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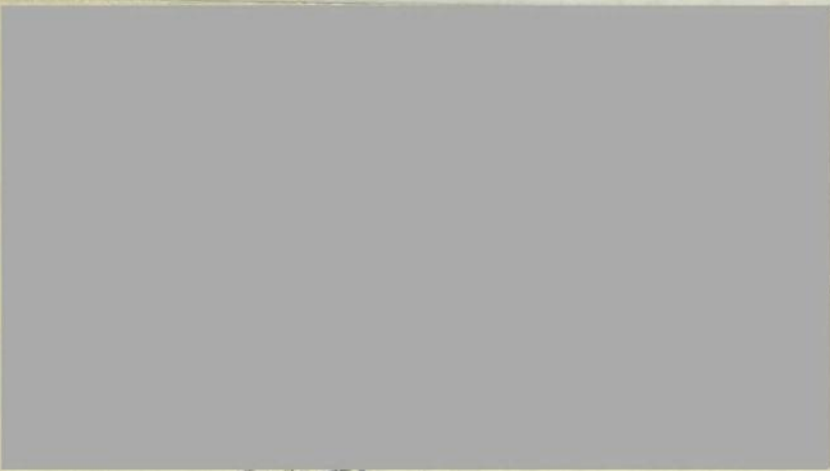
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THE WORLD BANK
Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
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Industry Project - Finland - Loan 0061 - P037367 - Administration - Volume 3

Estimated distribution of foreign currency
needed for the power plant construction program.

III Stage III

Project	U.S.A. \$	Switzerland S.Fr.	Germany \$	Sweden S.Kr.	Canada \$	Other Countries \$
<u>Imatran Voima Oy</u>						
<u>Oulujoki Oy</u>						
Montta water power plant	---	5,200,000.-	200,000.-	---	---	540,000.-
Utakoski water power plant	---	320,000.-	130,000.-	---	---	310,000.-
Petäjäkoski water power plant	---	1,000,000.-	2,000,000.-	13,000,000.-	---	350,000.-
Construction machines for above plants	3,220,000.-					
<u>Pamilo Oy</u>						
Pamilo water power plant	---	4,800,000.-	950,000.-	---	---	450,000.-
Construction machines	600,000.-	---	---	---	---	---
<u>Vaasa town and others</u>						
Vaasa steam power plant	---	---	380,000.-	3,200,000.-	---	150,000.-
Total.....	3,820,000.-	11,320,000.-	3,660,000.-	16,200,000.-	---	1,800,000.-
Total in \$.....	3,820,000.-	2,600,000.-	3,660,000.-	3,120,000.-	---	1,800,000.-

Imatran Voima Oy

Transmission lines for
above projects.

720 km	220 kV)	650,000.-	---	---	---	3,500,000.-	2,000,000.-
200 km	110 kV)	(Insulators)				(Aluminum Cables)	(Steel)

I.

Fl. 61
G. Power

Estimated distribution of foreign currency needed for the power plant construction program

Project	To be financed by the International Bank in US dollars				Switzerland SFr	Sweden SKr	Germany \$	Other Countries \$	Total Equivalent \$
	USA \$	Canada \$	Switz. SFr	Sweden SKr					
<u>Imatran Voima Oy</u> <u>Ouluuiki Oy</u>									
Montta water power plant			400,000		4,800,000		200,000	535,000	1,935,000
Utanen -"-			400,000				130,000	355,000	577,000
Petajaskoski -"-			400,000		600,000	13,000,000	2,000,000	249,000	4,979,000
Construction machines	3,220,000								3,220,000
Transmission lines	650,000	3,314,000						2,000,000	5,964,000
<u>Pamilo Oy</u>									
Pamilo water power plant			3,600,000		1,200,000		950,000	400,000	2,450,000
Construction machines	600,000								600,000
<u>Vaasa town & others</u>									
Vaasa steam power plant				3,200,000			380,000	150,000	1,150,000
Total	4,470,000	3,314,000	4,800,000	3,200,000	6,600,000	13,000,000	3,660,000	3,689,000	20,875,000
Total Equiv. in \$	4,470,000	3,314,000*	1,106,000	610,000	1,516,000	2,510,000	3,660,000	3,689,000	20,875,000
	Financed by the IBRD				From Bank of Finland				
	Equiv. in \$ 9,500,000				Equiv. in \$ 11,375,000				20,875,000

* At the current par value for the Canadian dollar, this amount is equivalent to Can. \$3,645,000. In their original table, however, the Finnish Delegation showed Canadian dollars at par with U.S. dollars. If the latter turns out to be the case, the Finns will have to pay U.S. \$186,000 from their own resources if they want to spend Can. \$3,500,000, and the overall total cost of the Project will have to be increased accordingly to U.S. \$21,061,000.

I.

Estimated distribution of foreign currency needed for the power plant construction program

Project	To be financed by the International Bank				Switzerland SFr	Sweden SKr	Germany \$	Other Countries \$	Total Equivalent \$
	in US dollars								
	USA \$	Canada \$	Switz. SFr	Sweden SKr					
<u>Imatran Voima Oy</u> <u>Oulujoki Oy</u>									
Montta water power plant			400,000		4,800,000		200,000	535,000	1,935,000
Utanen -"-			400,000				130,000	355,000	577,000
Petajaskoski -"-			400,000		600,000	13,000,000	2,000,000	249,000	4,979,000
Construction machines	3,220,000								3,220,000
Transmission lines	650,000	3,314,000						2,000,000	5,964,000
 <u>Pamilo Oy</u>									
Pamilo water power plant			3,600,000		1,200,000		950,000	400,000	2,450,000
Construction machines	600,000								600,000
 <u>Vaasa town & others</u>									
Vaasa steam power plant				3,200,000			380,000	150,000	1,150,000
 Total	4,470,000	3,314,000	4,800,000	3,200,000	6,600,000	13,000,000	3,660,000	3,689,000	20,875,000
 Total Equiv. in \$	4,470,000	3,314,000*	1,106,000	610,000	1,516,000	2,510,000	3,660,000	3,689,000	20,875,000
	Financed by the IBRD				From Bank of Finland				
	Equiv. in \$ 9,500,000				Equiv. in \$ 11,375,000				20,875,000

* At the current par value for the Canadian dollar, this amount is equivalent to Can. \$3,645,000. In their original table, however, the Finnish Delegation showed Canadian dollars at par with U.S. dollars. If the latter turns out to be the case, the Finns will have to pay U.S. \$186,000 from their own resources if they want to spend Can. \$3,500,000, and the overall total cost of the Project will have to be increased accordingly to U.S. \$21,061,000.

Estimated distribution of foreign currency needed for the power plant construction program

Project	To be financed by the International Bank				Switzerland SFr	Germany \$	Other Countries \$	Total Equivalent in \$
	In US dollars		In SKr					
	USA \$	Canada \$	Switz. SFr.	Sweden SKr				
<u>Isastran Voima Oy</u> <u>Oulujoen Oy</u>								
Montta water power plant			400,000.-		4,800,000.-	200,000.-	535,000.-	1,935,000.-
Utanen -"-			400,000.-			130,000.-	355,000.-	577,000.-
Petsajankoski -"-			1,000,000.-	13,000,000.-		2,000,000.-	249,000.-	4,979,000.-
Construction machines	3,220,000.-							3,220,000.-
Transmission lines	650,000.-	3,500,000.-					2,000,000.-	6,150,000.-
<u>Pamilo Oy</u>								
Pamilo water power plant			4,800,000.-			950,000.-	400,000.-	2,450,000.-
Construction machines	600,000.-							600,000.-
<u>Vaasa town & others</u>								
Vaasa steam power plant				3,200,000.-		380,000.-	150,000.-	1,150,000.-
Total	4,470,000.-	3,500,000.-	6,600,000.-	16,200,000.-	4,800,000.-	3,660,000.-	3,689,000.-	21,061,000.-
Total Equiv. in \$	1. 4,470,000.-	2. 3,500,000.-	3. 1,520,000.-	4. 3,120,000.-	1,102,000.-	3,660,000.-	3,689,000.-	21,061,000.-
<u>Financed by the IBRD</u>					<u>From Bank of Finland</u>			
1, 2, and 3 = \$ 9,490,000.-								
4 SKr 16,200,000.- = \$ 3,120,000.-					Equiv. in \$ \$8,451,000.-			21,061,000.-

GENERAL FILES
ROUTING SLIP

Date

FEB 18 1955

ROUTING OF INCOMING MAIL

Mr. Black	1023	Personnel Div.	1213
Mr. Broches	1113	Mr. Poore	1220
Mr. Cope	402	Public Relations	1109
Mr. Demuth	1013	Mr. Reamy	1218E
Mr. Doucet	1109	Research Files	1215
Mr. Garner	1002	Mr. Riley	1201
Mr. Gregh	320	Mr. Rist	1223
Mr. Hamilton	1232	Mr. Rosen	405
Mr. Hoar	405	Mr. Rucinski	320
Mr. Howell	1004	Mr. Schmidt	421
Mr. Iliff	1002	Mr. Sommers	1113
Mr. Johnston	1220	Technical Op.	308
Mr. Knapp	421	Mr. Woolley	1007
Mr. Mendels	1009	Mr. Worthington	1215
Office Services	113		

Remarks:

W. A. Keenan

From: General Files & Corres. Section

EMBASSY OF FINLAND
1900 TWENTY-FOURTH ST., N. W.
WASHINGTON 8, D. C.

No. 1274

February 17, 1955

Dear Mr. Cope:

This is to acknowledge receipt of and to thank you for your letter dated February 16, 1955 enclosing two copies of a letter addressed to the Bank of Finland relative to the Loan 61 FI, the original of which has been transmitted to said Bank.

Yours sincerely,

Jorma Vanamo
Jorma Vanamo
Counselor of Embassy

JV:db

Mr. S. R. Cope
Assistant Director of Operations
Europe, Africa & Australasia
International Bank for Reconstruction
Development
1818 H Street, Northwest
Washington 25, D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FEB 18 10 13 AM 1955

WASHINGTON, D. C.
1000 LAFAYETTE AVENUE, N.E.
WASHINGTON, D. C. 20002

Fin. Lu 61

February 16, 1955

Dear Professor Waris:

Thank you for your letter of January 27. I was interested in your comments regarding the respective spheres of operation of Pellonraivaus Oy and Lapin Raivaus Oy. I was also glad to know the terms of the arrangement made between these two companies and the government regarding the exchange risk.

You will have learned from my cable of February 14 that the Bank is prepared to include Aänekoski Oy in the loan, provided it receives satisfactory assurances that the company be financed on a sound basis. In general, the Bank wishes the companies whose projects it finances to stand on their own feet and not rely on any government guarantee, or on any general undertaking of the kind provided by the Bank of Finland in the loan under discussion. The financial position of Aänekoski was clearly not strong and it seemed to us that the company's position might become difficult, and it might have to resort to the Bank of Finland if it could not raise on satisfactory repayment terms the additional cash it needed to complete the project, or if credits which it had raised nominally on a short-term basis could not be renewed again on satisfactory terms of repayment.

You will no doubt be hearing through the Embassy on other matters in connection with the loan, but I thought I should let you have this personal line as you had mentioned Aänekoski particularly in your letter.

Yours sincerely,

S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Professor Klaus Waris
Suomen Pankki-Finlands Bank
Helsinki
Finland

cc: Mr. Jorma Vanamo, Embassy of Finland

Mr. Aldewereld

Yellow in Fin. Lu negs.

S. J. A. K. W. M. : dho

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Fin: m61
Mr. Akebona

OFFICE MEMORANDUM

TO: Mr. S. R. Cope

DATE: February 16, 1955

FROM: E. Wayne Rember

SUBJECT: Loan 61-FI - Electric Power Projects

✓ Feb. 11/55

I am attaching hereto copy of a letter just received from the Bank of Finland concerning a change in the list of goods on one of the power projects in this loan.

We have no objections to the proposed changes.

Attach.

fin: Amb 1

In reply refer to
Loan 61 FI

February 16, 1955

Dear Mr. Vanamo:

I attach for your information two copies of a letter
I have today written to the Bank of Finland. I should be grateful
if you would forward one copy to Helsinki.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa & Australasia

Mr. Jorma Vanamo
Counselor, Embassy of Finland
1900 Twenty-fourth Street, N.W.
Washington, D.C.

SJAkerman;dhc



Fin. Lm 61

In reply refer to
Loan 61 FI

February 16, 1955

Suomen Pankki-Finlands Bank
Helsinki, Finland

Gentlemen:

I acknowledge your letter of February 3, 1955 with enclosure
from Imatran Voima Oy.

We are agreeable to Kemijoki Oy being recognized as the
beneficiary of the amounts listed under items A3 and B3 in the
breakdown list of goods for Loan 61 FI, and we have adjusted our
records accordingly. We will, however, need a letter from Kemi-
joki Oy in respect of obligations under Sections 5.01 and 5.02
of the Loan Agreement. A draft of such a letter is enclosed.

We thank you for the information about the distribution
of funds between Kemijoki Oy and Imatran Voima Oy in the proposed
new loan to Finland and have incorporated it in our project report.

Yours truly,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Cleared with Working Party
Miss Morsey
Mr. Svoboda
Mr. Verheyen
Mr. Vanamo, Finnish Embassy

 :dbs

to Mr. Akerman -
Feb 21, 55

Draft

[Date]

Suomen Pankki-Finlands Bank
[Address]

Gentlemen:

It is our understanding that you have entered into a Loan Agreement dated April 30, 1952, with International Bank for Reconstruction and Development (hereinafter called the Bank) providing for a loan to defray certain of the foreign exchange costs of projects described in such Loan Agreement. In consideration of your making a portion of the proceeds of such loan available to us for the purpose of carrying out the Petajaskoski Hydroelectric Project described in such Loan Agreement, we hereby agree as follows:

- a. We will carry out the Petajaskoski Hydroelectric Project with due diligence and efficiency and in conformity with sound engineering and financial practices.
- b. We will furnish to you for transmission to the Bank any material modifications made in the plans and specifications for the Petajaskoski Hydroelectric Project.
- c. We will maintain records adequate to identify the goods purchased in whole or in part out of the proceeds of the loan from the Bank, to disclose the end use thereof in the Petajaskoski Hydroelectric Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained, sound accounting practices, our financial condition and operations.
- d. We will enable the Bank's representatives to inspect any and all goods purchased in whole or in part out of the proceeds of the Bank's loan and the sites, works and construction included in the Petajaskoski Hydroelectric Project and to examine any relevant records and documents.
- e. We will furnish to you for transmission to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Bank's loan, the use of the goods purchased in whole or in part therewith, the progress of the Petajaskoski Hydroelectric Project and our operations and financial condition.

Very truly yours,

KEMLJOKI OY.

By

Fin: Lu 61

Mr. S. R. Cope

February 16, 1955

E. Wayne Rember

Loan 61-FI - Electric Power Projects

✓ Feb 11^m

I am attaching hereto copy of a letter just received from the Bank of Finland concerning a change in the list of goods on one of the power projects in this loan.

We have no objections to the proposed changes.

Attach.

AIR MAIL

Fin:ln 61

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

PÄIVÄYS

DATUM

DATE

February 11, 1955

VIITTEEMME

VÄR REF.

A JG MJ

OUR REF.

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITTEENNE

EDER REF.

YOUR REF.

→ Dr. Penttinen
WJG
International Bank for Recon-
struction and Development
Department of Technical Opera-
tions, Washington 25, D.C.

ASIA
BETR.
RE

Loan № IB-61, Electric Power Projects

Gentlemen:

We have pleasure in enclosing a letter of Imatran Voima Osakeyhtiö, dated February 9, 1955, concerning the use of the remainder of funds placed at their disposal under item C-2.

Trusting that a favorable consideration may be given to this proposal we remain,

RECEIVED FEB 12 1 42 PM 1955

Yours very truly,
SUOMEN PANKKI-FINLANDS BANK

[Signature]

Encl.

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

Helsinki, February 9, 1955.

International Bank for
Reconstruction and Development
1818 H Street N.W.
Washington 25 D.C.

Gentlemen:

Re: Loan IB 61 FI, Item C 2.

Under the item C 2 of the IB 61 Loan \$ 650,000:- were reserved for purchase of insulators. By now we have ordered insulators for all transmission lines, included in the IB 61 Loan, and found out that in accordance with the granted import-licences the required currency for insulators is \$ 453,391:15, so that \$ 196,609:- will still remain unused under the item C 2.

Now we would be very grateful if we could get the Bank's promission to use the remainder of the item C 2 as follows:

4	Heavy tractors (about 15-20 tons)	\$	71.344:-
7600	Armor rods	SCr 269.432:-	\$ 51.904:-
15	Joint compressors	\$	11.448:-
1	Hot-galvanizing equipment		
	for hardwares	DM 45.650:-	\$ 10.875:-
	Al-tube for joints	SCr 82.000:-	\$ 15.800:-
	Reservation for lighter working		
	machines and raw-material purchases		
	necessary for construction work, and		
	for eventuell increase in prices		

\$ 35.238.⁷⁸⁵

In total \$ 196.609:-
=====

The 380 kV line Petäjäskoski - Pikkarala - Alajärvi is for the most part going through swampland. Consequently the erection of towers and installation of conductors is possible during the winter-time only. This construction work should be done in the winter 1955-56 because the transmission line in question should be completed by the end of the year 1956. Performing of this work

during the winter-time makes necessary for us to have working machines enough at our disposal. Because this 380 kV line is of considerably heavier construction than the 220 kV lines, previously built by us, there is an urgent demand for tractors of heavier types as to supplement of our working machines.

Hot-galvanizing equipment is needed for hot-galvanizing of hardwares, as suspension clamps, guy bolts, pin bolts, socket ends e.t.c. that we will manufacture in our own factory.

We hope that the Bank would consent to our request to use the remainder of the item C 2 as proposed above.

Faithfully yours

IMATRAN VOIMA OSAKEYHTIÖ

Antti Osmo Osmo Osmo

EBB 12 1 10 1912

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FEB 15 1 45 PM 1955

[Handwritten signature]
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

WASHINGTON, D.C.

Reminders of the item C 5 as proposed above.
We hope that the Bank would consent to our request to use the
engine etc. that we will manufacture in our own factory.
We would like to have a machine, but we do not have a socket
for the engine. We need a machine for the engine.

of metal plates as to arrangement of our working machines.
We would like to have a machine, but we do not have a socket
for the engine. We need a machine for the engine.
We would like to have a machine, but we do not have a socket
for the engine. We need a machine for the engine.

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

VIA AIR MAIL

Fin: Ambl

PÄIVÄYS

DATUM

DATE

February 5, 1955

VIITTEEMME

VÄR REF.

A JG MJ

OUR REF.

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITTEENNE

EDER REF.

YOUR REF.

→ International Bank for Recon-
struction and Development
Department of Technical Operations
Washington 25, D.C.

ASIA
BETR.
RE

Loan IB-61, Electric Power Projects

Gentlemen:

We have pleasure in enclosing a letter of Imatran Voima
Osakeyhtiö, dated February 5, 1955, rectifying their letter of
January 29, 1955, forwarded to you with our letter of February 2.

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

1 Encl.

ack March 1/55

1 ENCL.

RECEIVED
INTERNATIONAL BANK FOR
ECONOM. AND DEVEL.

SPONSOR BANKKI - FINLANDS BANK

FFR 9 11 31 AM 1955

Don't let's play

January 28, 1955, forwarded to you with one letter of February 2,
1955, dated February 2, 1955, regarding their letter of
the same date in enclosing a letter of January 28, 1955,
concerning:

Item 1B-21, Electric Power Projects

Washington 25, D.C.
Department of Economic Operations
Administration and Development
International Bank for Recon-

LOAN REP
ECON REP
FINANCE
LOAN REP
ECON REP
FINANCE
ONE REP
LOAN REP
FINANCE
DATE
NAME
BY

A 10 M1

February 2, 1955

SPONSOR BANKKI - FINLANDS BANK

ALV. VIB. MAIL

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

Helsinki, February 5, 1955.

ML/EKL

International Bank for
Reconstruction and Development,
1818 H Street N.W.
Washington D.C.

Gentlemen:

Re: Loan IB 61 FI, our letter, dated January 29, 1955.

We have to come back to our letter of January 29, 1955 in order to correct an error of writing in the first paragraph of the 2nd page. The required foreign currency during the first four months after the Closing Date (June - September) will be Sw.Cr. 825.000:-, not Sw.Cr. 25.000:- as written in our letter. Accordingly the paragraph in question should read as follows:

" Consequently the sum of Sw.Cr. 3.300.000:- and DM 740.000:- will still remain unpaid on the Closing Date. After that the required foreign currency during the first four months (June - September) would be about Sw.Cr. 825.000:- and DM 110.000:- per month and thereafter about DM 100.000:-, also per month, by the end of the year 1955."

We are very sorry for this unfortunate error of our typist.

Faithfully yours

IMATRAN VOIMA OSAKEYHTIÖ

Antti Kauri Lami Lars



AIR MAIL

Helsinki, February 3, 1955
A JG MJ

Fin.-Ln 61

Suo. Pankki
Pls handle
with care.
W. J. G.
Mr. Upman:
No objections 2/4/55

International Bank for Reconstruction
and Development
Department of Technical Operations
Washington 25, D.C.

Gentlemen:

IB-Loan No 61, Electric Power Projects

We have pleasure in enclosing a letter of Imatran Voima Osakeyhtiö, dated 1st February, 1955, in which they apply that the share in the above loan allocated for the Petäjäskoski Power Project be transferred to the name of Kemijoki Oy and that the possible new IB-loan be distributed between Kemijoki Oy and Imatran Voima Oy in the manner specified in the attached letter.

On our part, we wish to point out that we have no objections against such an arrangement.

Yours very truly,
SUOMEN PANKKI-FINLANDS BANK

[Signature] *[Signature]*

1 Encl.

Fin.-Ln neg-3
2-2- Feb. 16/55

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FEB 7 3 31 PM 1955

DEBRIEFING
1st DEPARTMENT
IS SUBJECT OF CASE NO. 3

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

Helsinki, 1st February, 1955.

ML/EKL

International Bank for
Reconstruction and Development,
1818 H Street, N.W.
Washington D.C.

Gentlemen:

Subject: Transferring of the IB 61 Loan and of the new loan
to Kemijoki Oy for the part reserved for Petäjäskoski
Power Project.

When visiting Finland in December 1955 Mr. Åkerman
and Mr. Dickinson was given a memorandum called "Memorandum
of the utilization of the water resources in Kemijoki" in which
was given an account of water power of the watercourse in Kemi
river, of the ownership of the water power in that area, and
the power company, Kemijoki Oy, that was established for development
of the water power resources in Kemi river.

The construction work of Petäjäskoski Power Project
that was performed in the name of Imatran Voima Osakeyhtiö for
account of Kemijoki Oy until the end of the year 1954 was on the
1st January 1955 transferred to Kemijoki Oy. Because also all the
properties Imatran Voima Osakeyhtiö has acquired for development
of the water power resources in Kemi river has been transferred
to the name of Kemijoki Oy, it would be very much to the purpose
if also the loans granted to be used for this purpose could be
transferred to Kemijoki Oy.

In the IB 61 Loan \$ 92.000:- (Item A3) was reserved
for switching equipment and \$ 1.920.000:- (Item B3) for construction
machines of Petäjäskoski Power Plant, totalling \$ 2.022.000:-

2,012,000:-

The sum of the proposed new loan should be divided between Kemijoki Oy and Imatran Voima Osakeyhtiö in the following way:

Kemijoki Oy.

=====

Petäjaskoski Water Power Plant.

Two	3-phase alternators		
	55 MVA, 12 kV, 100 r/min.	DM 4.650.000:-	= \$ ¹¹⁰ 1.100.000:-
Two	water turbines,		
	66 HP, 100 r/min.	SFr 3.500.000:-	= \$ ⁸¹⁵ 800.000:-
Four	1-phase transformers,		
	12,5/ $\frac{234}{V3}$ / $\frac{405}{V3}$ kV,		
	40/85/125 MVA, and one		
	reactor 13 kV, 70 MVA	SCr 3.650.000:-	= \$ ⁷⁰⁵ 700.000:-
	Switching equipment,		
	auxiliaries, protective		
	and metering devices	SFr 600.000:-	= \$ ¹⁴⁰ 130.000:-
		Total	\$ ⁷⁷⁰ 2.730.000:-
			=====

Imatran Voima Osakeyhtiö

=====

One	series condenser for		
	400 kV line Petäjaskoski-		
	South-Finland, 45MVA, 35 ohm	SCr 1.550.000:-	= \$ 300.000:-
	Switching equipment,		
	auxiliaries, protective		
	and metering devices for		
	Pikkarala Switching		
	Station	SFr 1.200.000:-	= \$ ²⁸⁰ 270.000:-
		Total	\$ ⁵⁸⁰ 570.000:-
			=====

Grand total \$ 3,350,000:-

As an explanation we like to point out that Imatran Voima Osakeyhtiö takes care of all power transmission from the power plants of Oulujoki Osakeyhtiö and Kemijoki Oy to South-Finland. The equipment proposed to be financed under the new IBRD loan is directly incorporated with this power transmission, already financed by the Bank with \$ 4,246,000:- 4,319,000

Considering the facts stated above we ask the Bank to transfer that part of the Loan No. 61 FI, which has been granted to be used for Petäjäskoski Power Project, to the name of Kemijoki Oy and to divide the eventual new loan between Kemijoki Oy and Imatran Voima Osakeyhtiö in the way suggested above.

We should like to point out that these arrangements do not cause any changes in the list of goods that already earlier has been given to the Bank.

Faithfully yours

IMATRAN VOIMA OSAKEYHTIÖ

Antti Laitinen *Sihteeri*

RECEIVED
FEB 13 3 31 PM 1952

RECEIVED
FEB 13 3 31 PM 1952

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FEB 7 3 31 PM 1955

[Signature]
INVESTMENT LOANS DEPARTMENT

WASHINGTON, D.C.

has been given to the Bank.

do not cause any changes in the list of goods that already existed.
We would like to point out that these arrangements
would.

Kentucky Oil and Investment Loans Corporation in the way suggested
of Kentucky Oil and to change the existing new loan between
planned to be used for Pennsylvania Power Project to the same
bank to transfer that part of the loan no. of Elmhurst has been

considering the facts stated above we ask the
attention, already financed by the Bank with \$4,546,000:- *4,546,000*
the new IBRD loan is directly in connection with this power trans-
fer to South-England. The equipment proposed to be financed under
from the Power Plants of Oklahoma Gas & Electric and Kentucky Oil
Investment Loans Corporation takes care of all power transmission
as an explanation we like to point out that

SUOMEN PANKKI — FINLANDS BANK, HELSINKI HELSINGFORS

AIR MAIL

PÄIVÄYS

DATUM

DATE

VIITTEEMME

VÄR REF.

OUR REF.

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITTEENNE

EDER REF.

YOUR REF.

February 2, 1955

A JG MJ

Fin: 661

International Bank for Recon-
struction and Development,
Department of Technical Opera-
tions, Washington 25, D.C.

ASIA
BETR.
RE

Loan № IB-61-FI, Electric Power Projects

Gentlemen:

We have pleasure in forwarding you enclosed a letter of
Imatran Voima Osakeyhtiö, dated January 29, 1955, in which they
apply for use of the remainder after the Closing Date of the
captioned loan.

Hoping that a favorable consideration may be given to the
suggestion we remain,

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

1 Encl.

202. March 1/55

1 EUGL°

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

SHOMEN BVIKKI-BINGVIDS BANK

LODLS AELA PLUJA°

FEB 7 4 29 PM 1955

and request we remain

hoping that a favorable consideration may be given to the
captioned loan.

With a view to the use of the loan proceeds after the closing date of the
loan, we have herewith enclosed a letter of

transmission of the loan proceeds to the loan account of the
loan.

We have herewith enclosed a letter of
transmission of the loan proceeds to the loan account of the
loan.

From Washington 22, D.C.
Department of Economic Affairs
International Bank for Recon-

LODLS REF
EDEN REF
AMERICAN
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DAVE
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DAVE

V 16 M1

February 8, 1955

SHOMEN BVIKKI-BINGVIDS BANK

VIA MAIL

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

Helsinki, January 29, 1955.
ML/EKL

International Bank for
Reconstruction and Development
1818 H Street NW
Washington DC

Re: Loan 61 FI.

Gentlemen:

In reply to your letter, dated January 20, 1955, we should like to give you the following information.

Suomen Kaapelitehdas has ordered following quantities of raw material for steel-aluminium conductors using import-licences granted on the basis of the IB-loan;

2156 tons of aluminium redraw rod	Sw.Cr.	5.605.670:-
equal to	§	1.080.000:-
1291 tons of steel wire	DM	1.211.600:-
equal to	§	288.000:-

The first 600 tons of aluminium redraw rod will be delivered on the first April, 1955. The remaining quantity will be supplied in part deliveries, 300 tons each, at the beginning of every month.

The delivery of steel wire will begin in January, 1955, and continue with quantities of about 100 tons every month, so that the order will be completely delivered within this year.

By May 31, 1955, the Closing Date of the IB-loan, the following quantities should already be delivered:

900 tons of aluminium redraw rod	Sw.Cr.	2.340.000:-
equal to	§	450.000:-
500 tons of steel wire	DM	470.000:-
equal to	§	111.000:-

Consequently the sum of Sw.Cr. 3.300.000:- and DM 740.000:- will still remain unpaid on the Closing Date. After that the required foreign currency during the first four months (June-September) would be about Sw.Cr. 825.000:- and DM 110.000:- per month and thereafter about 100.000:- DM, also per month by the end of the year 1955.

As it has now turned out to be quite impossible for us to withdraw the remaining part of our allocations by the Closing Date for the reason stated above, we hope that the Bank would kindly make it possible for us to use the remainder after the Closing Date as provided in the delivery program of steel wire and aluminium redraw rod.

Faithfully yours

IMATRAN VOIMA OSAKEYHTIÖ

Antti Laitinen *Antti Kärkainen*

100,000

should be 2.
1. 825,000
acc. correction letters
\$ 635,000
145,000
780,000

Jan 28/55

Central Files

FINLAND - LOAN NO. 61-FI

Myllykoski - Voulentoski Hydroelectric Project

Summary

The woodworking company Myllykoski Oy proposes to construct a hydroelectric power plant at Voulentoski with a capacity of 10,500 kw. The total cost of the plant is F.M. 1,300 million (\$5.6 million). The company has asked the Bank's permission to use the balance available from its allocation under Loan No. 61-FI (\$549,000) to finance part of the cost of the three turbines required for this plant. The funds will be required in German marks. Qualified engineering service has been retained for the design and construction supervision of the plant. The cost of the plant is relatively high but will assure the company of power required for the operation of its newsprint mill and at a cost per kwh which is lower than the rate the company is paying for power purchased from the national grid.

The company proposes to build a hydroelectric power plant on the Kymen River at Voulentoski. The plant will be constructed and operated by a subsidiary company, Voulentoski Oy. This company has a share capital of F.M. 25 million (\$110,000). All shares are held by Myllykoski Oy.

The project consists of the construction of a small earth dam across the river at a site immediately downstream from the outlet of the Konnivesi Lake, an intake canal, powerhouse, tailrace canal, substation and 40 km of 120 kv transmission line. The construction of the dam will to some extent provide seasonal regulation of the stream flow which also will benefit existing power plants downstream. The powerhouse will be equipped with three generating units with a total capacity of 10,500 kw.

An experienced consulting engineer has been retained to carry out the design and supervision of the construction of the plant. The construction will be carried out by the construction department of Myllykoski Oy.

The construction work will be started in the spring of 1955 and the first unit is scheduled to be in operation in September 1956 and the project completed in March 1957. This schedule seems optimistic.

