1. Please make this table from the first business year until current business year.

2. Just 'number' (not 'amount') shall be required.

3. Investments in Column A means those applied in each year. (of 1966, please put the figures in the business year as of the end of the latest month available.)

4. But numbers of all the other items (from Column B to Column P) shall be calculated as of the latest month available.

5. As to Column A, Investment in one project shall be taken as one whether it is divided into equity investment and loan, etc.

6. B + C + D + E should be equal to A.

7. F + G + H + I + J + K should be equal to E.

8. F + G + H + I should be equal to sub-total P.

9. If some figures are not available, please fill the blanks with the mark "N.A.".

Comment

We picked up the each institution's figures of 1966 and total and place them in order as follows:

A. Business Performance - productivity -

		1966			Total (Average) ?	
(A)	New Commitment of Investment: Number	1.	MIDFL	41	CDC	294
		2.	IFCT	32	MIDFL	128
		3.	CDC	31	IFCT	97
		4.	PDCP	12	PDCP	50
(B)	New Commitment of Investment: Amount (US$1,000)	1.	CDC	10,027	CDC	51,660
		2.	MIDFL	7,941	PDCP	26,369
		3.	PDCP	6,375	MIDFL	21,889
		4.	IFCT	4,971	IFCT	12,228
(C)	Outstanding Disbursement: Amount (US$1,000)	1.	CDC	28,894		
		2.	PDCP	15,469		
		3.	MIDFL	12,353		
		4.	IFCT	6,390		
(D)	Administrative Expense (US$1,000)	1.	MIDFL	340		
		2.	PDCP	329		
		3.	CDC	235		
		4.	IFCT	181		
(E)	Number of Employee: Total (person)	1.	CDC	73		
		2.	PDCP	60		
		3.	MIDFL	57		
		4.	IFCT	54		
(F)	Number of Employee: Officer (person)	1.	IFCT	46	[illegible]	
		2.	MIDFL	23		
		3.	CDC	12		
		4.	PDCP	9		
(G)	Number of Employee: Clerk, etc (person)	1.	CDC	61		
		2.	PDCP	51		
		3.	MIDFL	34		
		4.	IFCT	8		
(H)	New Commitment Number per Employee: A/E	1.	MIDFL	0.72	MIDFL	(0.64)
		2.	IFCT	0.59	CDC	(0.60)
		3.	CDC	0.43	IFCT	(0.42)
		4.	PDCP	0.20	PDCP	(0.31)

			1966	Total	(Average)
(I)	New Commitment Amount per employee: B/E (US$1,000)	1. MIDFL	139	PDCP	(165)
		2. CDC	137	MIDFL	(110)
		3. PDCP	106	CDC	(105)
		4. IFCT	92	IFCT	(53)
(J)	New Commitment Number per officer: A/E	1. CDC	2.58	CDC	(3.38)
		2. MIDFL	1.78	PDCP	(1.72)
		3. PDCP	1.33	MIDFL	(1.62)
		4. IFCT	0.70	IFCT	(0.53)
(K)	New Commitment Amount per officer: B/F (US$1,000)	1. CDC	836	PDCP	(909)
		2. PDCP	708	CDC	(594)
		3. MIDFL	345	MIDFL	(277)
		4. IFCT	108	IFCT	(67)
(L)	Outstanding Disbursement Amount per employee: C/E (US$1,000)	1. CDC	396		
		2. PDCP	258		
		3. MIDFL	217		
		4. IFCT	118		
(M)	Outstanding Disbursement Amount per officer: C/F (US$1,000)	1. CDC	2,408		
		2. PDCP	1,719		
		3. MIDFL	537		
		4. IFCT	139		
(N)	Administrative Expense per employee: D/E (US$1)	1. MIDFL	5,965	PDCP	(5,663)
		2. PDCP	5,491	MIDFL	(5,397)
		3. IFCT	3,355	IFCT	(3,152)
		4. CDC	3,225	CDC	(2,850)

B. Results of Invested projects

			1966		Total	
(A)	Investment applied in the year	1.	IFCT	76	CDC	727
		2.	MIDFL	71	MIDFL	292
		3.	PDCP	67	IFCT	217
		4.	CDC	52	PDCP	204
(B)	declined already as of today	1.	PDCP	48	CDC	424
		2.	CDC	19	MIDFL	146
		3.	IFCT	10	PDCP	145
		4.	MIDFL	6	IFCT	76
(C)	remained under construction as of today	1.	IFCT	47	IFCT	54
		2.	MIDFL	29	MIDFL	29
		3.	CDC	9	CDC	9
		4.	PDCP	7	PDCP	9
(D)	approved but not yet disbursed as of today	1.	MIDFL	17	MIDFL	21
		2.	CDC	11	PDCP	15
		3.	PDCP	11	CDC	13
		4.	IFCT	8	IFCT	11
(E)	Approved and disbursed already as of today	1.	MIDFL	19	CDC	281
		2.	CDC	13	MIDFL	96
		3.	IFCT	11	IFCT	76
		4.	PDCP	1	PDCP	35
(F)	completed as schedule as of today	1.	IFCT	5	CDC	133
		2.	CDC	1	IFCT	67
		3.	PDCP	0	MIDFL	53
		4.	MIDFL	NA	PDCP	11
(G)	completed behind schedule as of today	1.	CDC	1	CDC	103
		2.	PDCP	1	MIDFL	36
		3.	IFCT	0	PDCP	24
		4.	MIDFL	NA	IFCT	0
(H)	under construction on schedule as of today	1.	CDC	9	CDC	15
		2.	IFCT	6	IFCT	8
		3.	PDCP	0	MIDFL	3
		4.	MIDFL	NA	PDCP	0
(I)	under construction behind schedule as of today	1.	CDC	1	CDC	25
		2.	IFCT	0	MIDFL	8
		3.	PDCP	0	IFCT	1
		4.	MIDFL	NA	PDCP	0
(J)	construction has not yet started as of today	1.	CDC	0	MIDFL	17
		2.	PDCP	0	CDC	1
		3.	IFCT	0	PDCP	0
		4.	MIDFL	NA	IFCT	0

		1966		Total	
(K)	construction cancelled as of today	1. CDC	1	MIDFL	10
		2. PDCP	0	CDC	4
		3. IFCT	0	PDCP	0
		4. MIDFL	NA	IFCT	0
(L)	completed and operationg as of today	1. IFCT	6	CDC	215
		2. CDC	2	MIDFL	89
		3. PDCP	1	IFCT	68
		4. MIDFL	NA	PDCP	35
	(1) paying dividend asof today	1. CDC	0	CDC	85
		2. PDCP	0	MIDFL	52
		3. IFCT	0	PDCP	14
		4. MIDFL	NA	IFCT	1
	(2) not paying dividend but making profit as of today	1. IFCT	6	CDC	103
		2. CDC	2	IFCT	66
		3. PDCP	1	PDCP	17
		4. MIDFL	NA	MIDFL	13
	(3) suffering loss as of today	1. CDC	0	CDC	27
		2. PDCP	0	MIDFL	20
		3. IFCT	0	PDCP	6
		4. MIDFL	NA	IFCT	1
(M)	completed but not operating as of today	1. CDC	0	CDC	21
		2. PDCP	0	PDCP	0
		3. IFCT	0	IFCT	0
		4. MIDFL	0	MIDFL	0
(N)	under construction but already partially operating as of today	1. CDC	9	CDC	32
		2. IFCT	1	IFCT	2
		3. PDCP	0	PDCP	0
		4. MIDFL	0	MIDFL	0
(O)	under construction and not yet operating as of today	1. IFCT	4	MIDFL	11
		2. CDC	1	CDC	8
		3. PDCP	0	IFCT	6
		4. MIDFL	NA	PDCP	0
(P)	sub-total (L + M + N + O)	1. CDC	12	CDC	276
		2. IFCT	11	MIDFL	100
		3. PDCP	0	IFCT	76
		4. MIDFL	NA	PDCP	0

3412 - P&P Dev. banks.

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Messrs. Cope, Nurick and Stevenson

DATE: April 14, 1967

FROM: B. H. Shin BS

SUBJECT: Data on Bank Loan Agreements with Development Finance Companies.

Mr. Diamond has asked me to send you copies of the following tables which I have just updated.

1. Item B. Definition of Debt and Equity in Debt/Equity Ratio Restrictions.

2. Item E. Free Limit, Aggregate Free Limit and Relevant Documentation.

3. Item G. Interest, Amortization and Exchange Risk Arrangements of Loans (Credits) to Development Finance Companies.

4. Item H. Management Covenants on Loans to Development Finance Companies.

5. Item I. Maximum Period within which Repayment of Loans or Credits May be Made.

6. Item Q. Fixing of Interest Rate, Last Date of Request for Approval of Sub-Project and Closing Date.

7. Bearer of Foreign Exchange Risk in BANK/IDA Loans.

Attachment

Dev. Bank
9---

FORM No. 59
(2-55)

CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: April 14, 1967

TO: Files

FROM: Wolfgang Kaupisch

FILED UNDER: Inter-American Development Bank (IDB)

SUMMARY: IBRD Relations with Regional Development Banks - IDB and African Dev. Bank

Dev. Banks -

Messrs. Cope, Nurick and Stevenson

April 14, 1967

B. H. Shin

<u>Data on Bank Loan Agreements with Development Finance Companies</u>.

Mr. Diamond has asked me to send you copies of the following tables which I have just updated.

1. Item B. Definition of Debt and Equity in Debt/Equity Ratio Restrictions.

2. Item E. Free Limit, Aggregate Free Limit and Relevant Documentation.

3. Item G. Interest, Amortization and Exchange Risk Arrangements of Loans (Credits) to Development Finance Companies.

4. Item H. Management Covenants on Loans to Development Finance Companies.

5. Item I. Maximum Period within which Repayment of Loans or Credits May be Made.

6. Item Q. Fixing of Interest Rate, Last Date of Request for Approval of Sub-Project and Closing Date.

7. Bearer of Foreign Exchange Risk in BANK/IDA Loans.

Attachment

BS

BHShin/ts

Dev. Bank

Messrs. Gibbs, Mason, Melmoth, Street, Votaw April 14, 1967

Alexander Stevenson

Data on Bank Loan Agreements with Development Finance Companies

I attach a copy of a memorandum I have received from Mr. Shin. I have passed it to Mr. Cargill and Mr. Goodman and I expect that the latter will retain the attachments described in Mr. Shin's memorandum. These give a bird's-eye view of what the Bank has done in all its agreements with Development Finance Companies on the various points mentioned. They will be invaluable when you are considering new loan agreements to Development Finance Companies and I commend them to your attention.

Attachment
ccs: Messrs. Cargill, Goodman

AStevenson:js

Dev. B -
x P+P
Cov. on Management

ITEM H

OFFICE MEMORANDUM

TO: Files DATE: April 12, 1967

FROM: B. H. Shin

SUBJECT: Management Covenants on Loans to Development Finance Companies

1. This is to supersede my memorandum dated April 29, 1966 on the subject.

2. In almost all loan and credit agreements, there is practically as a uniform provision concerning management:

"The borrower shall carry out the Project and conduct its operations and affairs ..., with qualified and experienced management, and in accordance with its Articles of Association, as amended from time to time."

This appears in Loan, Credit or Subsidiary Loan, Agreements with IVK, CDC, five Colombian finance companies, IFF, ICICI, IMDBI, IDBI, BNDE, PICIC, PDCP, IFCT, SNI and TSKB.

3. There are some variations in two cases.

a. DBE

"...The management ("and staff" in the case of Loan 32 ET) shall at all times be acceptable to the Bank." (See Section 4.01, Loan 32 ET and Section 5.01, Loan 301 ET.)

b. MIDFL

"The Borrower shall carry out the Project and conduct its operations and affairs ..., with qualified and experienced management satisfactory to the Bank, ..." (See Section 5.01 (a), Loan 348 MA.)

4. In addition, in IFCT, aside from the standard provision referred to above, there is a provision concerning the employment of an advisor.

"Section 5.01...
(c) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall employ an advisor acceptable to, and upon terms and conditions satisfactory to, the Bank and the Borrower."

5. Special mention must be made of the case of IFF where at the time of the first Bank loan to IFF, IFF promised in a letter to exchange views with the Bank and to give careful consideration to the Bank's view whenever IFF contemplates any change in its management.

Attachment

MANAGEMENT COVENANTS

Institution	No.	Date	Management Covenants
IVK (Austria)	192	4/28/58	Conventional clause
	237	9/25/59	" "
	315	6/15/62	" "
CDC (China)	IDA 17	12/1/61	Conventional clause
	397	12/17/64	" "
CF Caldas (Colombia)	451	5/31/66	Conventional clause
CF Colombiana (Colombia)	451	5/31/66	Conventional clause
CF Nacional (Colombia)	451	5/31/66	Conventional clause
CF Norte (Colombia)	451	5/31/66	Conventional clause
CF Valle (Colombia)	451	5/31/66	Conventional clause
DBE (Ethiopia)	32	9/13/50	Satisfactory to Bank
	301	11/22/61	" "
IFF (Finland)	352	9/18/63	Consultation
	420	6/30/65	Conventional clause
ICICI (India)	109	3/14/55	Conventional clause
	232	7/15/59	" "
	269	10/28/60	" "
	312	2/28/62	" "
	340	6/5/63	" "
	414	5/28/65	" "
IMDBI (Iran)	240	11/23/59	Conventional clause
	422	7/12/65	" "
	459	7/26/66	" "
IDBI (Israel)	424	9/16/65	Conventional clause
MIDFL (Malaysia)	348	7/15/63	Satisfactory to Bank
BNDE (Morocco)	329	12/21/62	Conventional clause
	447	5/13/66	" "
PICIC (Pakistan)	185	12/17/57	Conventional clause
	236	9/25/59	" "
	286	6/27/61	" "
	330	2/13/63	" "
	382	6/30/64	" "
	421	7/9/65	" "
PDCP (Philippines)	331	2/15/63	Conventional clause
	467	9/23/66	" "

Institution	No.	Date	Management Covenants
IFCT (Thailand)	370	3/11/64	Satisfactory to Bank
SNI (Tunisia)	449	5/16/66	Conventional clause
TSKB (Turkey)	34	10/19/50	Conventional clause
	85	9/10/53	" "
	IDA 33	11/23/62	" "
	IDA 66	8/31/64	" "
	IDA 75	4/1/65	" "
	IDA 91	8/10/66	" "
	461	8/10/66	" "

IFC/DFC

April 12, 1967

ITEM G

Interest, Amortization and Exchange Risk Arrangements of Loans (Credits) to Development Finance Companies

Institution	No.	Date	Interest Fixed	Interest Flexible	Amortization Fixed	Amortization Composite	Exchange Risk borne by:
DBE (Ethiopia)	32	9/13/50	x		x		[1]
TSKB (Turkey)	34	10/19/50	x		x		C/SB [2]
TSKB (Turkey)	85	9/10/53	x		x		C/SB [2]
ICICI (India)	109	3/14/55	x		x		SB
PICIC (Pakistan)	185	12/17/57	x		x		G
IVK (Austria)	192	4/28/58	x		x		SB
ICICI (India)	232	7/15/59		x	x		SB
PICIC (Pakistan)	236	9/25/59		x	x		SB
IVK (Austria)	237	9/25/59		x		x	SB
IMDBI (Iran)	240	11/23/59		x	x		SB
ICICI (India)	269	10/28/60		x	x		SB
PICIC (Pakistan)	286	6/27/61		x		x	SB
DBE (Ethiopia)	301	11/22/61		x	x		G/SB
CDC (China)	IDA 17	12/1/61	x		x		G
ICICI (India)	312	2/28/62		x		x	SB
IVK (Austria)	315	6/15/62	x		x		SB
TSKB (Turkey)	IDA 33	11/23/62	x			x [3]	SB
BNDE (Morocco)	329	12/21/62		x		x	G
PICIC (Pakistan)	330	2/13/63		x		x	SB
PDCP (Philippines)	331	2/15/63		x		x	SB
ICICI (India)	340	6/5/63		x		x	SB
MIDFL (Malaysia)	348	7/15/63		x		x	SB
IFF (Finland)	352	9/18/63		x		x	G/SB
IFCT (Thailand)	370	3/11/64		x		x	G/SB
PICIC (Pakistan)	382	6/30/64		x		x	SB
TSKB (Turkey)	IDA 66	8/31/64	x			x [3]	SB
CDC (China)	397	12/17/64	x			x	C/SB
TSKB (Turkey)	IDA 75	4/1/65	x			x [3]	SB
ICICI (India)	414	5/28/65	x			x [4]	SB
IFF (Finland)	420	6/30/65	x			x [4]	G/SB
PICIC (Pakistan)	421	7/9/65	x			x [4]	SB
IMDBI (Iran)	422	7/12/65		x		x [4]	SB
IDBI (Israel)	424	9/16/65	x			x [4]	G
BNDE (Morocco)	447	5/13/66		x		x [4]	G
SNI (Tunisia)	449	5/16/66		x		x [4]	G
CF Caldas (Colombia)	451	5/31/66	x			x [5]	C
CF Colombiana (")	451	5/31/66	x			x [5]	C
CF Nacional (")	451	5/31/66	x			x [5]	C
CF Norte (")	451	5/31/66	x			x [5]	C
CF Valle (")	451	5/31/66	x			x [5]	C
IMDBI (Iran)	459	7/26/66		x		x [4]	SB
TSKB (Turkey)	IDA 91	8/10/66		x		x [3]	SB
TSKB (Turkey)	461	8/10/66		x		x [4]	SB
PDCP (Philippines)	467	9/23/66		x		x [4]	SB

SB = Sub-Borrower
G = Government
C = Central Bank
1/ No risk involved - Government passed loan as equity in DBE.
2/ Central Bank for EPU currencies; Sub-Borrower for other currencies.
3/ This is an IDA credit with amortization fixed between Government and IDA, but flexible between the development finance company and the Government.
4/ Though a fixed amortization schedule is initially agreed upon, it is to be amended from time to time to conform substantially to the aggregate of the amortization schedules of individual loans and investments by a development finance company.
5/ A Bank loan to the Banco de la Republica which will be made available by it to the five Colombian development finance companies. The amortization schedule applicable between the Banco de la Republica and the companies.