The total cost of the project is estimated at F.M. 1,300 million (\$5.6 million), of which F.M. 272.5 million (\$1.18 million) is required in foreign exchange. The estimate is conservative and includes overhead charges, engineering, taxes and interest during construction. The capital cost per installed kw/^{which} amounts to the equivalent of \$535 is relatively high, but this is offset by the advantageous location of the project.

The balance available of the allocation of the IBRD loan amounts to \$549,000 and will cover 62.5% of the cost of the turbine units. The balance of the foreign exchange required will be obtained by the Bank of Finland.

The project will be financed as follows:

IBRD Allocation	F.M. 126 million
Share Capital (Voulenkoski Oy)	25 million
Loans from Myllykoski Oy	1149 million
Total	<u>F.M. 1300 million</u>

Myllykoski Oy will in turn obtain the required funds from the following sources:

Loan from Industrial Mortgage Bank	F.M. 400 million
Loans from Pension Fund & Postal Savings Bank	200 million
Own Resources	549 million
	<u>F.M. 1149 million</u>

Based on a load factor of 55%, the annual generation of the plant is estimated at 58 million kwh. Deducting losses, 55 million kwh will be available at the Myllykoski Paper Mill. The power consumption of the mill amounted to 160 million kwh in 1954. By installation of new grinders this will increase to 177 million kwh in 1955, 192 million kwh in 1956 and 1957

and to 301 million kwh in 1958, assuming that a new paper machine will be installed.

Power will be obtained from the following sources:

<u>Own Installations</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
			(million kwh)		
Myllykoski Hydro Plant	90	110	125	125	125
Voulenkoski Hydro Plant				23	55
Back pressure steam	37	40	44	44	65
<u>Purchased Power</u>	<u>33</u>	<u>27</u>	<u>23</u>		<u>56</u>
Total	160	177	192	192	301

The power from the new plant will basically reduce the amount of purchased power required for the mill. A possible surplus of power can readily be sold over the national grid.

The cost of power from the new plant is estimated at F.M. 2.98/kwh in 1957. Because of the reduction in interest payments on the borrowed funds over the years the cost will decrease steadily and is estimated at F.M. 2.26 in 1960. The production cost estimate includes operational expenses, provisions for normal depreciation and taxes and interest payments on borrowed funds.

The average rate to be paid by Myllykoski Oy is estimated at F.M. 2.50/kwh. The rate for purchased power is shown by the company to be F.M. 3.20/kwh. Considerable savings will, therefore, be made by the company by obtaining power from the new plant.

C. Finne/mcc

January 28, 1955

Fin. Ln 61

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: January 27, 1955

TO: Mr. S.R. Cope, IBRD

FROM: Klaus Waris, Suomen-Pankki-Finlands Bank, Helsinki.

SUMMARY: Acknowledging December 29th. letter regarding Lapin Raivaus
& Pellonraivaus.

Page 2 discusses loan request of Aakoski Oy.

FILED UNDER: Finland - Loan negotiations

CROSS REFERENCE: Finland - Loan 61

6171 - Admin

In reply refer
to: Loan 61 FI

January 21, 1955

Dear Mr. Karhilo:

I attach for your information two copies of a letter I have today written to the Bank of Finland about the application for an increase of \$175,694.42 in the allocation for Yhtyneet Paperitehtaat Oy under Loan 61 FI.

I should be grateful if you would forward one copy of my letter to Helsinki.

Yours sincerely,

S. R. Cope
Assistant Director of Operations
Europe, Africa & Australasia

Attachments

Mr. A. Karhilo
Legation of Finland
1900 Twenty-fourth Street, N.W.
Washington, D.C.

12

January 21, 1955

In reply
refer to: Loan 61 FI

Gentlemen:

I acknowledge your letter of January 15, 1955 with application for an increase of \$175,694.42 in the allocation for Yhtyneet Paperitehtaat Oy under Loan 61 FI.

We are agreeable to Yhtyneet's request. Their allocation under Loan 61 FI should therefore be increased from \$2,185,760.57 to \$2,361,454.99 (item 11.G in the List of Goods). The increase in the funds for Yhtyneet is to be taken from unused parts of the present allocations for Kemi Oy and Myllykosken Paperitehdas Oy. In view of the fact that we are presently studying the possibilities of a reallocation in favor of Myllykoski for their Vuolenskoski project, I propose that we do not now go through the procedure for modifying the official List of Goods but make only provisional changes. The List of Goods, as provisionally amended, would thus read:

II. Woodworking Industries Projects

- - - - -
D. Kemi Oy

One soda recovery unit with ancillary
equipment \$680,268.95

- - - - -
F. Myllykosken Paperitehdas Oy

Parts for modernization of two paper machines
\$247,000.00

G. Yhtyneet Paperitehtaat Oy

One 26 1/2 inch Fourdrinier newsprint machine
with ancillary equipment \$2,361,454.99

- - - - -
I. Unallocated

\$ 547,036.63

TOTAL \$9,500,000.00

Suomen Pankki-Finlands Bank
Helsinki
FINLAND

The amount under D. is based on information supplied in Kemi's letter to us of September 1, 1954. The amount under F is an approximation based on a statement from Myllykoski, dated May 3, 1954. The amount under I. is, of course, a residual.

We are now prepared to disburse for Yhtyneet in accordance with the provisional amendment set out above.

Yours truly,



S. R. Cope
Assistant Director of Operations
Europe, Africa & Australasia

cc: Mr. A. Karhilo, Legation of Finland, Washington, D.C.

Miss Morsey
Mr. Svoboda
Mr. Brion/ Mr. Verheyen/ Mr. Morra

(CLEARED WITH WORKING PARTY)

SJAkerman;SRCope;dhc



In reply refer
to: Loan 61 FI

January 20, 1955

Gentlemen:

✓
Further to my letter of December 13, 1954 concerning our financing of steel wire and aluminum rod to be used for conductors for Imatran Voima Oy, I would draw your attention to the fact that the Closing Date of the loan is May 31, 1955. The date of March 1, 1956 mentioned in my letter refers only to the time before which the manufacturer has undertaken to deliver the finished goods to Imatran Voima Oy.

I assume that Imatran Voima Oy will be in a position to withdraw the remaining part of their allocation before the Closing Date; if this turns out to be impossible I hope you will let us know so that we can make arrangements for dealing with the situation in good time.

Yours sincerely,

S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
FINLAND

cc: Mr. A. Karhilo, Legation of Finland, Washington, D.C.

Mr. Finne
Miss Morsey
Mr. Brion
SJAkerman;dhe

[Handwritten signature]

[Handwritten signature]

January 18, 1955

Dear Mr. Karhilo:

Jan 12/55

In reply to your note about the documents required for the \$15,000 disbursement for Kemi Oy, I should mention the following.

As a precondition for reimbursement we must receive with the usual application some evidence of payment to the supplier of the equipment, showing the date of the payment, for example a receipt, copy of draft, check or bank's transfer advice, etc. The contract copy supplied by you is thus not sufficient for us to act on, as it includes no indication of when payment was actually made.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa & Australasia

Mr. A. Karhilo
Legation of Finland
1900 - 24th Street, N.W.
Washington, D.C.

SJAkerman;dhc



January 17, 1955

Dear Dr. Soderhjelm:

✓
Thank you for your cable of January 14, 1955 addressed to Mr. Akerman about the three turbines for Myllykoski. We will certainly do our best to give you an early decision.

On his return to Washington, Mr. Akerman told me about all the help Mr. Dickinson and he had from you personally and your organization during their recent visit to Finland. I am sure that it was only because of your cooperation that it was at all possible to carry out the investigation in such a short time.

We are now busily engaged in studying the material collected in Finland and we hope that we shall soon be able to come to the stage of final negotiations.

With best personal regards.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Dr. J. O. Söderhjelm
Central Association of
Woodworking Industries
S. Esplanadgatan 2
Helsinki, Finland

SJAkerman:ms 

AIR MAIL

21-61

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

PÄIVÄYS

DATUM

DATE

January 15, 1955.

VIITTEEMME

VÄR REF.

OUR REF.

V JG LT

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITTEENNE

EDER REF.

YOUR REF.

→ International Bank for Reconstruction
and Development, Department of
Technical Operations, Washington 25, D.C.

ASIA
BETR.
RE

Loan IB-61. Woodworking Industries Projects.

Gentlemen:

We have pleasure in forwarding to you herewith a letter of The Central Association of Finnish Woodworking Industries, Helsinki, together with a letter of Yhtyneet Paperitehtaat Osakeyhtiö, Valkeakoski, containing a request for increase of the latter's share in the IB-61 Loan.

✓
Jan 10/55

Yours faithfully,

Suomen Pankki - Finlands Bank

[Handwritten signature and stamp]
RECEIVED 1955 JAN 15 12 35
INTEREST BANK
HELSINKI

Enclos.

Registered.

ack Jan 21/55

Registered.
Boston.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JAN 12

1 39 PM 1955

SWEDEN BANK — FINLANDS BANK
Helsinki, Finland

10/2
A document for increase of the latter's share in the IB-ET group.
with a letter of Director Rasmussen's observations, attached, concerning
general association of Winter Woodworking Industries, Helsinki, Finland.
We have pleasure in forwarding to you herewith a letter of the
Gentlemen:

RE
BELL
V214

From IB-ET Woodworking Industries Projects.

Respectful Observations, Washington 22 D.C.
and Department, Department of
Information Bank for Reconstruction

LOUS KEE
EDEN KEE
ANNEENIE
LOUS KEE
EDEN KEE
KIMENIE
ONE KEE
AYE KEE
ANNEENIE
DAVE
DAVID
EVALAAS

A 16 PL

January 12, 1955

SWEDEN BANK — FINLANDS BANK

=====

THE CENTRAL ASSOCIATION OF FINNISH WOODWORKING INDUSTRIES

HELSINKI E. ESPLANAADIKATU 2 — HELSINGFORS S. ESPLANADGATAN 2

⚡ TRAECENTRUM

☎ 11 596

Helsinki, January 15, 1955.

International Bank for Reconstruction
and Development
Washington 25, D. C.

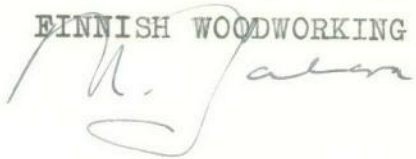
Dear Sirs,

Re: IB-61, Woodworking Industries Projects. /

With reference to your letter of December 3, 1954,
to the Bank of Finland re the project of Yhtyneet Paperiteh-
taat Oy, we enclosed send you the Company's letter of Janu-
ary 10, 1955.

We await your reply as soon as possible.

Yours very truly
THE CENTRAL ASSOCIATION OF
FINNISH WOODWORKING INDUSTRIES



Encl.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JAN 18 1 39 PM 1955

*File
Finland*

OFFICE MEMORANDUM

TO: Mr. S. Lipkowitz

DATE: January 14, 1955

FROM: S. R. Cope

SUBJECT: Finland

I enclose a letter dated January 8, 1955 from the Bank of Finland with enclosures relating to the proposed new allocation for Myllykoski Paper Mill Ltd. I also enclose a copy of a cable received today from Dr. Soderhjelm.

I should be grateful if you could treat this as a matter of urgency and do everything possible so that we can send a reply early next week.



Enclosures

January 11, 1955

Dear Mr. Asp:

I received your letter of January 8, 1955 with enclosures from Myllykosken Paperitehdas Oy, describing their new Vuolenkoski project, and Mr. Akerman has now received a cable from Dr. Söderhjelm asking that the balance of \$549,000 be allocated for the purchase of three water turbines from Germany. We are studying the matter and will let you have our decision as soon as possible.

If it turns out that we could agree to a new allocation for Myllykoski under Loan 61-FI, the List of Goods would of course have to be changed. In this connection, may I remind you that we have not yet received an application, with supporting documents, for an increase in the allocation for United Paper Mills under Loan 61-FI (see our letter of December 3, 1954).

With best personal regards,

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Mr. Eero Asp
Suomen Pankki-Finlands Bank
Helsinki
FINLAND

cc: Mr. Aarno Karhilo, Finnish Legation, Washington, D.C.

Mr. Lipkowitz

SJAkerman;SRCope;dnc

Files 71-61

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

DATE OF WIRE: JANUARY 14, 1955 1403

TO: AKERMAN INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FROM:
HELSINKI

TEXT:

ROUTING
ACTION COPY TO MR. AKERMAN
INFORMATION COPY TO
Decoded By

61-#I
FINLANDS BANK DESPATCHING TODAY LETTER RECOMMENDING REMAINDER
LOAN IB-61 DOLLARS 549.000 TO BE ALLOCATED TO MYLLYKOSKI FOR
PURCHASE THREE WATERTURBINS FROM GERMANY IN ACCORDANCE WITH
MYLLYKOSKI APPLICATION JANUARY 7 1955 FINLANDS BANK GRANTING
REMAINDER FOREIGN EXCHANGE. PLEASE DO YOUR BEST GET SPEEDY
DECISION AS MEN AND MACHINERY READY FOR TRANSFER FROM MYLLY-
KOSKI TO VUOLENKOSKI. KIND REGARDS

SOEDERHJELM

ORIGINAL

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JAN 14 10 45 AM 1955

12

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ROUTING SLIP		Date
NAME		ROOM NO.
Mr. Fletcher		312
Hiles		210
☒ Action		Note and File
☐ Approval		Note and Return
☐ Comment		Prepare Reply
☐ Full Report		Previous Papers
☐ Information		Recommendation
☐ Initial		Signature
Ref 3		
Mr. Repman has not seen this.		
He.		

Fin: Ln 61

ASSOCIATED FIRMS IN EUROPE - BELGIUM, FRANCE, GERMANY, HOLLAND, ITALY, SPAIN, SWITZERLAND
ASSOCIATED FIRMS OVERSEAS - GREAT BRITAIN, UNITED STATES OF AMERICA, CANADA, SOUTH & CENTRAL AMERICA, EGYPT, SUDAN, INDIA, PAKISTAN, SOUTH AFRICA, MEXICO, CUBA, AUSTRALIA, NEW ZEALAND
PHILIPPINES, MALAYA, AGENCIES IN HONG KONG, JAPAN

PRICE WATERHOUSE & CO

CHARTERED ACCOUNTANTS.

TELEPHONES: 10 12 42, 20 50 52
TELEGRAMS: "PRICEWATER STOCKHOLM"

KUNGSGATAN 28
STOCKHOLM

By Airmail

January 13, 1955.

PRIVATE & CONFIDENTIAL

International Bank for Reconstruction
and Development,
Washington 25, D.C.
U.S.A.

For the attention of Mr. Milton C. Cross

Dear Sirs,

I have pleasure in enclosing the original and one copy
of the following memoranda:-

- (1) Memorandum on the financial position of seven limited liability companies engaged in the wood-working industry in Finland.
- (2) Memorandum on the estimated costs of erecting and operating two power stations in Finland.

It should be noted that no exhibits are attached to the copy of the memorandum on the cost of erecting and operating two power stations in Finland.

When obtaining the information required in connection with the companies in the wood-working industry, I promised each of the managing directors of the seven companies concerned that the information given to me and the balance sheets, which I have prepared, would only be made available to the officials of your bank and, in particular, that the information would not in any circumstances be made available to officials of the Bank of Finland or representatives of the Finnish government. I am sure that you will honour my promise and treat the enclosed memoranda as restricted documents.

RETURN TO
OPERATIONAL FILES

Attachment filed in
documents drawer. #33.

International Bank for Reconstruction
and Development, Washington.

January 13, 1955.

I have not made any attempt to investigate the profit position of the seven companies in the wood-working industry, as I found that to do this would necessitate making an estimate of the cost or market values of the inventories at the commencement of the financial period and this work and the resulting adjustments arising therefrom to the profit and loss accounts would have increased very materially the time spent on the review of each of the seven companies' financial statements. In view of the very short time, which was given me to carry out this work, I saw no alternative but to decide not to carry out this section of the work.

At the request of Mr. Aldevereld, I enclose the original and one copy of a statement setting out the figures relating to the engineering division of Messrs. W. Rosenlew & Co. O/Y, Pori, which have been extracted from the papers in my possession.

May I ask you to arrange to destroy the incomplete drafts of the memorandum which Mr. Aldevereld took with him to Washington at the conclusion of his visit to Stockholm.

I should be pleased if you would acknowledge safe receipt of the enclosed documents.

In conclusion I should like to express my appreciation of the assistance which I received during the course of my work in Finland from Dr. J. Åkerman.

Yours very truly,

John Edickson

Encls. (6)

JAN 13 11 14 AM 1955

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JAN 17 11 14 AM 1955

Encs. (2)

100-670200-
Yours very truly,

work in Finland from Mr. J. A. Kallio.
of the assistance which I received during the course of my
in conclusion I should like to express my appreciation
receipt of the enclosed documents.

I should be pleased if you would acknowledge safe
receipt of the conclusion of his visit to Stockholm.
copies of the memorandum which Mr. A. A. Kallio took with him to
may I ask you to arrange to destroy the incomplete
possession.

Co. O. A. Kallio, which have been extracted from the papers in my
relating to the engineering division of Messrs. M. Rosenberg &
original and one copy of a statement setting out the figures
at the request of Mr. A. A. Kallio, I enclose the

of the work.
I saw no alternative but to decide not to carry out this section
the very short time, which was given me to carry out this work,
each of the seven companies, financial statements. In view of
have increased very materially the time spent on the review of
ments relating thereto to the profit and loss accounts month
of the financial period and this work and the resulting adjust-
the cost of market values of the inventories at the commencement
I found that to do this would necessitate making an estimate of
position of the seven companies in the mood-working industry, as
I have not made any attempt to investigate the profit

and development, Messrs. Kallio.
International Bank for Reconstruction

JANUARY 13, 1955

W. ROSENLEW & CO. O/Y - PORI

ENGINEERING DIVISION

SCHEDULE OF BALANCES AS AT DECEMBER 31, 1953

(Expressed in thousands of Finnish Marks)

A S S E T S

CURRENT ASSETS

Cash on hand and in banks	531	
Accounts receivable	208 070	
Inventories of products, work-in-progress, materials and stores, at estimated cost or market values	<u>1 250 000</u>	
Total current assets		1 458 601

FIXED ASSETS

At written up values		
Land	30 413	
Foundries, machine shops etc.	362 206	
Plant, machinery and equipment	465 286	
Motor vehicles etc.	<u>14 811</u>	<u>872 716</u>
Total	F.Mks.	<u>2 331 317</u>

L I A B I L I T I E S

CURRENT LIABILITIES

Bank overdraft	66 298	
Accounts payable	<u>190 740</u>	257 038

RESERVE FOR REPLACEMENT OF INVENTORIES

1 134 498

1 391 536

ESTIMATED CAPITAL EMPLOYED

939 781

Total F.Mks. 2 331 317

- Note:- (1) The buildings and machinery are insured against fire risks in an amount of F.Mks. 2.402.210.
- (2) The amount of depreciation set aside on Fixed assets cannot be ascertained from the information available.
- (3) The above figures should be regarded as approximate.

JAN 17 11 14 AM 1955

W. ROSENLEW & CO. O/Y - PORI

ENGINEERING DIVISION

SCHEDULE OF BALANCES AS AT DECEMBER 31, 1953

(Expressed in thousands of Finnish Marks)

A S S E T S

CURRENT ASSETS

Cash on hand and in banks	531
Accounts receivable	208 070
Inventories of products, work-in-progress, materials and stores, at estimated cost or market values	<u>1 250 000</u>

Total current assets 1 458 601

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JAN 17 11 14 AM 1955

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. S. Akerman
FROM: M. Verheyen
SUBJECT: Loan IB 61-FI II-D

DATE: January 13, 1955

The perusal of the attached letter and document calls
for the following remarks:

- (1) To be eligible for reimbursement the Bank must receive with the usual application, an evidence of payment to the contractor, either receipt or copies of draft, check, Bank's transfer advice, showing the date of the payment.
- (2) We were told at the time of the beginning of disbursement of that loan, that we would not finance these \$15,000.00 therefore, there might be a chance they would not be eligible according to the date they have been paid to Babcock and Wilcox Company.

*payment date
acc to terms
Oct. 21, 1952
Loan effective
Aug 12, 1952*

YHTYNEET PAPERITEHTAAT OSAKEYHTIÖ

(UNITED PAPER MILLS LTD)



SIMPELE — TERVASAARI — JÄMSÄNKOSKI — KAIPOLA
PAPERITUOTE — JYLHÄVAARA — VALKE

HEAD OFFICE

TELEGRAMS: YHTYNEET, VALKEAKOSKI
TELEPHONE: VALKEAKOSKI 201

VALKEAKOSKI, 10th January, 1955.
(Finland)

VH/ee

Purch. Dept.

International Bank for Reconstruction and
Development
Washington 25 D.C
U S A

Gentlemen,

Loan No IB-61.

Referring to your letter of 3rd December, 1954, we
would request you to consider the possibility of
increasing our part of the IB-61 loan by \$ 175.694:42
according to the following calculation:

Present IB-61 loan	\$ 2.185.760:57 ✓
Transferred from IB-16	<u>56.702:93</u>
Loan at disposal	\$ 2.242.463:50 =====
Price of Paper Machine	\$ 2.418.157:92 ✓
Loan at disposal	<u>2.242.463:50</u>
Required to complete	\$ 175.694:42 =====

Enclosed please find a list, covering all changes
in the paper machine delivery up to this date and
also stating the present price of \$ 2.418.157:92.

We trust that the above mentioned information is
what you required, but if not, we shall be pleased
to give you more details.

Yours very truly,

pp. YHTYNEET PAPERITEHTAAT OSAKEYHTIÖ
Head Office

Copy sent to Yhtyneet, Kaipola.

encl.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

COBA sent to Antanas' KSTBOJA
JAN 18 1 39 PM 1955

Head Office
BB. ANTIWEET PABEKITENTIAAT OSAKEYHTIO

LOUISA AELA FILIA

to give you more details.
what you required, but if not, we shall be pleased
we think that the above mentioned information is

also stating the present price of \$ 5,418.121:25.
in the paper machine delivered up to this date and
enclosed please find a list, covering all charges

Required to complete	\$ 112.204:45
Cost of transport	\$ 5,545.423:20
Price of Paper Machine	\$ 5,418.121:25
Cost of transport	\$ 5,545.423:20
Transferred from IB-10	\$ 20.103:23
Present IB-01 cost	\$ 5,182.100:21

according to the following calculation:
increasing our cost of the IB-01 cost by \$ 112.204:45
would require you to consider the possibility of
referring to your letter of 3rd December, 1954, we

Cost no IB-01.

Gentlemen:

U S V
WASHINGTON 22 D.C.
Development
INTERNATIONAL BANK FOR RECONSTRUCTION AND

ENTER DEPT.

TELEPHONE: AVKAYKOSKI 301
TELETYPE: ANTIWEET AVKAYKOSKI
HEAD OFFICE

AN/66

AVKAYKOSKI 10th January, 1955.

PAVEKITENTIAAT - TIGHUAVVAV - AVKAY
SINTEGE - JEVAVVAVV - TIGHUAVVAV - KAVBOVA



(UNITED PAPER MILLS LTD)

ANTIWEET PABEKITENTIAAT OSAKEYHTIO

UNITED PAPER MILLS, LTD.
VALKEAKOSKI, FINLAND

DESCRIPTION OF CHANGE	ADDITIONS	DEDUCTIONS
1. Breast roll lifting - clarification	No Change	in Price
2. Suction couch piped thru cantilever	No Change	in Price
3. Side beams to be level top	No Change	in Price
4. Cut off squirts mounted on footboard	No Change	in Price
5. Location of draw roll	No Change	in Price
6. Couch draw roll changed to press draw roll	No Change	in Price
7. Deduct smoothing press		\$46,253.00
8. Wire rolls changed from stainless to rubber covered		1,386.00
9. Hook furnished for felt stretchers	No Change	in Price
10. Last dryer changed to sweat dryer	\$ 385.00	
Lead dryer added	7,335.00	
11. Felt arrangement & spacing clarification	No Change	in Price
12. Deduct water cooling on spring roll		210.00
13. Hand & auto. guide location - clarified	No Change	in Price
14. Add Compensator to 10 steam joints	.380.00	
15. Heavy doctor for sweat dryer	1,215.00	
16. Cal. stack changed to closed side std.		3,240.00
17. Deduct suction seals from spares		1,075.00
18. Spare dryer gearing changed		135.00
19. Spare spring roll packing box		110.00
20. Addition of Sheehan Carrier Rope	580.00	
21. Deduct air relief valves on dryers		66.00
22. Brass water pipe changed to copper	No Change	in Price
23. Flexible connection for suction couch clarification	No Change	in Price
24. Deduct second press rope carrier		.784.00
25. Piping clarification	No Change	in Price
26. Dryer gearing changes		1,408.00
27. Deduct V-belt drive on blow roll		65.00
28. Add 1 suction box & deduct 1 table roll	2,694.00	
29. Add 2 small forming boards & deduct 1 table roll	4,373.00	
30. Deduct three deflectors		.6,643.00
31. Change 2 bottom cal. rolls to Farreloy	3,407.00	
32. Press roll doctors changed to Lodding		1,447.00
33. Change spare reel shaft from 18" to 20" dia	132.00	
34. Addition of Harland Drives	Separate Contract	
35. Addition of Sulzer vacuum pumps	Separate Contract	
36. Deduct top press rolls on 1st & 2d presses		.20,748.00
37. Widen machine 6"	53,376.00	
38. Change reel spools from 18" to 20" dia	792.00	
39. Add suction pick-up arrangements	159,024.00	
40. Primary & Aux. forming boards	No Change	in Price
41. Steam joints	No Change	in Price
42. Dryer felt rolls	No Change	in Price
43. Rectified rolls	4,660.00	
44. Blow rolls & drive	716.00	
Draw roll & Drive	.358.00	
45. Foundation Plates	No Change	in Price
46. Omit 1 walk handrail		75.00
47. Changes to hydraulic system	5,650.00	
48. Foundation plates		861.00
49. Dryer doctor location	No Change	in Price
50. Beam anchor bolts	No Change	in Price
51. Granite roll face	No Change	in Price
52. Air motor on cut-off jet	350.00	
53. Transfer roll to be rubber covered	7,203.27	
54. Changes to back dryer walk	No Change	in Price
55. Basement beam steel	2,999.00	
56. Changes to front walk & ladders	388.50	
57. Add wire changer track for #2 machine	2,475.00	
58. Spare rope sheaves	204.00	
59. Top couch roll drive	Void 3/8/54	
60. Changes to press doctors	260.00	

61.	Instrumentation material	\$ 8,533.50	
61.	addendum - Additional packing charges & frt.	411.05	
62.	Paper testing meters	896.50	
63.	Pickup roll suction connection & mounting	6,487.80	
64.	Paper testing instruments	967.70	
65.	Spare parts	100,833.67	
66.	Paper testing meter	436.50	
67.	Hydraulic pipe & fittings	2,773.04	
67-A	Additional material requested	2,822.38	
68.	Birds Eye calender doctor control	360.00	
69.	Additional controls on stretchers	721.00	
70.	Change spread roll to spreader bar on calenders		\$ 1,260.00
71.	Wind up reel to cut off jet hose	168.00	
71A	Hose reel for trim squirt	74.00	
72.	Six suction box vacuum hose & clamps	534.00	
72-A	1 additional suction box vacuum hose	45.00	
73.	Gate valve & steel separators		Void 5/5/54
74.	1 Solenoid operated valve	153.00	
75.	1 ER 34 R Hog	4,343.50	
76.	Instrumentation for paper machine	8,939.65	
76-A	v. Deduction material from Ind. Instrument Inc.		33.60
75.	Additional freight charges on Hog	38.40	
77.	2 heavy duty Univ. joints & 2 ext. bars	26.55	
78.	3 Moore products valve positioners	192.00	
79.	1 Photovolt PH motor	128.42	
80.	Additional instrumentation	1,295.45	
81.	Additional photoelectric motor	316.50	
82.	One Hydrosilica air pressure cleaner	1,972.50	
82-A	Increase in price on air pressure cleaner	372.50	
83.	Spec. designed doctor #7 cal. stack		No Change in Price
84.	Spare varipitch sheaves	4,533.20	
84-A	Reduction in price on spare varipitch sheaves		297.60
85.	Lift trucks	18,622.00	
85-A	One set of 42" forks for Lift truck	121.00	
86.	One water cooler	253.00	
87.	Additional instruments for paper quality control	134.22	
88.	Fittings for instrumentation piping Marcator corpl	088.91	
89.	One Asco solenoid valve	165.00	
90.	48 Ermeto steel unions	140.16	
91.	1 Garlock Klosure	1316	
92.	1-Signode stretcher 7 1 signode sealer for stretcher	33.00	
93.	Additional Ferrulok tube fittings	61.98	
94.	Additional spare instruments for Kaipola	220.90	
95.	2 lengths of Link Belt	229.58	
96.	Ermeto Sleeves	211.08	
97.	4 SKF bearings	32.64	
98.	Vickers valves & plugs	352.80	
99.	Additional instrumentation	95.35	
100.	Foxboro control relays	73.95	
101.	Boston ratio motor	287.00	
102.	Automatic Switch	114.80	
103.	6 Asco valves	193.20	
104.	5 Relays	78.81	

\$ 429,855.12

\$ 86,097.20

Original Contract		2,074,400.00
Total additions	\$ 429,855.12	
Total deductions	<u>86,097.20</u>	
Net total		<u>343,757.92</u>
		2,418,157.92

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Net total		2,418,157.92

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Mr Liptonwitz
room 312

This is the official
submission on Mylly-
backi's new project.
Letter acknowledged by Mr Cape
/ Korman

GENERAL FILES
ROUTING SLIP

Date

JAN 1 1955

ROUTING OF INCOMING MAIL

Mr. Black	1023	Personnel Div.	1213
Mr. Broches	1113	Mr. Poore	1220
✓ Mr. Cope	402	Public Relations	1109
Mr. Demuth	1013	Mr. Reamy	1218E
Mr. Doucet	1109	Research Files	1215
Mr. Garner	1002	Mr. Riley	1201
Mr. Gregh	320	Mr. Rist	1223
Mr. Hamilton	1232	Mr. Rosen	405
Mr. Hoar	405	Mr. Rucinski	320
Mr. Howell	1004	Mr. Schmidt	421
Mr. Iliff	1002	Mr. Sommers	1113
Mr. Johnston	1220	Technical Op.	308
Mr. Knapp	421	Mr. Woolley	1007
Mr. Mendels	1009	Mr. Worthington	1215
Office Services	113	<i>[Signature]</i>	

Remarks:

From General Files & Corres. Section

AIR MAIL



January 8, 1955

Loan 61-79

Dear Mr. Cope:

Enclosed you will find the information on Myllykoski Paper Ltd. asked for by the Bank's experts when here. A copy of this set has today been sent to Mr. Åkerman, Grand Hotel, Stockholm.

Yours sincerely,

Mr. S.R. Cope
Assistant Director
Department of Operations
World Bank
1818 H St. N.W.
Washington 25, D.C.
U. S. A.

JAN 11 4 54 PM 1955

RECEIVED
JAN 11 1955
WORLD BANK

135024700

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JAN 11 4 27 PM 1955

U.S.A.
Washington 25, D.C.
1318 H St. N.W.
WORLD BANK
Department of Operations
Assistant Director
Mr. S.H. Cobb



Yours sincerely,

Mr. Axelsson, Grand Hotel, Stockholm.

When recd. a copy of this set has today been sent to

Muller & Pappas Ltd. asked for by the Bank's experts

Enclosed you will find the information on

Dear Mr. Cobb:



JANUARY 8, 1955

AIR MAIL

fin: 6m61

MYLLYKOSKEN PAPERITEHDAS OY

(Myllykoski Paper Mill Ltd.)

CABLE: PAPERMILL, KOUVOLA
PHONE: KOUVOLA A 50

POSTADDRESS: MYLLYKOSKI
FINLAND

International Bank for
Reconstruction and Development
Washington, D.C.
U. S. A.

NN/SM

Myllykoski, January 7, 1955

Gentlemen:

Loan No. IB-61-Fi-II-F, US-\$ 950.000,-

The above loan was granted to us for purchase of a new newsprint paper machine. Later on it appeared that by modernizing the present paper machines (pick-up system etc.) a considerable increase in the production could be gained at lower cost than by buying a new paper machine. For this reason we applied for approval to use the loan for modernization of our present paper machines, and this was kindly approved by the International Bank for Reconstruction and Development. We, however, succeeded in placing the orders regarding the modernization mostly with Finnish machine-works. That is why there remained an unused balance of the loan.

Our projects still include purchase of a new newsprint paper machine. We have already ordered new grinders for our ground wood mill. The new grinders require more power, and because we are already now compelled to buy electric power from other companies we have decided to erect a hydro electric power plant at the Vuolenkoski rapids which are in our possession. We should be grateful if the International Bank for Reconstruction and Development would allow us to use the balance (\$ 549.000,-) of the IB-61 loan for erection of this hydro electric power plant.

Yours very truly,

pp. MYLLYKOSKEN PAPERITEHDAS OY

Enclosures - See

Myllykoski - Supplementary file & copy of this letter

Mr. Cope:

Re: Your letter of December 3, 1954.

Are the enclosed documents sufficient to cover the Bank of Finland's request for reimbursement of the amount of \$15,000.00 for the soda recovery unit.

Mr. Karhilo

*With the Compliments
of the Legation of Finland
Washington, D. C.*

Jan 12/55

H. A. Achen

*1- Check if we have not yet paid this amount
2- Documents needed to support an application
Call Mr. Achen - 2072*

Translation into English

Letter from the Bank of Finland to the Legation - dated December 29, 1954.

Legation of Finland,
Mr. Veikko Makkonen
1900 24th Street, N.W.
Washington 8, D. C.

IB-61: Kemi Oy.

With reference to the Legation's letter of December 8 and to the enclosed letter of the International Bank dated December 3, regarding Kemi Oy's advance payment of \$15,000.00 to cover the soda recovery unit, the Bank of Finland hereby informs, that the amount in question was disbursed as an advance payment on October 21st, 1952. We are enclosing a photostatic copy of the contract of the Babcock & Wilcox Company, dated July 25, 1951 and request the Legation to take measures to have Kemi Oy reimbursed for this amount from the Loan Account.

Signed -

Suomen Pankki

(Signatures not legible)

Encl.

*See app 3-1-1
2/6/54-1-1*

Get for 12/15

CONTRACT

page

Spec. No. XP-6187-B Sup.
Date July 25, 1951

1

9.

PRICE AND TERMS OF PAYMENT

The price for the material for the complete recovery unit covered by this contract is a total of U.S.A. \$600,000 (six hundred thousand United States Dollars), which the PURCHASER shall pay to the SUPPLIER in the following manner, free from collection charges:

With the order or upon signing of this contract,
whichever is first.....

\$15,000

The balance as follows:

Dec. 15, 1951.....	10%
Feb. 1, 1952.....	20%
April 1, 1952.....	10%
May 1, 1952.....	10%
June 1, 1952.....	10%
July 1, 1952.....	10%
August 1, 1952.....	10%

VT-Dall Ultim. 7/15/51
116-2044-17/9-52
let \$307,000 - 2/8-52
468000 -

The remainder shall be due prorated as shipments go forward.

LETTER OF CREDIT

The SUPPLIER shall, not less than 90 days in advance of the date upon which it expected to begin shipment, notify the PURCHASER to this effect, stating the amount of this 20 per cent (final) payment plus estimated price adjustments and other charges to be paid by the SUPPLIER, if any, and the date the SUPPLIER expects to complete shipment. Thereupon, the PURCHASER shall, within 60 days of the date of said notice, establish at a New York bank satisfactory to the SUPPLIER, a confirmed irrevocable Letter of Credit in U.S.A. dollars in favor of the SUPPLIER, in sufficient amount to cover the amounts due the SUPPLIER upon shipment or upon presentation of its certificate of manufacture and inability to ship, as aforesaid. Such Letter of Credit shall, by its terms, be valid for at least 30 days after the date the SUPPLIER expects to complete shipment. The PURCHASER shall increase the amount, extend the validity and amend the conditions of the Letter of Credit at the request of the

EB
THE BABCOCK & WILCOX COMPANY

61 F1
December 29, 1954

Dear Professor Waris:

Mr. Hancock has made his report on the operations of the Pellonraivaus and Lapinraivaus Companies. We are glad to note that both these companies have been making efficient use of their equipment which has been in part financed from the loan made to the Bank of Finland in 1952. We are particularly impressed with both the volume and the value of the services the two companies have been able to render to agriculture and forestry.

I should like to make only two points. In the autumn of this year Lapinraivaus could not find sufficient work to employ its equipment fully in the northern area. As a result it transferred some of its tractors to the southernmost districts, while at the same time Pellonraivaus maintained quite a large tractor fleet in Lapland. It was our understanding that Lapinraivaus was founded originally to work in Lapland: it now appears, however, that there is not enough work there to employ the tractor fleet and that it is now operating in competition with Pellonraivaus further south. On the other hand Pellonraivaus now seems to be operating in the north. While this is not necessarily bad (a certain amount of competition between the two might indeed be healthy) it does seem to represent a change in the original setup and I should appreciate your comments.

Mr. Hancock reports that the two companies were required to supplement by a premium the capital repayment made to you this year. I am not quite clear what this means and I would appreciate an explanation regarding the purpose and nature of this premium.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Professor Klaus Waris
Bank of Finland
Helsinki, Finland

cc: Mr. deVries, T.O.D.

AIR MAIL

Fin 61-65

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

PÄIVÄYS

DATUM

DATE

December 18, 1954

VIITTEEMME

VÄR REF.

A JG MJ

OUR REF.

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITTEENNE

EDER REF.

YOUR REF.

→ International Bank for Recon-
struction and Development
Department of Technical Opera-
tions, Washington 25, D.C.

ASIA
BETR.
RE

Loan № IB-61, Woodworking Industries Projects

Gentlemen:

We are pleased to send you enclosed a letter of The
Central Association of Finnish Woodworking Industries, dated Decem-
ber 17, 1954, and a letter of Yhtyneet Paperitehtaat Oy, dated Decem-
ber 15, 1954, containing answer to your letter of November 4, 1954,
to us.

DEC 23 5 15 PM 1954

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

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2 Encls.

THE CENTRAL ASSOCIATION OF FINNISH WOODWORKING INDUSTRIES

HELSINKI E. ESPLANAADIKATU 2 — HELSINGFORS S. ESPLANADGATAN 2

⚡ TRACENTRUM

☎ 11 596

Helsinki, December 17, 1954.

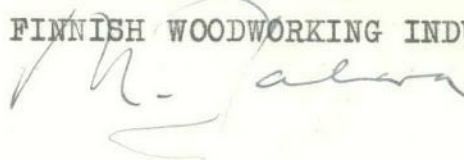
International Bank for Reconstruction
and Development
Washington 25, D. C.

Dear Sirs,

Re: IB-61, Woodworking Industries Projects. ✓

With reference to your letter of November 4, 1954,
to the Bank of Finland re the projects of Yhtyneet Paperi-
tehtaat Oy and Enso-Gutzeit Oy we are pleased enclosed to
send you Yhtyneet Paperitehtaat's reply.

Yours very truly
THE CENTRAL ASSOCIATION OF
FINNISH WOODWORKING INDUSTRIES



Encl.

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INTERNATIONAL BANK FOR
RECONST. AND DEVELA

DEC 22 2 12 PM 1954

YHTYNEET PAPERITEHTAAT OSAKEYHTIÖ

(UNITED PAPER MILLS LTD)



SIMPELE — TERVASAARI — JÄMSÄNKOSKI — KAIPOLA
PAPERITUOTE — JYLHÄVAARA — VALKE

HEAD OFFICE

TELEGRAMS: YHTYNEET, VALKEAKOSKI
TELEPHONE: VALKEAKOSKI 201

VALKEAKOSKI, 15th December, 1954.

(Finland)

VH/ee

Purch. Dept.

International Bank for Reconstruction and
Development
Washington 25 D.C.
U S A

Gentlemen,

Loan No IB-61.

In reply to your letter of 4th November, 1954, we would inform you that we increased the amount of our total expenditures by \$ 5.100.000:- at the request of your Mr. Finne, as he thought it advisable to include in our reports also the so-called Stage II at Kaipola.

The price of Paper Machine II amounts to \$ 2.100.000:- and the remaining \$ 3.000.000:- include the following machinery:

Grinders	-	\$	565.000:-
Piping	-		120.000:-
Steam boiler II	-		200.000:-
Beaters	-		150.000:-
Screens	-		110.000:-
Winder	-		80.000:-
Electric cables	-		80.000:-
Barking drum	-		101.000:-
Pumps	-		86.000:-
Heat recovery system	-		168.000:-
Erection costs	-		340.000:-
Turnover tax	-		1.000.000:-
			<u>\$ 3.000.000:-</u>

DEC 25 5 15 PM 1954

Our financial reports for 1954 included "own funds" up to \$ 3.700.000:-. This amount was, however, decreased by \$ 865.000:- when a new bonded loan was granted to us by Bank of Finland on 1st December, 1954.

1924

was returned to the Bank of Leningrad on 1st December, 1924, when a new round of work was commenced. The amount was, however, only financial reports for 1924 included "own funds".

DEC 22 2 12 PM 1954

		\$ 3,000,000:-
General exp	-	1,000,000:-
Election costs	-	340,000:-
Salary	-	188,000:-
Heat recovers	-	
Books	-	82,000:-
Building plan	-	101,000:-
Electric cables	-	80,000:-
Wiring	-	80,000:-
Tools	-	110,000:-
Materials	-	120,000:-
Steam boiler II	-	500,000:-
Lighting	-	150,000:-
Others	-	\$ 282,000:-

respectively:
the remaining \$ 3,000,000:- includes the following
the price of Paper Machine II amounts to \$ 5,100,000:-

at Khabarovsk.
includes in our reports also the so-called stage II
of work. It was brought to the attention of
the Government by \$ 2,100,000:- at the request
of the Ministry of Finance to increase the amount of our
in 1924 to work of the Ministry of Finance, 1924, we

Form No 18-21

Comments:

U.S.V.
M. S. P. U. S. P. S. D. C.
Delegation
International Bank for Reconstruction and

Editor: Dept.

TELEPHONE: LUGENKOSKI 301
TELEGRAMS: ANTIAMER, LUGENKOSKI
HEAD OFFICE

AN/68

LUGENKOSKI 12th December, 1924

БАНКОВИДНОСТЕ - ЛАГНАВАНВУ - ЛУГКЕ
СИМБЕРЕ - ЛЕНАВАНВУ - ЛУГЕНКОСКИ - КИПОРУ



(UNITED PAPER MILLS LTD)

АНТИАМЕР ПАПЕРИЛЕНТАЛ ОЗАКЕАНТИО

15th December, 1954.

- 2 -

So far, no further loans have been granted to us, but the terms of payment for Paper Machine II from Messrs. Walmsleys (Bury) Ltd are very favourable and allow us to pay \$ 700.000:- during 1956 and 1957, i.e. two years after the delivery of the machine.

We hope that you will find our explanations useful, and remain,

very truly yours,

pp. YHTYNEET PAPERITEHTAAT OSAKEYHTIÖ
Head Office

[Handwritten signature]

DEC 25 5 15 PM 1954

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AND DELETED
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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

DEC 22 2 12 PM 1954

Head Office
BB. AMERICAN BANKING CORPORATION

Very truly yours,

and remain.
We hope that you will find our explanations useful.

The two years after the delivery of the machine.
and allow us to pay \$ 100,000:- during 1955 and 1956.
Messrs. Massey (BMA) Ltd are very interested
but the terms of payment for Paper Machine II from
20 per cent no further loans have been granted to us.

- 3 -

AMERICAN BANKING CORPORATION, Head Office

12th December, 1954.

AIR MAIL

December 14, 1954

Suomen Pankki-Finlands Bank
Helsinki, Finland

Gentlemen:

Re: Loan Nos. 61 FI & 70 FI

According to the latest financial report of the Myllykosken Paperitehdas Oy, dated November 22, total expenditures of this project as at June 30, were estimated as \$4,610,400 equivalent, representing an increase over the previous estimate of \$2,294,400, expected to be fully covered from other than IBRD loan funds.

We would appreciate it if you would let us know the main reasons for this considerable cost increase as well as the anticipated principal sources of its financing. According to the company's latest statement of source of funds, local financing requirements to the extent of \$865,802 are expected to be covered by loans from the Industrial Mortgage Bank and the balance of \$2,661,676 from "Own and Other Finances". We would like to have a breakdown of this latter figure, showing for each year of the construction period the principal sources of own funds and of other finances.

Yours very truly,

C. Flesher
Chief, Industry Division
Department of Technical Operations

CWF
LMSvoboda:az

(cleared with Area Department)

cross reference:

Fi 70, Admin

In reply refer to
Loan No. 61 FI

December 13, 1954

Your reference: J KW MJ

Gentlemen:

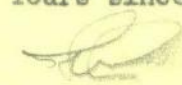
I acknowledge your letter of December 1, 1954 supporting Imatran Voima Oy's proposal that the Bank finance under the above loan the purchase abroad of steel wire and aluminum rod to be used in Finland for the manufacture of transmission lines for the electric power project included in the loan.

We are agreeable to this proposal and we shall apply the unused balance of the allocation for finished ASCR conductors to the purchase of the steel wire and aluminum rod. According to our records, the amount thus available is \$1,370,390.59 and not \$1,368,357 as stated in Imatran Voima Oy's letter of November 26, 1954. The difference may be due to some withdrawal applications which are in transit. In any event, we are prepared to disburse the larger amount for the steel wire and aluminum rod, if you so desire.

Disbursement for the wire and rod will be made on production to the Bank of:

- (a) evidence of the purchase by Imatran Voima Oy of specific quantities of conductors from Suomen Kaapelitehdas showing the cost thereof in Finnish marks, and
- (b) evidence of the import into Finland before March 1, 1956 of specific quantities of aluminum rod and steel wire required for the production of conductors of the specification and in the quantities mentioned in (a) above, and of the amount paid in foreign exchange for these imports.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
Finland

Cleared with Miss Morsey, Mr. Verheyen and Mr. Finne

CC: Mr. Makkonen - Legation of Finland, Miss Morsey, Mr. Verheyen and Mr. Finne
IBaranyai/SRCope:ms

OFFICE MEMORANDUM

TO: Mr. S. R. Cope

DATE: December 8, 1954

FROM: Christian Finne *CF*

SUBJECT: Loan No. 61 FI - Power Projects
Transmission Lines

I enclose two letters received from the Bank of Finland (Dec. 1, 1954) and Imatran Voima Oy (Nov. 26, 1954) asking the Bank to approve the purchase of steel wire and aluminum rod instead of finished ASCR conductors for the last of the transmission lines included in the Bank financed program.

The letter from Imatran explains that this type of conductor can now be produced in Finland, but the raw materials will have to be imported. The savings in foreign exchange is estimated at the equivalent of \$325,000.

The quantities and costs of the materials required for the line are estimated as follows:

Aluminum redraw rod	3,250 tons	Sw.Kr. 8,450,000	(US \$1,800,000)
Steel wire	1,240 tons	D. M. 1,155,680	(US \$ 275,000)
			(US \$2,075,000)

The allocation in the breakdown list of goods for transmission line conductor amounts to \$3,314,000. The unused balance is stated to be \$1,368,357. (The Bank records show \$1,370,390.59)

The company asks the Bank's permission to use this balance to cover part of the cost of the required raw materials. The rest of the foreign exchange will be obtained from the Bank of Finland. The request is supported by the Bank of Finland.

The request is reasonable from a technical point of view, but you might wish to obtain the approval of the members of the Working Party before an answer is prepared.

cc. Mr. Svoboda

*Ok subject to check as to procedure for
payment in foreign exchange - Can this
be arranged between two Finnish
companies? What documentation
would we receive?
Jm*

*No comments
Jm*

Attachments (2)

CFinne:mec

fin. Am 61

In reply refer to:
Loan 61 FI

December 3, 1954

Gentlemen:

I refer to my letter of September 21, 1954, in which I stated that certain allocations under Loan 61 FI might have to be varied.

Our understanding is that Kemi Oy and Myllykoski Oy will not need the full amounts allocated to them to complete their specific projects under Loan 61 FI, namely, the erection of a soda recovery plant and the modernization of two newsprint machines, respectively. On the other hand, the United Paper Mills would need an increase in their allocation to complete the Kaipola project, as described in the Loan Agreement. According to our information, the amounts involved would be approximately the following:

<u>Company</u>	<u>Project</u>	<u>Additional amount needed</u>
United Paper Mills	Newsprint machine, etc. at Kaipola	\$174,000

<u>Company</u>	<u>Project</u>	<u>Amount not needed</u>
Kemi Oy	Soda Recovery Plant	\$ 20,000
Myllykoski Oy	Modernization of two Newsprint Machines	703,000
		<u>\$723,000</u>

We would be prepared to consider an increase of about \$174,000 in the present allocation of \$2,185,761 for the United Paper Mills, provided they present us with proper documentation that the amount is needed for the completion of the Kaipola Project earlier approved by us.

As to Kemi Oy, we are not prepared to finance their purchase of a wood chipper (your letters of September 6 and October 23, 1954). This piece of equipment cannot be considered to be part of the soda recovery project. On the other hand, provided they can supply us with the required documentation we would be prepared to reimburse them for the \$15,000 they have spent on the soda recovery plant from their own funds. This will explain why we have put the figure of \$20,000 in

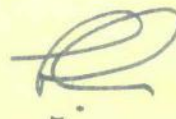
Suomen Pankki-Finlands Bank
Helsinki
FINLAND

the table above instead of the \$35,000 stated by Kemi Oy (their letter of September 1).

We would be prepared to allocate unutilized amounts of Loan 61 FI which, on the basis of the above figures, would total \$549,000, for the completion of any project which we have already approved under Loan 61 FI. Should it turn out that there would be no need for additional funds for these projects, we would be prepared to consider others; these projects, however, would have to stand up to the same technical and financial standards as we would require for inclusion in a new loan, as explained in my letter to Professor Waris of November 26, 1954.

As soon as we have your reaction to this letter we will be glad to take the necessary steps to initiate changes in the List of Goods and the Description of the Project. I should mention that we have so far received neither a formal application nor supporting documents for a reallocation in favor of the United Paper Mills.

Yours truly,

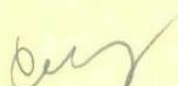


S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

cc: Mr. V. Makkonen, Legation of Finland, Washington, D.C.

Mr. Flesher/Mr. Svoboda
Mr. Fontein/Miss Morsey
Mr. Rigby/Mr. Brion

(CLEARED WITH WORKING PARTY)


SJAkerman;dhc 

fin. 61

December 2, 1954

Dear Mr. Makkonen:

✓ Dec-3/54

Enclosed you will find two copies of a letter to the
Bank of Finland about certain questions pertaining to Loan 61 FI.

I should be grateful if you would forward one copy to
Helsinki.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Mr. Veikko Makkonen
First Secretary
Legation of Finland
1900 Twenty-fourth Street, N.W.
Washington, D.C.

180



VIA AIR MAIL

Helsinki, December 1, 1954

J KW MJ

Dr. Ranka
Mr. Flaker
WGR
International Bank for Reconstruction
and Development
Department of Technical Operations
Washington 25, D.C.

Gentlemen:

Loan № IB-61, Electric Power Projects

We are enclosing a letter of Imatran Voima Osakeyhtiö, dated November 26, 1954, in which they request your permission to use the balance of their share in the captioned loan, viz. \$1.368.357.-, for purchase of steel wire and aluminium rod instead of ACSR conductors.

It is, of course, to regret that one is compelled, even in such a late stage, to suggest amendment to the use of loan funds. The Bank of Finland, however, supports the amendment which, in its opinion, is justified by the extension of the producing capacity of Suomen Kaapelitehdas that has taken place in the meantime. While according to the loan stipulations the conductors should be purchased from abroad, it would, taking advantage of the said extension, be possible to purchase them in Finland should the International Bank for Reconstruction and Development agree that the loan funds be used for purchase of raw materials for the manufacture of conductors.

Hoping that a favorable consideration may be given to the matter we remain,

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

/ Kari Mann M. Järvelin

Encl.

ad. Dec. 13/54

421
RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

DEC 6 11 57 AM 1954

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

Helsinki, November 26, 1954
ML/am/HLH

International Bank for
Reconstruction and Development
1818 H Street NW
Washington DC

Gentlemen:

ACSR Conductors for 380 kV line
Petäjäskoski-Pikkarala-Alajärvi

The conductors have by now been purchased for all the transmission lines included in the IB-61 loan, with the exception of the 380 kV line Petäjäskoski-Pikkarala-Alajärvi. For this line we shall need 2185 km, equal to 4623 tons of ACSR conductor type Finch.

The Finnish factory Suomen Kaapelitehdas has increased their producing capacity by extending the factory and providing it with new machines to such a degree that they are able to manufacture the quantity in question within the required time so that the whole order will be delivered by March 1, 1956. Further their prices are more profitable to us than those of the foreign offers. The raw material, however, ought to be imported, part of it being already in stock. The need of the raw material and currency would be as follows:

3250 tons of aluminium redraw rod 2600.- S.Cr./ton =
8.450.000.- S.Cr., equal to 1.800.000.- US \$.



International Bank for Reconstruction
and Development

Nov. 26, 1954

1240 tons of steel wire, 932 DM/ton = 1.155.680.- DM,
equal to 275.000.- US \$.

The total amount of the foreign currency necessary for the
raw material is a sum equal to 2.075.000.- US \$. If the
conductors ought to be imported instead of the raw material,
the required foreign currency would amount to 2.400.000.- US \$.

Therefore we would ask for your permission, that 1.368.357.-
US \$, the remaining sum of 3.314.000.- US \$, which is pro-
vided for the ACSR conductors in the IB-61 loan, could be
used for purchasing steel wire and aluminium redraw rod.

The price of the raw material exceeds the remainder of the
loan with about 707.000.- US \$, but this sum will be granted
to us by the Finnish Licence Authorities.

Yours very truly

IMATRAN VOIMA OSAKEYHTIÖ

Antti Lauri Osmo Laro

61 FI
OFFICE MEMORANDUM

TO: Mr. S. R. Cope

DATE: November 30, 1954

FROM: S. J. Akerman

SUBJECT: Finland - Mr. J. Hancock's Report

1. The greater part of the report deals with Pellonraivaus Oy, which received \$925,000 under Loan 61 FI, and also obtained tractors valued at about \$320,000, financed under Loan 21 FI. The report points to the good progress made by the company and shows figures illustrating the substantial savings on the cost of projects for land reclamation, under-drainage, drainage of peat forest lands and clearing of timber floating routes, made possible by the use of the company's equipment.
2. There is a short account of the activities of Lapinraivaus Oy, which received \$75,000 under Loan 61 FI. This company has difficulty in occupying all its equipment in Lapland, the area it was set up to service. The report states (para. 34) that there is competition in Lapland between Lapinraivaus and Pellonraivaus for the available work, and that Lapinraivaus has a number of surplus tractors working in the southern part of Finland. Mr. Hancock does not think this competition can be economic. He does not support his argument by any details, however, nor does he state the magnitude of the resultant extra costs. As long as Lapinraivaus does not expand its fleet of tractors or starts shunting them to and from Southern Finland on a large scale, the problem of competition is probably not too serious, either from the point of view of the company or from that of the general economy.
3. There is no financial information on either of the companies. It is only stated that the financial position as at December 31, 1953 was satisfactory. Whether this statement refers also to the liquidity situation and the capital structure of the companies is not known.
4. There is an Annex A to the report, called "A Short Review of some Problems of Agriculture in Finland". This annex points to most of the serious problems of Finnish agriculture, some of them consequences of the war, some of them not.
5. Mr. Hancock agrees that the division of existing farms to provide farmsteads for Karelian refugees has had bad effects on agricultural productivity. His solution to the problem of undersized farms is to increase the cultivated area of these farms through further land reclamation (paras. 7, 12 and 19). New farmsteads should also be cleared to meet the increase in population. In all, "ideally" an area of 350,000 ha., or 14% of the present cultivated area, should be reclaimed to make up for the losses due to the war and for the increase in population since the beginning of the war. In addition about 40,000 ha. should be cleared annually in future to meet the needs of the present population increase.
6. This line of thought seems to be based on the assumption that the cultivated area per inhabitant should necessarily be the same in future as before the war. But the 1952 agricultural production was larger than prewar - with 12% of the cultivated area ceded. It should be admitted,

however, that the population had increased by 10%. Finland now has a surplus production of dairy products and bacon which she can export only at prices lower than those on the home market. She is deficient in bread grains but measures are being taken to induce the farmers to switch over to grain production from animal production, although this will probably not suffice to make her self-supporting.

7. From an economic point of view it can be questioned whether self-sufficiency as regards food-stuffs should be a primary goal for Finland. Mr. Hancock seems to feel uneasy on this point, stating (para.20) that farming in Finland cannot be judged wholly on economic premises. Even so, it would have been interesting to know what the effects would be on forestry if more land were to be reclaimed. Furthermore, there is no discussion of the possible advantage of under-draining existing farm land compared to clearing new land. Still, Mr. Hancock states that crop yields would increase by 25% per unit area of under-drained land. Only 5% of all cultivated land is under-drained while over 90% needs drainage. Another problem not discussed is the possibility of increasing the efficiency of farming by putting together scattered fields of individual farms through exchange of land between farmers.

8. There is in Finland at present strong political pressure for a program of "additional land", i.e. small farmers should be allowed to buy additional land from big farms and companies at 1944 prices. The latter would get some extra compensation from the State. Even if the additional land, which would be mostly forest land, were not cleared, the results for forestry would probably be bad, as the small farmers do not pursue as good silvicultural practices as the big holders. Mr. Hancock does not mention the implications of this program at all.

9. Mr. Hancock argues that a large population of small farmers is necessary to insure a stable supply of forest workers (para.9). In the long run a more economical solution to this problem would probably be to have a larger permanent labor force in the forests. But as long as there is abundant seasonal labor available, there is no inducement to reorganize the market for forest labor.

10. Mr. Hancock, without much discussion, seems to think (para.15) that there is a lack of tractors and other mechanical equipment in Finnish agriculture in spite of the rapid increase in mechanization after the war. It may well be that the individual farmers would profit from more mechanization in view of the high wages in Finland, but from a general economic point of view the need of further mechanization appears utterly questionable.

11. Mr. Hancock contends that prices paid to farmers have lagged behind the general price level (para.17). Although he admits that this policy has been imperative to keep the general price level down, he does not mention that the agricultural price regulation plan excludes the effects of changes in agricultural productivity. As productivity in agriculture has increased, compared to prewar, the position of the farmers has probably improved more than the official calculations show.

12. There is only a very perfunctory mention of the significance of government grants and subsidies to agriculture (para.18).

13. In para.26 of the main report it is stated that Pellonraivaus intends to apply through the Bank of Finland for an additional IBRD loan of \$1.5 million for the import of heavy crawler-type tractors from the U.S. They would be used for the draining of peat forest lands during the summer and for making forest roads during spring and autumn. In the winter they could be used for snow plowing.

14. In paras.20 - 22 Mr. Hancock gives some figures on the economies which would result from the drainage of peat forest lands. It appears that forest drainage is a highly profitable business in Finland. The building of access roads to so-called nought-limit forests^{may} will also be a profitable project. The information available is of course not sufficient to judge now whether these projects could qualify for Bank assistance. But if at some future time the Bank of Finland decides to apply for another Bank loan, it might be that the above-mentioned projects could be considered.

Fin dn 61

Mr. Eugene R. Black

November 29, 1954

S. R. Cope

Finland

In compliance with your request of November 17, I have put together the attached tables on the Bank's Finnish loans.



SJAkerman;dhc



Fin dn 16
Fin dn 70

TABLE I

The Loans; Amortization Schedules

	<u>16 FI</u>	<u>61 FI</u>	<u>70 FI</u>	
Loan made	Aug.1, 1949	Apl. 30, 1952	Nov. 13, 1952	
Interest dates	Feb.1, Aug.1	June 1, Dec.1	June 1, Dec.1	
Interest (including commission)	4%	4 3/4%	4 3/4%	
<u>Position at Oct.31, 1954</u>	<u>(in thousands of \$)</u>	<u>(in thousands of \$)</u>	<u>(in thousands of \$ equivalent)</u>	<u>(in thousands of S.Kr.)</u>
Disbursed	12,500	15,562	1,859	9,618
Undisbursed	-	4,438	1,620	8,382
Total of loan	12,500	20,000	3,479	18,000
Repaid	2,628	-	-	-
(Outstanding including undisbursed amounts)	9,872	20,000	3,479	18,000
<u>Amortization due</u>				
1953 I	411 repaid	-	-	-
II	419 repaid	-	-	-
1954 I	427 repaid	-	-	-
II	436 repaid	-	-	-
1955 I	445	-	-	-
II	454	465	81	418
1956 I	463 repaid	476	83	428
II	472 repaid	487	85	438
1957 I	481	498	87	449
II	491	510	89	459
1958 I	501	523	91	470
II	511	535	93	482
1959 I	521	548	95	493
II	532	561	98	505
1960 I	542	574	100	517
II	553	588	102	529
1961 I	564	602	105	541
II	575	616	107	554
1962 I	587	631	110	567
II	599	646	112	581
1963 I	610	661	115	595
II	623	676	118	609
1964 I	635	693	120	623
II	648	709	123	638
1965 I		726	126	653
II		743	129	669
1966 I		760	132	685
II		779	136	701
1967 I		797	139	718
II		816	142	735
1968 I		836	145	752
II		855	148	770
1969 I		875	152	788
II		897	156	807
1970 I		917	160	826
<u>TOTAL</u>	12,500	20,000	3,479	18,000

TABLE II

61 FI

(Position at October 31, 1954)

Disbursed Maturities by Currency
(in thousands of \$ equivalent)

U.S. dollars

Belgian francs

Canadian dollars 16 FI
(Totally disbursed)

Danish kroner

Dutch guilders

U.S.\$

Currency: Due to:	Bank	Others	Swiss francs. Bank Others	Canadian \$ Bank	£ Bank	D.kr. Bank	S.kr. Bank
<u>Maturity</u>							
1953, Feb.1	-	290 a/	64 57 b/	-	-	-	-
Aug.1	-	368 c/	51 -	-	-	-	-
1954, Feb.1	-	(319 b/	8 -	-	-	-	-
	-	(100 d/	-	-	-	-	-
Aug.1	-	425 d/	11 -	-	-	-	-
1955, Feb.1	-	-	30 -	48	99	124	144
Aug.1	216	-	-	-	238	-	-
1956, Feb.1	463 e/	-	-	-	-	-	-
Aug.1	472 e/	-	-	-	-	-	-
1957, Feb.1 -							
1964, Aug.1	8,973	-	-	-	-	-	-
TOTAL	10,124	1,502	164 57	48	337	124	144

a/ Sold to American Express Co. and repaid.

b/ Sold to Bank for International Settlements and repaid.

c/ Sold to Swiss Bank Corporation and repaid.

d/ Sold to India Supply Mission and repaid.

e/ Prepaid in June 1954.

61 FI

(Position at October 31, 1954)

Disbursed

U.S. dollars

13,191

Belgian francs

7

Canadian dollars

637

Danish kroner

2

Dutch guilders

9

French francs

101

Italian lire

4

Pounds sterling

329

Swedish kronor

11

Swiss francs

1,271

TOTAL disbursed

15,562

Undisbursed

Equivalent in dollars

4,438

TOTAL disbursed and undisbursed 20,000

There are no prepayments or portfolio sales.
No arrangements as to currencies of maturities
have been made with the Borrower.