Summary of Interest and Amortization Terms

Fixed Interest	& Composite Amortization	9
Fixed Interest	& Fixed Amortization	8
Flexible Interest	& Fixed Amortization	5
Flexible Interest	& Composite Amortization	18
		40

IFC/DFC
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ITEM I

Maximum Period Within Which Repayment of Loans or Credits May Be Made

Institution	No.	Date	Maximum Repayment Period: Fixed Schedule	Maximum Repayment Period: Composite Schedule
DBE (Ethiopia)	32	9/13/50	21 yrs., Oct.'56-Oct.'71	
TSKB (Turkey)	34	10/19/50	15 yrs., Mar.'57-Sept.'65	
TSKB (Turkey)	85	9/10/53	15 yrs., Aug.'58-Aug.'68	
ICICI (India)	109	3/14/55	14 yrs., Jan.'60-July '69	
PICIC (Pakistan)	185	12/17/57	15 yrs., Mar.'62-Sept.'72	
IVK (Austria)	192	4/28/58	17 yrs., Oct.'59-Oct.'75	
ICICI (India)	232	7/15/59	10 yrs., Oct.'62-Oct.'69 1/	
PICIC (Pakistan)	236	9/25/59	10 yrs., Oct.'62-Oct.'69 1/	
IVK (Austria)	237	9/25/59		15 yrs. for entire loan
IMDBI (Iran)	240	11/23/59	15 yrs., Sept.'64-Sept.'74	
ICICI (India)	269	10/28/60	10 yrs., Nov.'63-Nov.'70 1/	
PICIC (Pakistan)	286	6/27/61		10 yrs. for each sub-project
DBE (Ethiopia)	301	11/22/61	10 yrs., Mar. '65-Sept.'71	
CDC (China)	IDA 17	12/1/61	30 yrs., Mar.'72-Sept.'91*	
ICICI (India)	312	2/28/62		15 yrs. for entire loan
IVK (Austria)	315	6/15/62	15 yrs., Oct.'67-Apr.'77	
TSKB (Turkey)	IDA 33	11/23/62		16 yrs. for entire credit*
BNDE (Morocco)	329	12/21/62		15 yrs. for each sub-project

1/ Extendible up to 4 years for individual sub-projects.

* Representing an amortization schedule agreed upon between a development finance company and its government.

Institution	No.	Date	Maximum Repayment Period: Fixed Schedule	Maximum Repayment Period: Composite Schedule
PICIC (Pakistan)	330	2/13/63		10 yrs. for each sub-project
PDCP (Philippines)	331	2/15/63		13 yrs. for entire loan
ICICI (India)	340	6/5/63		15 yrs. for entire loan
MIDFL (Malaysia)	348	7/15/63		15 yrs. for each sub-project
IFF (Finland)	352	9/18/63		15 yrs. for each sub-project
IFCT (Thailand)	370	3/11/64		15 yrs. for each sub-project
PICIC (Pakistan)	382	6/30/64		10 yrs. for each sub-project
TSKB (Turkey)	IDA 66	8/31/64		16 yrs. for entire credit*
CDC (China)	397	12/17/64		15 yrs. for each sub-project
TSKB (Turkey)	IDA 75	4/1/65		16 yrs. for entire credit*
ICICI (India)	414	5/28/65		18 yrs., Feb.'68 - Aug.'83 and 15 yrs. for each sub-project1/
IFF (Finland)	420	6/30/65		17 yrs., June '67-June '82 and 17 yrs. for entire loan1/
PICIC (Pakistan)	421	7/9/65		17 yrs., Jan.'68-Jan.'82 and 15 yrs. for each sub-project1/
IMDBI (Iran)	422	7/12/65		15 yrs., for each sub-project
IDBI (Israel)	424	9/16/65		16 yrs., June '68-June '81 and 15 yrs. for each sub-project1/

* Representing an amortization schedule agreed upon between a development finance company and its government.

1/ Although a fixed amortization schedule is initially agreed upon, it is to be amended from time to time to conform substantially to the aggregate of the amortization schedules of loans and investments by the development finance company. While the first period indicates the fixed amortization schedule, the second amounts to a composite schedule.

Institution	No.	Date	Maximum Repayment Period: Fixed Schedule	Maximum Repayment Period: Composite Schedule
BNDE (Morocco)	447	5/13/66		17 yrs., Jan.'69 - July '83 and 15 yrs. for each sub-project. 1/
SNI (Tunisia)	449	5/16/66		18 yrs., May '68 - May '84 and 15 yrs. for each sub-project.
CF CALDAS (Colombia)	451	5/31/66		15 yrs. for each sub-project.
CF COLOMBIANA (Colombia)	451	5/31/66		15 yrs. for each sub-project.
CF NACIONAL (Colombia)	451	5/31/66		15 yrs. for each sub-project.
CF NORTE (Colombia)	451	5/31/66		15 yrs. for each sub-project.
CF VALLE (Colombia)	451	5/31/66		15 yrs. for each sub-project.
IMDBI (Iran)	459	7/26/66		17 yrs., Jan.'69 - Jan. '83 and 15 yrs. for each sub-project. 1/
TSKB (Turkey)	IDA 91	8/10/66		15 yrs. for each sub-project.*
TSKB (Turkey)	461	8/10/66		17 yrs., July '68 - Jan. '83 and 15 yrs. for each sub-project. 1/
PDCP (Philippines)	467	9/23/66		17 yrs., Jan.'68 - Jan. '84 and 15 yrs. for each sub-project. 1/

1/ Although a fixed amortization schedule is initially agreed upon, it is to be amended from time to time to conform substantially to the aggregate of the amortization schedules of loans and investments by the development finance company. While the first period indicates the fixed amortization schedule, the second amounts to a composite schedule.

* Representing an amortization schedule agreed upon between a development finance company and its government.

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ITEM Q

Fixing of Interest Rate, Last Date of Request for Approval of Sub-Project and Closing Date

Institution	No.	Date	Interest Rate Fixed at Signing	Last Date of Request for Approval or for Crediting	Closing Date
DBE (Ethiopia)	32	9/13/50	Yes	Feb. '54	Aug. '54
TSKB (Turkey)	34	10/19/50	Yes	3 yrs. after effective date	5 yrs. after effective date
TSKB (Turkey)	85	9/10/53	Yes	3 yrs. after effective date	5 yrs. after effective date
ICICI (India)	109	3/14/55	Yes	None	5 yrs. after effective date
PICIC (Pakistan)	185	12/17/57	Yes	None	Sept. '61
IVK (Austria)	192	4/28/58	Yes	None	Various different dates fixed on projects, ranging 2 to 5 years from date of loan agreement
ICICI (India)	232	7/15/59	No	Dec. '61	Sept. '62
PICIC (Pakistan)	236	9/25/59	No	Dec. '61	Sept. '62
IVK (Austria)	237	9/25/59	No	Dec. '61	Dec. '62
IMDBI (Iran)	240	11/23/59	No	Nov. '62	Nov. '63
ICICI (India)	269	10/28/60	No	Dec. '62	Oct. '63
PICIC (Pakistan)	286	6/27/61	No	June '63	Dec. '64
DBE (Ethiopia)	301	11/22/61	No	June '64	Dec. '64
CDC (China)	IDA 17	12/1/61	No*	Dec. '63	Dec. '64, or such other date as shall be agreed
ICICI (India)	312	2/28/62	No	Dec. '63	Dec. '64, or such other date as shall be agreed
IVK (Austria)	315	6/15/62	Yes	June '64	Dec. '64, or such other date as shall be agreed
TSKB (Turkey)	IDA 33	11/23/62	Yes*	June '64	June '65, or such other date as shall be agreed
BNDE (Morocco)	329	12/21/62	No	2 yrs. after effective date	Dec. '65, or such other date as shall be agreed

* Applies to the terms on the subsidiary loan agreement between the Government (Central Bank) and the development finance company.

Institution	No.	Date	Interest Rate Fixed at Signing	Last Date of Request for Approval or for Crediting	Closing Date
PICIC (Pakistan)	330	2/13/63	No	Jan. '65	June '66, or such other date as shall be agreed
PDCP (Philippines)	331	2/15/63	No	Dec. '64	June '66, or such other date as shall be agreed
ICICI (India)	340	6/5/63	No	Dec. '64	Dec. '66, or such other date as shall be agreed
MIDFL (Malaysia)	348	7/15/63	No	3 yrs after effective date1/	Aug. '67, or such other date as shall be agreed
IFF (Finland)	352	9/18/63	No	3 yrs. after effective date1/	June '67, or such other date as shall be agreed
IFCT (Thailand)	370	3/11/64	No	3 yrs. after effective date1/	Mar. '68, or such other date as shall be agreed
PICIC (Pakistan)	382	6/30/64	No	June '66	Dec. '68, or such other date as shall be agreed
TSKB (Turkey)	IDA 66	8/31/64	Yes*	June '66	June '67, or such other date as shall be agreed
CDC (China)	397	12/17/64	Yes	3 yrs. after effective date1/	Dec. '68, or such other date as shall be agreed
TSKB (Turkey)	IDA 75	4/1/65	Yes*	June '67	June '68, or such other date as shall be agreed
ICICI (India)	414	5/28/65	Yes	Dec. '68	June '70, or such other date as shall be agreed
IFF (Finland)	420	6/30/65	Yes	July '671/	Dec. '67, or such other date as shall be agreed
PICIC (Pakistan)	421	7/9/65	Yes	June '67	Dec. '70, or such other date as shall be agreed
IMDBI (Iran)	422	7/12/65	No	Sept. '67	Sept. '68, or such other date as shall be agreed
IDBI (Israel)	424	9/16/65	Yes	May '67	May '68, or such other date as shall be agreed

1/ Last date of crediting to the Loan Account.

* Applies to the terms on the subsidiary loan agreement between the Government (Central Bank) and the development finance company.

Institution	No.	Date	Interest Rate Fixed at Signing	Last Date of Request for Approval or for Crediting	Closing Date
BNDE (Morocco)	447	5/13/66	No	July '68	June '69, or such other date as shall be agreed
SNI (Tunisia)	449	5/16/66	No	Dec. '68	Dec.'70, or such other date as shall be agreed
CF CALDAS (Colombia)	451	5/31/66	Yes*	Dec. '68	Dec.'69, or such other date as shall be agreed
CF COLOMBIANA (Colombia)	451	5/31/66	Yes*	Dec. '68	Dec.'69 or such other date as shall be agreed
CF NACIONAL (Colombia)	451	5/31/66	Yes*	Dec. '68	Dec.'69, or such other date as shall be agreed
CF NORTE (Colombia)	451	5/31/66	Yes*	Dec. '68	Dec.'69, or such other date as shall be agreed
CF VALLE (Colombia)	451	5/31/66	Yes*	Dec. '68	Dec.'69, or such other date as shall be agreed
IMDBI (Iran)	459	7/26/66	No	Dec. '68	June '70, or such other date as shall be agreed
TSKB (Turkey)	IDA 71	8/10/66	No*	Sept.'68	Dec.'69, or such other date as shall be agreed
TSKB (Turkey)	461	8/10/66	No	Sept.'68	Dec.'69, or such other date as shall be agreed
PDCP (Philippines)	467	9/23/66	No*	Sept. '68	Dec. '69, or such other date as shall be agreed

* Applies to the terms on the subsidiary loan agreement between the Government (Central Bank) and the development finance company.

IFC/DFC

April 12, 1967

BEARER OF FOREIGN EXCHANGE RISK IN BANK/IDA LOANS

Institution	No.	Date	Bearer of Exchange Risk	Manner in which Exchange Risk is Passed on
Austria IVK	192	4/28/58	Sub-borrower	Sub-loans from the proceeds of the IBRD Loan were denominated in U.S. dollars and they were made repayable only in U.S. dollars.
IVK	237	9/25/59	Sub-borrower	The same as above.
IVK	315	6/15/62	Sub-borrower	The same as above.
CHINA CDC	IDA 17	12/1/61	Government	The Government obtains and lends to CDC the proceeds of the IDA Loan in various currencies. CDC's obligation is expressed in local currency. Each sub-loan by CDC is made in local currency and repayable in that currency.
CDC	397	12/17/64	Central Bank or sub-borrower	CDC has made arrangements whereby the Central Bank as agent of the Government, when requested by CDC, assumes the foreign exchange risk involved in the Bank Loan at a fee calculated to provide to CDC a margin of at least 3½% per annum between such fee together with the interest rate payable by CDC on the Loan and the interest rate receivable on sub-loans made by CDC from the proceeds of the Loan. Sub-borrowers have option to assume the risk themselves, paying interest at 9% instead of 14.04%, the rate paid on a domestic currency loan, which prevails when the exchange risk is assumed by the Central Bank.

Institution	No.	Date	Bearer of Exchange Risk	Manner in which Exchange Risk is Passed on
COLOMBIA				
CF CALDAS CF COLOMBIANA CF NACIONAL CF NORTE CF VALLE	451	5/31/66	Central Bank	The peso equivalent of the amounts withdrawn from the Loan Account and paid to the finance companies constitutes the principal amount of the loan which is repayable by the finance companies to the Central Bank. The amount of sub-loans by the finance companies to ultimate borrowers is denominated in pesos and repayable in that currency.
ETHIOPIA				
DBE	32	9/13/50	Government	The Government used the proceeds of the IBRD Loan as subscription in share capital of DBE. Sub-loans out of the proceeds were made in local currency and also made repayable in local currency. The exchange risk rests with the Government, involving neither DBE nor the sub-borrower.
DBE	301	11/22/61	Government or sub-borrower	The Guarantee Agreement provides that the Government shall make arrangements to protect DBE against any detriment in connection with the payment of the Loan as a result of exchange rate fluctuations between Ethiopian dollars and the currency and currencies in which such payment is payable. In practice, however, a sub-borrower is obligated to take the risk. A foreign currency loan is repaid in local currency at the rate of exchange at which the authorized dealer in foreign exchange will sell such foreign exchange on the day when such payment falls due.
FINLAND				
IFF	352	9/18/63	Government or sub-borrower	The Government has agreed to bear the foreign exchange risk for any sub-loan granted to small or medium-sized enterprises up to Fmk 500,000. For any amount of an individual loan over this limit, the foreign exchange risk is passed on to the sub-borrower. IFF's clients have not been charged a fee for the exchange risk

Institution	No.	Date	Bearer of Exchange Risk	Manner in which Exchange Risk is Passed on
FINLAND(cont'd.)				
IFF				by the Government. However, such protection is not provided automatically. IFF examines each case before a government guarantee is granted to a borrower.
IFF	420	6/30/65	Government or sub-borrower	The same as above.
INDIA				
ICICI	109	3/14/55	Sub-borrower)	The sub-borrower is obligated to pay the loan out of the IBRD Loan in the several currencies withdrawn; the amount repayable in each currency shall be the amount withdrawn in that currency.
ICICI	232	7/15/59	Sub-borrower)	
ICICI	269	10/28/60	Sub-borrower)	
ICICI	312	2/28/62	Sub-borrower)	
ICICI	340	6/5/63	Sub-borrower)	
ICICI	414	5/28/65	Sub-borrower)	
IRAN				
IMDBI	240	11/23/59	Sub-borrower)	The same as above in ICICI.
IMDBI	422	7/12/65	Sub-borrower)	
IMDBI	459	7/26/66	Sub-borrower)	
ISRAEL				
IDBI	424	9/16/65	Government	In April 1965, IDBI entered into an Agreement with the Government by which the Government has assumed responsibility for the exchange risk on loans contracted after February 1962 devaluation. As consideration, IDBI is required to pay the Government "insurance" charges ranging from 4% to 5.85% per annum. Such insurance payments are charged by IDBI against a 4% "interest premium" received on its loans.
MALAYSIA				
MIDFL	348	7/15/63	Sub-borrower	Sub-loans out of the IBRD Loan are denominated in foreign currency and made repayable only in that currency.
MOROCCO				
BNDE	329	12/21/62	Government)	The Government has agreed to undertake the foreign exchange risk in connection with the IBRD Loan that may occur as a result of a change in the foreign exchange rate. Sub-loans out of the proceeds of the IBRD Loan are denominated in local currency and also made repayable in the local currency.
BNDE	447	5/13/66	Government)	

Institution	No.	Date	Bearer of Exchange Risk	Manner in which Exchange Risk is Passed on
PAKISTAN				
PICIC	185	12/17/57	Government	The Government has agreed to sell to PICIC the foreign currencies required by it to make payments of principal, interest and other charges payable under the IBRD Loan. The rates at which the foreign currencies are sold shall be at the rates prevailing on the date on which payments were originally effected. Sub-loans out of the IBRD Loan are denominated in local currency and made repayable in local currency.
PICIC PICIC PICIC PICIC PICIC	236 286 330 382 421	9/25/59 6/27/61 2/13/63 6/30/64 7/9/65	Sub-borrower) Sub-borrower) Sub-borrower) Sub-borrower) Sub-borrower)	The amount of sub-loans out of the IBRD Loan is denominated in foreign currencies equivalent to the U.S. dollar and such obligation is discharged by paying to PICIC in legal tender an amount equivalent to the amount of the U.S. dollar obligation calculated at the highest effective selling rate of the U.S. dollar quoted by Authorized Dealers in Foreign Exchange in Pakistan on the date of payment.
PHILIPPINES				
PDCP PDCP	331 467	2/15/63 9/23/66	Sub-borrower Sub-borrower	The amount of sub-loan out of the IBRD Loan is expressed in terms of "Philippine Currency equivalent to the sum of the U.S. dollar as determined on the basis of the effective market rate of exchange of the peso against the foreign currency sub-loan" and repayment of the loan is made on the basis of the effective market rate of exchange of the peso against the U.S. dollar prevailing at the time of repayment.
THAILAND				
IFCT	370	3/11/64	Government or sub-borrower	The Government has agreed to assume at a fee of $\frac{1}{4}$% per annum the exchange risk in connection with a sub-loan out of the IBRD Loan. In the case of a sub-borrower assuming the foreign exchange risk, he pays a $7\frac{1}{2}$% rate of interest as against a 9% rate without the exchange risk.