TABLE II (Continued)

70 FI

(Position at October 31, 1954)

	(in thousands of \$ equivalent)	(in thousands of S.kr.)
<u>Disbursed</u>	1,859	9,618
<u>Undisbursed</u>	<u>1,620</u>	<u>8,382</u>
TOTAL disbursed and undisbursed	3,479	18,000

This loan is wholly in Swedish kronor.
There are no prepayments or portfolio sales.

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: November 24, 1954

TO: Mr. J. Akerman

FROM: S.R. Cope

SUMMARY: Visit to Finland with Price Waterhouse & Co. Representative.

FILED UNDER: Finland - Terms of Reference

CROSS REFERENCE: Finland - Loan 61

OFFICE MEMORANDUM

Financial Information
Memorandum

TO: Mr. Carl Flesher

DATE: November 22, 1954

FROM: L. Svoboda LS

SUBJECT: Finnish Woodworking Projects (Loans 61 FI and 70 FI; Financial Information Required.

File in Folder on new project

The end-use reports received by the Bank on the operations and financial conditions of the Finnish woodworking companies financed under the Bank loans have been incomplete and lacking essential items of information.

From the data available to the Bank, it appears that most of the companies have been suffering from lack of working capital and that their capital structure is unsound due to an excessive debt burden. Although the poor liquidity ratio shown by most of the companies may be due to an undervaluation of inventories, the extent of such undervaluation cannot be determined from the data submitted.

The companies' operations in various degrees have been affected by the general price/costs problem facing the Finnish woodworking industry as a whole and, in particular, its northern sector. Consequently the earning power of most of the companies is poor, often resulting in a net loss from operations.

Apparently the already difficult situation of some of the companies has further been aggravated by the large financing requirements of their expansion programs. These have been covered primarily by borrowings with short-term Bank credits representing a major resource. New issues of share capital have played a negligible role in the financing. Retained earnings have been at a minimum since current profits (if any) are usually distributed in full to the shareholders and depreciation charges apparently are based on undervalued properties. In respect to most of the companies, we do not know whether and to what extent they have revalued their fixed assets to bring them closer to replacement values. In 1953 at least two of the reporting companies have carried out some measure of revaluation and have credited the share capital for part of the revaluation profit.

Our information as to the companies' general policies and plans is limited to fragmentary statements concerning estimated financing requirements of their respective investment programs and of their financial resources. These documents in general indicate a considerable amount of uncertainty as to the availability of financial resources and often have been subject to considerable adjustments.

To establish a more accurate picture of the financial position of the woodworking companies, an investigation on the spot is clearly called for. A field mission should primarily refer to the following seven companies which have received major allocations from the two loans: Enso-Gutzeit, Joutseno, Kemi, Myllykoski, Oulu, Veitsiluoto and United Paper Mills. The investigation at any one of these companies should cover in particular the following points:

1. Review the company's earning records with particular reference to the

Copy in Fin. Am 70

Nov. 22, 1954

significance of principal operational costs, such as raw materials, transportation, labor and depreciation charges.

2. Investigate into the adequacy of the company's working capital, taking account of the possibility of hidden reserves through undervaluation of inventories.
3. Determine the methods of inventory valuation over the past few years and the major effects of any possible changes therein.
4. Establish the approximate actual value of the company's property in comparison to its present book value and review the major changes affecting the latter in the past few years.
5. Inquire into the legal provision for a revaluation of fixed assets and into the extent and manner the company has made use of such provisions.
6. Appraise the company's present capital structure with particular reference to its present debt burden.
7. Establish the scope and financial basis of the company's investment program over the next three years.
8. Review the company's general financial policies including formation of reserves, policies in regard to dividends, new issues of share capital, debt repayment, new borrowings, etc. and expected effects thereof on the company's position.

fin: 61

November 19, 1954

In reply refer to:
Loan 61 FI

Gentlemen:

Mr. Suoboda

Mr. Suoboda

In their letter of October 6, attached to your letter of November 11, Kymin Oy requests our permission to use Bank financed equipment in eliminating the rapids at Hottinkoski instead of in dredging the Kymmene River between the Woikka and Kymmene Mills.

We are agreeable to Kymin Oy's request and ask you to inform them about our decision.

Yours truly,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

cc: Mr. V. Makkonen, Legation of Finland, Washington, D.C.

Suomen Pankki-Finlands Bank
Helsinki
FINLAND

(CLEARED WITH TECHNICAL OPERATIONS)

SJAkerman;dhc *[initials]*

fin: In 61

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: November 17, 1954

TO: Mr. M.C. Cross

FROM: C.W. Flesher

SUMMARY: Finland - Woodworking Industry.

Regarding classification by companies in their financial
statements of loans from the Bank of Finland.

FILED UNDER: Finland - Loan 70

CROSS REFERENCE: Finland - Loan 61 ✓
Finland - Loan 16

file ✓

PROGRESS REPORT

November 17, 1954

Country:	Finland
Loan and Project	Loan No. 61 FI Pellonraivaus Oy and Lapinraivaus Oy
Report for period ending:	September 30, 1954
Prepared by:	John Hancock

1. The following is an end-use appraisal (Stage 2) resulting from a visit to Finland during the second half of September, 1954. The purpose of the visit was to ascertain whether the equipment bought with loan money is used efficiently. It was also intended to arrive at a preliminary appraisal of the economic consequences of the operations. No attempt was made to review the financial standing of the Companies, since the position reflected by the latest financial reports as at December 31, 1953 was satisfactory.

2. The loan which was made to Finland's Bank included US \$1 million for agricultural purposes. Of this, \$925,000* and \$75,000 were lent to Pellonraivaus Oy and Lapinraivaus Oy, respectively, on a five year term. (Finland's Bank borrowed the money from IBRD on an 18 year term.) Both companies repaid in 1954 one-fifth of the loan, together with interest and currency inflation risk premium.

3. The loan, which is now fully disbursed, was used for the importation of heavy tractors and other equipment suitable for land reclamation, drainage and earth moving. Table II is a list of the equipment imported by Pellonraivaus Oy.

Organization and Activities of the CompaniesA. Pellonraivaus Oy

4. Pellonraivaus Oy was organized in 1940 as a private company in which the Government held 29% of the shares. The remainder was subscribed by commercial banks, insurance societies and private investors. According to the company's original charter the Government had the right to redeem all non-Government owned stock. This clause was, however, revoked in 1948 by an act of Parliament.

5. According to its statutes the main activity of the company (in literal translation its name is Land Reclamation, Inc.) is to carry out clearing, drainage and cultivation of agricultural land.

* Pellonraivaus benefited also from Loan 21 FI (Timber Loan) receiving tractors valued at about \$320,000.

6. The Board of Directors comprises the Executive Director and at least two other members. The Board is controlled by an Administrative Council which consists of at least nine members elected by the stockholders' meeting. The Ministry of Agriculture has the right, if it so desires, to name one of the members.

7. The company maintains a central office in Helsinki. There are four separate administrative sections under the following headings: 1) Finance and Accounting; 2) Service; 3) Agriculture (including underdrainage); and 4) Earth-moving. The company's research activities (see Para. 10) are under the direct supervision of the Executive Manager.

8. The supervision and management of the field operations are decentralized. The country is divided into 12 sections each headed by a section leader who not only supervises the work and the machines allocated to his section but also negotiates new contracts. Each section leader supervises between two and five work foremen. The section leaders employ labor and negotiate wages. It is in their power to move machinery from one work place to another within their section. (The movement of the machinery of the earth movement section is, however, directed by headquarters.)

9. At the headquarters the Accounting Section maintains a staff of approximately 60 who in addition to routine work also carry out operational research on machinery utilization, labor efficiency, etc. The total number of people employed by the company is about 1200.

10. The Service Section maintains three repair and storage shops (in Hameenlinna, Jisalmi and Oulu) to which very adequate spare parts stores are attached. They also have sheds in which all idle machinery can be sheltered. The main workshop (in Hameenlinna) is strategically placed in relation to field operations and rail communications, and has the facilities and staff to take care of even the most difficult or extensive repair or servicing required. Personnel training schools are situated in Hameenlinna and Oulu workshops. Already over 1500 tractor drivers have been trained by the company.

11. The overall organization thus combines the advantages of a centralized administration with a dispersed control of field operations.

Work Output

12. As the company owns and operates other machinery similar to that bought by the IBRD loan, it is not possible to define precisely the use (operative or economic) to which the latter has been put. Table I shows, however, the degree to which the five year overall plan of 1952 has been fulfilled in the first $2\frac{1}{2}$ years. 86.3% of the planned tractor hours have already been fulfilled, with half of the period still to go. In the plan, only timber haulage was seriously overestimated and forest road building underestimated. It may be said that the original program has on the whole been fulfilled to a very satisfactory degree. It may, however, be noted that the output of work per hour was generally overestimated in the plan by 10 - 20%.

13. According to the technical directors, the demand for work is greater than can be satisfied with the present stock of machinery.

The Economics of the Work Carried Out

14. For the same reasons that prevent determining the amount of work specifically done with IBRD-financed equipment, it is not possible to isolate the economic significance of the loan. The following is an attempt at a general economic appraisal of some of the company's most important operations.

a) Land Reclamation

15. As a result of the Russian Wars, Finland was forced to commit herself to a large program of land reclamation for agricultural purposes (Annex A). In this program the use of heavy machinery played an important part as it not only speeded up land clearing but also made the operation financially less burdensome.

16. The following table compares the costs of hand clearing under average conditions with the cost estimates of work carried out by Pellonraivaus Oy.

Land Clearance Costs on Non-peat Soils per Hectare

<u>Type of Work</u>	<u>Mechanical Method</u>				<u>Type of Work</u>	<u>Hand Method</u>	
	<u>Hours</u>			<u>Cost</u> (FMK)		<u>Hours</u>	
	<u>Man</u>	<u>Horse</u>	<u>Tractor</u>			<u>Man</u>	<u>Cost</u> (FMK)
Stump clearing and levelling	9 - 15		9 - 15	24,000	Stump dynamit- ing	80	20,000
Land clearing and burning	138	9		14,000	Clearing and burning	900	80,000
Harrowing and drainage	15		4	9,500	Drainage	240	24,000
Total	168	9	13 - 19	47,500	Total	1220	124,000

Mechanical land reclamation thus saves approximately 75% of the cost incurred in hand clearing. Note that hand labor cost is real in the sense that the labor used in land clearing could as an alternative be used in timber cutting or transport.

17. The economic importance of this type of work may be measured by the fact that the current price for arable land is about FMK 100,000 per hectare, which is about twice the cost of mechanical reclamation. On the other hand, hand clearance is not feasible without Government subsidy. Frequently the value of the timber is sufficiently great to cover the whole cost of mechanical clearing and cultivation.

b) Underdrainage

18. Drainage is one of the basic improvements necessary to make agriculture possible in Finland. Over 90% of all cultivated land in Finland needs drainage. Although the advantages of underdrainage are widely recognized, only a small portion of the whole cultivated area (5%) is drained by this method.

19. The initial cost of underdrainage (with clay pipes) is high, ranging from 65,000 to 80,000 FMK per hectare, depending on the soil type. However, underdrainage increases the effective cultivable area by 13% and the yield of crop approximately 25%. At the same time there is a 20% drop in the need for man and

horse labor. After allowing for interest and depreciation on the drainage works (8% and 25 years), it can be shown that the net income per hectare increases from approximately FMK 5000 to FMK 13,500 - 15,500. Or to show the economic gains in another way - the increase in income per hectare of FMK 19,000 is sufficiently great to allow the work to be amortized in 3.5 to 5.0 years when in fact the underdrainage has an effective life of 40 years.

c) Drainage of Peat Forest Lands

20. It has been estimated that there are 3.3 million hectares of peat forest lands in Finland which can be improved through drainage to the extent of a net increase in annual timber growth amounting to 2.56 m³/ha. A total growth increase of 10 - 12 million m³ annually is thus possible. This is almost half of the amount used by the timber and pulp industries at present time. High cost and lack of manpower prohibit non-mechanized forest drainage on a large scale.

21. The following calculations show the profitableness of peat forest land drainage using heavy crawler tractors and drainage plows of a new type invented by Pellonraivaus Oy.

	<u>FMK/ha.</u>
Cost of plowing drains (145 meters), including hand clearing	5800
Income from increased growth, 2.56 m ³ /ha. at 850 FMK/m ³	2177
Interest and depreciation (8% and 24 years)	474

22. It is clear from the above that forest drainage is a highly profitable business in Finnish conditions. The total cost of drainage could be amortized in less than three years while the effects last for at least 24 years. It should also be noted that although the increased growth increment cannot be harvested until 10 - 25 years after the initial drainage under Finnish regulations, the owner of the forest is allowed to cut each year the calculated growth in his total forest land and therefore is able to harvest immediately the increased forest growth.

d) Clearing of Timber Floating Routes

23. About half of all timber used by the woodworking industries in Finland is transported along water routes. In general the transport cost of floated timber is only 25 - 30% of rail or road transport.

24. The main cost of floating timber is incurred by the need of labor to keep the timber from clogging the route in shallow or stony places of the rivers or to prevent timber from floating into large lagoons caused by bends in the river course.

25. A cost benefit calculation for clearing the Ii river floating systems is presented here as typical example of the profitableness of such operations. The average distance the timber is floated is 250 km. and the annual quantity of timber floated is 14 million cu. feet. 1.6 million m³ of gravel has to be

moved at a cost of 300 FMK/m³ or a total of FMK 480 million. This will entail a total annual cost of FMK 79.2 million calculated on the basis of 8% interest on the invested capital and a depreciation term of eight years. On the other hand, the cost of floating will decrease from the present 15.6 to 10.0 FMK cu. ft., a saving of 78.4 million FMK. At the same time it will be possible to increase the present annual maximum floating capacity of 14 to 20 million cu. ft. The total annual floating cost will therefore decrease by 112 million FMK. On this basis it is possible to amortize the cost of clearing in about five years.

Aspects of Further Loans to Pellonraivaus Oy

26. During the course of the visit to Finland, the Directors of Pellonraivaus Oy told me that they intended to apply through the Bank of Finland for an additional IFRD loan of approximately \$1.5 million.

27. This money would be used to import heavy crawler-type tractors from the United States to be used for draining of peat forest lands during the summer and for making forest roads during spring and autumn. Pellonraivaus Oy had in mind to import about 100 heavy crawler tractors presumably of Type DC-6. Calculating with a useful life of five years it would be possible to drain a total of 350,000 hectares peat forest land by the aid of this machinery. This would result in an extra annual growth increment of about 900,000 m³ of timber corresponding to the raw material requirements of three pulp mills of average capacity. The economic aspects of this type of operations have been discussed in Paras. 21 - 23 above and it appears that they are highly favorable.

28. At times other than the season for forest drainage, the equipment would be used for the building of forest motor roads and the snow plowing of timber transport routes. The capacity of the above equipment would be sufficient to build about 1000 km. motor roads annually. It has been estimated (in 1949) that there is an urgent need in Finland for 5600 km. of main forest routes and additional 20,000 - 25,000 km. of secondary roads. These roads are needed, partly to make hereto inaccessible forests available to commercial use, partly to facilitate a shift from expensive horse to motor transport, and partly to enable the daily transport of timber workers to the work area.

B. Lapinraivaus Oy

29. Only a short time was available to spend on investigations of the organization and operations of Lapinraivaus Oy.

30. This company was started in 1946. It is a private company and all shares are held by the communities of the province of Lappi.

31. The avowed purpose of the company was to aid the land development of this province which at the time was considered to be neglected.

32. In 1948 the financial position of the company was precarious but after reorganization the company has been able to show a working profit in the last two years.

33. This year a new up-to-date workshop was opened in the town of Tornio, the headquarters of the company. This shop is not able to take care of repairs of a more intricate nature. A very adequate spare parts store is attached to the shop.

34. In the autumn of 1954 Lapinraivaus Oy could not find quite sufficient work to occupy fully all its equipment in Lappland. However, it had a number of tractors working in the southernmost portion of Finland, while Pellonraivaus Oy, on the other hand, maintains quite a large fleet in Lappland. The two companies thus compete for the available work in their respective territories which cannot be economic.

35. Lapinraivaus Oy does not contemplate at the present time the application of a further IERD loan.

TABLE I

FIVE YEAR PLAN OF OPERATIONS AND ACHIEVEMENTS TO DATE

	Planned Work for 1952 - 1956		Actual Work Output 1/1 1952 - 31/7 1954		Col. 4 in % of Col. 2
	Work Output	Machine Hours	Work Output	Machine Hours	
	(1)	(2)	(3)	(4)	
<u>Agricultural Operations -</u>					
Clearing of new fields (ha.)	25,000	210,460	12,568	108,759	51.7
Underdrainage (ha.)	7,500	43,512	4,011	28,166	64.7
Rock clearing (ha.)	5,000	47,822	4,653	42,966	85.9
Drainage (cu. meters)	1,500,000	51,892	651,103	22,585	43.5
<u>Operations for Wood Transport -</u>					
Roadbuilding (km.)	500	18,331	2,765	107,946	588.9
Clearing of floating chan- nels (km.)	250	18,375	68	4,944	26.9
Snowplowing (km.)	30,000	27,628	20,333	19,615	71.0
Timber haulage (cu. meters)	500,000	56,556	18,972	1,356	2.4
<u>Industrial Operations -</u>					
Earthmoving (cu. meters)	6,500,000	230,806	7,147,853	246,480	106.8
Graveling (sq. meters)	5,600,000	5,849	34,863,784	37,083	634.0
Dredging (cu. meters)	400,000	12,041	114,623	4,551	37.8
		723,272		624,451	86.3

TABLE II

LIST OF GOODS PURCHASED UNDER THE LOANLoan No. IB-61-FI

	<u>Quantity</u>	<u>\$</u>
A-1 Caterpillar D-8 tractors with bulldozer blade	3	47,920.83
A-2 Caterpillar D-7 tractors with bulldozer blade	9	113,845.41
A-3 Caterpillar D-6 tractors with bulldozer blade	15	145,908.22
A-4 Caterpillar D-4 tractors with bulldozer blade	17	89,353.04
A-5 Dragline boom for above tractors	-	-
A-6 Loaders for above tractors	5	16,860.20
A-7 Tool bars and disk plows for above tractors	-	-
A-8 Spares for above tractors	-	219,196.29
A-9 Allis Chalmers tractors HD-15A with bulldozer blade	3	41,434.00
A-10 Allis Chalmers tractors HD-9B with bulldozer blade	6	61,398.38
A-11 Allis Chalmers tractors HD-5B with bulldozer blade	4	19,569.68
A-12 Mouldboards for above tractors	-	8,124.00
A-13 Spare parts for above tractors	-	78,561.12
A-15 Harnischfeger excavator	-	-
A-16. Cleveland underdrainage trenchers with trailers	5	58,136.75
A-18 Miscellaneous spare parts	-	15,181.10
		\$ 915,489.02

Loan No. IB-21-FI

Tractors	19	} } } \$ 323,000.00
Dragline	1	
Spare parts	-	

A Short Review of Some Problems of Agriculture in Finland

1. The present state and future development of agriculture in Finland can only be understood against a background knowledge of the results of the wars against Russia.

2. According to the conditions of armistice, Finland had to cede to Russia in the end of 1944 over 10% (or approximately 280,000 ha.) of its arable land. As the whole population from the ceded part chose to leave their homes rather than be subjected to foreign rule, population pressure on the remaining area increased. The greater part of the displaced people consisted of farm families and consequently a sudden demand for an additional 40,000 farmsteads arose.

3. There were only two ways of meeting this demand:

- 1) The division of the existing larger sized farms, and
- 2) The reclamation of land from forest and swamp.

Both methods were used.

4. Between 1945 and 1954 over 43,000 farm units were thus created comprising 370,000 ha. cultivated or cultivable land. Of this, however, only 85,000 were newly reclaimed; the remainder being already cultivated or cultivable land requisitioned from the state, villages, parishes, companies or private persons.

5. Fourteen thousand "cold" farms, i.e. farms which initially had not tilled land, were created. On these 55,000 ha. have been reclaimed up to date.

6. The requisition of cultivated land caused serious complications to the economic structure of farming in Finland. The land was mainly taken from farms with more than 25 ha. cultivated land. Although these did not number more than 15,000 - 16,000 (out of a total of over 250,000) they were the economic backbone of the farming community. There exists in Finland (in contrast to most other countries) a strong positive correlation between farm size and economic operation in that both production per unit area and per labor unit increase steeply with increasing size.

7. Farms below 10 ha. are at the best only self-supporting and the owners obtain an appreciable part of their income from non-farming enterprises mainly by working in the forest industry. Seventy percent of all farms in Finland are in this class. Every endeavor therefore must be made to increase the cultivated area of these farms through reclamation in order to transform them into economic units.

8. New farm land must also be created continuously and at a faster rate than at present (approx. 12,000 ha. annually) in order to regain the losses suffered as a result of the war, and to provide food and labor

opportunities for the fast-increasing population. The population growth of Finland follows the Eastern European pattern, i.e. it is still in a self-accelerating phase. The annual net increase is of the order of 45,000.

9. New farm settlement in the more sparsely populated forest areas must also be encouraged as a national policy to guarantee a politically and economically stable labor supply for work in timber felling and transport. At the present time the woodworking industries employ nearly 100,000 casual workers during the winter and early spring in such work.

10. It should be noted that an increase of farm size will not seriously impair the farmers' desire to seek employment in the forests as this work is carried out in the seasons when work on the farm is at a standstill.

11. In addition to the need for more arable land there exists also an urgent need for permanent pasture land. At present over 10% of all forests and 18% of the high yielding forest of Southern Finland are used for grazing. The yield of salable timber of such forests is 50% lower than normal. Small-scale cooperative pasture development schemes have already shown a way of solving this problem but a vigorous policy is necessary to allow such development to become nationally effective.

12. To sum up: ideally three steps should be taken to regain the pre-war balance between cultivated area and population: 1) an area equal in extent to the lost one (280,000 ha.) should be reclaimed from forest, swamp or waste; 2) another 150,000 ha. should be cleared to balance the population increase since the beginning of the war and; 3) approximately 40,000 ha. should be cleared annually to meet the needs of the present population increase. It may be noted that against this ideal since the war only 85,000 ha. have been reclaimed up to 1954. The speed of land breaking and population growth are clearly out of step.

13. Here it may be noted that Finland possesses ample land capable of being developed. A recent estimate sets this as high as 6 million ha.

14. Deep drainage is an additional and alternative means of increasing the cultivated area. It has been estimated that 10-15% could be added this way to the effective arable area, while crop yields would increase by 25% per unit area.

15. Apart from the effects on land use the war had yet another important effect on the farming economy: the need for an all-out effort to meet the war reparation to Russia made it necessary or politically expedient to allow the wage level to rise far above food prices. This had the double effect of making farm labor scarce and so costly that farmers were forced, in order to remain solvent, to mechanize very rapidly their operations despite the drawback of decreased farm size. To illustrate: before the war there were only 6,000 tractors in the country but in 1953 the number had increased to 26,000. Despite this there remains apparently a serious shortage as indicated by the request in October 1954 to the Minister of Agriculture by the Agricultural Producers Central Assn. to allow the importation of another 12,000 farm tractors.

16. It follows from statistical evidence that production of crops and livestock in 1952 had recovered beyond the prewar level - with 12% of the area ceded. But population had in the meantime increased by 10%.

17. The Government allowed prices paid to farmers to lag behind the general price level, and consequently consumers were being subsidized at the expense of farmers. In 1953, the value of agricultural production was 9% below the level which it would have attained if prices had gone up in line with the general price and wage level since 1938. This policy was imperative in order to keep industry competitive, but it caused hardship to farmers who had to give up part of their land for resettlement of refugees and invest in farm machinery.

18. On the other hand, the Government grants subsidies for land clearing, drainage and for the use of fertilizers and lime. These subsidies are, from a national point of view, fully justified as a means to:

- a) settle more people on the land,
- b) increase the viability of existing farms,
- c) alleviate the effect of present high timber prices on the wage level which endangers farmers incentive to increase food production,
- d) decrease the country's dependence upon imports.

General Observations

19. Even a short review, such as this, makes it clear that agriculture in Finland is in need of assistance and guidance: new arable land has to be reclaimed, drainage and rock clearing of old and new land has to be carried out, pastures have to be developed and fenced, and machinery has to be obtained to increase efficiency.

20. Farming in Finland cannot be judged wholly on economic premises. Finland is a political borderland. The aspiration to relative self-sufficiency in basic food supply may on the short term conflict with the ideal use of the country's resources, but national integrity and independence may well hinge upon it.

fin: Lm 61

In reply refer
to: Loan 61 FI

November 5, 1954

Gentlemen:

I acknowledge your letter of October 23, with Kemi Oy's request that the unused amount of their allocation under Loan 61 FI be applied for the purchase of a wood chipper.

Unfortunately, we are not yet in a position to give you an answer to the request. We hope, however, to be able to write to you again on this matter shortly.

Yours truly,



S. R. Cope
Assistant Director of Operations
Europe, Africa & Australasia

cc: Mr. V. Makkonen,
Legation of Finland

Suomen Pankki-Finlands Bank
Helsinki
FINLAND

SJAkerman;dhc 

Fin. 761

AIR MAIL

November 4, 1954

Suomen Pankki-Finlands Bank
Helsinki, Finland

Gentlemen:

✓ Supervision file

Thank you for your letter, dated October 20, and enclosed financial reports as at June 30, 1954, of Kemi Oy and Toppila Oy as well as the 1953 Annual Report of Kymin Oy. We presume that you will be soon in a position to send us the remaining reports outstanding in respect to some of the other companies, including cost estimates and statements of expenditures for Myllykoski Oy and Pietarsaari Oy whose latest statements are as at December 31, 1953. In view of the fact that Toppila Oy have given up their allocation under loan 70 FI and that their allocation from loan 61 FI is negligible we agree that no further progress reports from this company will be necessary.

In reviewing the financial data presently available to the Bank on the major woodworking projects, we have noted that total cost of the Yhtyneet Paperitehtaat project, as at March 31, 1954, was estimated as \$22.1 million equivalent, representing an increase of \$ 5.1 million over the previous estimate of January 31, 1954. So far as we are informed, about \$1.8 million represent the cost of the second paper machine. We would like to know the major reasons for the balance of the increase amounting to about \$3.3 million. According to the company's estimate of sources of funds, dated May 31, 1954, about 50% of the required financing from other than IBRD loan funds was planned to be covered from the company's own resources including \$3.7 million in 1954 and \$6.1 million in 1955. Considering the company's current rate of revenues we would be interested to know in what proportion these amounts are expected to be met from retained earnings and in what proportion from other sources, including bank advances, suppliers credits and new issues of share capital.

A similar question arises in respect to the financial plan of Enso-Gutzeit Oy, which anticipates a total of \$17.6 million equivalent of construction expenditures to be covered from local funds, including \$8.7 million representing the company's own resources. We would appreciate having a breakdown of this latter amount by years and by sources of funds.

- 2 -

We have discussed the present end-use arrangements in respect to the woodworking projects with Dr. Söderhjelm during his visit to the Bank in September last, and have agreed on certain improvements which he would arrange for, subject to further discussion thereof with your Bank and the reporting companies. We would be very much interested to know what further progress has been made in this matter.

Very truly yours,

C. W. Flesher
Chief, Industry Division
Department of Technical Operations

6007
IMSvoboda:az

- cleared with Area Department -

Fin: Amb1

OFFICE MEMORANDUM

TO: C. W. Flesher

DATE: November 1, 1954

FROM: L. M. Svoboda *LS*SUBJECT: Finnish Woodworking Projects Loans 61 FI and 70 FI
Proposition of Self-Financing in Total Cost

With reference to your inquiry re above, attached is a summary of estimated requirements and anticipated sources of financing of the woodworking projects covered by the two loans, based on the incomplete data presently available.

The combined total requirements over a four to six-year period are estimated as \$79.8 million equivalent. Of this amount \$51.4 million are expected to be covered by borrowed funds, including \$12.9 million from the two Bank loans. The balance of \$28.4 million is expected to be available from "own funds". Of the seven companies, which materially participate in the Bank loans, three expect to finance their programs entirely from borrowings. The remaining four provide for financing in part from own funds as shown below:

	Total Requirement	Financing from Own Funds					
		Total	1952	1953	1954	1955	1956/7
		\$ 000					
Enso Gutzeit	21,700	8,746	-	-	n.a.	-	-
Youtseno	10,822	1,011		927			
Myllykoski	2,316	367		66	99	202	
United Paper Mills	22,120	11,212		682	3,730	6,100	700

Enso Gutzeit and United Paper Mills show the largest proportions of self-financing representing 40% to 50% respectively of their total requirements. Considering the companies' current earning power it may be questioned whether these amounts can be realized. For example United Paper Mills in 1953 had available a total of about \$1.1 mill. in depreciation accruals and earned surplus to cover financing from own sources, stated as \$0.7 million. In 1954, however, financing from own sources is anticipated at \$3.7 million and in 1955 as high as \$6.1 million. It is quite obvious that these amounts can only partially be covered from cash generated from operations, additional issues of share capital apparently being the only other major means of self-financing. Nothing is known as to whether such financing is contemplated and practicable. A similar situation seems to exist in respect to Enso Gutzeit. A draft letter inquiring into this matter and into the status of progress reports overdue is attached.

October 28, 1954

Finland Loans Nos. 61 FI & 70 FI

Financing Plans of Woodworking Projects

As at	Company	Total Require- ments	Borrowings		TOTAL	Own Financing					
			IBRD	Total		1952	1953	1954	1955	1956	1957
			Thousand	\$				Thousand \$			
Sep. 53	Enso Gutzeit	21,700	4,090	12,954	8,746	-	-	-	NA	-	-
1 54	Veitsiluoto	7,082	806	7,082 ^{1/}	-						
Apr. 53	Kemi	3,820	1,175	3,820	-						
Aug 53	Jutseno	10,822	1,272	9,811	1,011		927 ^{2/}	-	-	NA	-
Nov 53	Myllyskoski	2,316	1,083	1,949	367		66	99	202		
Nov 53	Oulu	3,416	890	3,416	-						
Mar 54	United Papermills	22,120	2,186	10,908	11,212	-	682	3,730	6,100	400	300
	Seven Other Companies	8,552	1,472	1,453	7,099						
		79,828	12,974 ^{3/}	51,393	28,435						

3/ In accordance with latest adjustment of List of Goods.

2/ New share capital and retentions.

1/ Financing of \$770,000 yet to be found of which \$550,000 in 1954.

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

AIR MAIL

fin: fm 61

PÄIVÄYS

DATUM

DATE

October 23, 1954

VIITTEEMME

VÄR REF.

A KK MJ

OUR REF.

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITTEENNE

EDER REF.

YOUR REF.

→ International Bank for Recon-
struction and Development
Department of Technical Opera-
tions, Washington 25, D.C.

ASIA
BETR.
RE

Loan № IB-61, Woodworking Industries Projects.

Gentlemen:

We have pleasure in sending you herewith a letter of
The Central Association of Finnish Woodworking Industries, dated
October 23, 1954, with a letter of Kemi Oy requesting amendment
to their share in the captioned loan.

Your prompt attention to the matter will be appreciated.

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

[Signature]

M. Frankelmann

2 Encls.

ac2 Nov. 5/54

S EUGJA*

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

OCT 26 2 15 PM 1954

SPOMEN BANIKI-BINGVIDS BANIK

LOMB LELA FILJA*

LOMB PROMPT attention to the matter will be appreciated.
to their share in the captioned loan.

OCTOBER 22, 1954, with a letter of request of redrafting amendment
The Central Association of Finnish Woodworking Industries, dated

We have pleasure in sending you herewith a letter of
Gentlemen:

LOAN NO. 12-01* Woodworking Industries Projects.

Phone, Washington 22* D.C.
Department of Economic Affairs
Administration and Development
International Bank for Recon-

LOMB KEE
EDER KEE
ANILEEMME
LOMB KEE
EDER KEE
KINLEEMME
ONE KEE
AYE KEE
ANILEEMME
DAVE
DAVID
BYALAY2

V KK M1

OCTOBER 22, 1954

SPOMEN BANIKI — BINGVIDS BANIK* WASHINGTON

VIB M117

THE CENTRAL ASSOCIATION OF FINNISH WOODWORKING INDUSTRIES

HELSINKI E. ESPLANAADIKATU 2 — HELSINGFORS S. ESPLANADGATAN 2

⚡ TRACENTRUM

☎ 11 596

Helsinki, October 23, 1954.

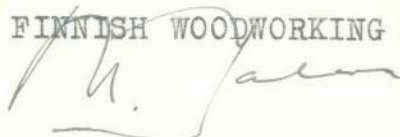
International Bank for Reconstruction
and Development
Washington 25, D. C.

Dear Sirs,

Re: IB-61, Woodworking Industries Projects.

We refer to the enclosed Kemi Oy's letter of
21.10.54 and recommend the Company's request to be approved. Will you please give your decision in this matter as soon as possible.

Yours very truly
THE CENTRAL ASSOCIATION
OF FINNISH WOODWORKING INDUSTRIES



Encl.

KEMI Oy

KEMI, KARIHAARA

KARIHAARA, 21.10.54

POSTIOSOITE: KARIHAARA
SÄHKEOSOITE: KEMIYHTIÖ KEMI
PUHELIN: KEMI 3631 (VAIHDE)
TAVARAOSOITE: PAJUSAARI

OSTO-OSASTO

The International Bank for
Reconstruction and Development
WASHINGTON 25 DC
U.S.A.

Gentlemen, re Loan IB-61-Fi.

We refer you to our letter of September 1, 1954 and your answer of September 21, 1954 and should be glad to hear your decision about the transfer of ^{the} balance \$ 34.731:05 for payment of one 10-knife chipper from USA.

Chippers of this kind can not be obtained in Finland and as we do not need the loan balance for the soda recovery unit the best use would be the purchase of the chippers.

Awaiting your kind answer, we remain

Yours very truly

KEMI Oy

Purchase Department
by: *M. O. J. J. J.*

RR/TK

RECEIVED
VETERAN'S BUREAU
WASHINGTON, D.C.

OCT 26 2 15 PM 1954

RECEIVED

Fin: Am 61

September 30, 1954

Bank of Finland
Helsinki, Finland

Gentlemen:

Loan Nos. 16-FI, 61-FI and 70-FI

During recent discussions in Washington concerning the proposed new Bank loan for the Finnish woodworking industries, we reviewed with Mr. Soderhjelm of the Finnish Woodworking Industries Association the present follow-up arrangements and status of progress reports in respect to the woodworking projects financed under previous Bank loans.

In particular, we considered the possibility of making certain improvements in the presentation of the periodical progress reports with a view to bringing up-to-date and rounding out the Bank's current information on the projects and the respective companies' over-all position. We have agreed that, subject to consultation with the reporting companies, Mr. Soderhjelm would undertake the necessary measures required in this matter.

For your information we enclose a copy of letter outlining the proposed improvements.

Yours very truly,

C. W. Flesher
Chief, Industry Division
Department of Technical Operations

Enclosure

LSvoboda:ov

CROSS REFERENCES	
Copy in	Fin: Am 16
Copy in	Fin: L70

September 30, 1954

Dr. J. O. Soderhjelm
The Central Association of Finnish
Woodworking Industries
Helsinki, Finland

Dear Dr. Soderhjelm:

Loan Nos. 16-FI, 61-FI and 70-FI

On the occasion of your recent visit to the Bank, members of this Department discussed with you the present follow-up arrangements in respect to the various woodworking projects financed under Bank loans.

In reviewing the periodical progress reports currently received by the Bank, we were glad to note the generally satisfactory manner in which these reports are being prepared, particularly in respect to the physical aspects of the projects. We also discussed the possibility of making certain adjustments in the presentation of the reports with a view to bringing up-to-date and rounding out the Bank's current information of the status of the projects and on the operations and financial position of the respective companies.

We have agreed that, subject to consultation with the Borrower and the reporting companies, you will make the following arrangements:

- (1) The quarterly reports currently prepared for the Bank will be expanded by regular statements on the companies' current operations. These statements should cover any important developments during the reporting period concerning the companies' operations and financial position.

Copy in Fin: Ln 16

Copy in Fin: Ln 70

To: Dr. J. O. Soderhjelm

- 2 -

September 30, 1954

- (2) Should a problem or situation arise which seriously affects or threatens to affect the company's operations, such a matter should be immediately brought to the Bank's attention together with an explanation of the measures taken or contemplated to restore the situation.
- (3) Periodical progress reports as presently arranged for will be prepared promptly and dispatched to the Bank within one month after close of the reporting period.
- (4) All companies financed under the Bank loans will furnish to the Bank copies of their annual reports, or extracts thereof, together with balance sheets, financial statements, as and when available. Appropriate explanatory notes should be furnished in respect to important financial data contained in these documents, wherever the position is not self evident.

I would like to take this opportunity to thank you for your kind co-operation in this matter.

Yours very truly,

C. W. Flesher
Chief, Industry Division
Department of Technical Operations

LSvoboda:ov

OFFICE MEMORANDUM

TO: Mr. C. W. Flesher
FROM: M. D. Bryce *m. D. Bryce*
SUBJECT: Finland - Woodworking Projects - Minutes of Meeting with Mr. Soderhjelm

DATE: September 29, 1954

Mr. Soderhjelm, General Manager of the Central Association of Finnish Woodworking Industries, met with Mr. Svoboda and me today to discuss reporting problems in regard to the Finnish woodworking projects.

It was pointed out to Mr. Soderhjelm that the project reports on the engineering side were, on the whole, satisfactory, but that most of the reports were weak on information about company finances, production, sales and operational problems generally. By way of example it was mentioned that two of the companies closed down their plants for lengthy periods last year but we were not informed until many months later that the companies had been in such difficulties. It was agreed that the shortcomings of the reports could be met in two ways:

- 1) Every quarterly project report should contain a section devoted to the situation of the company with respect to production, and finances. This section should summarize all important operational developments and problems of the company.
- 2) Every company benefitting from any of the loans should provide, by special letters or reports, prompt information on any unusual development affecting the company's position or prospects. The type of situation to be reported in this way would include, for example: shutdowns, fires, strikes, major revisions in investment plans.

It was also agreed that, where possible, the companies should attempt to keep the Bank informed in advance of important developments which are expected, and not wait until a major change in situation has actually taken place.

Mr. Soderhjelm was informed that most of the companies benefitting from the loans have not submitted annual reports. He agreed that every one of the companies should provide these reports regularly and said he would see that they are made available. He pointed out that some of the reports are available in English, some in Finnish and Swedish, and some only in Finnish. He was asked to try to obtain English translations of at least the main parts of the reports, and to submit Swedish translations in addition rather than Finnish editions when available. Mr. Soderhjelm remarked that the Mercator magazine contained summary financial statements and useful comments on them.

It was drawn to Mr. Soderhjelm's attention that many of the woodworking companies are very slow in getting in their quarterly reports; that

Fin: Km 61
Suggest we
clear up in our
own mind what it
is we are after.
The main thing is
to revise the questionnaire
and make it
more important
on getting it on time
The financial study
has questionable
merit unless
it covers all
the woodworking
companies
SL

x fin: Km 70

three companies have not yet sent in their March 31 reports and that about half the companies have not yet sent in their June 30 reports. He said that every company should be able to send its report not more than one month after the end of the quarter, and promised to make arrangements to remind the companies of this time schedule and follow up on late reports as a matter of routine. He promised to check up immediately on his return on all overdue reports as listed in the letter being sent to the Bank of Finland.

Mr. Soderhjelm answered at some length questions regarding the accounting procedures of the companies and their methods of valuing fixed assets and inventory. He stressed that financial statements of the companies are very misleading unless their accounting methods are understood. The companies do not have independently audited accounts, and the financial statements represent only the management's view on how company affairs should be shown. He said the companies are resistant to adopting accounting and reporting procedures which would reveal their true position. Mr. Soderhjelm also discussed the problem of working capital saying that some companies paid insufficient attention to the question hoping to solve their local currency needs partly on the strength of having received an IBRD loan. Mr. Soderhjelm said that in his opinion it would be desirable for a representative of the Bank to study two or three typical companies in some detail to learn their accounting practices and develop sufficient knowledge of company financial problems and procedures to be able to analyze the real situation of the companies from future reports. Mr. Soderhjelm said that he thought such a contact, which could only be done properly by a visit to Finland, would result in better understanding by the Bank of the companies and the industry. With the fifth loan to Finnish woodworking companies now in sight and perhaps more in prospect in the future, he thought a real effort should be made to acquaint the Bank with the financial problems and practices of the companies, and said the companies and the Association would cooperate if such a study is undertaken.

A letter is being prepared to summarize and record the understanding reached as to means of improving reporting on these projects.

Air Mail

September 28, 1954

Suomen Pankki-Finlands Bank
Helsinki, Finland

Gentlemen:

Loans Nos. 61 and 70 FI

A review of the reports submitted by the woodworking companies which benefited under these loans has revealed that many of the companies are not up to date in their progress reporting. A large number of the companies have not sent June 30 reports and a few have not yet sent March 31 reports. We are listing below the reports which are overdue and would appreciate your cooperation in seeing that they are provided at an early date.

May we also remind you that we would like to receive annual reports of all companies which benefited from either of these loans.

<u>Company</u>	<u>Reports overdue</u>
Yhtyneet	June 30 Financial
Kymin	June 30 Engineering ²
Kemi	June 30 Financial
Enso-Gutzeit-Kotka	March 31, and June 30 Financial and Engineering ²
Serlachius	June 30 Financial and Engineering
Veitsiluoto	June 30 Engineering
Joutseno	June 30 Financial and Engineering
Nyllykoski	March 31 Financial, and June 30 Financial, Engineering and Purchase & Deliveries
Oulu	June 30 Financial
Topilla	June 30 Financial and Engineering
Saastamoinen	June 30 Financial and Engineering
Pietarsaari	March 31 Financial, and June 30 Financial, Engineering and Purchase and Deliveries
Kajaani	June 30 Financial and Engineering
Metsanomist	June 30 Financial and Engineering.

Yours very truly,

G. W. Flesher
Chief, Industry Division
Department of Technical Operations

MSB:as

✓ CROSS REFERENCES
fin: Ln 70

S. Lipkowitz

September 22, 1954

L. M. Svoboda

FINLAND 16 FI, 61 FI & 70 FI

Under the four Bank loans to Finland the woodworking industry has been allocated a total equivalent to \$26.9 million loan funds broken down as follows:

	<u>16 FI</u>	<u>21 FI</u>	<u>61 FI</u> ✓	<u>70 FI</u>	<u>TOTAL</u>
	- - - million \$ - - - - -			mill. Sw. Kr.	mill. \$ eq.
Total	12.5	2.3	20.0	18.0	38.4
Woodworking Ind.	10.45	2.3	9.5	18.0	26.9

Loan 16 FI was fully disbursed on December 31, 1953 including an allocation of \$10.45 million to twelve woodworking companies. Loan 21 FI was disbursed to the extent of \$2.1 and fully repaid by September 30, 1951. As of August 31, 1954 \$15.3 million were withdrawn from loan 61 FI including \$ 7.9 million in respect of woodworking projects and Sw. Kr. 8.2 million from loan 70 FI. A breakdown of the woodworking industries benefiting from the four loans is given in separate statements.

Stage 1 supervision in respect of the woodworking industry at present refers to projects of fifteen companies financed under loan 61 FI and 70 FI of which four have already benefited from loan 16 FI. All projects financed under loan 16 FI have practically been completed and appropriate arrangements for stage 2 follow-up have been made.

Stage 1 end-use procedures established by Bank letter June 9, 1952 as revised on February 8, 1954 provided for the following reports to be furnished in respect to all projects financed under loans 61 FI and 70 FI.

1. Engineering Financial and Operational reports - quarterly.
2. Scheduled expenditures and sources of financing - half yearly.
3. Schedules of purchase and deliveries - half yearly.
4. Annual reports and financial statements - as available.

Stage 2 end-use arrangements established by Bank letter of February 24, 1954 in respect to loan 16 FI provide for semi-annual reports, starting December 31, 1953, to be furnished by six woodworking companies concerning operational performance and general economic merits of eight projects.

copy in ln 16
✓X ln 70

Progress reports currently received on active projects in general are satisfactory as to the technical information contained. However, information on the operations and financial conditions of the companies often is incomplete and sometimes reaches the Bank with considerable delay. As a result the Bank for extensive periods of time may remain unaware of important developments affecting the operations and general conditions of some companies. For example Kemi Oy in the second half of 1953 had to close down its sulphite mill and reduce sulphate production because of marketing difficulties. These developments and the fact that the company in 1953 had incurred a loss of Finnish marks 277. million did not come to the Bank's attention until receipt of the company's annual report for 1953 in July 1954. Similar conditions developed in 1953 at Joutseno Oy on which information did not reach the Bank until September 1954.

The financial statements currently submitted sometimes called for explanatory notes, in order to properly understand the actual position of some of the companies. This particularly refers to such items as capitalization, indebtedness, current assets and liabilities, valuation of inventories, working capital, etc.

The adjustments recently made in the reporting system have generally resulted in a clearer presentation of the physical and financial progress reports on the projects. However, in many cases these reports are being received with considerable delay. For example as of today only four companies have furnished complete progress reports for the second quarter of 1954, while the remaining eleven have failed to furnish some or all of the documents required for this period. Annual reports for 1953 have so far been received only from four companies.

The fifth loan to Finland, presently under negotiations will include a substantial allocation to the woodworking industry and presumably benefit some of the companies already financed under the previous Bank loans. This appears to be an appropriate time for reviewing with the Finnish representative the present reporting system and in the light of past experience for setting up a uniform system of progress reports which would provide adequate and prompt information on all woodworking projects and companies financed under the Bank loans.

In reviewing present end-use requirements particular consideration should be given to the possibility of:

- (a) Expanding the reports by brief periodical statements (if required on a confidential basis) on operational performance and financial conditions of all major companies to the extent to which such information is not already being received as part of the second stage follow-up arrangements in respect to loan 16 FI.

- (b) Streamlining and simplifying the reports by eliminating all unessential details.
- (c) Accelerating the presentation of the reports by eliminating the intermediary services of the Bank of Finland and relying solely on the Finnish Woodworking Association as an intermediary.

Any new arrangements now discussed with the representative of the Association of the Finnish Woodworking Industries should be reviewed with the individual companies on the occasion of the next field visit to Finland.

IMS:az

FINLAND - WOOD PRODUCTS PROJECTS
LOANS 16 FI - 61 FI - 70 FI

September 22, 1973
M.D.B.

	LOAN 16 FI		LOAN 61 FI ✓		LOAN 70 FI		TOTAL	
	Allocation \$	Disbursement (fully dish)	Allocation \$	Disbursement to Sep 15, 54	Allocation Sw.Kr.	Disbursement to Sep 15, 54 Sw. Kr.	Allocation \$	Disbursement to Sep 15, 54 \$
Yhtyneet *	700,000	700,000	2,185,761	1,758,397	--	--	2,885,761	2,458,397
Kymia *	2,553,800	2,556,619	100,000	99,908	--	--	2,653,800	2,656,527
Kemi *	450,000	450,000	700,000	665,269	460,800	1,388,923	1,625,058	1,383,400
Esko-Gutzeit *	3,601,122	3,601,122	4,089,655	3,904,333	--	--	7,690,777	7,505,455
Serlachius *	2,175,783	2,174,158	--	--	353,200	1,351,844	261,235	260,973
Vietsiluoto *	--	--	516,584	516,584	500,000	584,969	289,575	112,928
Joutseno	--	--	560,000	492,865	700,000	1,896,523	714,285	366,124
Kyllykoski	--	--	950,000	52,637	690,000	230,800	133,204	44,556
Ulu *	120,000	120,000	310,000	310,000	000,000	1,090,388	579,150	210,499
Topilla	--	--	40,000	39,484	--	--	1,009,150	640,499
Sanstamoinen	--	--	31,000	8,615	100,000	53,275	19,305	10,284
Pietarsaari	--	--	17,000	17,000	750,000	1,130,325	337,837	218,209
Kajana *	--	--	--	--	096,000	609,410	597,683	117,646
Roune Raabe *	422,710	422,283	--	--	--	--	597,683	117,646
Teruskoski *	89,103	89,103	--	--	--	--	422,710	422,283
e Flywood	52,516	52,516	--	--	--	--	89,103	89,103
Bokia *	200,000	200,000	--	--	--	--	52,516	52,516
Tammerfors	8,621	8,621	--	--	--	--	200,000	200,000
Finnish Wire Weaving	58,000	57,233	--	--	--	--	8,621	8,621
Central Assn. of Finnish W.V. In.	18,345	18,345	--	--	--	--	58,000	57,233
Ketsanoniistajain *	--	--	--	--	50,000	195,513	67,567	37,743
TOTAL	10,450,000	10,450,000	9,500,000	7,865,092	100,000	8,531,970	3,474,899	1,647,093
							23,424,899	19,962,185

NOTE: Above summary does not include Loan 21 FI (\$2.3 million) - the short term sawn timber loan of October 17, 1949 for which no company breakdown is available although the woodworking companies marked * on this sheet did receive benefits.

Copies in Ln 16 + 70

fin: 61

In reply refer
to Loan No. 61 FI

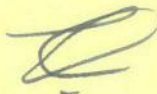
September 21, 1954

Dear Mr. Makkonen:

I attach for your information two copies of a letter I have today written to the Bank of Finland about Kemi Oy's request that the amount of their allocation under Loan 61 FI not needed for the soda recovery unit be applied instead for the purchase of certain other equipment. ✓

I should be grateful if you would forward one copy of my letter to Helsinki.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Mr. Veikko Makkonen
First Secretary
Legation of Finland
1900 Twenty-fourth Street, N.W.
Washington, D.C.

Enclosure

SJAkerman;dhc



fin: 6m61

AIRMAIL

September 21, 1954

In reply refer
to: Loan No. 61 FI

Gentlemen:

I acknowledge your letter of September 6, 1954, with Kemi Oy's request that the amount of their allocation under Loan 61-FI not needed for the soda recovery unit be applied instead for the purchase of certain other equipment. ✓

As you know, we are currently discussing a new loan, which would include an allocation to the woodworking industries, and it may well be that in connection with this new loan certain allocations under the old loan might have to be varied. We should therefore prefer to leave the matter in abeyance for the time being.

We hope to be able to write to you again about this matter in a couple of week's time.

Yours truly,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
FINLAND

SJAkerman;SRCope;dhc





VIA AIR MAIL

Fin. In JV
Helsinki, September 6, 1954.
A JG MJ.

*W... Flecker
HJM*
International Bank for Reconstruction
and Development,
Department of Technical Operations,
Washington 25, D.C.

Gentlemen:

Re: Loan IB-61-FI-II, Woodworking Industries
Projects.

We have pleasure in enclosing a letter of The
Central Association of Finnish Woodworking Industries dated
September 6 with a letter of Kemi Oy dated September 1 con-
cerning a change in their share.

According to the books of the Bank of Finland
the unused balance of Kemi Oy amounts only to \$31.767.-
and not to \$34.731.05, as mentioned in their letter. The
difference is due to a refund of an unused balance of a
letter of credit in the amount of \$2.964.05 which should be
coming.

[Signature]
Yours very truly,
SUOMEN PANKKI-FINLANDS BANK

2 Encls.

[Signature]
[Signature]
[Signature]
C-22. Sept. 21/54

5-17.13/54

RECEIVED
SEP 8 1964
U.S. AIR FORCE
HONOLULU, HAWAII

SEP 8 4 02 PM '64

THE CENTRAL ASSOCIATION OF FINNISH WOODWORKING INDUSTRIES

HELSINKI E. ESPLANAADIKATU 2 — HELSINGFORS S. ESPLANADGATAN 2

⚡ TRAECENTRUM

☎ 11 596

Helsinki, September 6, 1954.

International Bank for Reconstruction
and Development
Washington 25, D. C.

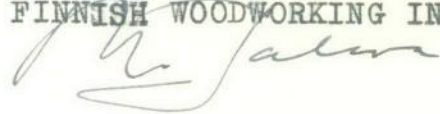
Dear Sirs,

Re: IB-61, Woodworking Industries Projects.

Enclosed we send you Kemi Oy's letter of September 1, 1954, in which the Company requests your approval for a trivial change in their list of goods i the loan IB-61.

As far as we understand this change does not cause any change in Schedule N:o 2 of the loan agreement. We recommend this request to be approved and would appreciate getting your reply soonest possible.

Yours very truly
THE CENTRAL ASSOCIATION
OF FINNISH WOODWORKING INDUSTRIES



Encl.

RECEIVED
WILSON-ROBERTSON
RECONSTRUCTION

SEP 8 4 03 PM 1954

KEMI Oy

KEMI, KARIHAARA

KARIHAARA, Sept. 1, 1954

POSTIOSOITE: KARIHAARA
SÄHKEOSOITE: KEMIYHTIÖ KEMI
PUHELIN: KEMI 3631 (VAIHDE)
TAVARAOSOITE: PAJUSAARI

OSTO-OSASTO

The International Bank for
Reconstruction and Development
WASHINGTON 25 DC
U.S.A.

Gentlemen,
re Loan IB-61-Fi.

The Soda Recovery Unit purchased with means out of the loan IB-61-Fi is now taken in use and the last payment effected. The final contract sum including spare parts is \$ 680.268:95 of which we have paid \$ 15.000:- from our own funds. From the loan amount \$ 700.000:- there will be an unused balance of \$ 34.731:05.

This amount will be fully sufficient for purchasing a 10-knife chipper from U.S.A. which will be needed in accordance with the enlargement of our sulphate mill. We refer you in this connection to our loan applications of May 12, 1954 and our clarification of August 28, 1954, concerning "New Woodroom for the Sulphate Pulp Mill".

On account of these we ask you kindly to transfer the amount \$ 34.731:05 to pay one 10-knife chipper and the balance if any to pay some other project within the enlargement of the sulphate mill.

Awaiting your confirmation, we remain

Yours very truly

KEMI Oy

Purchase Department

by: *Anta Hakkarinen*

RR/TK

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

SEP 8 4 03 PM 1954

TRANSMISSION REPORT

RECEIVED

DATE: 9/8/54

RECEIVED: 9/8/54

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RECEIVED: 9/8/54

Fin Hm 61

August 30, 1954

Mr. Eero Asp
Suomen Pankki
Helsinki
Finland

Dear Mr. Asp:

Thank you for your letter of August 10, 1954 about the forthcoming visit to Finland of Mr. John Hancock. I am grateful to you for having already informed Mr. O. Jaakkola of Pellonraivaus Oy about Mr. Hancock's visit.

Mr. Hancock would also be interested in contacting Lapin Raivaus Oy and I am sorry that our previous correspondence was not explicit on this point. Mr. Hancock's time in Finland will be so limited that it may be impossible for him to visit Rovaniemi. However, he will undoubtedly want to hold discussions with Lapin Raivaus Oy in Helsinki.

Mr. Hancock will arrive in Finland about the middle of September and will spend at the most two weeks on Bank business. He will inquire into the recent operations of both companies and their plans for the future. He will be concerned not only with the use of Bank financed equipment but also with the general operations of the companies, in both physical and financial terms, and with their general contribution to Finnish agriculture and animal husbandry.

It was good to hear from you and I was very pleased, as my colleagues will be, to have the photographs which you enclosed with your letter. We have recently clarified with the Legation the question of additional information about the projects; the Legation's inquiries came no doubt from your letter to Mr. Makkonen.

Yours sincerely,

Leopold Baranyai
Department of Operations
Europe, Africa and Australasia

cc. Mr. Makkonen, Finnish Legation
Mr. Craig-Martin

NPaterson/mc.

CROSS REFERENCE SHEET

COMMUNICATION: Letter

Acknowledged August 19, 1954

DATED: August 11, 1954

TO: Mr. Hoar

FROM: F.W. Schulthess, Credit Suisse, Zurich.

SUMMARY: Inquiring whether Swiss machinery could be purchase for Finland project "Petäjäkoski".

Also discusses talk had with Mr. Hoar at Zurich while he attended Inter-alpen Meeting.

FILED UNDER: Switzerland - Proposed Joint Operation.

CROSS REFERENCE: Finland - Loan \$1



August 10, 1954

Dear Dr. Baranyai:

12th ✓ I refer to Mr. Cope's letter to Professor Waris of July 13. Professor Waris who is now enjoying his well-deserved holiday asked me to tell you that we are looking forward to see Mr. John Hancock here in Helsinki early in September. We have already informed Mr. O. Jaakkola, the Managing Director of Pellonraivaus about the pending visit. Mr. Benjamin P. Spiro whom I had a pleasure to meet yesterday told me that Mr. Hancock is likely to contact Lapinraivaus as well. We should greatly appreciate your informing us in more detail about this trip and the kind of program Mr. Hancock prefers to have here during his stay.

Mr. Cope was briefly discussing the Bank's further lending to Finland. With regard to this question I shall write to Mr. Makonen who is going to contact you at an early date.

Very sincerely yours,

Eero Asp

Dr. Leopold Baranyai
International Bank for Reconstruction
and Development
Washington 25, D.C.
U.S.A.

Oct. Aug. 30/54

fin: fm 61

In reply refer to
Loan No. 61 FI and
Loan No. 70 FI

July 14, 1954

Dear Mr. Makkonen:

I attach copies of two letters I have today written to the Bank of Finland about a reallocation for the Petäjäskoski project (Category I.B.3) under Loan No. 61 FI and about the financing of a causticizing plant for Kemi Oy (Category II.D) under Loan No. 70 FI.

I should be grateful if you would forward one copy of each letter to Helsinki.

Yours sincerely,



Martin M. Rosen
Assistant Director of Operations
Europe, Africa and Australasia

Attachments

Mr. Veikko Makkonen
First Secretary
Legation of Finland
1900 Twenty-fourth Street, N.W.
Washington, D.C.

SJAkerman:ms

copy in fin: Loan 70

fin: Rmb1

In reply refer to
Loan No. 61 FI

July 14, 1954

Your reference: A JG MJ

Gentlemen:

I acknowledge your letter of July 8, 1954, concerning a reallocation for the Petäjäskoski project (Category I.B.3) under Loan No. 61 FI.

We are agreeable to the transfer of \$58,987.33 originally included under Item I.B.3.a of the breakdown list of goods (tower cranes) to the Item I.B.3.g (trucks, drilling machines, concrete mixers, pumps, etc.). We have adjusted our records accordingly.

Very sincerely yours,



Martin M. Rosen
Assistant Director of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
Finland

CC: Legation of Finland
Miss Morsey
Messrs. Bergan/Svoboda
Brion

Cleared with Working Party 7-14-54

SJAkerman:ms 

Fin 61



POWER OF ATTORNEY.

Whereas the Bank of Finland has contracted with the International Bank for Reconstruction and Development a loan of up to 20 million dollars on April 30, 1952, and a loan of up to 18 million Swedish crowns on November 13, 1952, and

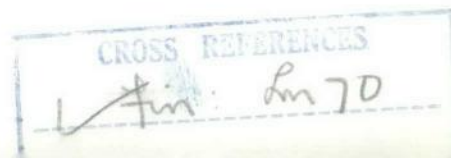
Whereas further documents or action in connection with these loans will be signed or required,

Therefore the Board of Management of the Bank of Finland hereby names and constitutes Mr. Jorma Vanamo in the name and on behalf of the Bank of Finland to sign applications for withdrawals to be signed in connection with the said Loan Agreements (IB-61 & IB-70 Fi) and to take any other action or execute any other documents required to be taken or executed by Suomen Pankki-Finlands Bank pursuant to any of the provisions of the same Loan Agreements.

Given in Helsinki, this 12th day of July, 1954.

SUOMEN PANKKI - FINLANDS BANK

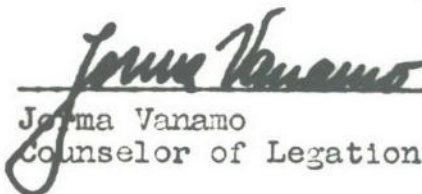
Jorma Vanamo



FINNISH LEGATION

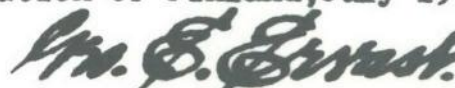
To Whom It May Concern:

The following is the authenticated specimen signature of Mr. Jorma Vanamo who has been designated on behalf of the Bank of Finland to sign Withdrawal Applications and to take any other action or execute any other documents required or permitted to be taken or executed by the Borrower under the Loan Agreements IB-61 and IB-70-FI.


Jorma Vanamo
Counselor of Legation

This is to certify that the above signature is that of
Mr. Jorma Vanamo, Counselor of the Legation of Finland.

Washington, D. C., at the Legation of Finland, July 19, 1954.


George E. Ervast, Vice-Consul



July 12, 1954

Dear Professor Waris:

One of our agricultural technicians, Mr. John Hancock, is visiting Japan on behalf of the Bank. Mr. Hancock, who is a New Zealander, lived for over 20 years in Finland and is very anxious to visit again the country he knows so well. He is therefore proposing to be in Finland early in September. We would like him while he is there to discuss a few points in connection with the Pellonraivaus project which received an allocation of \$1 million under the loan of \$20 million made to the Bank of Finland on April 30, 1952. As you remember, we did not discuss this project when we were in Finland recently and Mr. Hancock's visit provides a useful opportunity of bringing us up to date.

It is, of course, not our idea that he should make the survey of Finnish agriculture which we discussed when I was in Helsinki. This is a matter which obviously requires further thought before anything is done about it.

We have had so far only general discussions about further lending to Finland but I get the feeling that the management will go along with our recommendations. We shall, of course, be glad to have the project details: until we have them we cannot go very far.

I am sailing for Europe on Wednesday, July ¹⁴~~12~~, mainly to get some leave. I expect to be back at the end of August. Dr. Baranyai will be here until I get back and will deal with any matters which arise.

Yours sincerely,

S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Professor Klaus Waris
Bank of Finland
Helsinki, Finland

cc: Mr. Makkonen, Finnish Legation
Mr. deVries, T.Ops.

SR Cope:eed

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

GENERAL FILES
ROUTING SLIP

Date

JUL 12 1954

ROUTING OF INCOMING MAIL

Mr. Black	1023	Public Relations	1109
Mr. Brower	205	Mr. Riley	1201
Mr. Demuth	1013	Mr. Reamy	200A
Tech. Operations	305	Research Files	212
Mr. Garner	1002	Mr. Sommers	1113
Mr. Gregh	320	Mr. Baranai	
Mr. Hoar	405	7112	402
Howell	1004	Mr. A. Kornein	427
Mr. Iliff	1002		
Mr. Johnston	203		
Mr. Knapp	421		
Mr. Mendels	1009		
Office Services	113		
Personnel Div.	1213		
Mr. Poore	200		

Remarks:

From: General Files & Corres. Section

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

VIA AIR MAIL

fin: Lm 61

PÄIVÄYS

DATUM

DATE

July 8, 1954.

VIITTEEMME

VÄR REF.

A JG MJ.

OUR REF.

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITTEENNE

EDER REF.

YOUR REF.

→ International Bank for Recon-
struction and Development,
Department of Technical Opera-
tions, Washington 25, D.C.