Institution	No.	Date	Bearer of Exchange Risk	Manner in which Exchange Risk is Passed on
TUNISIA SNI	449	5/16/66	Government	The Government has agreed to undertake the foreign exchange risk in connection with the IBRD loan that may occur as a result of a change in the foreign exchange rate. Sub-loans out of the IBRD Loan are denominated in local currency and repayable in that currency.
TURKEY TSKB	34	10/19/50	Central Bank and sub-borrower	The exchange risk is assumed by the Central Bank for the portion of the proceeds of the IBRD Loans which was used to import from EPU countries. The exchange risk for the rest of the IBRD Loans was assumed by sub-borrowers. In the latter case the amount of sub-loans was denominated in foreign currencies and was made repayable in that currency.
TSKB	85	9/10/53	Central Bank and sub-borrower	
TSKB	IDA 33	11/23/62	Sub-borrower	The amount of sub-loans is denominated in foreign currencies and is made repayable in that currency.
TSKB	IDA 66	8/31/64	Sub-borrower	
TSKB	IDA 75	4/1/65	Sub-borrower	
TSKB	IDA 91	8/10/66	Sub-borrower	
TSKB	461	8/10/66	Sub-borrower	

SUMMARY

Sub-borrower assumes risk without option

Austria - IVK loans 192, 237 and 315.
Ethiopia - 301 (There is provision in Guarantee Agreement for government to carry risk but it is not used.)
Finland - IFF loans 352 and 420 (for loans over Fmk. 500,000).
India - ICICI loans 109, 232, 269, 312, 340 and 414.
Iran - IMDBI loans 240, 422 and 459.
Malaysia - MIDFL loan 348.
Pakistan - PICIC loans 236, 286, 330, 382 and 421 (all except first loan).
Philippines - PDCP loans 331, 467.
Turkey - TSKB loans 34 and 85 (except for imports from EPU countries) and 461; credits 33, 66, 75 and 91.

Sub-borrower has option to carry risk

China - CDC loan 397 sub-borrower pays interest at 9% with risk or 14.04% without risk. 1/

Thailand - IFCT loan 370 sub-borrower pays interest at 7½% with risk or 9% without risk. 2/

Government or Central Bank assumes risk

China - CDC credit 17.

Ethiopia - DBE loan 32. 3/

Finland - IFF loans 352 and 420 (protection not automatic) except for loans over Fmk. 500,000.

Israel - IDBI loan 424.

Morocco - BNDE loans 329 and 447.

Pakistan - PICIC loan 185 (first loan).

Turkey - TSKB loans 34 and 85 (for imports from EPU countries only).

1/ The Central Bank is to assume exchange risk at present at a fee equal to the difference between the 9% and 14.04% CDC charges on sub-loans with or without risk.

2/ The Government assumes at a fee of ¼% per annum the exchange risk in connection with a sub-loan.

3/ The proceeds of this loan were used by the Government as subscription in share capital of DBE.

IFC/DFC
April 12, 1967

ITEM B

DEFINITION OF DEBT AND EQUITY IN DEBT/EQUITY RATIO RESTRICTIONS

Institution	Ratio	Definition of: Debt	Equity	Basis
Austria IVK	4 1/	No definition	The aggregate of (a) the unimpaired capital, surplus and general reserves, determined in accordance with sound accounting practices and (b) the aggregate amount of the loans from the Government pursuant to the First Counterpart Funds Loan Agreement and the second Counterpart Funds Loan Agreement, (the Third Counterpart Funds Loan Agreement, the Fourth Counterpart Funds Loan Agreement, the Fifth Counterpart Funds Loan Agreement and the Sixth Counterpart Funds Loan Agreement,) 1/ at the time outstanding but not yet due for payment.	Loan Agreement dated 6/15/62 1/ Amended (letter dated 7/28/66)
China CDC	3	(a) Any indebtedness of CDC maturing more than one year after the date on which it is originally incurred. (b) Reference to debt shall include the assumption and guarantee of debt and debt is deemed to be incurred on the date on which it is actually drawn down, except that guarantees are deemed to be incurred on the date on which they are contracted, but is only counted to the extent that the underlying debt is outstanding.	The sum of (a) unimpaired paid-in capital and reserves of CDC not allocated to cover specific liabilities and (b) the outstanding balance of the three Government subordinated Credits.	Loan Agreement dated 12/17/64

Institution	Ratio	Definition of: Debt	Definition of: Equity	Basis
Colombia				
CF Caldas	4	All indebtedness incurred by CF Caldas, including indebtedness assumed or guaranteed by CF Caldas. Indebtedness is deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee is entered into.	The aggregate of the unimpaired paid-in capital of CF Caldas and (ii) the unallocated surplus and general reserves, that is to say reserves not set apart for any specific purpose, of CF Caldas.	Project Agreement dated 5/31/66
CF Colombiana	5	Same as Caldas.	Same as Caldas.	Project Agreement dated 5/31/66.
CF Nacional	5	Same as Caldas.	Same as Caldas.	Project Agreement dated 5/31/66.
CF Norte	4	Same as Caldas.	Same as Caldas.	Project Agreement dated 5/31/66.
CF Valle	4	Same as Caldas.	Same as Caldas.	Project Agreement dated 5/31/66.

Institution	Ratio	Definition of: Debt	Equity	Basis
Ethiopia DBE	3	The total amount of debt incurred, assumed or guaranteed by DBE and all its subsidiaries excluding debt owed by DBE to any subsidiary or by any subsidiary to DBE or to any other subsidiary.	The total amount of unimpaired capital, surplus and free reserves of DBE and all its subsidiaries and after making appropriate adjustments for minority interest in such subsidiaries and after excluding such items of capital surplus and free reserves of DBE as shall represent equity interest of DBE in any subsidiary or of any subsidiary in DBE or any other subsidiary and after excluding any amounts subscribed for the purpose of aiding DBE to comply with a law or regulation of the Government.	Loan Agreement dated 11/22/61
Finland IFF	3	All indebtedness of IFF less the amount at the time outstanding of the Debentures of 1956 and 1963 and any other loan which the Bank shall determine to be equity for the purpose of determining debt/equity ratio.	The aggregate of (i) the unimpaired capital of IFF comprised of its Class A shares and its series of Class B shares outstanding; (ii) the amount at the time outstanding of the Debentures of 1956 and 1963 and any other loan which the Bank shall determine to be equity for the purpose of determining debt/equity ratio, and (iii) the surplus and surplus reserves.	Loan Agreement dated 6/30/65

Institution	Ratio	Definition of: Debt	Equity	Basis
Greece NIBID	4	No definition	The amount of NIBID's capital and surplus accounts.	Policy Statement adopted 6/30/65
India ICICI	4	(a) Any indebtedness incurred by ICICI or a subsidiary maturing more than one year after the date on which it is originally incurred, including indebtedness assumed or guaranteed by ICICI or a subsidiary less indebtedness of ICICI to the Government in a total amount of Rs. 275 million. (b) Indebtedness is deemed to be incurred on the date when (i) such indebtedness becomes outstanding and repayable or (ii) ICICI or any subsidiary has contracted with a third party to re-lend the proceeds of such indebtedness 1/ or (iii) in the case of the guarantee or assumption of such indebtendess, ICICI or a subsidiary has entered into an agreement providing for such guarantee or assumption.	The aggregate of (i) the unimpaired capital of ICICI; (ii) the amount at the time outstanding but not yet due for payment of the advance under the agreement dated January 29, 1955 between ICICI and the Government; and (iii) the surplus and free reserves of ICICI not set apart for any specific purpose.	Loan Agreement dated 5/28/65

1/ It was agreed that the underlined clause shall not apply (letter dated 8/29/66)

Institution	Ratio	Definition of: Debt	Equity	Basis
Iran IMDBI	4	(a) Any debt incurred by IMDBI or by any subsidiary of IMDBI maturing more than one year after the date on which it is originally incurred, including debt assumed or guaranteed by IMDBI or by such a subsidiary, but not including the amount at the time outstanding but not yet due for repayment of the advance from the Government pursuant to the Government Advance Agreement, and such amount of any other loan which the Bank may determine to be included in the consolidated capital and surplus of IMDBI. (b) Debt is deemed to be incurred (1) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement and (2) under a guarantee agreement, on the date the agreement providing for such guarantee is entered into.	(a) The aggregate of (1) the total unimpaired capital, surplus and reserves of IMDBI and of all its subsidiaries after excluding such items of capital, surplus and reserves as shall represent equity interests of IMDBI or of any subsidiary and (2) the amount at the time outstanding but not yet due for repayment of the advance from the Government under the Government Advance Agreement and such amount of any other loan which the Bank may determine to be included in the consolidated capital and surplus of IMDBI.	Loan Agreement dated 7/26/66
Israel IDBI	2	(a) The total amount of indebtedness of IDBI and all its subsidiaries maturing more than one year after its date, excluding indebtedness owed by IDBI to any subsidiary or by any subsidiary to IDBI or to any other subsidiary. (b) In computing consolidated	(a) The consolidated capital and surplus determined in accordance with sound accounting procedures. (b) The term "consolidated capital and surplus" means the total capital and surplus of IDBI and	Loan Agreement between IDBI and DLF dated 5/12/59

Institution	Ratio	Definition of: Debt	Equity	Basis
Israel (cont'd.) IDBI		indebtedness, the DLF assumes that the indebtedness of any guaranty of IDBI is 25% of the face amount of the guaranty. Deposits of the Government or any totally owned agency or political subdivision of the Government is not included within the term "consolidated indebtedness".	all its subsidiaries after excluding such items of capital and surplus as shall represent equity interest by IDBI or any subsidiary in IDBI or any subsidiary.	
Ivory Coast BIDI	4	(The ratio is calculated from the passage of the Loan Agreement that "the total amount of subloans outstanding shall at no time exceed the sum of total amount of BIDI's paid-in capital plus the Government loan referred to in subsection 3.1 (j) (i.e. US$ 5 million) by more than a ratio of five to one".)		Loan Agreement dated 11/20/64 between BIDI and AID
Liberia LBIDI	3	The aggregate amount borrowed or guaranteed by LBIDI and at that time outstanding (excluding the then outstanding balance of any long-term interest free or nominal interest bearing, fully subordinated loans to LBIDI).	The aggregate of (1) the unimpaired capital of LBIDI: (2) the surplus and reserves and (3) the then outstanding balance of any long-term, interest free or nominal interest bearing, fully subordinated loans to LBIDI.	By-law

Institution	Ratio	Definition of: Debt	Equity	Basis
Malaysia MIDFL	3	The amount remaining undischarged of moneys borrowed or secured by MIDFL's Board together with any moneys borrowed or secured by any subsidiary companies and outstanding (other than inter-company loans).	The aggregate of (a) the paid-up share capital of MIDFL; (b) the amount as shown in the latest published balance sheet for reserves and surplus, after making such adjustments as deemed by MIDFL's Auditors appropriate to reflect any change which may have taken place since the date of such balance sheet; and (c) the amount outstanding as a subordinated loan to MIDFL from the Government.	Articles of Association dated 3/30/60 as amended. Loan Agreement dated 7/15/63 between the Bank and MIDFL provides that MIDFL shall not amend its Articles unless agreed by the Bank.
Morocco BNDE	3	Any debt incurred by BNDE or any subsidiary of BNDE, maturing more than one year after the date on which it is originally incurred, including debt assumed or guaranteed by BNDE or such a subsidiary but not including debt guaranteed by BNDE which is covered by a guarantee of the Government or any agency thereof in favor of BNDE. The term "incur" includes any modification of the terms of payment of such debt. Debt is deemed to be incurred (i) when BNDE contract with a third party to relend to	The aggregate of (i) the total unimpaired capital, surplus and free reserves of BNDE and of all its subsidiaries after excluding such items of capital, surplus and free reserves as shall represent equity interests of BNDE or of any such subsidiary in BNDE or in any subsidiary, (ii) the amount at the time outstanding but not yet due for repayment of the loans totaling DH 30 million from the Government pursuant to Conventions Nos. 4 and 5 included in the Government	Loan Agreement dated 5/13/66

Institution	Ratio	Definition of: Debt	Equity	Basis
Morocco (cont'd.) BNDE		such third party proceeds of such debt or (ii), under a contract or loan agreement, on the date it is drawn down by BNDE pursuant to such contract or loan agreement, which ever is earlier, and (iii) under a guarantee agreement, on the date the agreement providing for such guarantee is entered into.	Agreement and (iii) such amount of any other loan which the Bank may determine to be included in the consolidated capital and surplus of BNDE.	
Nigeria NIDB	3	Any sum of outstanding amount borrowed and guaranteed by NIDB.	The aggregate of the nominal amount of its issued share capital, its reserves (other than the Special Reserve Fund required to be set up under Article 129 (1), and subordinated borrowings.	Articles of Association dated 1/22/64
Pakistan PICIC	4	(a) The total amount of indebtedness of PICIC and all its subsidiary maturing more than one year from the date on which it is incurred, excluding indebtedness owed by PICIC to any subsidiary or by any subsidiary to PICIC or to any other subsidiary and excluding the total amount referred in (ii) of the definition of equity. (b) The term "incur" with reference to any indebtedness includes any modification	The aggregate of (i) the total unimpaired capital, surplus and reserves of PICIC and all its subsidiaries after excluding such items of capital, surplus and reserves as shall represent equity interest by PICIC or any subsidiary in PICIC or any subsidiary and (ii) the total amount of the advances under the First and Second Government Agreements	Loan Agreement dated 7/9/65

Institution	Ratio	Definition of: Debt	Equity	Basis
Pakistan (cont'd.) PICIC		of the terms of payment of such indebtedness. Indebtedness under a contract or loan agreement is deemed to be incurred on the date it is drawn down pursuant to such contract or loan agreement	at the time outstanding but not yet due for payment and the amount at the time outstanding but not yet due for payment of other indebtedness of PICIC under agreements approved by the Bank for the purpose of determining debt/equity ratio.	
Philippines PDCP	3	(a) All indebtedness incurred, assumed or guaranteed by PDCP and then outstanding (including that portion of tha loan from AID due for payment). (b) Indebtedness is deemed to be incurred (i) under a contract or loan agreement on the date it is drawn down pursuant to such contract a loan agreement and (ii) under a guarantee agreement on the date the agreement providing for such guarantee has been entered into.	The aggregate of (i) the unimpaired paid-in capital, (ii) the unallocated surplus and general reserves of PDCP, that is to say reserves not set apart for any specific purpose, and (iii) that amount of the loan from AID which at the time is outstanding but not yet due for payment.	Project Agreement dated 9/23/66
Spain BANDESCO	6.67	(This ratio is computed from the passage in Order of 21 May, 1963, "Until otherwise decreed by the Bank of Spain, ... the guarantee coefficient to be maintained shall be 15%". The guarantee coefficient is understood to be the ratio of the sum of capital and reserves to total debt.)		Decree-Law 53/1962 of November 29 on Industrial and Affairs Banks and Order of 21 May, 1963 regulating the Decree-Law 53/1962.

Institution	Ratio	Definition of: Debt	Equity	Basis
Thailand IFCT	3	All indebtedness of IFCT, less the amount referred to in (ii) of the definition of equity.	The aggregate of (i) the paid-in unimpaired capital of IFCT, comprised of its outstanding shares; (ii) the amount at the time outstanding but not yet due for payment of the loans referred to in the Government Agreement or any other loan which the Bank shall determine to be equity for the purpose of determining debt/equity ratio; and (iii) the surplus and surplus reserves.	Loan Agreement dated 3/11/64
Tunisia SNI	3	(a) Any indebtedness incurred by SNI or a subsidiary maturing more than one year after the date on which it is originally incurred, including indebtedness assumed or guaranteed by SNI or a subsidiary but not including indebtedness guaranteed by SNI which is covered by the provisions of the Government Agreement; (b) the term "incur" shall include any modification of the terms of payment of such indebtedness. Indebtedness is deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract and loan	The aggregate of (i) the total unimpaired capital, surplus and free reserves as shall represent equity interest by SNI or any subsidiary in SNI or any subsidiary; (ii) the amount of the grant made by the Government pursuant to the Government Agreement; and (iii) the amount at the time outstanding but not yet due for payment of the loan from the Government pursuant to the Government Agreement.	Loan Agreement dated 5/16/66

Institution	Ratio	Definition of: Debt	Equity	Basis
Tunisia (cont'd.) SNI		agreement and (ii) under a guarantee agreement on the date the agreement providing for such guarantee is entered into.		
Turkey TSKB	4	(a) Any debt incurred by TSKB including debt assumed or guaranteed by TSKB maturing more than one year after the date on which it is originally incurred. (b) Debt is deemed to be incurred on the date when (i) such debt becomes outstanding and repayable or (ii) TSKB has contracted with a third party to relend the proceeds of such debt, or, (iii) in the case of guarantees, TSKB has entered into an agreement guaranteeing such debt.	The sum of unimpaired paid-up share capital, reserves, undistributed earnings plus the principal amount outstanding and not due for repayment within a year under the Government Loan Agreement, and such other long-term advances or loans as the Bank (IDA) shall determine to be equity for the purposes of determining debt/equity ratio, less such amounts as are required to cover adjustments to the stated value of assets.	Loan Agreement (also Project Agreement) dated 8/10/66
Venezuela CAVENDES	3	No definition	The aggregate of the unimpaired share capital, reserves and undistributed surplus.	Policy Statement adopted 2/14/64

IFC/DFC
April 12, 1967

ITEM E

FREE LIMIT, AGGREGATE FREE LIMIT AND RELEVANT DOCUMENTATION

Institution	No.	Date	Principal Amt., Net of Cancellations (in US$)	Free Limit1/ (in US$)	Aggregate Free Limit2/ (in US$)	Relevant Documentation
Austria						
IVK	192	4/28/58	9,288,654	none	none	
IVK	237	9/25/59	9,000,000	none	none	
IVK	315	6/15/62	5,000,000	500,000	none	Letter dated 6/15/62
China						
CDC	IDA 17	12/1/61	4,891,146	100,000	none	Letter dated 12/1/61
CDC	397	12/17/64	15,000,000	250,000	none	Letter dated 12/17/64
Colombia						
CF Caldas	451	5/31/66	)	50,000	500,000	Letter dated 5/31/66
CF Colombiana	451	5/31/66	)	250,000	2,500,000	Letter dated 5/31/66
CF Nacional	451	5/31/66	)25,000,000	250,000	2,500,000	Letter dated 5/31/66
CF Norte	451	5/31/66	)	50,000	500,000	Letter dated 5/31/66
CF Valle	451	5/31/66	)	50,000	500,000	Letter dated 5/31/66
Ethiopia						
DBE	32	9/13/50	2,000,000	none	none	
				10,000	100,000	Effective from 2/7/52; letters dated 1/29/52 and 2/7/52
DBE	301	11/22/61	2,000,000	none	none	
Finland						
IFF	352	9/18/63	7,000,000	none	none	
				100,000	none	Effective from 6/15/64; letter dated 6/15/64
IFF	420	6/30/65	14,000,000	250,000*	none	Letter dated 6/30/65

* Different from other free limits in that the amount applies to total financing of each project irrespective of resources used.

Institution	No.	Date	Principal Amt., Net of Cancellations	Free Limit 1/	Aggregate Free Limit 2/	Relevant Documentation
			------------- (in US$)	---------------		
India						
ICICI	109	3/14/55	9,875,449	none	1,000,000	Loan Agreement (LoanNo. 109-IN)
ICICI	232	7/15/59	9,774,907	100,000	1,000,000	Loan Agreement (Loan No. 232-IN)
ICICI	269	10/28/60	20,000,000	300,000	3,000,000	Letter dated 10/28/60; effective until 4/23/61
				500,000	5,000,000	Letter dated 4/24/61
ICICI	312	2/28/62	20,000,000	500,000	5,000,000	Letter dated 2/28/62
ICICI	340	6/5/63	30,000,000	2,000,000	none	Letter dated 6/5/63
ICICI	414	5/28/65	50,000,000	2,000,000	none	Letter dated 5/28/65
Iran						
IMDBI	240	11/23/59	5,200,000	none	none	
IMDBI	422	7/12/65	10,000,000	300,000	none	Letter dated 7/12/65
IMDBI	459	7/26/66	25,000,000	750,000	none	Letter dated 7/26/66
Israel						
IDBI	424	9/16/65	20,000,000	333,334	10,000,000	Letter dated 9/16/65
Malaysia						
MIDFL	348	7/15/63	8,000,000	30,000	1,000,000	Loan Agreement (Loan 348-MA), effective 7/15/63 to 9/1/65
				200,000	1,000,000	Letter dated 9/2/65
Morocco						
BNDE	329	12/21/62	15,000,000	none	none	
				50,000	2,000,000	Effective from 2/15/63 to 8/25/64; letters dated 2/15/63 and 9/10/64
				150,000	none	Letter dated 9/10/64
BNDE	447	5/13/66	17,500,000	150,000	none	Letter dated 5/13/66

Institution	No.	Date	Principal Amt., Net of Cancellations (in US$)	Free Limit 1/ (in US$)	Aggregate Free Limit 2/ (in US$)	Relevant Documentation
Pakistan						
PICIC	185	12/17/57	4,085,377	10,000	none	Letter dated 12/17/57
PICIC	236	9/25/59	9,935,833	none	none	
PICIC	286	6/27/61	15,000,000	none	none	
PICIC	330	2/13/63	20,000,000	500,000	5,000,000	Letter dated 2/13/63
PICIC	382	6/30/64	30,000,000	2,000,000	none	Letter dated 6/30/64
PICIC	421	7/9/65	30,000,000	2,000,000	none	Letter dated 7/9/65
Philippines						
PDCP	331	2/15/63	15,000,000	100,000	1,500,000	Letter dated 2/15/63
PDCP	467	9/23/66	25,000,000	250,000	3,750,000	Letter dated 9/23/66
Tunisia						
SNI	449	5/16/66	5,000,000	50,000	none	Letter dated 5/16/66
Thailand						
IFCT	370	3/11/64	2,500,000	49,999	500,000	Loan Agreement (Loan 370-TH)
Turkey						
TSKB	34	10/19/50	8,676,056	none	none	
				50,000	none	Effective from 4/8/55; letter dated 4/8/55
TSKB	85	9/10/53	8,967,062	none	none	
				50,000	none	Effective from 4/8/55; letter dated 4/8/55
TSKB	IDA 33	11/23/62	5,000,000	50,000	500,000	Letter dated 11/23/62; effective until 3/16/64
				200,000	2,000,000	Letter dated 3/17/64

Institution	No.	Date	Principal Amt., Net of Cancellations	Free Limit 1/	Aggregate Free Limit 2/	Relevant Documentation
			------------ (in US$)		--------------	
Turkey (cont'd.)						
TSKB	IDA 66	8/31/64	5,000,000	200,000	2,000,000	Letter dated 8/31/64
TSKB	IDA 75	4/1/65	10,000,000	200,000	none	Letter dated 4/1/65
TSKB	IDA 91	8/10/66	15,000,000	200,000	none	Letter dated 8/10/66
TSKB	461	8/10/66	10,000,000	200,000	none	Letter dated 8/10/66

1/ The "free limit" is the maximum amount of an individual loan to be financed from the proceeds of the Bank/IDA loan which a DFC can make for a specific project without prior approval by the Bank/IDA.

2/ The "aggregate free limit" is a total aggregate amount of individual loans to be financed from the proceeds of the Bank/IDA loan without prior approval by the Bank/IDA.

IFC/DFC
April 12, 1967

Dev. Bank.
Follow - Amortization

FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

4/13
Mr Diamond
May we discuss
#3 below
Dm.

OFFICE MEMORANDUM

TO: Mr. William Diamond **DATE:** April 12, 1967

FROM: Robert W. Cavanaugh RWC

SUBJECT: Amortization Schedules for Bank Loans to Development Finance Companies

I refer to your memorandum of March 21, 1967, concerning certain recommendations aimed at simplifying and standardizing the Loan Agreements with the Development Finance Companies. I have noted that the procedures have been discussed at length with the staff members concerned in the light of the existing practices. For the benefit of the various people concerned, however, I am giving below my understanding of some of the procedures discussed in the memorandum:

1) You have indicated that the amortization schedule for investment projects financed under the Bank Loans should provide for semi-annual or more frequent payments. It is understood that this provision is concerning the amortization tables agreed between the Development Finance Company and its borrower and that the repayments to the Bank will be in semi-annual instalments.

2) You have suggested that the Development Finance Companies should be required to submit amortization tables for each sub-loan before the loan account is credited. It is my understanding that this is for the purpose of appraising the project and hence the Treasurer's Department will not be expected to review or record those tables at the time of appraising the projects or at the time of crediting amounts to Loan account. The amortization for a project in its final form will be reviewed and recorded in the books of the Bank at the time of the general revision of the amortization schedule, as provided in the Loan Agreement.

3) It is indicated in your memorandum that the Bank should be prepared to amend its amortization tables at times on relatively short notice. The Bank has taken the stand with certain borrowers that we should get at least three months' notice to amend a payment which is becoming due. This was mainly to provide sufficient time to mutually agree on the revision prior to our billing. I trust that your recommendation recognizes this minimum requirement.

I don't think we agree on this point.
DJ

cc: Mr. Nurick
Mr. Rutland
Mr. Metherate

Ack. May 1

INTERNATIONAL FINANCE CORPORATION

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - CORINTFIN

Tokyo, SP-67-28
April 10, 1967

Mr. William Diamond
Director,
Development Finance Companies
International Finance Corporation

Dear Mr. Diamond,

I am pleased to inform you that I am sending herewith some figures of CDC, PDCP, IFCT and MIDFL.

The other day, I requested some figures to these institutions to learn about their business performance and the results of invested projects. I am thinking that I shall send these compiled tables as confidential ones to the 4 institutions when I completed their agreement.

I am very glad if these figures are useful for your business.

With best regards,

Very truly yours,

Naokado Nishihara

Naokado Nishihara

P.S. I am expecting IFCT will send soon Table B.

ack May 17

INTERNATIONAL FINANCE CORPORATION

1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

Area Code 202 • Telephone EXecutive 3-6360 • Cable Address - CORINTFIN

Tokyo, SP-67-28
April 10, 1967

Mr. William Diamond
Director,
Development Finance Companies
International Finance Corporation

Dear Mr. Diamond,

I am pleased to inform you that I am sending herewith some figures of CDC, PDCP, IFCT and MIDFL.

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P.S. I am expecting IFCT will send soon Table B.

1967 APR 14 PM 12:44

COMMUNICATIONS
RECEIVED

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(A) New Commitment of Investment : Number									
C.D.C.	13	39	30	46	61	35	39	31	294
P.D.C.P.					4	19	15	12	50
I.F.C.T.	0	1	8	16	15	11	13	32	96
M.I.D.F.L.			7	9	10	12	49	41	128
(B) New Commitment of Investment : Amount (US$1,000)									
C.D.C.	1,417	6,157	5,046	4,574	5,898	9,563	8,978	10,027	51,660
P.D.C.P.					351	9,228	10,415	6,375	26,369
I.F.C.T.	0	96	543	1,048	1,613	2,314	1,571	4,971	12,156
M.I.D.F.L.			3,598	934	436	1,909	7,071	7,941	21,889
(C) Outstanding Disbursement : Amount (US$1,000)									
C.D.C.	712	3,531	6,311	10,387	12,722	17,390	21,631	28,894	
P.D.C.P.					128	2,990	11,028	15,469	
I.F.C.T.	0	96	288	565	551	449	1,138	6,318	
M.I.D.F.L.			704	1,233	3,854	4,571	9,269	12,353	
(D) Administrative Expense (US$1,000)									
C.D.C.	65	122	162	191	212	202	219	235	
P.D.C.P.					58	250	269	329	
I.F.C.T.	0	42	50	63	101	136	152	181	
M.I.D.F.L.			48	74	147	196	269	340	

Business Performance - productivity-

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(E) Number of Employee : Total (person)									
G.D.C.	40	53	59	65	66	68	70	73	
P.D.C.P.					23	30	47	60	
I.F.C.T.	8	16	17	25	29	37	44	54	
M.I.D.F.L.			7	11	45	34	45	57	
(F) Number of Employee : Officer (person)									
G.D.C.	9	9	11	12	11	11	12	12	
P.D.C.P.					6	7	7	9	
I.F.C.T.	6	10	11	20	24	29	36	46	
M.I.D.F.L.			2	5	13	16	20	23	
(G) Number of Employee : Clerk, etc (person)									
G.D.C.	31	44	48	53	55	57	58	61	
P.D.C.P.					17	23	40	51	
I.F.C.T.	2	6	6	5	5	8	8	8	
M.I.D.F.L.			5	6	32	18	25	34	
(H) New Commitment Number per Employee : A/E									
G.D.C.	0,33	0,74	0,51	0,71	0,92	0,52	0,56	0,43	(0,60)
P.D.C.P.					0,17	0,63	0,32	0,20	(0,31)
I.F.C.T.	0	0,06	0,47	0,64	0,52	0,30	0,30	0,59	(0,42)
M.I.D.F.L.			1,00	0,82	0,22	0,35	1,09	0,72	(0,64)

Business Performance - productivity -

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(I) New Commitment Amount per employee ; B/E (US$1,000)									
C.D.C.	35	116	86	70	89	141	128	137	(105)
P.D.C.P.					15	308	222	106	(165)
I.F.C.T.	0	6	32	42	56	63	36	92	(53)
M.I.D.F.L.			514	85	10	56	157	139	(110)
(J) New Commitment Number per officer : A/F									
C.D.C.	1,44	4,33	2,73	3,83	5,55	3,18	3,25	2,58	(3,38)
P.D.C.P.					0,67	2,71	2,14	1,33	(1,72)
I.F.C.T.	0	0,10	0,73	0,80	0,63	0,38	0,36	0,70	(0,53)
M.I.D.F.L.			3,50	1,80	0,77	0,75	2,45	1,78	(1,62)
(K) New Commitment Amount per officer : B/F (US$1,000)									
C.D.C.	157	684	459	381	536	869	748	836	(594)
P.D.C.P.					58	1,318	1,488	708	(909)
I.F.C.T.	0	9	49	52	67	80	44	108	(67)
M.I.D.F.L.			1,799	187	34	119	354	345	(277)
(L) Outstanding Disbursement Amount per employee : C/E (US$1,000)									
C.D.C.	17	67	107	160	193	256	309	396	
P.D.C.P.					6	99	235	258	
I.F.C.T.	0	6	17	23	19	12	26	117	
M.I.D.F.L.			101	112	86	134	206	217	

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(M) Outstanding Disbursement Amount per officer : C/F (US$1,000)									
C.D.C.	79	392	574	866	1,157	1,581	1,803	2,408	
P.D.C.P.					21	427	1,575	1,719	
I.F.C.T.	0	9	26	28	23	15	32	137	
M.I.D.F.L.			352	247	296	286	463	537	
(N) Administrative Expense per employee : D/E (US$1,000)									
C.D.C.	2	2	3	3	3	3	3	3	(3)
P.D.C.P.					3	8	6	5	(6)
I.F.C.T.	0	3	3	3	3	4	3	3	(3)
M.I.D.F.L.			7	7	3	6	6	6	(5)
C.D.C.									
P.D.C.P.									
I.F.C.T.									
M.I.D.F.L.									
C.D.C.									
P.D.C.P.									
I.F.C.T.									
M.I.D.F.L.									

TABLE A

Reservation was made by PDCP as follows; this will be same to CDC, IFCT and MIDFL.

One may be greatly simplifying the operational aspects of each development finance corporation in such a compilation since the figures themselves will not indicate what the particular investment climate may have been during the periods covered as well as the prevailing monetary and fiscal policies; whether there was extreme credit restriction which in all likelihood would have affected the number of new and expanding projects and whether the government fiscal sector may have pre-emptive funds normally flowing to the private sector thereby adversely affecting private industries and the willingness of entrepreneurs to proceed with projects.

In other words, the figures may or may not provide significant conclusions unless there is to a certain extent some analysis of the situation under which each corporation had been operating.

Nonetheless, the figures should provide some interesting aspects of individual operation provided great care is given in arriving at conclusions.

Our note to the institutions:

1. Please make this table from the first business year until current business year. (of 1966, please put the figures at the end of the latest month available.)

2. As to Column A and B Investment in one project shall be taken as one whether it is divided into equity investment and loan, etc.

3. Disbursement in Column C shall include every cash investment in broad means such as loan disbursement, equity purchase and underwriting, etc.

4. Outstanding Disbursement in Column C shall be as of the end of each business year. (of 1966, please put the figures at the end of the latest month available.)

5. 'Officer' in Column F shall include executive manager; 'Clerk, etc' in Column G shall include manual employee, so F + G should be equal to E.

6. Number of Employee shall be as of the end of the business year. (of 1966, please put the figures at the end of the latest month available.)

7. If some figures are not available, please fill the blanks with the mark "N.A.".

TABLE B

Results of Invested Projects

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(A) Investment applied in the year									
C.D.C.	61	154	76	120	118	78	68	52	727
P.D.C.P.					33	65	39	67	204
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			31	27	33	80	50	71	292
(B) declined already as of today									
C.D.C.	44	112	50	69	58	42	30	19	424
P.D.C.P.					29	46	22	48	145
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			24	18	23	68	7	6	146
(C) remained under construction as of today									
C.D.C.	0	0	0	0	0	0	0	9	9
P.D.C.P.					0	0	2	7	9
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			0	0	0	0	0	29	29
(D) approved but not yet disbursed as of today									
C.D.C.	0	0	0	1	0	1	0	11	13
P.D.C.P.					0	0	4	11	15
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			0	0	0	0	4	17	21

Results of Invested Projects

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(E) Approved and disbursed already as of today									
C.D.C.	17	42	26	50	60	35	38	13	281
P.D.C.P.					4	19	11	1	35
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			7	9	10	12	39	19	96
(F) completed as scheduled as of today									
C.D.C.	13	26	14	17	33	15	14	1	133
P.D.C.P.					0	8	3	0	11
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	53
(G) completed behind schedule as of today									
C.D.C.	4	13	12	32	26	12	3	1	103
P.D.C.P.					4	11	8	1	24
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	36
(H) under construction on schedule as of today									
C.D.C.	0	0	0	0	0	2	4	9	15
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	3

Results of Invested Projects

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(I) under construction behind schedule as of today									
C.D.C.	0	1	0	1	1	6	15	1	25
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	8
(J) construction has not yet started as of today									
C.D.C.	0	0	0	0	0	0	1	0	1
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	17
(K) construction cancelled as of today									
C.D.C.	0	2	0	0	0	0	1	1	4
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	10
(L) completed and operating as of today									
C.D.C.	13	35	23	42	56	27	17	2	215
P.D.C.P.					4	19	11	1	35
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	89

Results of Invested Projects

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(1) paying dividend as of today									
C.D.C.	6	16	9	19	21	9	5	0	85
P.D.C.P.					3	8	4	0	14
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	52
(2) not paying dividend but making profit as of today									
C.D.C.	7	17	10	16	28	14	9	2	103
P.D.C.P.					1	6	6	1	13
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	17
(3) suffering loss as of today									
C.D.C.	0	2	4	7	7	4	3	0	27
P.D.C.P.					0	5	1	0	6
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	20
(M) completed but not operating as of today									
C.D.C.	4	4	3	7	3	0	0	0	21
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			0	0	0	0	0	0	0

	1959	1960	1961	1962	1963	1964	1965	1966	Total (Average)
(N) under construction but already partially operating as of today									
C.D.C.	0	1	0	1	1	6	14	9	32
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			0	0	0	0	0	0	0
(O) under construction and not yet operating as of today									
C.D.C.	0	0	0	0	0	2	5	1	8
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	11
(P) sub-total (L+M+N+O)									
C.D.C.	17	40	26	50	60	35	36	12	276
P.D.C.P.					0	0	0	0	0
I.F.C.T.	NA	NA	NA	NA	NA	NA	NA	NA	NA
M.I.D.F.L.			NA	NA	NA	NA	NA	NA	100
C.D.C.									
P.D.C.P.									
I.F.C.T.									
M.I.D.F.L.									