ASIA
BETR.
RE

Loan № IB-61-Fi--III, Electric Power Project.

Gentlemen:

We have pleasure in enclosing a letter of Imatran Voima Oy dated July 7, 1954, in which they apply for permission to make an alteration as to the funds allocated to them under the captioned loan.

We hope that you will give favorable consideration to the matter and remain,

Yours very truly,
SUOMEN PANKKI-FINLANDS BANK

1 Enclo.

ad July 14/54 SP 106.

26 100

J. Eucro

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JUL 12 3 29 PM 1954
SUOMEN PANKKI - FINLANDS BANK

Walter and Lemmink

We hope that you will give favorable consideration to the loan.

An application as to the funds allocated to them under the captioned loan dated July 1, 1954, in which they apply for permission to make

We have pleasure in enclosing a letter of instruction to the gentlemen:

LOAN IS IS-01-01--III. Electric Power Project.

Walter and Lemmink, P.O.
Department of Economic Affairs
Application and Development
International Bank for Recon-

LOAN REP
ECON REP
APPLICANT
LOAN FELLOW
ECON REP
KIRJENNE
ONK REP
LYK REP
APPLICANT
DIRE
DIRE
BYLADZ

V 10 11

JUL 8 1954

SUOMEN PANKKI - FINLANDS BANK

ALL VIB MAIL

Handwritten signature

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

Helsinki, July 7, 1954

ML/EKL

International Bank for
Reconstruction and Development,
1818 H-Street, N.W.,
Washington, D.C.

Subject: Loan No. 61 FI

Gentlemen:

Under the paragraph I-B 3a of the IB-61 Loan
\$ 126.000:- were reserved for purchase of three tower
cranes. Due to the changes in the building program of
Petäjäskoski power plant, it is not now necessary for
us to buy new tower cranes, because we now can use the
cranes not needed any more at the water power plants
under construction at Oulujoki-river. Therefore we
would ask for your permission for transferring the remaining
sum \$ 58.987.33 of the paragraph I-B 3a to the paragraph
I-B 3g to be used for purchasing other machines and spare
parts necessary in the construction work.

Faithfully yours

IMATRAN VOIMA OSAKEYHTIÖ

Antti Kauranen *Eino Harkonen*

No objection!
7/13-1954
Antti Kauranen

7/13 1954

RECEIVED
JUL 13 1954
RECEIVED

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JUL 12 3 39 PM 1954

INVESTMENT ADVISORY BOARD
WASHINGTON, D.C.

being necessary in the construction work.
I-3 is to be used for purchasing other machines and spare
parts & 25,000 of the balance I-3 is to be the balance
would ask for your permission for transferring the remaining
under construction at Oshkosh River. Therefore we
cannot not proceed and more of the water power rights
as to run new power plant, because we now can use the
Oshkosh River power plant. It is not now necessary for
change. Due to the change in the existing balance of
\$ 150,000 - was reserved for purchase of three power
under the balance I-3 is of the I-3-21 form

Respectfully:

Subject: Form No. 21 21

Washington, D.C.

1954 7-21-54 J.M.

Reconstruction and Development

International Bank for

RECEIVED

WASHINGTON, D.C. JUL 12 1954

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20541

RECEIVED
U.S. BOX 138
WASHINGTON, D.C.



Finland In 61

COPY

OUTGOING WIRE

DATE June 24, 1954

TO Wheelock
Granhotel Rome Italy

TEXT SEVEN

"WE NEED ABOUT TWO MILLION EIGHT HUNDRED AND FIVE THOUSAND LIRE
FOR PURCHASE OF SWITCHES FROM CARPA UNDER FI SIXTY-ONE STOP
PLEASE ASCERTAIN WHETHER WE CAN USE LIRE FOR THIS PURPOSE OUT
OF GENERAL RELEASE STOP PLEASE ADVISE"

COPE

Copy in Italy 13%

Mr. E. deVries

June 9, 1954

B.P.Spiro

FINLAND 61- FI - Agricultural Projects

1) Most of Finland's population is concentrated in the southern and western part of the country and it has been the announced policy of the Government since 1940, to open for settlement areas in the central, northern and eastern sections of the country.

2) For this purpose Pellonraivaus was organized in 1940 to operate throughout the country. Lapin Raivaus was organized in 1947 to serve specially the needs of Lapland.

3) The loan for agricultural projects was based on the assumption that additional machinery was needed by both Pellonraivaus and Lapin Raivaus to expand the program of land improvement, mainly drainage, land reclamation and the opening of small forest roads needed to provide more arable and grazing land for new farms for Karelian refugees and war veterans.

5-4 4) Certain targets were set for the five year period 1952-56 based on the 1951 experience. These targets assumed that Bank financed equipment would be added to existing equipment most of which was quite old, averaging in 1952 ~~54~~ years of age. The Bank financed machinery was expected to fulfill about 20% of the land reclamation, up to 25% of the land improvement, 80% of the roadbuilding but only 5 to 10% of the earthmoving and levelling part of the operations.

Composition of Pellonraivaus fleet
of machinery at the beginning of 1952

<u>Item</u>	<u>Number of units six years old or older</u>	<u>Total number of units</u>	<u>Average age of Unit (years)</u>
Crawler type tractors:			
Caterpillar D-8	10	18	6.1
D-7	22	39	5.8
D-6	24	44	5.4
D-4	33	62	6.0
D-2	2	2	8.0
Allis-Chalmers HD-19	0	1	2.0
HD-14	0	13	5.0
HD-10	0	5	4.2
HD- 7	0	5	4.0
HD- 5	0	4	1.8
Wheel type tractors (small)	15	22	7.3
Excavators	4	14	5.6
Drainage trenchers	0	15	2.1
Motor graders	0	2	5.0
Special trucks	0	7	1.1

.../

5) Costs of operations are high and charges have been set at a high enough level not only to cover costs but to make some profits. Nevertheless there is a large demand for services beyond the capacity of the companies. The companies charges include the servicing of the Bank loan to the Bank of Finland over a five year period instead of 18 years, the terms of our loan to the Bank of Finland.

6) Information received from Finland indicates that the targets for agricultural operations during 1953 have been approximately reached and that those for forestry roads have been exceeded. At the same time, much of Pellonraivaus' fleet of machinery is now reported to be overage and in urgent need of replacement.

7) In order to assess the effects of these two projects, it is necessary to ascertain to what extent the companies' operations have contributed to the opening of new settlements or has extended farmland in heretofore unsettled or only sparsely settled areas. A review of Finland's colonization program is necessary to arrive at a judgment. An estimate of the returns of the newly opened areas should be made not only from the point of view of the individual farmer but also with regard to Finland's ability to grow efficiently and economically food stuffs, particularly food grains and dairy products.

8) It is necessary to determine what the net annual increase in farm income resulting from the two projects has been. It also is important to know, whether the favorable results to the farmer is or is not solely the result of high price supports for agricultural products.

9) Finally, it is necessary to review the effects on the two companies of the ageing of the greatest portion of their equipment fleet and its repercussions on future results. Will they soon have to buy new equipment? Is the equipment well maintained? Well serviced with spare parts?

What are the financial arrangements between the farmer and the companies? If installment payment or credit is necessary, what arrangements have been made? Can the farmer make these payments in a short period from increased income?

3.

Bank financed machinery received
in Finland in 1953

<u>List of Goods</u>	<u>Quantity Ordered</u>	<u>Quantity Received</u>
- D-8 Tractors	3	3
- D-7 Tractors	9	9
- D-6 Tractors	15	15
- D-4 Tractors	17	17
Loaders for Caterpillar		
Tractors	5	5
- Hd-15 Tractors	3	3
- HD-9B Tractors	6	3
- HD-5B Tractors	5	5
- Mouldboards for Allis-Chalmers		
Tractors	7	7
- Trenchers	5	5
- Miscellaneous Equipment* :		
Automatic Welder	1	1

* There are no orders outstanding at present.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

fin. pm 61

OFFICE MEMORANDUM

*Operational
Files*

TO: Mr. S. Lipkowitz

DATE: May 25, 1954

FROM: S. R. Cope

SUBJECT: Finland - List of Project Priorities

I enclose a copy of a list of project priorities prepared by
Mr. Mitchell. I have kept a copy here for my own use.



Enclosure

Projects Arranged in an Order Suggested for Selection

	<u>D. Mks.</u>	<u>Swiss Francs</u>	<u>Swedish Kronor</u>	<u>U. K. £</u>	<u>U. S. \$</u>
I. <u>Kymmene</u>					
(1) Boiler with accessories (Kymmene)	5,460,000				
(2) 3 Grinders (Woikka)	1,386,000				
(3) 2 Suction Presses (Kymmene)	294,000				
(4) (Head Boxes & outlets(Woikka) (Pickups(Woikka)	630,000 <u>1,680,000</u>				
	9,450,000				
II. <u>Enso-Gutzeit</u>					
(Increasing capacity of Kaukopää from 150,000 to 300,000 and bleaching a part of product)					
Chemical and Heat Recovery furnaces	3,360,000				
Steam Boiler	2,520,000				
Digesters	1,050,000				
Meters, Valves, Fittings	420,000				
Pipe Lines	(420,000)				
Steam Turbine	(1,260,000)	1,300,000		35,000	
Electrical Equipment	630,000				
Coating Machine	420,000				
Laminating Machine	84,000				
Chlorine Tanks	<u>84,000</u>				
	8,568,000				
III. <u>Kemi</u>					
18 Items all of equal priority	1,861,000	422,000	4,180,000		50,500
Modernization and efficiency im- provement and part of an overall plan of development.					
IV. <u>Myllykosken Paperitehdas Oy.</u>					
(1) 2 Grinders and motor	1,289,400				
(2) Crane	63,000				
(3) Roll winder	<u>840,000</u>				
	2,192,400				
V. <u>Ahlstrom</u>					
(Modernization and replacing old inefficient equipment)					
Turbines - generators }	2,166,000				
2 Grinders - 2 motors }					
VI. <u>Lohja Kotka</u>					
Modernization and speed up equip- ment necessary to keep mill competitive	4,200,000				

	<u>D. Mks.</u>	<u>Swiss Francs</u>	<u>Swedish Kronor</u>	<u>U.K. £</u>	<u>U.S. \$</u>
VII. <u>Rauma Repola</u>					
Digester - Linings - Turbo. Generators, Steam Boiler, etc. Modernization of process. Higher quality.	3,293,200				
VIII. <u>Serlachius</u>					
Digester with circulating devices	420,000				
IX. <u>Aune Koski</u>					
(1) Evaporation Waste liquor	-		1,600,000		5,000
(2) Rebuild pyrite plant	467,500				
X. <u>Kymmene</u>					
(1) Sulphite mill improvements	428,400				
(2) Chlorine plant	92,400				
XI. <u>Myllykosken</u>					
(1) 2 Woodpulp grinders (4 Drive motors	1,386,000				
(2) Hydroelectric Power Plant Equipment, Regula- tors, Recorders and Instruments	5,250,000				

United Paper Mills

(1) For completion Kaipola machine under Loan 1B-61					150,000
(2) Addition to Kaipola - 8 items in all for which im- port licenses already granted (Piping, Coal Pulverizers (4), Winders and sheet cutting machine)	2,555,900				
(3) Modernization and capacity increase at Simpele - Board machine cylinders & grinders	1,715,522				
(4) New corrugating machine at Paperituote	521,000				
(5) Renewal of No.5 Machine at Tervassari	2,767,419				

	<u>D.Mks.</u>	<u>Swiss Francs</u>	<u>Swedish Kronor</u>	<u>U.K. £</u>	<u>U. S. \$</u>
(6) Converting machinery at Jamsankoski	95,251				
(7) Converting machinery at Paperituote	140,000				
<u>W. Rosenlew & Co.</u> - No details available except on summary page of new applicants - described as increase in Kraft paper production and to manufacture sulphite paper					
	8,573,000	375,000	1,158,000		1,434,000
	<u>1,517,000</u>				<u>2,326,200</u>
Rosenlew Totals	10,090,000	375,000	1,158,000		3,760,200

Notes:

- (a) No attempt has been made to place projects of United Paper Mills in any position of priority with respect to projects of other companies but a suggestion is made as to their priority in relation to each other.
- (b) No attempt has been made to place Rosenlew projects because no details other than as given above are presently available, also because the large amount of U.S. currency required may make it impossible to include them as a loan participant.
- (c) Numbers appearing at left of company listings indicate suggested priority within the list of projects of that company.
- (d) Note that in two cases, viz. Kymmene and Myllykosken, their proposals have been split into groups of different suggested priority. The Myllykosken items XI (1) and (2), for instance, are for production of power and groundwood pulp in anticipation of being able to put in another newsprint machine at some future time.

In reply refer
to: Loan No.61 FI

May 25, 1954

Dear Mr. Makkonen:

I attach for your information two copies of a letter I have today written to the Bank of Finland about some changes in the transmission project of Loan No.61. As you will note, the Bank has agreed to modify the description of the project to accord with the revised plans of Imatran Voima Osakeyhtio.

I should be grateful if you would forward one copy of my letter to Helsinki, together with the signed copy of the Bank of Finland's letter of May 10.

Yours sincerely,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Mr. Veikko Makkonen
First Secretary
Legation of Finland
1900 Twenty-fourth Street, N.W.
Washington, D.C.

Enclosure

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. S. R. Cope

DATE: May 25, 1954

FROM: Neil J. Paterson *NJP*

SUBJECT: Finland: Loan No. 61 - Power Project

I submit for your confirmation two copies of the Bank of Finland's letter of May 10, requesting modification of the description of the transmission project.

The letter differs from the draft attached to Mr. Hoar's letter of April 21 (attached hereto) only as to details, which we had asked them to fill in. The draft sent to Finland was cleared by the Working Party.

I also attached for your signature a reply to the Bank of Finland's letter of May 10.

AIRMAIL

May 25, 1954

In reply refer
to: Loan No.61 FI

Your reference:
A JG MJ

Gentlemen:

✓
Thank you for your letter of May 10, 1954, about the changes in the transmission project of Imatran Voima Osakeyhtio, which is being financed under Loan No.61.

I am returning herewith a copy of your letter of May 10, and I have confirmed on it the Bank's agreement to the changes in the description of the project. I note that these changes will not affect the List of Goods despite the reduction in the total cost of the project.

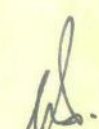
Your letter cleared up several aspects of the project about which we were uncertain.

Yours truly,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
FINLAND


NJPaterson:dhc

fin. lmb1

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

DATE OF WIRE: MAY 14, 1954

TO: FLESHER, INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FROM: HELSINKI

TEXT:

ROUTING	
ACTION COPY TO	MR. RIPMAN
INFORMATION COPY TO	
Decoded By	

YOUR CABLE 5/4 LIPKOWITZ WE ACCEPT NEW REPORTING ARRANGEMENTS
LOANS 16 61 AND 70 AS LAID DOWN YOUR LETTER FEBRUARY 8 ✓
AND HAVE ALREADY ACTED ACCORDINGLY REGRET DELAY ANSWER.
OPERATIONAL DATA AND ACCOUNTS AGRICULTURAL PROJECTS SENT
PELLONRAIVAUS MAY 11 LAPIN RAIVAUS MAY 7. REFERRING
YOUR LETTER APRIL 5 MISSING REPORTS PIETARSAARI WILL BE SENT
MAY 15 TOPPILA AFTER FEW DAYS

SUOMENPANKKI

Mr. Flesher
Dr. de Vries *cc sent.*
ATTN

noted
Mr. SB
May 14/54

ORIGINAL

copy in lmb 16 &
4 to lmb 70

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MAY 14 11 18 AM 1954

NY 100-100000-100000

TO THE DIRECTOR, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM THE DIRECTOR, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

SUBJECT: [illegible]

RE: [illegible]

DATE: [illegible]

BY: [illegible]

NY 100-100000-100000

TO THE DIRECTOR, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM THE DIRECTOR, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

SUBJECT: [illegible]

RE: [illegible]

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

WASHINGTON, D. C. 20540

14/5/54

Tu EA MJ.

→ Mr. Carl Flesher,
International Bank for Reconstruction
and Development, Dept. of Technical
Operations, Washington 25, D.C.

SÄHKEVÄHVISTUS
TELEGRAMBEKRÄFTELSE
CABLE CONFIRMATION

VÄHVISTAMME TÄTEN TÄMÄNPÄIVÄISEN, ALLAOLEVAN
JÄLJENNÖKSEN MUKAISEN SÄHKKEEMME.
VI BEKRÄFTA HÄRMED VÄRT TELEGRAM ÄV I DAG ENLIGT NEDÄNSTÄENDE KOPIA.
WE CONFIRM OUR TELEGRAM OF TO-DAY AS PER COPY HEREAFTER.

KUNNIOITTAEN / HOGAKTNINGSFULLT / YOURS FAITHFULLY

SUOMEN PANKKI — FINLANDS BANK

J. Järvelin

Flesher
Intbafrad
Washington DC

Your cable 5/4 Lipkowitz we accept new reporting arrangements
loans 16 61 and 70 as laid down your letter February 8 and have
already acted accordingly regret delay answer stop Operational
data and accounts agricultural projects sent Pellonraivaus may 11
Lapin Raivaus may 7 stop Referring your letter April 5 missing reports
Pietarsaari will be sent may 15 Toppila after few days

Suomenpankki

*Flesher
Dr. Järvelin
KBM*

*Bouge
msB.*

*Archives
for file
msB.*

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

MAY 18 9 25 AM 1954

TO THE DIRECTOR
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C.
FROM THE DIRECTOR
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C.
SUBJECT: [Illegible]

RECEIVED
MAY 18 1954

1/2

CYBIE COMMUNICATION
DEPARTMENT OF THE ARMY
WASHINGTON, D. C.

FLOWER LYNCKI - LINGVING BUNK

FLOWER LYNCKI - LINGVING BUNK

FLOWER LYNCKI - LINGVING BUNK
FLOWER LYNCKI - LINGVING BUNK
FLOWER LYNCKI - LINGVING BUNK

FLOWER LYNCKI - LINGVING BUNK

FLOWER
LYNCKI

FLOWER
LYNCKI



*Fin. In 61
Files*

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

1818 H STREET, N. W.

WASHINGTON 25, D. C.

TELEPHONE EXECUTIVE 3-6360

CABLE ADDRESS-INTBAFRAD

AIRMAIL

No. 8

May 11, 1954

*mlr
[Signature]*

Dear Raymond:

Thank you for the instalments of the Mission's running report. We have now received up to and including paragraph 323. I am passing copies on to Technical Operations and they will give you any comments they have direct.

I am interested in the report of your discussion with Professor Waris about the possible prior redemption of the early dollar obligations of Loans Nos. 16 and 61. We shall now await any move the Finns might care to make.

Yours sincerely,

Stanley

A. S. G. Hoar
Director of Operations
Europe, Africa and Australasia

S. R. Cope, Esq.
Hotel Kamp
Helsinki
FINLAND

Yellow in Fin. In 15

Assistant Director of Operations
Europe, Africa and Australasia

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

VIA AIR MAIL

PÄIVÄYS
DATUM
DATE

May 10, 1954.

VIITTEEMME
VÄR REF.
OUR REF.

A JG MJ.

KIRJEENNE
EDERT BREV
YOUR LETTER

of 4/21/54

VIITTEENNE
EDER REF.
YOUR REF.

→ International Bank for Recon-
struction and Development,
Department of Technical Opera-
tions, Washington 25, D.C.

ASIA
BETR.
RE

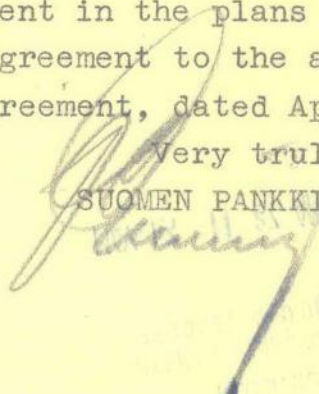
Loan No 61-FI.

Gentlemen:

We have pleasure in enclosing a letter of Imatran Voima Osakeyhtiö, dated May 7, 1954, containing details requested by you in connection with the amendment in the plans of Imatran Voima. We also enclose our request of agreement to the amendment of the relative paragraph of the Loan Agreement, dated April 30, 1952.

Very truly yours,

SUOMEN PANKKI-FINLANDS BANK



Enclos.

Enclos.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MAY 13 11 27 AM - 1954

FINLAND - SWEDEN

RECEIVED

The Embassy of the Soviet Union, dated April 20, 1953,
also enclose our request of agreement to the amendment of the letter
in connection with the amendment in the plans of International Bank. We
acknowledge dated May 1, 1954, containing details requested by you.
We have presented in enclosing a letter of International Bank
gentlemen:

From the U.S.S.R.

From Washington 22, D.C.
Department of Economic Affairs
Economic and Development
International Bank for Recon-

LOAN REP
ECON DEV
AMERICAN
LOAN FELLOWS
ECON DEV
KIRKMAN

of 4/21/54

OUR REP
LOAN REP
AMERICAN
DATE
DAILY
FINLAND

4 10 11

MAY 10, 1954

FINLAND - SWEDEN

FINLAND - SWEDEN

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

PROGRESS REPORT SLIP 61 FI

DEPARTMENT OF TECHNICAL OPERATIONS

COUNTRY	Finland
LOAN OR PROJECT	Etelä-Pohjanmaan Voima Oy
PERIOD TO	Jan. 31, 1954
TYPE OF REPORT	Schedule of Pur. & Del.
CARDED	May 11, 1954

FOR ACTION TO:		INITIAL	DATE
1	M.D. Bryce		
2	Review only analyzed	MSB	May 18/54
3	Min Anderson		
4			
5			
6			
7			
8	Mr. Jones		

May 19, 1954.

Mr. Bryce:

This has already been shown on the card. Did you want
me to make a 2nd entry, or does your previous analysis of
Feb. 9 take care of it?

Miss Anderson
previous analysis
is enough.

—mTB.

K. A.

LEGATION OF FINLAND

1900 TWENTY-FOURTH ST, N. W.
WASHINGTON 8, D. C.

No. 2544

May 7, 1954

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

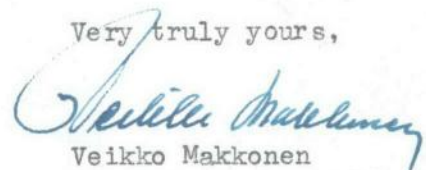
Re: IB-61-FI-Electric Power Project

Gentlemen:

I have been informed by the Bank of Finland that the International Bank for Reconstruction and Development has brought to the knowledge of Ekono that the January Report regarding the Schedule of Purchases and Deliveries of the Power Plants under the Loan IB-61-FI has not been received by the International Bank. The Bank of Finland has, therefore, now transmitted a copy of the Report to this Legation requesting us to forward same to you. Accordingly, I have the pleasure to enclose herewith the copy of the Report.

At the same time I wish to inform you that the engineering report which you had also requested has been sent to you on the 5th of April. The Bank of Finland assumes that this report has already been received at the Bank.

Very truly yours,



Veikko Makkonen
First Secretary of Legation

VM:db
enclosure

*Acknowledged
May 11/54*

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

May 7, 1954

*Tech. Ops.
has made a
copy of this
for Industry
Div. use.
m5Brym*

International Bank for
Reconstruction and Development,
1818 H-Street, N.W.,
Washington D.C.

Subject: Loan No. 61 FI

Gentlemen,

Thank you for your letter of April 21, 1954.

In the following we wish to give you information
you required.

When visiting Finland in the autumn 1953 Mr. Finne
was given a full report on all matters concerning Montta -
Pyhäkoski and Nuojua - Utanen - Pälli transmission lines.
Therefore we got the idea that the matter was entirely
cleared up and consequently did not mention it in our
letter of April 3, 1954. The above mentioned lines are not
to be included any more to the IB - 61 Loan for the following
reasons.

The line Montta - Pyhäkoski, the length of which
is only 5,5 kilometers, has been left out from the project
because so much material was left over from the completed
construction work on other transmission lines, not included
in the IB - 61 Loan, that it is possible to build this line
using the remaining material without additional purchases.

The 110 kV line Montta - Utanen - Pälli will
not be included because the comparison of costs has shown
that it would be more economical to connect the Utanen water
power plant direct to the 220 kV line Pyhäkoski - Nuojua,
which is already completed and taken into service.



These changes in our plans do not require any amendments in the official list of goods or in the breakdown list of goods for the loan.

The total costs for transmission lines according to the earlier plan were estimated at 36.770.163.- USA \$. The total costs for the new system have now been estimated at 22.545.000.- USA \$, of which amount 9.723.597.54 USA \$ have been used up to March 31, 1954.

The division of the costs is shown in the following table:

Currency	Used up to March 31, 1954	Still re- quired	Total
I.B.R.D.	2.331.323:54	1.914.676:46	4.246.000:-
Other foreign currency	1.300.000:-	1.900.000:-	3.200.000:-
Local currency	6.092.274:-	9.006.726:-	15.099.000:-
Total	9.723.597:54	12.821.402:46	22.545.000:-

We hope that information given above will be of use to you.

Faithfully yours

IMATRAN VOIMA OSAKEYHTIÖ

Kaarlo Lamm pp. Eino Hailinen

ML/EKL

RECEIVED
OPERATIONAL PLAN FOR
RECONSTRUCTION LEVEL

MAY 13 11 24 AM 1951

WT/EKT

INVESTMENT LOAN AGREEMENT

ESTIMATED COSTS

see to you.

We hope that information given above will be of

Total	42,752,227.24	42,752,227.24	55,242,000.00
Local currency	4,475,227.24	4,475,227.24	12,000,000.00
currency	1,200,000.00	1,200,000.00	2,500,000.00
Other foreign			
I.B.B.D.	5,227,227.24	5,227,227.24	4,542,000.00
	1954		
Currency	March 31, 1954	ended	Total
	used up to	still to	

table:

The division of the costs is shown in the following table which have been used up to March 31, 1954.

at 55,242,000.00 - U.S. \$, of which amount 42,752,227.24 U.S. \$ the total costs for the new system have now been estimated to the earlier plan were estimated at 35,710,077.24 - U.S. \$.

The total costs for transmission lines according to the plan for the loan.

In the official list of goods or in the breakdown list of these changes in our plans do not require any amendments



YHTYNEET PAPERITEHTAAT OSAKEYHTIÖ

(UNITED PAPER MILLS LTD)



SIMPELE — TERVASAARI — JÄMSÄNKOSKI — KAIPOLA
PAPERITUOTE — JYLHÄVAARA — VALKE

HEAD OFFICE

TELEGRAMS: YHTYNEET, VALKEAKOSKI
TELEPHONE: VALKEAKOSKI 201

VALKEAKOSKI, May 4th, 1954.
(Finland)

VH/OS

Purch. Dept.

International Bank for Reconstruction and
Development
Washington
USA

Gentlemen,

Loan 61 FI.

The new reports, which you will find attached, are prepared on the basis, which was issued in your letter to Bank of Finland of February 8th 1954. All reports show the situation on the date of March 31st-54.

The following reports would be prepared June 30th, except the schedule of purchases and deliveries, which will be issued next time September 30th, and the statement of scheduled expenditures and sources once a year or before, if there are changes to be reported.

In your letter to Bank of Finland of Febr. 8th you presumed that the uncovered balance in the statement of sources of funds, dated November 18th -53, represents the credit of Walmsley Ltd. This is apparently a misapprehension on your side, because we didn't get any credit.

Attached you will find a copy of the contract of paper machine II.

Yours very truly,

pp. YHTYNEET PAPERITEHTAAT OSAKEYHTIÖ
Head Office
R. Pentti *M. Kumpulainen*

Encl.

MS. 1548-104/52, p. 30953
the date of the 1952
YPK 2850/5.

C O N T R A C T made the 15th day of September, 1952, between WALSLEYS (BURY) LIMITED, BURY, ENGLAND, (hereinafter called "THE MANUFACTURERS") of the one part and YHTYNEET PAPERI-TEHTAAT OSAKEYHTIÖ, (UNITED PAPER MILLS LIMITED), HEAD OFFICE, VALKEAKOSKI, FINLAND, (hereinafter called "THE PURCHASERS") of the other part

WHEREBY IT IS AGREED as follows:-

1. THE MANUFACTURERS agree to supply and THE PURCHASERS agree to purchase from THE MANUFACTURERS One (1) Fourdrinier Paper-Making Machine of 220 inches (5587 m.m.) wire width and associated equipment as described in the attached schedule numbered one, which schedule forms an integral part of this Contract.

2. TOTAL PURCHASE PRICE AND PAYMENT CONDITIONS.

The total purchase price shall be £720,000. 0. 0.

(seven hundred and twenty thousand) pounds sterling

packed or protected where necessary for export shipment and delivered f.a.s. MANCHESTER. THE PURCHASERS will be responsible for arranging shipment to port of discharge and for the payment of freight and other charges, also such duty charges as may be assessed by the Finnish Authorities.

PRICE VARIATION CLAUSE.

The above-mentioned total purchase price is based on the cost of labour and materials ruling at the 5th June, 1952, and if, between such date and the 30th June, 1953, there are variations, either by rise or fall, in these costs, then the purchase price shall be adjusted as hereinafter provided to cover these variations.

LABOUR - Formula for calculating variations in respect of changes in Rates of Pay.

If, at the end of the first four-sevenths of the delivery period, any variation accepted nationally by the Engineering and Allied Employers' National Federation of Great Britain

shall exist in the rates of pay for adult skilled male labour ruling at 5th June, 1952, the purchase price shall be adjusted at the rate of 0.40 per cent of such purchase price for each 1.00 per cent variation, such variation being calculated as a percentage of the rate of pay ruling at 5th June, 1952. For each additional variation in the said rate of pay occurring during the last three-sevenths of the delivery period, the said purchase price shall be adjusted at the rate of 0.40 per cent of such purchase price for each additional 1.00 per cent variation multiplied by that fraction of the last three-sevenths of the delivery period which is unexpired at the date of each additional variation, such additional variation being calculated as a percentage of the rate of pay ruling at 5th June, 1952.

At the time of any variation under this clause THE MANUFACTURERS will forward to THE PURCHASERS official notification of the change or changes in the labour rate of pay.

MATERIALS - Formula for calculating variations in respect of changes in costs of materials.

The said purchase price shall also be adjusted at the rate of 0.45 per cent of such purchase price for each 1.00 per cent difference between the index figure for mechanical engineering materials last published by the Board of Trade Journal before the 5th June, 1952, and that index figure last published before the end of the first five-sevenths of the delivery period, such difference being calculated as a percentage of such index figure last published in the Board of Trade Journal before the 5th June, 1952.

If, before final shipment, any tax on sales or similar tax hereafter enacted by the British Government shall affect the costs of THE MANUFACTURERS in the carrying out of this Contract, THE PURCHASERS shall reimburse THE MANUFACTURERS for the amount as suffered by THE MANUFACTURERS.

For the purpose of these calculations -

- (i) The words "rate of pay" shall be deemed to include basic wage rates, bonuses, allowances and other forms of remuneration.
- (ii) The rate of pay for adult skilled male labour ruling at 5th June, 1952, shall be deemed to be £8.0.0, per week of 44 hours.

3. The Total Purchase Price shall be discharged as follows:-

5/153 5% in December 1952. £ 36,000 -- mk 23,000.000-
26/9-53 5% in August 1953. £ 36,000 -- mk 23,000.000-
15% in August 1954. £ 36,000 -- mk 60,000.000-

25% in March 1955, provided THE MANUFACTURERS notify THE PURCHASERS that the main parts of the machine are ready for shipment or will be shipped within two months thereafter. If such notification is not received, payment will be postponed until such notification is received.

15% in December 1955. £ 108,000 --

20% in June 1956. £ 144,000 --

15% in August 1957. £ 108,000 --

All instalments to be adjusted to give effect to any rise or fall resulting from the operation of the Price Variation Clause forming part of Clause 2 of this Contract.

THE PURCHASERS have the right to make earlier payments if they so desire.

THE PURCHASERS agree to pay interest on the instalments scheduled after March 1955 for the period calculated from the date of final shipment to the due dates thereon at a rate calculated on the basis of the official Bank of England rate ruling at the respective due dates plus 1% (one per cent) or alternatively if the cost to THE MANUFACTURERS for financial accommodation to allow the extended period of payment for the instalments in question, is in excess, then the higher rate shall apply.

THE PURCHASERS to obtain and furnish to THE MANUFACTURERS a form of guarantee from the Bank of Finland that sterling would be made available to THE PURCHASERS for transmission to THE MANUFACTURERS to meet the payment instalments as and when they are due.

4. TIME OF DELIVERY.

THE MANUFACTURERS undertake to do everything possible to commence despatch of the machinery in March 1955 and to complete despatch in June 1955 but in any case so that erection on site be completed to permit of commencement of operation not later than October 1955.

The foundation plates and the dryer section will be

delivered in the first shipments and other shipments may follow in the sequence THE MANUFACTURERS desire, provided this does not curtail the uninterrupted erection of the Paper-making Machine and Equipment in question.

5. COMPENSATION FOR DELAYED DELIVERY.

Should the supply or some part thereof be delayed beyond the time of delivery stated above, ^{NAMELY JUNE 1955} THE MANUFACTURERS shall pay THE PURCHASERS a compensation of 3/4% of the total contract price for every whole week for which ^{THE} supply has been delayed. Any compensation for other direct or indirect losses caused by the delay of the supply, THE MANUFACTURERS will not pay.

COMPENSATION FOR DELAYED PAYMENT.

Should the payment or some part of it be delayed beyond the dates of payment stated above, THE PURCHASERS agree to pay THE MANUFACTURERS 3/4% of the total contract price for each week that the respective payment has been delayed.

6. FORCE MAJEURE, ETC.

THE MANUFACTURERS do not accept any responsibility for loss or delay arising from force majeure such as fire, labour disputes, or any other causes as are not in the power of THE MANUFACTURERS to avoid.

7. MANUFACTURERS' GUARANTEE.

- a. THE MANUFACTURERS guarantee the machine to be supplied by them to be well designed and manufactured, and further guarantee that all materials used shall be of first class quality and suitable for their respective purposes.
- b. THE MANUFACTURERS agree to make good or replace at their own expense any defects or defective parts which may appear within a period of fifteen months from date of final shipment, and which are proved to be due solely to the use of defective materials or bad workmanship. It is agreed that any defective parts replaced are to be the property of THE MANUFACTURERS, and further, that the new parts will be delivered to THE PURCHASERS c.i.f. Finnish port.

c. In the event of it being necessary to replace any of the parts covered in the specification during the period of maintenance guaranteed under this Contract, the maintenance period for such parts will be extended further by one (1) year counted from the date when the part in question was put in operation.

d. All moving parts of the machine are to be in static and dynamic balance to permit the making of paper at a speed of two thousand (2000) feet per minute. The speed and quality of the paper made on the machine to be equal to that made on similar modern machines operating under similar reasonable and satisfactory conditions.

e. In case it should be desired at a future date to mechanically interconnect all sections of the dryers, it is understood that the gearing of the dryer part will be of sufficient strength to resist any unusual stresses imparted by the driving motors upon the gears during starting or regular operation.

f. Within this guarantee THE MANUFACTURERS shall not be held liable for contingent liabilities.

8. MARKING AND SHIPPING INSTRUCTIONS.

These to be settled at a later date. THE MANUFACTURERS agree to give notice to THE PURCHASERS of machinery ready for despatch so that THE PURCHASERS may notify identification marks and make the necessary shipping arrangements.

9. INSURANCE.

THE PURCHASERS will insure the machinery from f.a.s. Manchester onwards. THE MANUFACTURERS will inform THE PURCHASERS by cable of necessary details for this purpose.

10. INSPECTION.

THE PURCHASERS or their authorised representatives have the right to inspect the machinery at THE MANUFACTURERS' Works.

11. FOUNDATIONS.

THE PURCHASERS to provide all foundations in accordance with THE MANUFACTURERS detailed drawings and instructions. The foundations for the Paper Machine soleplates to be ready

12. ERECTION ON SITE.
THE MANUFACTURERS will furnish the services of one supervising erector and one skilled assistant erector, to supervise erection on site. THE PURCHASERS shall provide all other skilled and unskilled labour, lifting tackle, crange facilities, etc. THE PURCHASERS shall pay THE MANUFACTURERS for the service of their erectors on terms to be agreed.

13. ALTERATIONS.
Any alterations or additions to this Contract must be made in writing and be signed by both parties hereto. THE MANUFACTURERS shall not be responsible for delays caused by such alterations or additions made by THE PURCHASERS.

14. DIFFERENCES.
Differences regarding the correct interpretation and application of this Contract are to be settled by arbitration in the following manner: THE MANUFACTURERS and THE PURCHASERS will select one (1) representative each and these representatives will select a chairman which is agreeable to both THE MANUFACTURERS and THE PURCHASERS. If such a chairman cannot be agreed upon, the Chamber of Commerce in Helsinki, Finland, will select the chairman for the arbitration.

This Contract has been executed in duplicate, and one copy will remain with THE MANUFACTURERS and one copy with THE PURCHASERS.

Valkeakoski, 15th September, 1952

Signed for and on behalf of
WALMSLEYS (BURY) LIMITED

Witness *J. K. Kinsley*

Signed for and on behalf of
YHTYNEET PAPERITENTAAT USAKEYHTIO
(UNITED PAPER MILLS LIMITED)

YHTIO *Fernando Villa*

SCHEDULE NUMBER ONE to CONTRACT dated

15th September, 1952.

- Item # 1 One Paper-Making Machine 200" (5589 m. m.) trim width from Head Box to Reel including Indriving shafts to specification dated 15th September, 1952, pages 1 to 19 and generally to Drawing TD 3203 Paper Machine Drawings TD 3302 and TD 3309 (Head Box) Typical Drawing # 133-268 (Oiling system) Reiss Engineering Co's Drawing # B3978 (Steam and Condensate system).
- Item # 2 One Super Calender to specification pages 1 to 3.
- Item # 3 Spares for Paper-Making Machine and Super Calender pages 1 to 6.
- Item # 4 Harland Drive for Paper-Making Machine to specification pages 1 to
- Item # 5 Harland Drive for Super Calender to specification pages 1 to
- Item # 6 Spares for Harland Drive for Paper-Making Machine to specification pages 1 to
- Item # 7 Spares for Harland Drive for Super Calender to specification pages 1 to

Fin: Lm 61

CROSS REFERENCE SHEET

COMMUNICATION: Outgoing Wire

DATED: May 3, 1954

TO: Samuel Lipkowitz, Kamp, Helsinki, Finland.

FROM: Flesher

SUMMARY: Eight. Time permitting discuss Bank of Finland our suggestions concerning end-use reporting arrangements re loans sixteen, sixtyone and seventy to which no reply yet received also submission operational data and accounts for agricultural projects Pellon and Lapin Raivaus for 1953.

FILED UNDER: Finland - Loan 16

CROSS REFERENCE: Finland - Loan 61 ✓
Finland - Loan 70

OFFICE MEMORANDUM

TO: Mr. R. L. Garner

DATE: April 29, 1954

FROM: A. S. G. Hoar

SUBJECT: FINLAND - Loans 16 FI and 61 FI

1. I have received the following cable from Mr. Cope in Helsinki:

"BANK OF FINLAND MAY HAVE ABOUT THREE MILLION DOLLARS FOR SHORT TERM INVESTMENT NO DECISION LIKELY FOR SOME WEEKS BUT PRESENT THINKING FAVORS PRIOR REDEMPTION PART OF 1954, 1955 AND 1956 MATURITIES LOANS 16 AND 61. WOULD IBRD WAIVE REDEMPTION PREMIUM."

2. The following is a breakdown of the maturities due under these loans from now through 1956:

<u>U.S. \$ Maturities held by Bank</u>	<u>\$000</u>
Under Loan No. 16	1,151
Under Loan No. 61	<u>1,278</u>
	2,429
 <u>U. S. \$ Maturities held by Others</u>	
Under Loan No. 16 (held by India Supply Mission)	425
 <u>Non-U. S. \$ Maturities (all held by Bank)</u>	
Under Loan No. 16 (by special agreement)	694
Under Loan No. 61 (by pro-rating)	<u>150</u>
	<u>844</u>
 Total	3,698

3. I recommend that, as in other cases, we indicate our willingness to waive the redemption premium on maturities held by us. (The amount of the premium would be about \$15,000.) The proposal raises the following additional problems:

A. It would require special agreements under the Loan Agreements.

The Loan Agreement for Loan No. 16 specifies that bonds for redemption are to be selected by lot (Article VI, Section 2). In the case of Loan No. 61, the Loan Regulations provide that the latest maturities should be redeemed first (Loan Regulations Section 2.05). In both

2x Fin: Ln 16

cases we may of course agree with the Borrower (the Bank of Finland) to do otherwise and I would suggest that in this case we indicate our willingness to select maturities for redemption to accord with the proposal.

B. It may require revision of the amortization schedules.

We agreed on March 9, 1954, with the Bank of Finland that all outstanding non-U. S. dollar payments due under Loan No. 16 (\$456,000) would be included in the next three maturities (August 1954 and February and August 1955). The question of the currency composition of the various maturities for Loan No. 61 has not yet arisen as disbursement is not yet complete and as amortization does not start until December 1955. By prorating disbursements so far made, however, non-dollar maturities of about \$150,000 would fall due before the end of 1956. It is doubtful if the Finns would wish to redeem the non-dollar maturities of either loan (which are mostly in sterling, Danish kroner and Swedish kronor) by using dollars. I would suggest that we indicate now that, if requested, we would agree to revision of the amortization schedules so that only dollar maturities would be involved.

C. It would call for the agreement of the India Supply Mission as holder of some of the bonds.

If redemption should be required before August 1, 1954, the Bank would have to ask the India Supply Mission whether it would forego the redemption premium; I would argue against the Bank's trying to persuade the India Supply Mission to do so.

If the Finns should wish not to redeem before due date the \$425,000 held by the India Supply Mission but to redeem before August 1, the dollar maturities held by the Bank, I would think that we should inform the Indians and give them the opportunity to comment on the transaction. Until the intentions of the Bank of Finland are more clearly known, however, there would seem no point in involving the India Supply Mission.

3. I have discussed the foregoing suggestions with the Treasurer's Department (Mr. Cavanaugh) and with Legal Department (Miss Morsey) who agree with them. If you agree we might cable Mr. Cope as follows:

"WE WOULD AGREE WAIVE REDEMPTION PREMIUM ON MATURITIES HELD BY US
STOP DOLLAR MATURITIES DUE THROUGH 1956 AND HELD BY US AMOUNT TO
\$2,429,000 ON BASIS SCHEDULE OF AMORTIZATION FOR LOAN NO. 16 AS

AGREED BY BANK OF FINLAND MARCH 9, 1954 AND PRO-RATING OF CURRENCIES FOR AMORTIZATION OF LOAN 61 STOP WE ALSO HOLD ON SAME BASIS NON-DOLLAR MATURITIES FOR ABOUT \$844,000 STOP IF FINNS REQUESTED WE WOULD AGREE TO AMORTIZE BOTH LOANS SO THAT NON-DOLLAR OBLIGATIONS WOULD BE SHIFTED TO AFTER 1956 STOP WE WOULD ALSO AGREE TO PRIOR REDEMPTION OF EARLIEST MATURITIES FIRST COLON LOAN AGREEMENTS SPECIFY THAT UNLESS OTHERWISE AGREED BETWEEN BORROWER AND BANK MATURITIES FOR PARTIAL PRIOR REDEMPTION BE SELECTED BY LOT IN CASE OF LOAN 16 AND IN INVERSE ORDER OF DATE IN CASE OF LOAN 61 STOP IN ADDITION TO MATURITIES HELD BY US INDIA SUPPLY MISSION HOLDS DOLLAR MATURITY OF LOAN 16 FOR \$425,000 DUE AUGUST 1, 1954 STOP IF FINNS WISH REDEMPTION BEFORE THEN WE WOULD HAVE TO ASK INDIANS WHETHER THEY WOULD RELINQUISH PREMIUM COLON WE WOULD NOT PRESS THEM STOP ALSO WE WOULD CONSULT THEM IF FINNS WISHED TO REDEEM PRIOR TO AUGUST 1 ONLY THOSE MATURITIES HELD BY BANK"

*Revised
version
sent 29/11*

Fin: Rm 61

April 27, 1954

Mr. Veikko Makkonen
Legation of Finland
1900 24th Street, N. W.
Washington 8, D. C.

Subject: Loans No. 61 FI and 70 FI

Dear Mr. Makkonen:

Many thanks for your letter of April 20 enclosing Power of Attorney dated April 13 to you, Mr. Karhile and Mr. Makela.

The original Power of Attorney to you and Messrs. Makela and Alholm dated January 8, 1953 is returned herewith.

Sincerely yours,

Virginia Morsey
Attorney

Enclosure

VMorsey/msp

✓ Fin: Rm 70

Finland - Fin 61

Archives
Attention: Miss Paterson
Virginia Morsey
Loans No. 61 FI and 70 FI

April 26, 1954

Attached is Power of Attorney authorizing Mr. Makkonen, Mr. Karhilo and Mr. Makela to take action under the above-mentioned loans. Mr. Makkonen has requested that the previous Power of Attorney dated January 8, 1953 be returned to him. Will you therefore please forward it to me. Copies of the attached Power of Attorney should be sent to legal files and to Treasurer's files.

Attachment

VMorsey/mep

REFERENCES
✓ Fin 70

CROSS REFERENCE SHEET

COMMUNICATION: Incoming Wire

DATED: April 25, 1954

TO: IBRD

FROM: Helsinki

SUMMARY: SEVEN. BANK OF FINLAND MAY HAVE ABOUT THREE MILLION DOLLARS FOR SHORT TERM INVESTMENT NO DECISION LIKELY FOR SOME WEEKS BUT PRESENT THINKING FAVORS PRIOR REDEMPTION PART OF 1954 1955 AND 1956 MATURITIES LOANS 16 AND 61. WOULD IBRD WAIVE REDEPTION PREMIUM.

COPE

FILED UNDER: Finland - Loan 16

CROSS REFERENCE: Finland - Loan 61

In reply refer to
Loan No. 61 FI

April 21, 1954

Your reference: A JG MJ

Gentlemen:

✓
Thank you for your letter of April 10, 1954 and enclosures about the plans of Imatran Voima Oy for the development of the electric power transmission system from North Finland.

We are agreeable to the revisions suggested by Imatran Voima Oy to the description of the transmission project, as a consequence of the change in their plans. In order to effect the necessary modification of Schedule 2 of the Loan Agreement, we suggest that you submit for our confirmation a letter along the lines of the attached draft, correcting and completing the detailed descriptions of the main branch lines included in the project.

It is not entirely clear whether the project now covers the Montta-Pyhakoski and the Nuojua-Utanen-Palli lines which were included in the description of the project as previously revised by your letter of April 10, 1953 (reference J KW AN SI). Imatran Voima Oy's letter of April 3, 1954 does not mention them and we have accordingly left them out of the attached draft. We should appreciate your re-inserting them, if they are still to be included, and if they are not, we should like to have a statement about the reasons for their omission.

We should also like to know what changes, if any, will be required in the official list of goods or the breakdown list of goods for the loan as a result of the revision of Imatran Voima Oy's plans.

Suomen Pankki-Finlands Bank

-2-

Finally, we should appreciate an up-to-date revision of your estimates of the total cost of the project broken down to show separately costs financed by the Bank loan and other foreign currency and local currency costs. This should be accompanied by confirmation that your undertaking about the provision of adequate local and foreign financing for the project, as given in your letter of April 30, 1952 (K.18/KW/JS/MJ) is in no way affected by the change in the project.

One copy of this letter has been sent to the Legation of Finland in Washington.

Yours sincerely,



A. S. G. Hear
Director of Operations
Europe, Africa and Australasia

Attachment

Suomen Pankki-Finlands Bank
Helsinki
Finland

Cleared with Working Party

CC: Miss Morsey
Mr. Bryce
Mr. Rigby
Legation of Finland

NJPatersons

DRAFT

(BANK OF FINLAND LETTERHEAD)

[Date]

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C.

Subject: Loan No. 61 FI

Gentlemen:

We hereby request your agreement to the amendment of Paragraph F, Part I of Schedule 2 of the Loan Agreement (Power, Woodworking, and Agricultural Projects) dated April 30, 1952, between us. Such paragraph, as amended, would read as follows:

"F. Transmission Project

Transmission lines will be constructed, including interconnecting links between the hydroelectric stations of _____

and existing transmission lines. The major characteristics are described below:

<u>Branch</u>	<u>Voltage Kv</u>	<u>Capacity Kva</u>	<u>Approx. Length Km</u>
Nuojuu-Petajavesi-Tammisto	220	150,000	500
Viinijarvi-Pamilo	110	?	?
Petajaskoski-Pikkarala-Alajarvi	380	450,000	381
Pyhakoski-Pikkarala	220	150,000	17
Alajarvi-Petajavesi	220	150,000	100 "

Please indicate your agreement by signing the form of confirmation on the enclosed copy of this letter and returning the copy to us.

Very truly yours,

SUOMEN PANKKI-FINLANDS BANK

By _____
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Date:

By _____
Authorized Representative

OFFICE MEMORANDUM

TO: Mr. A. S. G. Hoar

DATE: April 21, 1954

FROM: N. J. Paterson

SUBJECT: Finland - Loan No. 61 - Power Project

The attached letter prepared for your signature agrees to a change in the transmission project being financed under the \$20 million loan to Finland. The change does not alter the broad objective of tapping the hydroelectric resources of the North for the benefit of the industries of the South. It involves a change, and according to the Finns an improvement, in the way this is to be done.

Dr. Rembert is prepared to accept the technical side of the argument on face, although for disbursement and end-use purposes, we need the additional information asked for.

The letter and its attachment have been cleared with the Working Party.

I feel that this letter falls in the twilight zone between the routine matters which might be answered under my signature (and shown to you before dispatch) and the more important ones, involving judgment of controversial issues, which would normally go to you. For my future guidance, I should appreciate an indication of how you would like letters of this sort (and they are reasonably numerous) handled in the future.

Attachments

x N. J. Paterson

It is difficult to give a ruling in the abstract.
I think this letter is properly for my signature.
Just use your own judgment and, if you
have any doubt, send the docs. to me.

52/
IV.

Fin: Fin 61

Er

In reply refer to
Loan No. 61 FI

April 21, 1954

Your reference: A JG MJ

Gentlemen:

✓
Thank you for your letter of April 1, 1954 and enclosure from Imatran Voima Oy about the Company's proposal that Bank-financed equipment be shifted from one power project to another in accordance with changing needs.

On the assumption that only construction machinery is involved and that the equipment would at all times be used for projects within the scope of loan No. 61 FI, we would have no objection to the proposal.

Yours sincerely,

Neil J. Paterson
Department of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
Finland

Cleared with Working Party 4-20-54

CC: Mr. Bryce
Legation of Finland
NJPatersons

Fin. Imb1

LEGATION OF FINLAND

1900 TWENTY-FOURTH ST. N. W.

WASHINGTON 8, D. C.

No. 2264

April 20, 1954

Miss Virginia Morsey
Attorney, Legal Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

Dear Miss Morsey:

With reference to our telephone conversation today regarding the persons who are authorized in the name and on behalf of Suomen Pankki-Finlands Bank to sign applications for withdrawals in connection with the Loans IB-61-FI and IB-70-FI and to take any other action and execute any other documents required to be taken or executed by Suomen Pankki-Finlands Bank pursuant to the said Loan Agreements, I have the pleasure to enclose herewith a new Power of Attorney given by Suomen Pankki-Finlands Bank to Mr. K.V. Mäkelä, Secretary of Legation, Mr. Aarno Karhilo, Attache, and to the undersigned, for this purpose. This new Power of Attorney will replace the credentials previously submitted to you due to the fact that Mr. B.O. Alholm has now left for Finland and has been replaced by Mr. Karhilo. Inasmuch as the Bank of Finland has requested me to return to them the cancelled Power of Attorney, I would be grateful if you kindly would forward it to me at your earliest convenience.

At the same time I have the pleasure to submit to you on a separate sheet the specimen signature of Mr. Aarno Karhilo which I understand is required by the Bank.

Sincerely,

Veikko Makkonen

Veikko Makkonen

First Secretary of Legation

VM:db
enclosures (2)

CROSS REFERENCES
Copy in Im 70



Power of Attorney

WHEREAS the Bank of Finland has contracted loans with International Bank for Reconstruction and Development, IB-61-FI up to 20 million dollars and IB-70-FI up to 18 million Swedish crowns; and

WHEREAS further documents or action in connection with these loans will be signed or required;

NOW THEREFORE the Board of Management of Bank of Finland hereby names and constitutes Mr. Veikko Makkonen, Mr. Aarno Karhilo and Mr. K.V. Mäkelä, the last mentioned until June 1, 1954, in the name and on behalf of Suomen Pankki-Finlands Bank to sign applications for withdrawals in connection with any of said loans and to take any other action and execute any other documents required to be taken or executed by Suomen Pankki-Finlands Bank pursuant to the provisions of any of such Loan Agreements.

Given in Helsinki, this 13th day of April, 1954.

SUOMEN PANKKI-FINLANDS BANK

K. Leiriälä *P. G. Lundman*

TO WHOM IT MAY CONCERN:

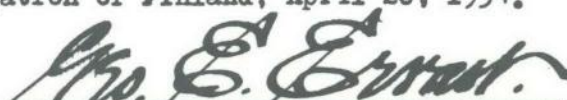
The following is the authenticated specimen signature
of Mr. Aarno Karhilo who has been designated on behalf of the
Bank of Finland to sign Withdrawal Applications and Bonds and
to take any other action or execute any other documents required
or permitted to be taken or executed by the Borrower under the
Loan Agreements IB-61 and IB-70-FI.


Aarno Karhilo
Attache

This is to certify that the above signature is that of Mr. Aarno
Karhilo, Attache of the Legation of Finland.

Washington, D.C., at the Legation of Finland, April 20, 1954.




George E. Ervast, Vice-Consul

fm 61

April 13, 1954.

The Bank of Finland,
Helsinki, Finland.

Gentlemen:

Re: Loan No. 61-FI, Electric Power Project

✓ We acknowledge with thanks, receipt of your letter dated April 1st, 1954, reference A JG MJ, with which you enclose Progress Report No. 3, covering Project Etala-Pohjanmaan Voima Oy, for the period ending December 31, 1953.

Yours very truly,

C. W. Flesher
Chief, Industry Division
Department of Technical Operations

CWF:MDB:ka



VIA AIR MAIL

Helsinki, April 10, 1954.

A JG MJ.

International Bank for Reconstruction
and Development,
Department of Technical Operations,
Washington 25, D.C.

Gentlemen:

Loan № IB-61-Fi-I, Electric Power Project.

We have pleasure in enclosing a letter of the
Imatran Voima Osakeyhtiö dated April 3, 1954, with two
maps concerning transmission lines included in the captioned
loan.

Yours faithfully,

SUOMEN PANKKI-FINLANDS BANK

3 Enclosures

ad. april 21/54

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

APR 13 11 09 AM 1954

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

April 3, 1954

*Change to 380 kV lines
approved by W. Reinbert
Mr. S. B. 1954
Apr. 15/54*

International Bank for
Reconstruction and Development,
1818 H-Street, N.W.,

WASHINGTON 25, D.C.

Dear Sirs,

Re: Transmission lines included in IB - 61 Loan.

The 220 kV transmission line Petäjäskoski - Pyhäkoski - South-Finland for power transmission from Kemi-river, in the first place from Petäjäskoski power plant, to South-Finland is included in the IB - 61 Loan. During the last two years Imatran Voima Osakeyhtiö has made careful researches for the purpose of settling the important question of power transmission taking into consideration the demand for energy in the whole land for a longer time. According to the prognosis the energy to be transmitted to South-Finland will be in the year 1960 about 435 MW, 1965 about 800 MW, and 1970 about 1250 MW.

Because the demand for power transmitted from the North-Finland is going to increase so fast, the researches for the development of power transmission network were made from the very beginning taking into consideration the possibility of changing the voltage to 380 kV, and the investigations were concentrated to the comparison between 380 kV and 220 kV transmission systems. The both systems were thoroughly scrutinized with the network analyser of Electricité de France in Paris in order to find out the technical characteristics of the systems. The final projects for power transmission system, drawn up on the ground of these investigations, are enclosed. The both alternatives are practically seen equal in regard to the load carrying capacity.



The economical comparison between the two alternatives results that the 380 kV alternative is better by far than the 220 kV alternative. The investments necessary for the further alternative until the year 1970 are calculated to be 17,7 billion mark (= 77 million USA \$) and for the 220 kV alternative 23,1 billion mark (= 100 million USA \$), so the 380 kV alternative is about 23 % cheaper. The annual costs at the final construction stage will be 2,77 billion mark for the 380 kV transmission system and 3,57 billion mark for the 220 kV system, so the 380 kV system is 22 % cheaper in this respect.

The Administrative Body of Imatran Voima Osakeyhtiö has therefore decided in its meeting on the 22nd March, 1954 that the transmission system should be developed on the ground of 380 kV transmission voltage and that the construction works should be started immediately because it is necessary to reinforce the power transmission system already for the transmission of the energy generated in Utanen power plant. The 380 kV transmission line Pikkarala - Alajärvi and the 220 kV connecting lines Pyhäkoski - Pikkarala and Alajärvi - Petäjävesi are going to be built first. These lines should be completed simultaneously with Utanen power plant in the year 1956. A 380 kV line is going to be constructed from Petäjäskoski to Pikkarala for power transmission from Petäjäskoski power plant. The 380 kV lines, mentioned above, will be at first used with the voltage of 220 kV. The changing up to 380 kV voltage will happen when the next following power plant after Petäjäskoski in the Kemi-rives is completed.

According to the statement above the following Imatran Voima Osakeyhtiö's transmission lines would be included in the IB - 61 Loan:

- 1) 220 kV line Nuojua - Petäjävesi - Tammisto
- 2) 110 kV line Viinijärvi - Pamilo
- 3) 380 kV line Petäjäskoski - Pikkarala - Alajärvi, length of the line 381 km, steel-towers, conductors 6 x 564 mm² Al, (Finch 1.113.000 Circular Mils), load carrying capacity 450 MW.
- 4) 220 kV line Pyhäkoski - Pikkarala, length 17 km, steel-towers, conductors 3 x 403 mm² Al, (Condor 795.000 Circular Mils), load carrying capacity 150 MW.
- 5) 220 kV line Alajärvi - Petäjävesi, length 100 km, wooden poles, conductors 3 x 524 mm² Al (Curlew 1.033.000 Circular Mils), load carrying capacity 150 MW.

The lines mentioned in the paragraphs 3, 4, and 5 will re-



place the lines Petäjäskoski - Pyhäkoski and Pyhäkoski - South-Finland stated in the IB - 61 Loan Agreement. We wish that The Bank will kindly take the foregoing into consideration when defining the transmission lines included in the Loan Agreement.

Faithfully yours

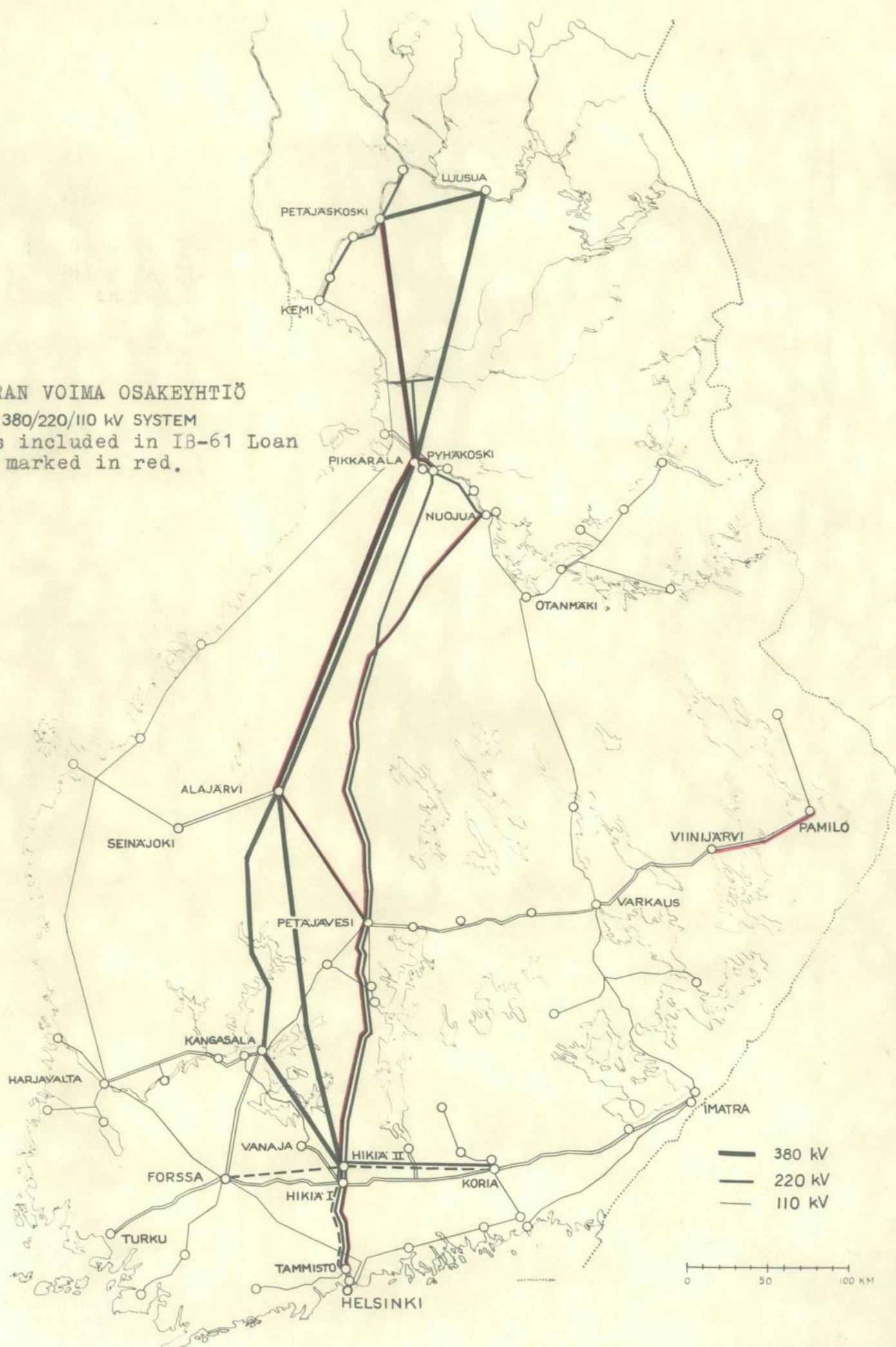
IMATRAN VOIMA OSAKEYHTIÖ

Encl.
ML/EKL

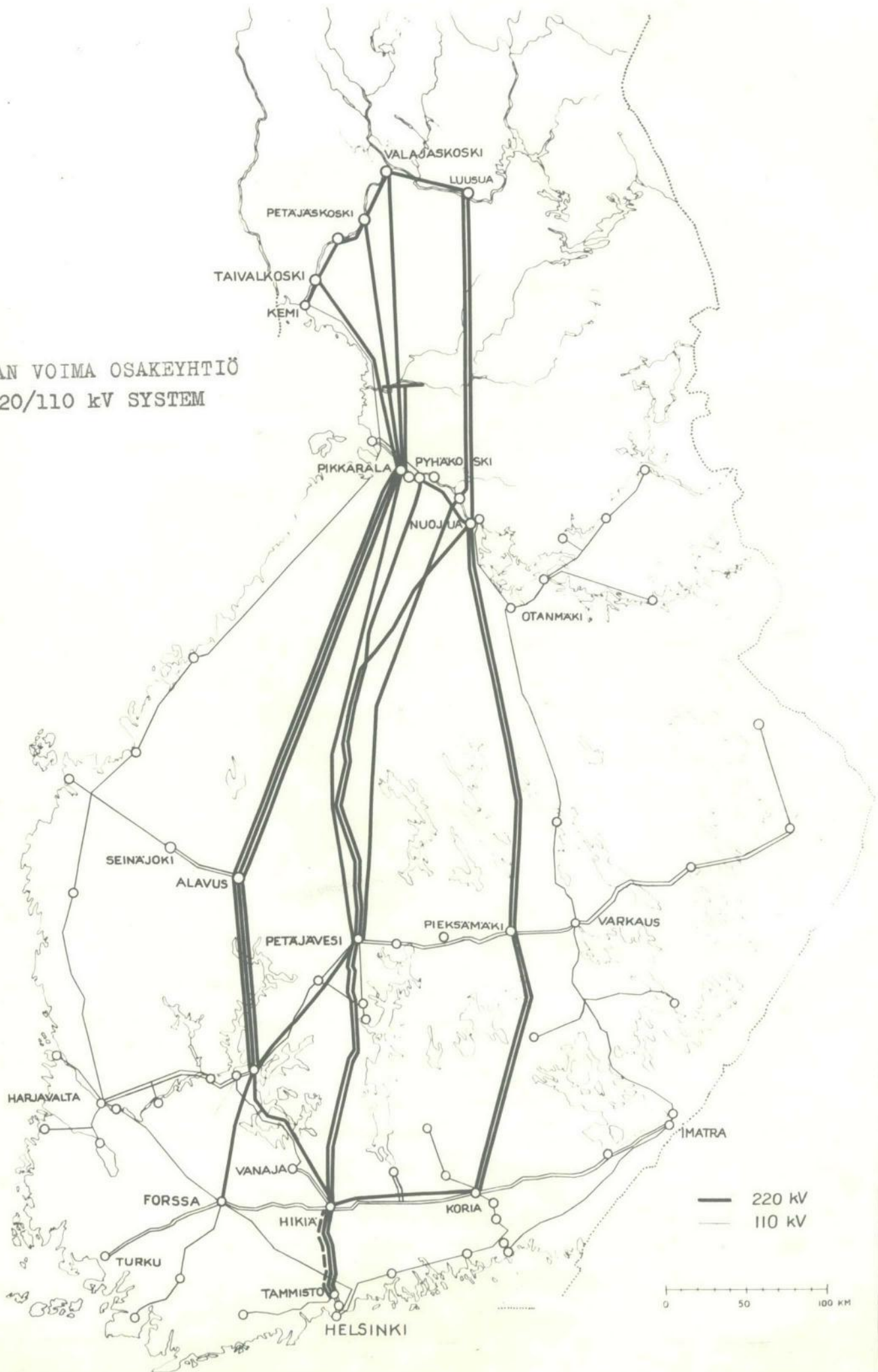
IMATRAN VOIMA OSAKEYHTIÖ

380/220/110 kV SYSTEM

Lines included in IB-61 Loan
marked in red.