TABLE B

Reservation was made by PDCP as follows; this will be same to CDC, IFCT and MIDFL.

See TABLE A

Our Note to the institutions:

1. Please make this table from the first business year until current business year.

2. Just 'number' (not 'amount') shall be required.

3. Investments in Column A means those applied in each year. (of 1966, please put the figures in the business year as of the end of the latest month available.)

4. But numbers of all the other items (from Column B to Column P) shall be calculated as of the latest month available.

5. As to Column A, Investment in one project shall be taken as one whether it is divided into equity investment and loan, etc.

6. B + C + D + E should be equal to A.

7. F + G + H + I + J + K should be equal to E.

8. F + G + H + I should be equal to sub-total P.

9. If some figures are not available, please fill the blanks with the mark "N.A.".

Dev. Banks 9-

Mr. Donald W. Jeffries April 5, 1967

Julian Grenfell JG.

Mr. Diamond's Paper on Development Finance Companies

1. I would be grateful if you would check through the amendments, suggested by yourself and Bob Skillings, which have now been incorporated. The original with yours and Bob's amendments is returned for comparison.

2. The three Appendices are also attached. The table prepared by Byong Shin showing Aggregate Financial Assistance of Development Finance Companies, and listing industries financed, would run to ten pages -- obviously out of proportion to the paper as a whole. For this reason, I suggest that it not be included.

3. It is important that we get the final version to Development Services in time for mailing out this Friday afternoon at the latest, so I would be most grateful if you could give this a final read-through at your earliest convenience.

4. I will explain to DSD that Mr. Diamond has not yet seen this paper, and no doubt they will find some suitable wording for the transmittal letter leaving the door open for any essential changes that Mr. Diamond might wish to make on his return.

Attachment

cc: David Grenier

JG:esp

March 21, 1967

Messrs. Robert W. Cavanaugh and
Lester Nurick
William Diamond

Amortization Schedules for Bank Loans to Development Finance Companies

1. Attached is a memorandum March 17 on amortization schedules of Bank loans to development finance companies, reviewing our procedures and making recommendations aimed at simplifying and standardizing them. I agree with these recommendations, namely:

(1) The clauses in the loan agreement referring to the amortization schedules for investment projects financed under a Bank loan should provide for approximately equal aggregate semi-annual, or more frequent, payments of principal plus interest or approximately equal semi-annual, or more frequent, payments of principal.

(2) The DFC's should be required to submit an amortization schedule applicable to each sub-loan before the loan account is credited. Exceptions may be made allowing for a later submission of the amortization schedule, as for example, if a request for credit is made by cable indicating that a schedule is following by mail.

(3) All loan agreements for loans to DFC's should include a clause requiring them to repay to the Bank any amounts prepaid by their borrowers, on the next following interest payment date.

(4) The Bank should be prepared to amend its amortization schedule to take into account any postponements of payments which the DFC has agreed to, within the overall repayment period allowed under the loan agreement, such amendment to be accepted at times on relatively short notice.

(5) For the adjustable, composite amortization schedules, which are now used for all Bank loans to DFC's, a procedure is suggested, in paragraph 11, for amending these schedules to conform substantially to the aggregate of the amortization schedules for parts of the loan. We have already used this procedure for amending Loan 420-FI, to the Industrialization Fund of Finland; attached is a copy of the Bank's letter of February 20, 1967 to the Industrialization Fund outlining this procedure.

2. If you agree with the above recommendations, I suggest that we follow them for all loans to DFC's to which they may now apply and for all future loans to DFC's.

Attachments (2)

cc: Circ. (2) cc. Mr Cope
DWJeffries:tk

Dev Bank

FORM No. 57 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Central Files

TO: Mr. George D. Woods 3/27

DATE: March 20, 1967

FROM: William Diamond W

SUBJECT: Subsidiaries of Development Finance Companies

You will recall the discussions late last year about "subsidiaries" of development finance companies. Attached you will find a memorandum which contains a systematic review of the involvement of the development finance companies associated with us in "subsidiaries", as well as in other financial intermediaries.

Since it was an issue you raised which led us to ascertain the facts, it occurs to me that you might be interested in the results.

1) thinness of mgmt
2) conflict of interest

Attachment

WDiamond:us

~~Mr Rosen~~

Interesting — What next? Somehow we should separate the "acceptable" from the "unacceptable" and have a loose operational guide — Along these lines have we ever completed the Op. Manual job on Dev Fin Cos? Lets discuss this sometime GDW 3/27

Mr Diamond
MRo
4/18/67

O F F I C E   M E M O R A N D U M

TO: Mr. William Diamond

DATE: February 24, 1967

FROM: Robert F. Skillings

SUBJECT: Investments by Development Finance Companies in Financial Intermediaries, Promotion Companies and Subsidiaries

1. You asked for (a) a review of investments in financial intermediaries by the development finance companies with which we are associated, (b) lists of the so-called "promotion companies" in which they have invested, and (c) information about their subsidiaries.

Investments in Financial Intermediaries

2. Four of the companies with which we are associated have made investments in financial intermediaries, the China Development Corporation, the Development Bank of Ethiopia, the Industrial Development Bank of Israel, and the Nigerian Industrial Development Bank. A brief description of these follows, and additional detail is given in Annexes:

(a) China Development Corporation (CDC)

About a year ago, CDC joined in an initiative of Chinese official circles in helping to promote the China Securities Investment Corporation (CSIC). When CSIC was formed in March 1966, CDC took an 8-1/3% participation in its NT$60 million share capital. The largest holding (20%) is by Bankers Trust Company and the remainder is distributed among more than 40 Chinese private investors. A former executive of Dillon Read & Co., supplied as a consultant to CDC by the International Executive Service Corps, played a leading part in creating CSIC. It is intended to carry on a comprehensive investment banking business. CSIC is still in the process of organizing itself but has already undertaken several operations (including one small underwriting). Through mid-1966, CSIC bought NT$38 million worth of shares in dividend-paying companies (a large portion of it in cement producers). The balance of its capital is held in roughly equal parts in Government bonds and time deposits. The President of CDC declined the offer of a directorship on CSIC, but accepted the relatively inactive role of "supervisor". Annex I contains excerpts from a statement issued at the time of the Corporation's formation explaining its proposed activities.

(b) Development Bank of Ethiopia (DBE)

Soon after its formation in 1951, DBE created a wholly-owned subsidiary, Ceres Company Limited, with a paid-in share capital of Eth$300,000. The purpose of the company was to utilize profitably DBE's surplus funds by making short-term seasonal agricultural loans, by trading in crops, and by operating warehouses in connection with those activities. DBE has from time to time made loans to Ceres. Eth$168,000 was outstanding on June 30, 1966. Ceres has been only moderately profitable and has paid no dividends, but DBE has received some interest income from its loans to Ceres. Ceres has separate management from that of DBE. Our latest information on the company is contained in the attached Annex II.

(c) Industrial Development Bank of Israel (IDBI)

IDBI holds 75% of the I£20 million share capital of the "Investment Company of the Industrial Development Bank of Israel Ltd." established jointly with the Government in December 1962. IDBI has also made a loan of I£1.6 million to the Investment Company. The Investment Company's resources are held in a variety of equities including shares in two subsidiary investment companies. IDBI originally created the Investment Company to carry on IDBI's own equity investment activity, following legal advice on the requirements of the U.S. Securities and Exchange Commission, and given that IDBI was marketing its securities in the United States. IDBI's policy for the Investment Company is not clear, and it is intended to take this up during forthcoming negotiations for a second Bank loan to IDBI. IDBI's General Manager is Chairman of the Investment Company, and the latter is managed full-time by an IDBI employee engaged for the purpose. Information on the Investment Company of IDBI and on the investment companies in which it holds shares is contained in Annex III.

(d) Nigerian Industrial Development Bank (NIDB)

NIDB holds the £N100 share capital of ICON Securities Limited (ICONSEC). ICONSEC was created in 1962 by the Investment Company of Nigeria (ICON), of which NIDB is the successor, to carry out the stock dealing and new issue work previously carried out by ICON, one of the four pioneer members of the Lagos Stock Exchange. ICONSEC works with a line of credit from NIDB of a maximum of £N300,000. NIDB also holds the £N2 share capital of ICON Nominees Limited, which was formed by ICON simultaneous with ICONSEC, to hold securities on behalf of ICONSEC clients. NIDB's Management, and particularly the Deputy General Manager, are directly responsible. Annex IV describes ICONSEC and ICON Nominees Limited in more detail.

Proposals for New Investments in Financial Intermediaries

3. In addition to these four cases where development finance companies already have a connection with another intermediary financial institution, five companies have had under more or less active consideration the establishment of, and participation in, new financial institutions:

(a) In Greece, the National Investment Bank for Industrial Development (NIBID) has been considering promoting the establishment of a unit trust as part of more general steps it would like to take to stimulate the capital market. Its thinking has been guided by a capital market survey carried out by Mr. Maurice Schlogel of the Credit Lyonnais. Mr. Sullivan also discussed the proposal with NIBID in Athens in September 1966. On December 2, we wrote to the General Manager calling attention to the potential dangers of such a scheme.

(b) The Industrial and Mining Development Bank of Iran (IMDBI) has been considering the establishment of an investment company to hold and turn over equity investments, partly purchased from IMDBI's own portfolio. IMDBI considered taking a substantial (but not a majority) shareholding and requested an IFC investment which together with IMDBI's holding would form a majority. Mr. Sullivan discussed this plan with IMDBI in Tehran in August 1966, and Mr. Kheradjou discussed it with us in Washington in September. We informed Mr. Kheradjou in November that IFC would not be prepared to invest in such a company and urged that IMDBI abandon the project.

(c) The Management of the Nigerian Industrial Development Bank (NIDB) has given preliminary consideration to the promotion of a unit trust. We have strongly discouraged them from pursuing the idea, in part because of possible conflicts of interest for NIDB and, in part, because of the danger of diluting the efforts of Management from NIDB's main work. NIDB is also actively considering a 40% participation in a small development finance company (which would operate very much like NIDB itself) in the Western Region of Nigeria. We have raised some questions about this proposal, but have on the whole encouraged the idea.

(d) In Venezuela, Cavendes has for some time considered seriously establishment of a fund (in which Cavendes, IFC and others would invest) to deal in, and stabilize the market for, bonds which Cavendes proposed to issue. We have informed Cavendes that IFC would not be prepared to invest in such a fund, and urged the company not to pursue the idea. Cavendes has also considered establishing a mutual fund. Again, we have discouraged the idea.

(e) In Colombia, the Corporacion Financiera de Caldas is considering a scheme for selling equities from its own portfolio, to be represented by participation certificates. The Financiera would apparently stand ready to redeem the certificates in cash on demand at par. We have been in correspondence with the Financiera to clarify the scheme and call its attention to the dangers. Earlier the Financiera had tried out, and then suspended, a simpler scheme for selling packets of shares from its portfolio to the public, on an installment basis.

Investments in Promotion Companies

4. The development finance companies in Morocco, Tunisia, Venezuela and Colombia have all made investments, alone or with other investors, in companies whose object was, not to carry out a specific industrial project, but rather to promote the creation of several industrial enterprises, either in a given sector of the economy, or in a particular geographical region. Such companies are often called "promotion companies."

(a) In Colombia, where this technique has been the most widely used, all five of the financieras have invested in the share capital of promotion companies designed to foster and set up projects in petrochemicals, minerals, sugar, livestock, fish, and freezing and exporting of meat. One of the financieras has made an equity investment in a publicly sponsored "Fund for development and diversification of coffee zones." Finally, the Corporacion Financiera Colombiana has taken 50% of the share capital of the "Sociedad Anonima Colombo-Venezolana de Estudios y Promociones." Cavendes, of Venezuela, has taken the other half. The company has as its objective the promotion of industrial projects that would serve both Colombia and Venezuela. A list of these promotion companies, showing their purpose, their capitalization, and the holding of each of the financieras is attached as Annex V.

(b) In Morocco, BNDE participated in 1960 with the Government in setting up the Societe Marocaine d'Equippement Touristique (SOMADET) whose purpose was to promote and carry out tourist enterprises. It has successfully established, in partnership with European touring organizations, several holiday villages in Morocco. BNDE subscribed DH885,000 (51.2%) of the Company's DH1,730,000 share capital and has lent funds to it. In 1961 BNDE also set up a company known as the Societe du Thermalisme Marocain (SOTHERMA), to study the feasibility of developing the country's hot springs, and contributed 99% of the DH50,000 share capital. In October 1966, BNDE's Board sanctioned its participation in a capital increase by SOTHERMA to permit the establishment of a mineral water bottling factory at Sidi Harazeur. BNDE will hold 26% of the DH1,430,000 capital of the expanded company.

(c) In Tunisia, SNI put up D3,500 of the D100,000 share capital of the Societe Tunisienne de Constructions et de Reparations Mecaniques et Navales (SOCOMENA), a company established in 1963 at Government initiative to promote and establish small industries in the former French arsenal at Menzel Bourguiba near Bizerte. Several such projects have been started, with SOCOMENA's financial and technical assistance. SNI has also invested in three companies to promote industrialization or tourist projects in three small regions in Tunisia. They are: (i) the Societe de Mise en Valeur des Iles de Kerkennah (SOMVIK); a joint venture with the Trade Union Federation, started in 1961 to develop tourism to some islands of the east coast. SNI subscribed 65% of the D5,000 equity and lent it D52,000. The Company operated a ferryboat to the islands and planned some hotels or holiday villages. The ferryboat sank in 1965. The Company increased its share capital in 1966 without SNI participating; as a result, SNI's investment fell to 10% of the capital. The Company will be reorganized or wound up. (ii) The Societe Regionale de Developpement du Kef, a company set up in 1965 to promote and invest in productive projects in the western interior of the country. SNI subscribed 5% of the D200,000 share capital and the Government took a participation (size unknown) as part of its active support of such ventures, another of which was (iii) the Societe d'Investissement Regionale de Bizerte, centered on the northern coastal town of that name. SNI acquired these shares (D23,420 or 46.8% of the capital) in exchange for its investment in a bicycle assembly shop in the area.

All of these investments by SNI are covered by the Government's guarantee of the portfolio in connection with the reorganization in which IFC entered the Company.

(d) In Venezuela, Cavendes' investment in the joint Colombia/Venezuela promotion company has already been mentioned.

Subsidiaries

5. Nine of the development finance companies with which we are associated have subsidiaries, that is, companies in which they hold 50% or more of the shares:

(a) Three of these cases involve financial intermediaries described in paragraph 2 above (NIDB's 100% ownership of ICONSEC and ICON Nominees Limited, DBE's 100% investment in Ceres, and IDBI's 75% holding in the Investment Company of IDBI).

(b) BNDE holds 51.2% of SOMADET (mentioned in paragraph 4) and SOTHERMA was also a subsidiary until the current capital increase.

(c) SNI holds 86% and 72% respectively in two companies set up to establish textile factories, Societe Generale des Industries Lainieres (SOGIL) and Societe Generale de l'Industrie de Confection (SOGIC). Both of these subsidiaries are being reorganized and they are not expected to emerge from reorganization as subsidiaries of SNI. The investments are covered by the Government guarantee. During its early years (before it was reorganized with our help), SNI actively promoted several new companies which were launched under the Management of Members of SNI's staff - a very considerable drain on SNI's staff at the time.

(d) The joint Colombia/Venezuela promotion company referred to in paragraph 4 falls into the category of a subsidiary of both Cavendes and the Financiera Colombiana, since each holds 50% of the stock.

(e) In addition Cavendes holds 50% of the stock of Hojalata de Venezuela, a company established with a small share capital (Bs400,000) to start a tin plate manufacturing business. If and when the business goes forward, Cavendes will take a minority position.

(f) As of December 31, 1966, the Corporacion Financiera de Caldas owned 50% or more of the stock of ten enterprises, one of them a promotion company for development of the mining industry (see Annex V), but chiefly industrial firms promoted by the Financiera. Following the affairs of these ten subsidiaries places an appreciable burden on Caldas' Management. The Corporacion Financiera del Norte has a 50.7% participation in the capital of a cattle raising concern. The financieras intend to distribute these shares more broadly as and when a market can be found.

(g) Malaysian Industrial Development Finance Limited (MIDFL) has a wholly-owned subsidiary, Malaysian Industrial Estates Limited (MIEL), which has financed the creation of an industrial estate and is working on the establishment of two others. In addition to the paid-in share capital of M$1 million, MIDFL has made a M$1 million interest-free advance to MIEL. In the year ending March 31, 1966, MIEL showed a loss of M$13,000, after the provision of M$16,000 for doubtful debts.

RFSkillings:vmv

cc: Messrs. Rosen
Raj
Richards
Y.L. Chang
Garcia-Rayneri
Jeffries
Pollan
Powell
Sekse

CHINA SECURITIES INVESTMENT CORPORATION

(Excerpts from a statement prepared for distribution to the guests of China Securities Investment Corporation on the occasion of its opening for business in April 1966.)

The purposes of the new China Securities Investment Corporation, which was incorporated in Taipei on March first, have been reported variously and conflictingly in both the Chinese language and the English language press. The Company's official statement of its business purposes, which is admittedly too concise to convey a well-rounded picture of its proposed operations, reads in translation as follows:

(1) to buy and sell securities, including the purchase of securities for investment,
(2) to act as an underwriter of securities,
(3) to serve as transfer agent and registrar for bond and stock issues,
(4) to act as a paying and collection agent for issuers and holders of securities, and
(5) to perform other services in connection with the securities business.

These operations will be subject, in each case, to regulation by the Securities and Exchange Commission of China.

Since its incorporation, the new company has been occupied in programming its activities and in staffing and equipping its office, which is located in the Tai-an Building at 59 Kuan Chen Road, Taipei. It is now ready to commence actual operations, and to reveal in more detail the scope of its proposed operations and what it hopes to accomplish.

Operations on Stock Exchange

In the first place, it is not the new company's intention to stabilize the level of stock market prices at the present level or at any given level. The company has been organized to make a profit by turning over its capital, and in so doing to serve the objective of broadening the capital market in Taiwan. A disservice to the economy would be created if the company were to tie up its capital in stabilizing operations, thus being forced to suspend its ordinary business operations until its capital can be freed by liquidation of the portfolio. A sound system of trading in securities depends upon the free interplay of supply and demand and, at the same time, the maintenance of an orderly market.

The operation of supply and demand insures that there will be flunctuations in prices, as dictated by the public's appraisal of the business outlook, changing economic and business conditions, and the varying vicissitudes of individual companies. On the other hand, the maintenance of an orderly market requires the restriction of those extreme price fluctuations which would otherwise occur due to a temporary imbalance between supply and demand. In this respect the new company, by purchasing shares when the price drops too far or selling shares when the price advances too far, is equipped to make a significant contribution toward an orderly market, while achieving a profit through the exercise of its business acumen.

Investment Banking

In broad terms, the new company plans to conduct a diversified investment banking business. As that phrase is generally understood, it embraces not only the buying and selling of securities for the firm's own account, but also the following functions: the underwriting of new issues of securities; the execution of customers' orders on the stock exchange; the transaction of business with customers as a dealer who sells securities to them from the firm's portfolio and buys securities from them for the firm's portfolio; the rendering to customers of investment advice and portfolio management services; and the rendering of financial advice to corporations. In some of these activities, the new company will have to await the amendment of the existing law and regulations, which do not presently permit the conduct of these diversified operations by a single organization; and it is understood that the Government is now considering some changes along that line. In any case, the new company would expect to build up its business gradually, and would not participate actively in all of these activities at the outset.

While the transfer and registration of securities, as mentioned in the company's official statement of business purposes, is not necessarily associated with investment banking, this activity fits in logically with the new company's other proposed activities and in no way conflicts with them.

The business of underwriting new issues of securities is the principal function of investment banking as practiced, for example, in the United States. Originally, the word "underwriting" was borrowed from the insurance business, in which the insurers assume the liability for specified risks (such as fire or accident). Similarly, an investment banking firm which "underwrites" an issue of securities assumes the risk that the issuing company would not be able to dispose of the securities, and thereby to raise the capital needed by it, if acting alone. Under an underwriting contract, the investment banking firm agrees to purchase from the issuing company the portion of the securities which is not disposed of by the company; or alternatively, the investment banking firm agrees to purchase the entire issue of securities from the company. In either case, the investment banking firm relies upon its ability to sell the securities at retail. This function of investment banking has contributed in large measure to the development of capital markets in the United States and other countries.

Mutual Fund

An important additional activity in which the new company proposes to engage, and which is often found in close association with the investment banking business, is the mutual fund business. The investments of the mutual fund to be organized for China will consist for the most part, but not necessarily altogether, of a diversified group of shares listed on the Taiwan Stock Exchange. The mutual fund will be separate entity from the China Securities Investment Corporation, so that the investors in the mutual fund will be insulated from the risks assumed by the securities company. It is expected that the mutual fund will be managed, and that its shares will be distributed, by the new securities company. The mutual fund should contribute to the mobilization of the capital of Chinese investors and to the process of educating the public as investors.

Not only in its own operations but also in its dealings with customers and in its management of the mutual fund, the new company will emphasize economic and investment research. If successful, it will no doubt draw substantial amounts of capital into Taiwan from overseas Chinese and possibly others.

Capital Funds

The fact that some 42 highly responsible and sophisticated investors have subscribed a total of NT$60,000,000 of capital in the new company is in itself an indication of confidence in the future. The largest investor is the Bankers International Corporation, which is the "Edge Act" affiliate of the Bankers Trust Company of New York and which has subscribed 20% of the capital. Other large stockholders include China Development Corporation, Formosa Plastics, Shantung Syndicate, Taiwan Cement Corporporation and Taiwan Paper Corporation. It is expected that the new company will also have recourse to borrowed money, so that the total funds available to carry on its business will be substantially in excess of the paid-in capital. Thus the funds avaiable to the new company will constitute a significant sum for the accomplishment of the purposes for which it was formed, and the proper management of such a sum will certainly make itself felt in the financial community.

Management

C. F. Koo, Executive Director and General Manager of Taiwan Cement Corporation, has been designated as Chairman of the new company. T. K. Wang, Manager of the Trust Department of the Bank of Taiwan, has been named President, Felix S. Y. Chang, President of the China Development Corporation, has been selected as Resident Supervisor.

The Managing Directors, in addition to Mr. C. F. Koo, are:

Y. Z. Hsu (Asia Cement Corporation)
Sun Pin-Yen (Shantung Syndicate)
T. P. Wu (Taiwan Paper Company)
J. F. Fowler, Jr. (Management Advisor representing Bankers Trust Company) 1/

The other Directors are:

S. W. Chen (Hsinchu Window Glass Works)
T. S. Lin (Lin Shan Hao Plywood Corporation)
T. P. Tzeo (Pacific Electric Wire & Cable Company)
Y. C. Wang (Formosa Plastics Corporation)
T. H. Wu (Universal Cement Corporation)
C. S. Yen (Tai Yang Mining Corporation)

In addition to Mr. Felix S. Y. Chang, the Supervisor are:

C. Y. Hsieh (Taiwan Pineapple Corporation)
F. J. Leu (China Man Made Fiber Corporation)

1/ Since autumn 1966, replaced by M. Carson Loh, also representing Bankers Trust.

Source: Attachment to letter from Felix Chang (CDC) to William Diamond dated April 15, 1966.

CERES COMPANY LIMITED

1. The Ceres Company Limited, DBE's principal investment, was established in 1951 as a limited liability company, organized under the Ethiopian Company Law of 1933, with head office in Addis Ababa. The initial capital was Eth.$200,000. Since then it has been increased to Eth.$300,000, fully paid-in by DBE.

2. The Company was established "to carry on the business of merchants, traders, commission agents or in any other capacity to export, buy, sell, exchange, pledge, make advances upon, or otherwise deal with agricultural products. It can also establish or acquire trading stations, factories and stores".

3. Although Ceres could provide finance up to 6 months, it seldom does for more than three months. Ceres provides finance largely to clients of DBE who are engaged mostly in agricultural processing. Such financing is typically up to 80% of the total value of their purchase of agricultural products, excluding coffee or hides which are the monopoly of the State Bank of Ethiopia. The bulk of its business has been in oil seeds and grains.

4. The main sources of its borrowings are DBE and the Commercial Bank of Ethiopia. DBE lends funds to it at 7% and Ceres has a line of credit from the Commercial Bank of Ethiopia amounting to Eth.$1 million at 7% interest.

5. Ceres relends the money to its customers at 8% and collects from them a commission of Eth.$0.50 per quintal of produce. The security requirements usually include a promissory note in favor of Ceres and a loan agreement with pledge of goods financed as collateral.

6. Ceres' balance sheet as of June 30, 1966 is set forth in paragraph 12 below. Its total loans outstanding as of that date amounted to Eth.$1,671,000; most of the financial assistance had been provided for short-term working capital needs of its clients.

7. Ceres has invested a total of Eth.$18,614 in shares, of which Eth.$10,000 in the newly organized HVA-Ethiopia Share Company (Shoa Sugar Estate). Originally a Dutch undertaking, this company was transformed in 1958 into an Ethiopian Share Company with a capital of Eth.$28 million, of which 5.6 million is in the hands of 2,000 individual Ethiopian shareholders. The HVA was granted a concession of 6,500 hectares of land for the building of a sugar estate and a factory.

8. Ceres' net profit for the period January 1-June 30, 1966, stands at Eth.$16,200 corresponding to 11% on its capital on an annual basis. As of June 30, 1966, Ceres' capital is protected reserves and retained earnings totaling Eth.$39,300.

9. Ceres' Executive Director is Ato Biscat Jemaneh who succeeded, on July 1, 1966, Mr. Alfred Abel, former Managing Director of DBE.

10. In November 1962 Ceres reopened its branch in Nazareth which had been closed in 1961; the Nazareth branch acts as the representative of the Ethiopian Grain Corporation, for whose account considerable quantities of wheat were purchased last season. (The Ethiopian Grain Corporation was organized by the Ethiopian Government in 1962 to develop and finance modern grain storage facilities.)

11. The management of Ceres hopes to expand the scope and volume of its trading activities and become a source of short-term financing for exports, mainly oil seeds, on an FOB basis through the ports of Assab or Djibouti. The management of DBE has still to decide, as a question of general policy, whether or not Ceres should engage in the actual business of financing exports.

12. Ceres' balance sheet as of June 30, 1966 is shown in the attachment.

Source: Report "A Review of the Structure and Functions of Development Finance Institutions in Ethiopia and an assessment of the Development Bank of Ethiopia" dated April 13, 1964, DB 11A, revised as of June 30, 1966.

CERES COMPANY LIMITED

POSITION OF ACCOUNTS AS AT THE END OF JUNE 30, 1966

ASSETS	Eth.$
Cash	16,611.57
Trade Debtors (covered by merchandise)	1,670,984.78
Accounts Receivable	34,733.31
Bills for Collection	22,544.67
Deposit Accounts	190.--
Prepaid Expenses	14,654.81
Loans to Staff	7,044.45
Stocks	10,389.88
Empty Bags	39,885.13
Investments	18,614.64
Furniture and Equipment	10,981.52
Suspense and Sundry Accounts	616.70
	1,847,251.46
General Expenses	61,105.32
Interest Paid	51,941.40
	1,960,298.18

LIABILITIES	
Capital Account	300,000.--
Legal Reserve	16,692.67
Development Bank of Ethiopia	168,283.99
Commercial Bank of Ethiopia	20,272.13
Bills Payable (Discount facilities with the Commercial Bank of Ethiopia)	850,000.--
Oil Seeds Development Corporation (deposit)	402,527.07
Insurance Account	775.53
Sundry Creditors	30,717.02
Accounts Payable	35,327.08
	1,824,595.49
Profit & Loss Account	6,453.19
Interest Earned	72,270.36
Commissions	34,901.45
Miscellaneous Income	22,077.69
	1,960,298.18

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL

INVESTMENT COMPANY OF IDBI

1. The Investment Company of IDBI, established in December 1962, is 75% owned by IDBI and 25% by Government, each of which initially obtained its shares in exchange for shares in other companies. According to IDBI, the subsidiary was set up on legal advice, to enable IDBI to comply with the requirements of the U.S. Securities and Exchange Commission (SEC), so that it would continue to be exempt from the SEC's classification "investment company". Such a classification would have implied an obligation on the part of a company registered with the SEC to comply with certain formal requirements difficult for a foreign-based company.

2. The present authorized, issued and paid-in capital of the Investment Company is I£20 million consisting of equal amounts in ordinary (voting) shares and 4% preference shares. Of the voting capital, 75% is held by IDBI and about 25% by the Government; the ownership of the preference shares is in an almost similar ratio. The Investment Company's Board of Directors has five members, two of whom represent the Government and the other three are IDBI nominees, including the Chairman, Dr. Neaman.

3. The other resources presently consist of I£2.5 million in loans, including I£1.6 million from IDBI. The Investment Company has not made much progress since its establishment. It started functioning at a time when the stock market was entering into a prolonged depression. Most of the share investments put in by the Government when the Investment Company was formed were in companies that were unprofitable and had accumulated losses. Subsequently all but three of those investments were sold back to the Government at book value, by an agreement reached in 1964. It also sold small amounts from its remaining portfolio. As a result of these transactions, there was a small loss in 1964, and a profit of I£581,000 in 1965. Since new investments have not been substantial (in 1966 there was only one investment, of less than I£100,000), the Investment Company now has a smaller portfolio than it had initially. The book value portfolio as of October 31, 1966, consisted of the following:

		Price paid I£ million
Investment in shares:	(i) Quoted	6.2
	(ii) Unquoted	2.5
	(iii) Unquoted - 2 subsidiary companies	10.5
Loans		4.8
	Total	24.0

The market value of the quoted shares was only I£3.9 million (or 63% of price paid). About two-thirds by value of the share investment portfolio, other than the two subsidiary companies, was in manufacturing companies. Most of the remainder was in investment companies, in which IDBI also has participated. The loans were made in connection with share investments; the largest among them represents a debt incurred by a client when it bought back the Investment Company's participation in its share capital.

4. The Investment Company's two subsidiaries are both fully owned, and are both investment companies. One of them, Pituach Veneemanuth, was transferred to the Investment Company by the Government. The second, Deco Investment Co., is 100% owned by Pituach Veneemanuth. Neither of these two subsidiaries has any distinct existence, except for a legal corporate one. They are a part of the Investment Company set-up, and their boards are identical to that of the latter with the addition of two staff members. The Investment Company intends to wind up Pituach Veneemanuth, which has an investment portfolio of I£0.7 million (excluding Deco). Deco has an investment portfolio of I£4.6 million, including I£1.2 million in loans, and is actively represented on the boards of four companies, in one of which it owns 90% of the share capital. The Investment Company does not at present plan to wind up Deco, as this would involve time-consuming legal processes.

5. The Investment Company has a 50% interest in, and manages, a finance company set up in 1965 to operate on the stock exchange, following the recommendations of the Government-appointed committee (paragraph 10 of the Report); this is inactive now. The Investment Company is active on the boards of two other manufacturing companies, in one of which it has a 50% interest.

6. The Investment Company's pre-tax earnings reached a high of I£906,000 for 1965 (equivalent to 4.4% of net worth) after providing an amount of I£581,000 for diminution in value of investments. The results in the first nine months of 1966 were comparable. No dividends have been declared. The net worth as of June 30, 1966, was 105% of paid-in share capital. The balance sheets and income statements are summarized below:

Balance Sheets

	I£ '000		
	December 31		June 30*
	1964	1965	1966
Assets			
Cash	1,464	2,650	2,649
Investments in shares, less provisions	22,171	16,103	16,103
Loans	-	5,010	5,251
Property, etc.	166	101	99
	23,801	23,864	24,102

* Latest available.

	I£ '000		
	December 31		June 30*
	1964	1965	1966
Liabilities			
Accounts payable and provisions	311	508	570
Loans	3,263	2,570	2,500
Share capital and surplus	20,227	20,786	21,032
	23,801	23,864	24,102

Income Statements

	1964	1965	1966
Income:			
Interest and dividends	811	1,245	390
Profit on sale of investments	(55)	581	-
Other	9	70	36
	765	1,896	426
Expenses:			
Interest	295	249	76
Administrative	31	86	35
Other	6	70	-
Provisions	4	585	-
	336	990	111
Income before tax	429	906	315
Tax	200	400	100
Net income	229	506	215

* Latest available.

ICON SECURITIES LIMITED & ICON NOMINEES LIMITED

1. Icon Securities Limited (ICONSEC) was established in June 1962 with a share capital of £N 100 wholly paid in by the Investment Company of Nigeria Limited (ICON) for the purpose of taking over the securities market operations of ICON. ICONSEC is now wholly owned by NIDB. ICON had taken an active part in setting up the Lagos Stock Exchange which was established in 1960 and began operations in 1961. As one of the initial trading members of the Exchange, ICON was actively engaged in stockbroking, stock jobbing and arranging for new issues, and for this business it set up a separate department. Later, it was felt more convenient to form a separate company because these specialized operations required a different administrative set-up and also because ICON was not specifically empowered by its Memorandum of Association to carry out these functions.

2. In the course of the reconstruction of ICON there was a plan to sell ICONSEC, and an offer was received from the John Holt Group. However, after consultation with IFC, the final decision was deferred to the newly formed NIDB, which decided at its second Board meeting held in March 1964 to retain ICONSEC.

3. ICONSEC has no staff of its own. Its Board consists of the Chairman of NIDB and NIDB staff members. Its business is carried out by NIDB staff.

4. ICONSEC draws its working capital from NIDB, the current line of credit being £N 300,000 at 5% per annum. The average outstanding amount of this loan during 1965, calculated on the basis of interest paid, was about £N 256,000.

5. As of June 30, 1966, ICONSEC (and ICON before separation) had arranged, for nine companies, 11 issues of shares or bonds amounting to £N 8 million. Of these 11 issues, it underwrote seven issues for a total amount of £N 2.4 million with the result of taking up £N 155,000. (Besides, a sum of £N 400,000 was taken firm.) Its commission usually ranges from 1.5% to 2.5%. In case of underwriting it is customary for ICONSEC to arrange sub-underwriting in full with other institutions, to which a commission of 1% to 1-1/2% is paid over.

6. ICONSEC is one of the three firms currently in the broker-dealer business on the Lagos Stock Exchange. One of these three firms is designated each year as the Government broker to handle all transactions in the Federal government bonds. ICONSEC acted as such for 1965. Most of the business in industrial securities has been handled by ICONSEC. The turnover on the Stock Exchange in 1965 amounted to £N 7.6 million consisting of £N 7 million in governments and £N 0.6 million in industrials.

7. As of June 30, 1966, the balance sheet shows:

Assets	(in £N 1,000)	Capital & Liabilities	
Cash	2.6	Current liabilities	3.6
Accounts Receiveable	11.6	Due to NIDB	287.2
Quoted securities	320.4	Share Capital	0.1
		Unappropriated income	43.7
Total	334.6		334.6

8. The profit and loss accounts are as follows:

(in £N 1,000)	1965 (12 months)	1966 (first 6 mos.)
Income:		
Stock dealing commission	9.3	0.9
Income from investments	24.5	12.1
Capital gains	6.0	--
New issue fees	23.3	11.2
Total Income	63.1	24.2
Expenses		
Management fee - NIDB	35.0	17.5
Other administrative expenses	1.9	0.6
Interest payable - NIDB	12.8	2.4
Total Expenses	49.7	20.5
Profit	13.4	3.8
Provision for tax	0.3	---
Net Income	13.1	3.8

9. Although NIDB is exempt from taxes until its reserves reach £N2 million. ICONSEC is liable to taxes. The net earnings have so far been retained in the company.

10. ICON NOMINEES LIMITED

ICON Nominees Limited was created by ICON in June 1962 at the time of the creation of ICONSEC. Its share capital of £N 2 is owned by NIDB. Its objective is to complement the stockdealing business of ICONSEC by holding securities on behalf of the latter's clients.

PARTICIPATIONS IN PROMOTION COMPANIES BY DEVELOPMENT FINANCE COMPANIES IN COLOMBIA AND VENEZUELA

COLOMBIA (Rate of Exchange Col$ 16.25/US$)

Name	Purpose	Share Capital (Col$ 000) Subscribed	Held by DFC	% of Total Share Capital Subscribed
CF Caldas				
Cia. Minera Atlas	Promotion of new mining companies	1,000	971.5	97.2
Consorcio de Corporaciones Financieras para el Desarrollo Petroquimico Ltda.	Promotion of new enterprises in the petrochemical field	500	100.0	20.0
Fondo de Desarrollo y Diversificacion de Zonas Cafeteras	Promotion of industrial diversification of main coffee-growing regions	n.a.	200.0	n.a.
Sociedad Promotora para el Desarrollo Azucarero Ltda.	Promotion of new sugar mills	500	70.0	14.0
CF Colombiana				
Consorcio de Corporaciones Financieras para el Desarrollo Petroquimico Ltda.	Promotion of new enterprises in the petrochemical field	500	100.0	20.0
Consorcio Pesquero Colombianao, S.A.	Promotion of fishing industry	1,000	119.0	11.9
Sociedad Promotora para el Desarrollo Azucarero Ltda.	Promotion of new sugar mills	500	220.0	44.0

Name	Purpose	Share Capital (Col$ 000) Subscribed	Held by DFC	% of Total Share Capital Subscribed
CF Nacional				
Consorcio de Corporaciones Financieras para el Desarrollo Petroquimico Ltda.	Promotion of new enterprises in petrochemical field	500	100.0	20.0
Sociedad Promotora para el Desarrollo Azucarero Ltda.	Promotion of new sugar mills	500	150.0	30.0
CF Norte				
Consorcio de Corporaciones Financieras para el Desarrollo Petroquimico Ltda.	Promotion of new enterprises in petrochemical field	500	100.0	20.0
Consorcio Pesquero Colombiano, S.A.	Promotion of fishing industry	1,000	23.0	2.3
Promocion Industrial de Cartagena Ltda.	Promotion of new industries in the Cartagena region	50	20.0	40.0
Promotora de Siderurgicas "Prosicol"	Promotion of new mining and metalurgical industries	140	45.0	32.1
CF Valle				
Carnes de Occidente	Market studies for production and export of frozen meat	n.a.	150.0	n.a.
Consorcio de Corporaciones Financieras para el Desarrollo Petroquimico Ltda.	Promotion of new enterprises in the petrochemical field	500	100.0	20.0
Consorcio Pesquera Colombiano,S.A.	Promotion of fishing industry	1,000	120.0	12.0
Sociedad Promotora para el Desarrollo Azucarero, Ltda.	Promotion of new sugar mills	500	60.0	12.0

VENEZUELA

Name	Purpose	Share Capital (Col$ 000) Subscribed	Share Capital (Col$ 000) Held by DFC	% of Total Share Capital Subscribed
CAVENDES				
S.A. Colombo-Venezolana de Estudios y Promociones	Promotion of industrial projects to serve both the Colombian and Venezuelan economies	180	90.0	50.0

Meeting with Thierry

Copies with letters, being sent.
Now willing to attend 2nd meeting on Sat.
Gave a pouvoir to Boevor to use if necessary.

All 3 have said would not go, because resignation requested by Fr. Min.

a) If Tahiri insisted, would resign & sell shares, if impossible to go.

b) Read Koren's cable & this encouraged them

Try to keep in line

Tahiri coming for consultative group.

OFFICE MEMORANDUM

TO: Mr. Robert F. Skillings

DATE: March 17, 1967

FROM: Edgar C.H. Su

SUBJECT: Amortization Schedules for Bank Loans to Development Finance Companies

1. You asked me to review the amortization procedures for the Bank loans extended to the various development finance companies during the past and find out whether these procedures can be further simplified and standardized.

2. I have reviewed all the relevant amortization schedules for the Bank loans and IDA credits so far extended to DFC's (either directly or indirectly) and the procedures and practices relating to the repayments of the sub-loans extended by the DFC's using the proceeds of the Bank loans. I have had discussions with Mr. Metherate of the Treasurer's Department and with various members of our Department about these procedures. My findings and comments are summarized as follows:

I. Types of Amortization Schedules Used for Bank Loans to DFC's, 1950-1966

3. During the period from September 1950 when the first DFC loan agreement was signed up to the end of 1966, 35 agreements1/ providing loans to DFC's have been executed. The amortization schedules for these loans can be classified into the following three general categories:

(1) Fixed Amortization Schedules

During the first period, the Bank loans to DFC's had amortization schedules fixed when the Loan Agreements were signed. There are two different types of fixed amortization schedules as follows:

(a) Fixed amortization schedules without provision for extension:

All the six Bank loans2/ extended to DFC's during 1950-1958 and one loan3/ made in 1962 had fixed amortization schedules which were not directly related to the repayments of the individual sub-loans. Neither was provision made in the agreements for extension of the amortization schedules. Typical wording of the relevant clause is:

1/ In addition, five IDA credits were extended during the period.
2/ DBE (32-ET), TSKB (34-TU), TSKB (85-TU), ICICI (109-IN), PICIC (185-PAK), and IVK (192-AUA).
3/ IVK (315-AUA).

"The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement."

Up to the end of 1966, out of the seven fixed amortization schedules mentioned above, only one (109-IN) was amended, first to reschedule the loan since for several years the foreign exchange risk problem had precluded ICICI's making use of it, and later to provide for cancellation of the unused balance of the loan.

(b) Fixed amortization schedules with provision for extension:

The Loan Agreements signed during 1959-1961[1] also had fixed amortization schedules but provision was made for extension of the amortization schedules[2] up to four years. Typical wording of the relevant clause is:

"The Borrower shall repay the principal amount of each part of the Loan withdrawn from the Loan Account in proportion to, and in accordance with, the several maturities of the amortization schedule set forth in Schedule 1 to this Agreement; provided, however, that the Bank and the Borrower may agree, at the time when an amount is credited to the Loan Account pursuant to subparagraph (a) of Section 2.02 of this Agreement, to extend the amortization schedule for not more than four years in respect of the amount so credited to the Loan Account."

This type of amortization schedule is much more flexible than type (a) which was discontinued in 1958 but was used again in one case in 1962 (315-AUA).

The amortization schedules of four of the five loan agreements under this category were amended, to cancel part of the loan after the closing date of each agreement.

(2) Flexible Amortization Schedules

For the loan agreements signed during the period from mid-1961 to mid-1965, an entirely different system was adopted. Instead of adhering to one amortization schedule for the entire loan fixed before signing of the loan agreement, an amortization schedule for each part of the Loan is agreed upon when it is credited to the Loan Account. This system has resulted in a number of amortization schedules for each Bank loan to a DFC.

1/ ICICI (232-IN), PICIC (236-PAK), IMDBI (240-IRN), ICICI (269-IN), DBE (301-ET).

2/ With the exception of 240-IRN.

As of now, there are several loans of this sort which have undisbursed balances:

DFC	Loan No.	Balance
CDC	397	$6,148,000
ICICI	312	103,000
	340	818,000
IMDBI	422	925,000
MIDFL	348	2,233,000
PICIC	382	3,458,000
IFCT	370	1,455,000

(3) Adjustable Composite Amortization Schedules

In mid-1965, the above-mentioned flexible amortization schedule was discontinued. Instead, adjustable composite amortization schedules have been used since then for loans to DFC's. Under this new system, a pro-forma amortization schedule is included in the loan agreement at the time of signing. It is specified in the loan agreement that the amortization schedule shall be amended from time to time to conform substantially to the aggregate of the amortization schedules applicable to the Investment Project for which part of the Loan has been credited to the Loan Account. Unless the Bank and the Borrower shall otherwise agree, the amortization schedules applicable to the Investment Projects shall not extend beyond 15 years from the date when the corresponding amounts are credited to the Loan Account.

The following Loan Agreements have been signed since this new system was adopted:

DFC	Loan No.	Date of Signing
ICICI	414	May 28, 1965
IFF	420	June 30, 1965
PICIC	421	July 9, 1965
IDBI	424	Sept. 16, 1965
BNDE	447	May 13, 1966
SNI	449	May 16, 1966
IMDBI	459	July 26, 1966
TSKB	461	Aug. 10, 1966
PDCP	467	Sept. 23, 1966

So far, only the amortization schedule for 420-FI has been amended, at the request of IFF, to take care of two repayments of IFF's sub-loans which fell due before the first scheduled maturity of the composite amortization schedule.

Several major amendments are expected for each composite amortization schedule. The first one would be before the first repayment date. Further amendments will be necessary before each of the repayment dates until the entire amount of the loan will have been credited to the loan account. The Treasurer's Department is prepared to contact the DFC several months before each repayment falls due so as to give ample time to amend the amortization schedule to conform to the amortization schedules applicable to individual investment projects. The first repayment date of the loan to IFF (420-FI), June 1, 1967, will be the earliest.

(4) Other Amortization Schedules

The Loan Agreement signed between IBRD and Banco de la Republica, Colombia, on May 31, 1966 has a fixed amortization schedule covering 20 years including a 3 years' grace period. However, the Loan Agreements signed between Banco de la Republica and the five Financieras call for flexible amortization schedules applicable to the Investment Projects within a term of not more than 15 years. This arrangement is comparable with the IDA credits extended to TSKB through the Turkish Government and to China Development Corporation through the Chinese Government.

II. Amortization Schedules Applicable to Investment Projects

4. Under the Loan Agreements calling for flexible amortization schedules, an amortization schedule for each investment project has to be agreed upon when each part of the loan is credited to the Loan Account. It is an established procedure that the DFC's send us their proposed amortization schedules for sub-loans as part of the description of the project submitted together with the request for a credit to the Loan Account.

5. Under the new system for composite amortization schedules, the procedure for submitting individual amortization schedules differs from case to case. The attached table summarizes the requirements in the relevant Loan Agreements and actual practice. As shown in the table, no amortization schedules for individual sub-loans have been received from IDBI, SNI and PDCP.

Comments and Recommendations

6. The composite amortization schedule, recently adopted, is much simpler than the flexible amortization schedule which proved to be rather cumbersome. To make the new system work well, both the provisions in the loan agreements and the implementation procedures should be standardized.

7. The provisions on the amortization schedules applicable to the Investment Projects vary from agreement to agreement. In one agreement,

it is prescribed that the amortization schedules applicable to the Investment Projects shall be satisfactory to the Bank. In some other agreements, it is prescribed that the amortization schedules shall provide for appropriate periods of grace and approximately equal semi-annual payments of principal. In still others, the equal aggregate semi-annual payments should include both principal and interest. In the latest loan agreements, the provisions have been changed to read: "... provide for approximately equal aggregate semi-annual, or more frequent, payments of principal plus interest or approximately equal semi-annual, or more frequent, payments of principal." This clause should be made uniform for all loans to DFC's in the future.

8. The provisions regarding submission of information on projects also differ widely from case to case, as indicated in the attached table. Since we should see to it that the composite amortization schedule conforms substantially to the aggregate of the amortization schedules of loans by the borrower for investment projects, and the individual amortization schedules should take the form as specified in the loan agreements, we should require the DFC's to submit to us all the amortization schedules applicable to the sub-loans preferably before crediting to the Loan Account.

9. Moreover, all the loan agreements signed with DFC's since 1966 include a clause requiring them to repay to the Bank any amounts prepaid by their borrowers on the next following interest payment date. For example, in the Loan Agreement to NIBID, Section 2.09 provides that

> "Unless the Bank and the Borrower shall otherwise agree:
> (a)(i) If a sub-loan or any portion thereof shall be repaid to the Borrower in advance of maturity, or (ii) if the Borrower shall sell, transfer, assign or otherwise dispose of a sub-loan or investment or any portion thereof, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equivalent to the amount credited to the Loan Account and at the time outstanding in respect of such sub-loan or investment, or to such portion thereof, as the case may be, together with the premium specified in Schedule 1 to this Agreement or in any amendment thereof under Section 2.08(a). The policy stated in Section 2.05(c) of the Loan Regulations with respect to premiums shall apply to any such repayment.
>
> (b) Any amount so repaid by the Borrower shall be applied by the Bank to the maturity or maturities of the principal amount of the Loan corresponding to the maturity or maturities of the sub-loan or investment or portion thereof so repaid or disposed of."

A similar clause should continue to be inserted in the agreements to be signed in the future.

10. Similarly the Bank should be prepared to amend its amortization schedule to take into account any postponements of repayments which the development finance company has agreed to, within the overall repayment period allowed under the loan agreement. Such adjustments may have to be accepted on relatively short notice.

11. Regarding procedures for revising the amortization schedules, the working party for the Finnish loan has proposed the following procedure which may be followed for all similar Bank loans: Well before the first maturity under each Bank loan to a DFC (say 6 months), the Bank will write to the DFC requesting it to submit by 3 months before the payment date an amended figure for the first installment and apply the amount of increase or decrease to the final maturity of the composite amortization schedule. This procedure should be repeated for subsequent installments of the composite amortization schedule until the entire amount of the loan will have been credited to the Loan Account and a final amortization schedule agreed upon.

12. The first repayments of the recent loans fall on the following dates:

IFF	(420)	June 1, 1967
PDCP	(467)	Jan. 1, 1968
PICIC	(421)	Jan. 15, 1968
ICICI	(414)	Feb. 1, 1968
SNI	(449)	May 1, 1968
IDBI	(424)	June 1, 1968
TSKB	(461)	July 15, 1968
BNDE	(447)	Jan. 15, 1969
IMDBI	(459)	Jan. 15, 1969

Attachment

cc: Circ. (2)
ECHSu/DWJeffries:tk

Ccc/

		Loan Agreement Provisions	Actual Practice
BNDE	447-MOR		
	A-Projects	A description of Project, the terms and conditions of the Borrower's credit, the amortization schedule proposed thereof ...	Appraisal report and loan agreement submitted before crediting, including amortization schedule.
	B-Projects	Description of the Project, including the schedule of amortization thereof.	Appraisal report and loan agreement submitted before crediting, including amortization schedule.
SNI	449-TUN		
	A-Projects	A description of the Project, the proposed amortization schedule ...	Proposed aggregate annual installments indicated in appraisal reports.
	B-Projects	State the Project.	Proposed aggregate annual installments indicated in appraisal reports.
IMDBI	459-IRN		
	A-Projects	A description of the Project ... including the amortization schedule ...	(Only proposed duration of loans indicated in (appraisal reports for the first two projects; (the amortization schedules were submitted for (projects Nos. 3 - 10.
	B-Projects	Describe the Project ... including the the schedule of amortization thereof.	
TSKB	461-TU		
	A-Projects	A description of the Project ... including the amortization schedule ...	Amortization schedule attached to appraisal report.
	B-Projects	Describe the Project ... including the schedule of amortization therefor.	Amortization schedule attached to summaries.
PDCP	467-PH		
	A-Projects	A description of the Project ... including the amortization schedule.	Only proposed duration of loans indicated in appraisal reports.
	B-Projects	A brief description ... including the amortization schedule.	Only proposed duration of loans indicated in appraisal reports.

Information on Amortization Schedules on Individual Investment Projects

		Loan Agreement Provisions	Actual Practice
ICICI	414-IN		
	A-Projects	A description of the Project and such other information as the Bank shall reasonably request.	No A-Projects submitted yet.
	B-Projects	State the Project.	Heads of Agreements including amortization schedules submitted before crediting.
IFF	420-FI		
	A-Projects	A description and appraisal of the Project and such other information as the Bank shall request.	Detailed repayment terms included in appraisal report submitted for approval.
	B-Projects	A brief statement describing the Project and the terms and conditions upon which the Borrower has made a loan.	Detailed repayment terms included in brief statement submitted before crediting.
PICIC	421-PAK		
	A-Projects	A description and appraisal of the Project and such other information as the Bank shall reasonably request.	No A-Projects submitted yet.
	B-Projects	State the Project.	Appraisal report and loan agreement submitted before crediting, including amortization schedule.
IDBI	424-IS		
	A-Projects	A description and appraisal of the Project and such other information as the Bank shall reasonably request.	Only proposed duration of loans indicated in appraisal reports.
	B-Projects	State the Project.	Only proposed duration of loans indicated in brief summaries.

- copy -

February 20, 1967

Teollistamisrahasto Oy
Lonnrotinkatu 13, ~~V~~ krs.
Helsinki, Finland

Loan No. 420-FI

Gentlemen:

We refer to Section 2.09 of the Loan Agreement (Second Development Bank Project), dated June 30, 1965, according to which the Amortization Schedule in Schedule 1 of the Loan Agreement shall be amended from time to time to conform substantially to the aggregate of the amortization schedules of the loans and investments which you have made for investment projects. Since the first payment under Schedule 1 is due on June 1, 1967, we request you to submit to us for approval the amount that will be due and payable on that date based upon the aggregate of the amounts maturing under loans and investments for the investment projects approved by you. Since the amount of the loan has not yet been fully credited, we suggest that a complete revision of the Amortization Schedule in Schedule 1 be postponed until a later date. Any adjustment which would be required in the June 1, 1967 maturity now provided by the Amortization Schedule in Schedule 1 may be effected by applying the amount of any increase or reduction of that maturity to the final maturity or maturities of the existing Schedule 1 of the Loan Agreement.

According to our normal practice the billing for the June 1, 1967 payment would be prepared in early April. It would be appreciated, therefore, if you will present your proposed revision of the Schedule 1 as early as possible in order that the amount payable can be agreed upon sufficiently in advance of the billing.

Yours sincerely,

Roger A. Hornstein
Europe and Middle East
Department

Metherate:Jeffries:mm

Cleared with and cc: Mr. Scott
cc: Messrs. Jeffries, Povey

Dev. Bank, gen

Mr. Skillings March 17, 1967

B. H. Shin

Provision in Guarantee Agreement re Non-interference by Government

You said that Government Guarantee Agreement (Credit Agreement in the case of IDA credit) in connection with development finance company project normally contains a typical provision such as:

> "The Guarantor covenants that it will not take, cause or permit to be taken any action which would prevent or materially interfere with the carrying on by the Borrower of its operations and affairs in accordance with sound financial and investment standards and practices, or with the performance by the Borrower of its obligations under the Loan Agreement."

And you asked me to find out which ones have, and which ones do not have, such provision.

As seen from the attached table, there are five countries, Austria, Ethiopia, India, Israel and Pakistan, whose government guarantee agreements do not have such provision, while the rest have the provision similar to the above indicated.

Attachment

cc: Mr. Diamond
Mr. Hornstein
Division Chiefs

Provision in Guarantee Agreement[1] re

Non-interference by Government

with Development Finance Company

Operations

		Existent	None
Austria (IVK)	192		X
	237		X
	315		X
China (CDC)	17 IDA	X	
	397	X	
Colombia (Financieras)	451	X	
Ethiopia (DBE)	32		X
	301		X
Finland (IFF)	352	X	
	420	X	
INDIA (ICICI)	109		X
	232		X
	269		X
	312		X
	340		X
	414		X
Iran (IMDBI)	240	X	
	422	X	
	459	X	
Israel (IDBI)	424		X

1/ Credit Agreement in the case of IDA credit.

		Existent	None
Malaysia (MIDFL)			
	348	X	
Morocco (BNDE)			
	329	X	
	447	X	
Pakistan (PICIC)			
	185		X
	236		X
	286		X
	330		X
	382		X
	421		X
Philippines (PDCP)			
	331	X	
	467	X	
Thailand (IFCT)			
	370	X	
Tunisia (SNI)			
	449	X	
Turkey (TSKB)			
	34	X	
	85	X	
	33 IDA	X	
	66 IDA	X	
	75 IDA	X	
	91 IDA	X	
	461	X	

Dev. Banks gen.

Mr. Einar Sekse March 14, 1967

B. H. Shin

On Commitment Charge

1. The following are data on commitment charges on Bank loans to selected development finance companies1/, which are prepared for your reference.

Commitment Charge

2. Column A of the table shown below indicates commitment charges received by the Bank on a Bank loan or loans to the company during the first several years after the commencement of business, while Column B indicates commitment charges that would have been received on the loans during the same years if regular commitment fee were charged, that is, if commitment charge is computed on the loan amount not disbursed from a date 60 days after the date of the loan agreement. Column C indicates difference between Columns B and A, reflecting that the development finance company should have paid that much in addition to what it already paid.

Commitment Charge

Institution	Year	Loan Number	A Actual Commitment Charges	B Possible Commitment Charge if Regular Method were Employed 2/	C B-A
			$	$	$
IVK	1958	192	37,568a/	58,429	20,861
	1959	192	41,196a/	46,151	4,955
		237	0	8,877	8,877
			41,196	55,028	13,832

1/ TSKB is not included because of data on the commitment charges on the first Bank loan being unavailable.

2/ Consists of actual commitment charges received by the Bank, plus an approximation of the extra amount that would have been paid if commitment charges were calculated from 60 days after loan signing.

a/ Adjusted on a calendar year basis.

Institution	Year	Loan Number	A Actual Commitment Charges $	B Possible Commitment Charge if Regular Method were Employed 1/ $	C B-A $
IVK	1960	192	16,064a/	16,064	0
		237	7,370a/	64,678	57,308
			23,434	80,742	57,308
	1961	192	8a/	8	0
		237	11,687a/	47,632	35,945
			11,695	47,640	35,945
ICICI	1955	109	0	47,671	47,671
	1956	109	0	75,000	75,000
	1957	109	0	75,000	75,000
	1958	109	8,959	75,000	66,041
	1959	109	26,262	68,887	42,625
		232	0	22,808	22,808
			26,262	91,695	67,433
	1960	109	21,466	36,587	15,121
		232	9,109a/	75,000	65,891
		269	0	2,049	2,049
			30,575	113,636	83,061
	1961	109	13,323	15,634	2,311
		232	46,082a/	75,000	28,918
		269	9,653a/	147,933	138,280
			69,058	238,567	169,509
IMDBI	1960*	240	0	5,648	5,648
	1961*	240	985	38,823	37,838
	1962*	240	2,704	36,594	33,890
	1963*	240	1,354	33,140	31,786
	* Up to March 14				
BNDE	1963*	329	992	97,129	96,137
	1964	329	8,703	74,265	65,562
	1965	329	7,992	35,501	27,509
	1966	329	13,100	19,265	6,165
		447	5,744**	31,977	26,233
			18,844	41,242	32,398

* 4th business year.
** Up to January 15, 1967.

1/ Consists of actual commitment charges received by the Bank, plus an approximation of the extra amount that would have been paid if commitment charges were calculated from 60 days after loan signing.

a/ Adjusted on a calendar year basis.

Institution	Year	Loan Number	A Actual Commitment Charges	B Possible Commitment Charge if Regular Method were Employed 1/	C B-A
			$	$	$
PICIC	1958	185	0	27,530	27,530
	1959	185	16,353	34,586	18,233
		236	0	9,863	9,863
			16,353	44,449	28,096
	1960	185	8,470	12,409	3,939
		236	4,398a/	75,000	70,602
			12,868	87,409	74,541
	1961	185	2,789	4,683	1,894
		236	28,348a/	75,000	46,652
		286	0	39,452	39,452
			30,137	119,135	87,998
PDCP	1963	331	0	79,829	79,829
	1964	331	2,848	80,011	77,164
	1965	331	12,735	42,218	29,483
	1966	331	21,133	28,598	7,465
		467	122	9,872	9,750
			21,255	38,470	17,215

Profitability

3. Column A of the table shown below indicates the actual profitability of the company (by profitability is meant the ratio of net profits before tax to average net worth) and Column B indicates the profitability that would have been affected if the companies paid commitment charges computed in regular way on the Bank loan or loans to the development finance company.

Profitability

	Year	A Profitability	B Profitability that would have been if Regular Commitment Charge were paid
		%	%
IVK	1958	-5.51	-9.73
	1959	21.05	19.91

1/ Consists of actual commitment charges received by the Bank, plus an approximation of the extra amount that would have been paid if commitment charges were calculated from 60 days after loan signing.

a/ Adjusted on a calendar year basis.

Insti-tution	Year	A Profit-ability %	B Profitability that would have been if Regular Commit-ment Charge were paid %
IVK	1960	15.91	12.91
	1961	18.13	16.46
ICICI	1955	5,56	5.12
	1956	7.18	6.48
	1957	9.50	8.81
	1958	9.97	9.38
	1959	12.12	11.51
	1960	15.71	15.00
	1961	16.42	15.08
IMDBI	1961	8.03	7.24
	1962	13.13	12.51
	1963	13.79	13.24
	1964	16.15	15.69
BNDE	1963*	6.68	4.97
	1964	7.06	6.10
	1965	7.44	7.05
PICIC	1958	3.69	3.05
	1959	9.43	8.81
	1960	12.98	11.30
	1961	16.82	15.31
PDCP	1964	20.14	18.87
	1965	18.50	18.12

* The year is BNDE's fourth business year.

BHShin/ts

Dev. Bank. gen.

TO: ALL ENGLISH SPEAKING DFC's

March 3, 1967

(Salutation)

For some time the need has been felt for a systematic statement of the Operational policies of the International Finance Corporation. Such a statement was recently approved by IFC's Board of Directors. I take pleasure in enclosing five copies, and would be glad to send you additional copies if they would be useful.

With kind regards,

Sincerely yours,

WD

William Diamond
Director
Development Finance Companies

Enclosures (5)

(Inside Address)

RFSkillings:vmv BL MT/ST:Log#1003:jgv

TO: ALL FRENCH SPEAKING DFC's

March 3, 1967

(Salutation)

For some time the need has been felt for a systematic statement of the operational policies of the International Finance Corporation. Such a statement was recently approved by IFC's Board of Directors. I take pleasure in enclosing five copies of this statement in English. It will shortly be available in French and I will, at that time, send you five copies of the translated statement. I will be glad to send you additional copies if they would be useful.

With kind regards,

Sincerely yours,

D

William Diamond
Director
Development Finance Companies

Enclosures (5)

(Inside Address)

RFSkillings:vmv BS MT/ST:Log#1003:jgv

TO: ALL SPANISH SPEAKING DFC's

March 3, 1967

(Salutation)

For some time the need has been felt for a systematic statement of the operational policies of the International Finance Corporation. Such a statement was recently approved by IFC's Board of Directors. I take pleasure in enclosing five copies of this statement in English. It will shortly be available in Spanish and I will, at that time, send you five copies of the translated statement. I will be glad to send you additional copies if they would be useful.

With kind regards,

Sincerely yours,

WD

William Diamond
Director
Development Finance Companies

Enclosures (5)

(Inside Address)

RFSkillings:~~vmv~~ BX MT/ST:Log#1003:jgv

MT/ST Log#1003:jgv

~~My dear Don Guillermo:~~

~~Dr. Guillermo Herrera Carrizosa~~
~~President~~
Corporacion Financiera Colombiana
Edificio Banco de Bogota
Carrera 10, Bogota
Colombia

Spanish

Dear Dr. Ocampo:

Dr. Roberto Ocampo Mejia
President
Corporacion Financiera de Caldas
Apartado Aereo 460
Manizales, Colombia

Spanish

My dear Don Jose:

Dr. Jose Gutierrez Gomez
President
Corporacion Financiera Nacional
Apartado Aereo 1039
Medellin, Colombia

Spanish

Dear Jaakko:

Mr. Jaakko Lassila
General Manager
Teollistamisrahasto Oy
Lonnrotinkatu 13, V krs.
Helsinki, Finland

English

Dear Hasmukhbhai:

Mr. H. T. Parekh
General Manager
The Industrial Credit and Investment
Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

English

Dear Resid Bey:

Mr. Resid Egeli
General Manager
Turkiye Sinai Kalkinma Bankasi A.S.
Necatibey Caddesi 241-247
Tophane
Istanbul, Turkey

English

MAR 3 1967

Dear George:

Mr. George Gondicas
General Manager
National Investment Bank for Industrial
Development, S.A.
P.O. Box 643
6 Sophocleous Street
Athens, Greece

English

Dear Dr. Teufenstein:

Dr. Wilhelm Teufenstein
Generaldirektor - Stellv. und
Vorstandsmitglied der
Oesterreichische Investitionskredit
Aktiengesellschaft
Am Hof 4
Vienna, Austria

English

Dear Felix:

Mr. Felix Chang
President
China Development Corporation
181-5 Chung Shan Road N., 2nd Sec.
Taipei, Taiwan
Republic of China

English

Dear ~~Mr. Daniyan~~ Silas:

Mr. Silas B. Daniyan
General Manager
Nigerian Industrial Development Bank
Limited
M & K House
96/102 Broad Street
Lagos, Nigeria

English

Dear Mr. Rohnfelder:

Mr. Gerhard Rohnfelder
Managing Director
Banque Ivoirienne de Developpement
Industriel
Boite Postale 4470
Abidjan, Ivory Coast

French

Dear Gasem:

Mr. A. Gasem Kheradjou
Managing Director
Industrial and Mining Development Bank
of Iran
204 Boulevard Karaj

English

MAR 3 1967

Tehran, Iran

Dear Ato Worku

Ato Worku Habte-Wold
Managing Director
Development Bank of Ethiopia
P. O. Box 1900
Addis Ababa, Ethiopia

English

Dear Kraisri:

Mr. Kraisri Nimmanahaeminda
General Manager
Industrial Finance Corporation
of Thailand
491 Silom Road
Bangkok, Thailand

English

Dear Senor Marzo:

Sr. Don Jose Maria Marzo Churruca
Director General
Banco del Desarrollo Economico Espanol
Apartado de Correos 50460
Principe 12
Madrid, Spain

Spanish

Dear Ting:

Mr. Vicente R. Jayme
Executive Vice President
Private Development Corporation
of the Philippines
CBTC Building
Ayala Avenue
Makati, Rizal
Manila, Philippines

English

My dear Mr. Ahmed:

Mr. Said Ahmed
Managing Director
Pakistan Industrial Credit and Investment
Corporation Ltd.
P. O. Box 5080
Karachi 2, Pakistan

English

My dear Mr. Benkirane:

Mr. Mohamed Benkirane
Director General
Banque Nationale pour le Developpement
Economique
Boite Postale 407
Rabat, Morocco

French

MAR 3 1967

Dear Lada:

Mr. L. M. Svoboda
General Manager
Malaysian Industrial Development
Finance Limited
Hwa-Li Building
63-65 Jalan Ampang
Kuala Lumpur
Malaysia

English

Dear ~~Mr. Parker:~~ Clarence

Mr. P. Clarence Parker, Jr.
General Manager
The Liberian Bank for Industrial
Development and Investment
100 Broad Street
P. O. Box 547
Monrovia, Liberia

English

Dear Dr. Neeman:

Dr. Avraham Neeman
Managing Director
Industrial Development Bank of
Israel Limited
9 Achad Haam Street
Shalom Tower
Tel Aviv, Israel

English

My dear Luis:

Dr. Luis Vallenilla
President
C.A. Venezolana de Desarrollo
Edificio Mene Grande
Avenida Francisco de Miranda No. 360
Caracas, Venezuela

Spanish

Dear Mr. Huq:

Mr. Z. Huq
Managing Director
Industrial Development Bank of Pakistan
Kandawala Building
P. O. Box 7300
Karachi 3, Pakistan

English

MAR 3 1967

Dear Mr. Mathari:

Mr. Abdelaziz Mathari
President
Societe Nationale D'Investissement
68, Ave. Habib Bourguiba
Tunis, Tunisia

French

Dear Dr. Martinez Moriones:

Dr. Benajmin Martinez Moriones
Presidente Encargado
Corporacion Financiera del Valle
Apartado Aereo 4902
Cali, Colombia

Spanish

Dear Dr. Jaramillo:

Dr. Alvaro Jaramillo Vengoechea
President
Corporacion Financiera del Norte
Apartado Aereo 2747
Barranquilla, Colombia

Spanish

Dear Jorge:

Mr. Jorge Mejia Salazar
Chairman of Board of Directors
Corporacion Financiera Colombiana
Edificio Banco de Bogota
Carrera 10, Bogota
Colombia

Spanish

MAR 3 1967

Dev. Banks

Mr. Lester Nurick

March 2, 1967

William Diamond WD

Standard Provision of the Bank's Loan Agreements
with Development Finance Companies.

Mr. Cavanaugh and I recently exchanged notes (see attached) about the standard provision of the Bank's loan agreements with development finance companies relating to the effective date of credits for amounts under the free limit. We agreed that there should be a small clarifying change. The innovation has already been introduced into the draft Greek and Israeli loan agreements.

Attachment

cc: Messrs. Cope
Cavanaugh
Skillings

RFSkillings:vmv

Dev. Banks

Messrs. Garcia, Jeffries, Pollan, Powell, and Sekse
Robert F. Skillings RFS

March 1, 1967

New Descriptive Memoranda of Development Finance Companies Associated with us.

Would you please update the descriptive memoranda on the DFC's under your responsibility on the basis of the latest closing date of business of the companies (December 31, 1966 for all, except for March 20, 1967 for IMDBI and March 31, 1967 for MIDFL).

The draft memoranda should be in Mr. Shin's hands by the end of April.

BHShin/ts