IMATRAN VOIMA OSAKEYHTIÖ
220/110 kV SYSTEM



Kajaani Oy

telegraph:
KAJAANIYHTIÖ
goodsaddr:
KAJAANI-TIHISENNIEMI

KAJAANI
(Finland)

April 8th, 1954.

PURCHASING DEPT.

BE/M

The International Bank for
Reconstruction and Development,
WASHINGTON D.C.
U.S.A.

Re: Loan IB - 70 Fl - Sw.Cr.3,096,000.-

Gentlemen:

Referring to your favour of February 8th, 1954, addressed to the Bank of Finland, Helsinki, concerning the development of the II - J Plan, we hereby beg to inform you that the work on the Evaporation Plant for Sulphite Red Liquor will begin this month. ✓

According to negotiations with the supplier of the machines, the supplier has promised to get the foundation work of the machinery ready before the end of the year 1954.

The estimated cost of the building amounts now to about 63 Milj. Finnish Marks, because part of the feed water works is going to be housed in the same building, which we ourselves erect.

We are, Gentlemen,

Respectfully yours,

KAJAANI OY

Maurus Tahla *P. S. Kinnunen*

Fin. Lm 61

April 5, 1954.

Bank of Finland,
Helsinki, Finland.

Gentlemen: Re: Loans 61-FI and 70-FI, Progress Reports

Progress reports on projects financed under Loans 61-FI and 70-FI have been reviewed, and while reports on most projects are reasonably up-to-date, no reports have been received for a long time on certain other projects. So that a complete analysis of these projects as of December 31, 1953, may be made, we would appreciate your best efforts in securing reports as of that date on the following projects:

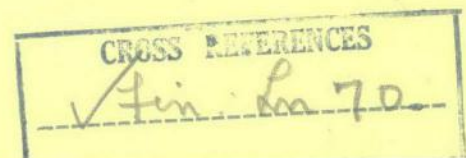
Engineering reports

Myllykoski	Enso-Gutzeit - Kotka
Kajaani	Enso-Gutzeit - Newsprint
Saastamoinen	Vietsiluoto
Metsanomist	Oulu
Pietarsaari	Topilla
Vaasa Power	

Financial and Purchase and Delivery Reports

Metsanomist
Saastamoinen
Vaasa Power

We would also welcome a reply to our letter of February 8, 1954 and your answer on our suggestion that technical, financial and operational reports in future be submitted quarterly - the next report for all projects to be as of March 31, 1954, that statements of scheduled expenditures and



FILE COPY

- 2 -

sources of financing be submitted annually starting March 31, 1954, and that reports of Purchases and Deliveries be submitted semi-annually commencing March 31, 1954. We are of the opinion that the proposed system of reporting would be less burdensome to you and to the companies concerned, yet would give us the information we need.

Yours very truly,

C. W. Flesher
Chief, Industry Division
Department of Technical Operations

MSB.

MB:ka

Cleared with Area Dept.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

PROGRESS REPORT SLIP 61-FI

DEPARTMENT OF TECHNICAL OPERATIONS

COUNTRY

Finland

LOAN OR PROJECT

Etala-Pohjanmaan Voima Oy,

PERIOD TO

Dec. 31, 1953

TYPE OF REPORT

Progress

CARDED

FOR ACTION TO:

INITIAL

DATE

1 ~~MD Bryce~~

2

3

4

5

6

7

8 Mr. Jones

Fin: Am 61



VIA AIR MAIL

Helsinki, April 1, 1954.

A JG MJ.

International Bank for Reconstruction
and Development,
Department of Technical Operations,
Washington 25, D.C.

Gentlemen:

Loan № IB-61-Fi-I, Electric Power Project.

We have pleasure in enclosing a letter of Imatran
Voima Osakeyhtiö dated March 27, 1954, and the Progress
Report № 3 of Etelä-Pohjanmaan Voima Oy concerning their
shares in the captioned loan.

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

Mr. Fletcher
JSM

acknowledged
apr 13/54
Enclos.

K.G.

[Signature]

M. Järveläinen

022 April 13/54

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

APR 5 2 05 PM 1951

Fin Am 61

IMATRAN VOIMA OSAKEYHTIÖ



HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI

HELSINKI
P. O. BOX 138
FINLAND

March 27, 1954

International Bank for
Reconstruction and Development,
1818 H Street, N.W.,
WASHINGTON 25, D.C.

Dear Sirs,

Re: Use of machines purchased on IB-61 Loan.

Machines necessary for each Power Station (Montta, Utanen, Petäjaskoski an Pamilo) and for the transmission lines are stated in the IB-61 loan. However, the need of certain machines is changing in different working places depending on the stage of the work. As the work in different places is not proceeding equally, the machines purchased on the loan could be better used, if they, though having been purchased for one certain working place, could be used also in other places. Therefore we apply that the Bank would give a permission to the rational use of one machine in any working place belonging to the loan.

Reply

Yours faithfully,

IMATRAN VOIMA OSAKEYHTIÖ

Antti Kauri pp. Antti Kauri

ML/am

100 2 5 02 64 103

RECEIVED
MARCH 27 1954
RECEIVED

APR 5 2 05 PM 1954

[Handwritten signature]

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

working place pertaining to the town.

There is a delegation to the national use of one machine in and
in other places. Therefore we will find that the bank money
interposed for one certain working place, could be used also
the town could be better used, if they, properly making use
places is not dissatisfying entirely, the machines interposed on
depending on the state of the work. As the work in different
certain machines is situated in different working places
there are stated in the 19-51 town. However, the need of
power, particularly in (electricity) and for the transportation
machines necessary for each power station (months,

is: one of machines interposed on 19-51 town.

best style.

WASHINGTON 22, D.C.

1954 N 22nd St. N.W.

Reconstruction and Development
International Bank for

APR 5 1954

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

RECEIVED
U.S. BOX 133
WASHINGTON



[Handwritten signature]

March 25, 1954
Fin. Rm 61

TECHNICAL OPERATIONS DEPARTMENT

FINLAND END-USE REPORT

Introduction

The report includes the information obtained on a visit to Finland in November 1953 to check the progress and status of the projects partly financed with the Bank loans. The information has been brought up to date through the progress reports subsequently submitted by the Borrower. The report consists of three parts. Part I includes general comments on the investment programs of the woodworking companies, power companies and in the field of agriculture. Attached to this part is a table showing revised figures of the total capital required and the source of financing. Part II gives a description of the progress and status of the individual projects which are being carried out. Attached to this part is a table showing the revised estimated construction costs of the projects and the expenditures made to December 31, 1953. Part III includes some information on recent price development and production and export data on the most important woodworking products.

Summary and Conclusions

The execution of the woodworking industry projects, which are included in the investment program partly financed by the Bank loans after the changes approved by the Bank in September-October 1953, is on the whole progressing satisfactorily. On the technical side no difficulties are anticipated which would delay the completion of the program by the end of 1955 as scheduled at present.

On the financial side the present estimated construction costs are judged to be realistic. Information received from the companies and confirmed by officials of the Bank of Finland indicate that the funds required to complete the projects are available. However, the financial position of some of the companies, caused by the decline in prices of woodworking products in 1952/53 give cause to some concern. The position has improved somewhat since the end of 1953, but a new decline will make the position of the Finnish woodworking industry extremely difficult and probably make a delay in the execution of some of the projects necessary.

Since the woodworking industry plays a dominant part in the Finnish economy, the position of the power projects will be similarly influenced. For 1954, funds have been made available through loans to carry out the construction work as scheduled. However, the Petajaskoski project and some of the transmission lines are not scheduled to be completed before the end of 1958. It is not possible to judge at the present time whether the investment in power facilities can be kept at its present rate.

In order to get a picture of the overall amount of new capital which is available from the institutions which participate in the financing of the investment program, the following information was obtained: The major source of funds is the National Pension Fund (Social Security), which in 1953 granted loans totalling about \$43.5 million equivalent. They estimate that in 1954

Fin. Rm 70

about \$47.5 million would be available. Of this amount about \$19 million would be earmarked for electric power, but includes also projects not included in the Bank financed program. No breakdown was available on the balance which changes from year to year depending on applications from the different sections of industries. The Postal Savings Bank estimates to make available a total of about \$20 million in 1954 for loans mainly to industrial and power projects. The Industrial Mortgage Bank floated a special bond issue in the beginning of 1953 for the financing of the woodworking projects. The issue was well received and the total amount of the equivalent of about \$11 million was subscribed at a faster rate than expected. A new issue of a similar amount is now being planned.

There are no outstanding problems in connection with the projects being carried out in Finland which at present require any Bank action. In order to improve the system of progress reports, certain simplifications have been discussed with the Industry Division and a letter was sent to the Bank of Finland on February 8, 1954, outlining the suggested changes.

PART I

A. Woodworking Industries

In spite of the difficulties experienced by the Finnish woodworking industries during the last year, caused by the greatly reduced world market prices of pulp and paper products, the companies participating in the Bank loans have been able to carry out their scheduled construction programs. In most cases the physical progress of the projects has been excellent and the companies involved have obtained loans which in addition to their own resources should provide sufficient funds to complete the projects according to the present schedules. By the modifications in the program which were requested by the Bank of Finland in June 1953 and approved by the Bank in September 1953, a few projects were cancelled as the companies involved felt it prudent to curtail new investment in view of the changed market conditions. The most important projects included the development of production of semi-chemical pulp and its use for paperboard production. The market outlook for this product is not judged to be favorable by the companies at the present time and considerable technical difficulties remain to be solved in order to make the production a profitable one. Production on a small scale is, however, being continued in order to find economical use for the large amount of birch wood available in Finland, in particular in form of waste from the plywood production.

In total 13 companies are participating in the program, and the total investment amounts to the equivalent of about \$75 million. In addition to the Bank loan of about \$13 million, government sources including the Bank of Finland, the Pension Fund and the Postal Savings Bank provides about \$15 million, Joint Stock Bank's about \$18.7 million and about \$22.4 million are available from the companies' own resources. In the case of two companies, Yhtyneet Paperitehtaat and Veitsiluoto, a total balance of about \$5.8 million remains to be financed, but negotiations are under way and informal agreements have been reached between the companies and their banks to increase the amounts of their loans.

The completed program will increase the annual production capacity of sulphate pulp with 78,000 tons or about 14%, newsprint with 230,000 tons or about 55% and kraft and writing paper with 75,000 tons or about 50%. In addition the installation of a number of soda recovery boilers will result in a considerable saving in imports of fuels and increase in steam generating capacity.

The major problem at present in the Finnish woodworking industry is the high production cost caused by the increase in wage rates and timber prices which took place during the Korea boom. As a comparison, the Finnish wage rates are now 10% higher than the Swedish. As it is unlikely that the wages can be reduced, the woodworking industry advocates a devaluation of the Markka, a step which is opposed by the present Government with the backing of the Bank of Finland. The position is particularly difficult for the companies in Northern Finland where the additional transportation costs have made the operations of their pulp mills unprofitable. Since spring 1953 the mills have been partly closed down and partly operated with reduced capacity. The companies have been able to offset a part of their losses by increased sales of sawn goods from their saw mills, which have been operating profitably and at full capacity. As a result of these difficulties a refinancing of the Kemi Oy Company was made necessary, and a new joint ownership consisting of the three companies, Enso-Gutzeit, Hyteneet and Rosenlew, and the Bank of Finland took over the operation of the company. As a short-range measure to avoid unemployment in this area, the Government is planning to give the companies in Northern Finland direct financial assistance using the accumulated funds obtained through an export duty levied on woodworking products during 1951-52. About \$17 million are available from this source. Based on the minimum prices obtained for pulp during 1953, this amount together with the companies' own reserves are sufficient to keep the mills in operation at least to the last quarter of 1954. The prices on pulp have since increased and are currently about 15% above the minimum. On a longer range, the opinion of the Government is that the improved market conditions coupled with a policy of tax reduction and pressure to reduce the prices on domestic raw materials will be sufficient to keep the companies in a sound financial condition. Developments during 1954 will show whether this holds true.

B. Power Companies

The total estimated cost of the power projects included in the program partly financed by the Bank loan amounts to about \$117 million. As of the end of 1953 about \$33 million had been expended.

The main sources of funds for the program are the Finnish Pension Fund (Social Security) and the Postal Savings Bank, and to a small extent from the power companies' own resources through accumulated savings. The existing power rates, which are Government controlled, permit the companies a return of invested capital of about 4%. They are, therefore, able to finance only a small part of the large construction program required to cover the growing demand for electric power. So far, sufficient funds have been made available from the Pension Fund, but the rate of increase of this Fund is decreasing and cannot be expected to cover the total requirements for new capital. The Government is studying this question and it is expected that the power rates will have to be increased, probably in the form of a fixed fee per kw load connected.

With respect to the Bank financed program, the present position is that Oulujoki Oy, the company which carries out the development of the Oulu River, including the construction of the Montta and the Utanen power plants, has sufficient funds to complete its program including the loans granted in the beginning of 1954, totalling about \$17 million. The construction of the Petajaskoski plant on the Kemi River, however, might have to be carried out over a longer period than scheduled at present. The plant is the first stage in the development of the Kemi River which is estimated to require some 15-20 years. A new company will be established, Kemijoki Oy, for the construction and operation of the plants and the present position is further complicated because legal difficulties with regard to the water rights have delayed the formation of this company. The necessary legislation has been introduced in the Diet, but because of the election this spring it cannot be approved before later in 1954. In the meantime, Imatran Voima Oy, which will also be the main shareholder in the new company, is carrying out the construction work financed by allocations from the Government Unemployment Fund. So far about \$4.2 million have been appropriated from this source and it covers the requirement of funds until the last quarter of 1954.

The construction of transmission lines for the connection of the new plants with Southern Finland is being carried out by Imatran Voima Oy. The company has the required funds available from its own resources and by loans from the Pension Fund and the Postal Savings Bank to complete the first stage now under construction. This includes the second 220 kv line from the plants at Oulu River to Helsinki, the tie lines to the Montta and Utanen plants and the expansion of existing substations. It also includes the 110 kv line from the Pamilo plant, under construction by Enso-Gutzeit Oy, to the existing substation at Viinijarvi. The second stage includes the line from the Petajaskoski plant to Southern Finland. The engineering and design of this line are still under study.

About 40% of the funds required for the construction of the Pamilo power plant in addition to the allocation of the Bank loan are obtained from the company Enso-Gutzeit Oy's own resources and the balance by loans from the Pension Fund and the Postal Savings Bank.

The position of the steam power plant project to be carried out by the company Etela Pohjanmaan Voima Oy in Vaasa is unclear. The company can only finance a small part of the construction cost of the plant from its own resources and has not been able to secure the necessary loans. The present undisbursed portion of the Bank loan allocation amounts to about \$350,000, and it appears likely that it will be cancelled or that the Bank of Finland will request the transfer of the amount to another project in the Bank financed program. The funds required for construction of transmission lines and substation have been obtained by loans from local commercial banks.

C. Agriculture

The allocation of the loan amounting to \$1 million has permitted the purchase of agricultural machinery, mainly tractors. The amount has been fully disbursed and the equipment has been received in Finland.

The operations carried out by the company Pellonraivaus have been satisfactorily during 1953. Good weather conditions permitted a larger amount to be accomplished than scheduled, particularly in the clearing and drainage of

marshland and clearing of river courses for improved timber floating conditions. In some fields of activity less work has been accomplished, in particular construction of forest roads, which is carried out on a contract basis. Financial considerations have forced the forest owners to reduce their investments in new roads.

The company is preparing a detailed report on its activities in 1953 which will be submitted to the Bank.

SCHEDULED EXPENDITURES AND ANTICIPATED SOURCES OF FUNDS

(prepared Jan. 20, 1954 - MDB)

FINLAND WOODWORKING AND ELECTRIC PROJECTS

LOANS 61 FI AND 70 FI

(US \$)

SOURCES OF FUNDS

Woodworking Projects

(Report of:	Enso-Gutzeit Sept. 30/53	Veitsiluoto Nov. 30/53	Kemi Apr. 23/53	Joutseno Aug. 31/53	Myllykuskki Nov. 7/53	Yhtyneet Nov. 18/53	Oulu Nov. 17/53	7 Large Projects Total	7 Other Projects Total	Woodworking Projects Total
IBRD	4,089,655	805,600	1,196,000	1,274,000	1,083,000	2,185,761	890,000	11,526,000	1,453,000	12,979,500
National Pension Fund		1,731,600		2,164,502		2,250,280		6,146,382		
Postal Savings Bank						1,082,250		1,082,250		
Industrial Mortgage Bank	4,112,550	2,692,700	1,273,430	4,329,004	866,000	2,528,136		15,802,820		
Bank of Finland	4,761,900		1,350,570				1,685,000	7,797,470		
Kansallis Osake, Pankki				2,044,000			841,000	2,885,000		
Own Funds	8,745,895			1,010,994	367,000	5,249,171		15,373,060	7,099,333	61,977,715
To Be Financed		1,852,400				3,939,500		5,791,900		
TOTAL	21,710,000	7,082,300	3,820,000	10,822,500	2,316,000	17,032,500	3,416,000	66,404,882	8,552,333	74,957,215

SOURCES OF FUNDS

Electric Projects

(Report of:	Utanen Mar. 19/53	Montta Mar. 19/53	Petajaskoski Mar. 19/53	Pamilo Mar. 19/53	Vaasa Mar. 19/53	Transmission Lines Mar. 19/53	Electric Projects Total	Total Electric and Woodworking Projects
IBRD	506,000	696,000	2,012,000	1,430,000	610,000	6,060,000	11,314,000	24,293,000
National Pension Fund	7,365,000	8,600,000	14,120,000	4,100,000		11,680,000	45,265,000	51,411,382
Postal Savings Bank	6,233,000	5,685,000	7,530,000	1,674,000		5,100,000	26,222,000	27,304,250
Unemployment Funds	189,000		1,365,000			850,000	2,404,000	2,404,000
Other Banks			2,550,000		1,773,000		4,323,000	15,005,470
Own Funds	1,968,000	2,196,000	1,427,000	5,100,000		13,900,000	24,591,000	47,063,393
To Be Financed					3,761,000		3,761,000	9,552,900
Industrial Mortgage Bank								15,802,820
TOTAL	16,251,000	17,177,000	29,004,000	12,304,000	6,144,000	36,770,000	117,880,000	192,837,215

PART II
WOODWORKING PROJECTS

1. Enso-Gutzeit

a) Kotka Kraft Paper Mill

The mill is in the final stages of completion. The first paper machine, which was financed under Loan No. 16, went into production in March 1953. The installation of the second machine is far advanced and is expected to be put in production in the beginning of March 1954. The new mill will have an annual capacity of 90,000 tons of kraft paper. No difficulties have been experienced on the completion of this project.

b) Summa Newsprint Mill

During the early part of 1953 the company decided to revise its decision with regard to the location of the new mill. The change was partly caused by difficulties in obtaining a sufficient area of land with space for future expansion at a reasonable price and partly the company's desire to build the new mill at a harbor. After several alternatives had been studied, it was decided to build the mill at Summa near the harbor of Hamina at the Finnish Gulf, 10 miles east of Kotka. The major advantage of the new location lays in the improved communications; ships can load right at the mill site and only a short railroad siding of about 2 miles is required to connect the site with the railroad at Hamina.

Fresh water for the production will be supplied from a nearby stream, but will require the construction of a small dam, a pumping station and a pipe line. Power will be supplied by a tap line to the Imatran Voima Oy's 110 kv line connecting Imatra and Kotka. The disadvantage of the new location is that the major part of the pulp wood will have to be transported to the mill by rail from the Saima Lake, with the rest being floated from Kotka. However, the company estimates that the advantages of the new location will result in an overall reduction of the production costs of some 5% compared to the old site at Tanionkoski.

The general planning and engineering work has been completed and shows that ample provisions have been taken for a possible expansion of the mill later. The clearing of the site and excavation for the main buildings were started in August 1953 and rapid progress has been made. The delivery of the first parts of the newsprint machine is scheduled for April 1954 and should be ready for operation a year later. The schedule is a tight one, but the company's well experienced staff is certain that it can be accomplished.

c) Financial

The total costs of the two projects are estimated to be \$19.1 million, of which \$4.7 million relates to the Kotka mill. The estimate for the Summa mill shows an increase of some 35% and is mainly caused by an expansion of the grinding mill capacity and the inclusion of other auxilliary equipment. The pier and loading facilities at the Summa site does also account for a part of the increase.

Of the funds required for the projects in addition to the Bank loan, about 50% will be obtained from the company's own resources, the balance in about equal part by loans granted by the Bank of Finland and the Finnish Mortgage Bank.

2. Veitsiluoto Oy

a) Paper Mill and Expansion of Power Plant

The construction work on the new paper mill is progressing satisfactorily. The main building was brought under roof in August 1953 and installation of equipment is under way and will continue through 1954. The mill is scheduled to be put in operation early in 1955. The delivery of the new steam turbine for the power plant is expected in June 1954.

The company's decision to cancel the expansion of its semi-chemical pulp mill is caused by the fact that the production has not been proved to be profitable at the present time. Trial operations of the small existing mill is being continued to gain more experience and to improve production methods. The pulp is sold mostly to other Finnish paper mills for experimental purposes.

b) Financial

Because of the revision of the construction program, the total cost has been reduced to about \$7 million. In addition to the Bank loan, funds have been obtained by loans from the Pension Fund and the Finnish Mortgage Bank. In November 1953 financing of about \$1.8 million remained open but an additional loan from the Mortgage Bank was being negotiated and it was expected that an agreement would be reached early in 1954. The funds will be required in the last quarter of 1954. As the company is 100% Government owned, there is little doubt that sufficient funds will be made available.

3. Kemi Oy

a) Expansion and Modernization of Karihara Pulp Mill

The largest project in the modernization program is the installation of a soda recovery boiler in the sulphate pulp mill. Deliveries took place during the first half of 1953 and erection work has progressed as scheduled. The boiler is expected to be in operation by the beginning of March 1954.

The modernization of the sulphite mill includes the installation of circulation systems with heat exchangers permitting the working pressure in the digesters to be increased, resulting in faster cooking and higher yields of pulp. The deliveries are scheduled for February - April 1954 and installation is to be completed by August 1954.

The barking machines for the log preparation and stacking and trimming machines for the lumber yard were delivered and installed during the first half of 1953.

The reconstruction of the two steam turbines in the power plant has been delayed due to engineering problems which had to be solved in cooperation with the suppliers. The work is not expected to be carried out before 1955.

b) Financial

As mentioned earlier in this report, the weak financial position of the company made a refinancing necessary, which was completed in May 1953. The Bank of Finland has taken over a 30% interest in the company and the other owners are Yhtyneet Paperitehtaat, Enso-Gutzeit and Rosenlew, three of the largest wood-working companies in Finland. As new manager of the company has been appointed the previous manager of the Oulu Oy Company.

The total estimated cost of the construction program is about \$3.8 million. The necessary funds in addition to the Bank loan are being obtained through loans granted by the Bank of Finland and the Finnish Mortgage Bank.

4. Joutseno Oy

a) Sulphate Pulp Mill

Actual construction work on this project was started towards the end of 1952, some two months later than scheduled. The work has been progressing satisfactorily and is expected to be completed in March 1954. The planning and detailed engineering has also been delayed, mainly because of the decision to utilize the continuous cooking process developed by the Swedish Company, Kamyr. As a result the placing of orders and deliveries are running some 4 months behind schedule. The mill can be expected to be ready for operation in March 1955.

b) Financial

The total estimated cost of the new mill amounts to about \$10.8 million. About 25% is obtained from the two owners of Joutseno Oy, the woodworking companies, Rauma-Repola Oy and Kaukaan Tehdas Oy. The rest, apart from the Bank loan, is obtained by loans from the Finnish Pension Fund, the Finnish Mortgage Bank and the commercial bank, Kansallis Osake-Pankki.

5. Myllykoski Oy

a) Modernization of Newsprint Mill

The modernization program, which will increase the annual capacity of the mill by 10,000 tons, includes the reconstruction of two paper machines. Orders have been placed for the equipment required including the automatic pick-up arrangement developed by Beloit, U.S.A., parts for the electric drives and suction rolls. Deliveries will be made in the beginning of 1955 and the work is expected to be completed in the middle of 1955.

b) Financial

The total cost of the project is estimated to be about \$2.3 million. Of the funds required in addition to the Bank loan, about 75% is being obtained by a loan from the Finnish Mortgage Bank and the rest from the company's own resources.

6. Yhtyneet Paperitehtaat Oy

a) Kaipola Newsprint Mill

The progress on this project has been exceptional; during 1953 the building construction program including storage building, barking and grinding department, paper mill and boiler house with chimney was completed. The installation of the 7 grinders was completed in January 1954 and is ready for trial operations. The installation of the paper machine No. 1 has started and is expected to be completed in August 1954. The mill has been designed for the installation of two paper machines and in October 1953 the order for the machine No. 2 was placed with Walmsley Ltd., England, after approval was given by the Bank of Finland. The supplier has granted a 3-year credit on this order. The annual capacity of the mill will be increased by 50,000 tons. The installation is scheduled to be completed in October 1955.

b) Financial

Due to the expansion the total estimated cost of the project has increased to about \$17 million, of which about \$5.2 million are obtained from the company's own resources. In addition to the Bank loan, funds are made available by loans from the Postal Savings Bank, the Finnish Pension Fund and the Finnish Mortgage Bank. During the years 1955-57 an additional amount of \$1.8 million will be required, mainly to cover payments on the paper machine No. 2.

7. Oulu Oy

a) Expansion of Nuottasaari Sulphate Pulp Mill

As the Bank was informed in June 1953, the company has found it necessary to postpone part of its expansion program. The main work remaining includes the installation of a soda recovery boiler, which is close to completion, and installation of a back pressure steam turbine which will be delivered towards the end of 1954. In addition, 7 new digesters will be delivered in October 1954 to replace the existing ones which have reached the end of their useful life.

Outside the Bank financed program the company has, during the last two years, carried out the construction of a new pier with storage building and dredging of the approach channel. This work was completed in July 1953.

b) Financial

The total estimated cost of the program has been reduced from \$11.5 million to about \$3.4 million. The necessary funds in addition to the Bank loan have been obtained by loans from the Bank of Finland and the commercial bank, Kansallis Osake Pankki.

8. Various Companies

About \$1.5 million of the Bank loans have been allocated to the following 7 companies: Toppila Oy, Pietarsaari Oy, Kymmin Oy, Kajaani Oy, Serlachius Oy, Sastamoinen Oy and Metsanomistajan Metsakeskus Oy. Toppila is carrying out an expansion program including the erection of a mechanical pulp mill and modernization of the sulphite pulp mill. The work is well advanced and scheduled to

be completed by the end of 1954. The total estimated cost amounts to about \$3.2 million. The funds required in addition to the Bank loan are obtained from the company's own resources.

Pietarsaari is carrying out a program to expand the annual capacity of its sulphite pulp mill by 30,000 tons, which will be completed by the end of 1954. The total estimated cost amounts to about \$2.9 million and the funds required in addition to the Bank loan are obtained by a loan from the Finnish Mortgage Bank.

The remaining 5 companies are utilizing the funds provided by the Bank loan to purchase and install equipment needed as replacement or for improvement of production methods. Only relatively small amounts of additional funds are required and they are in all cases being obtained from the companies' own resources. The major part of the deliveries of the different pieces of equipment will be completed by the end of 1954.

POWER PROJECTS

1. Montta Hydro Power Project

Construction work on the Montta project was started in 1952 and at the end of 1953 the first stage was largely completed. This includes the concrete part of the dam with spillway structure, the foundation of the power house, intake, draft-tubes and about 30% of the excavation work on the tailrace. The overall progress on the project is 2-3 months behind schedule, caused by the difficult foundation conditions encountered, which made additional excavation and concrete work necessary. The difficulties have, however, been overcome and the company's plans to make up the delay during the coming construction season seems feasible.

In December 1953 work on cofferdam II was started. The water will be diverted through the completed spillway section and excavation work on the earth dams is scheduled to start in spring 1954.

Installation work in the powerhouse is scheduled to start in the beginning of 1955. The first 13,500 kw unit should be in operation in October 1955; the second and third 3 and 6 months later. Deliveries of equipment are well coordinated with this schedule.

2. Utanen Hydro Power Project

The construction of the Utanen plant completes the development of the Oulu River. The three units of each 17,500 kw will bring the total installed capacity of the 6 plants to 365,000 kw.

Preliminary work on the site was started in the last quarter of 1952, with actual construction getting under way in the spring of 1953. The first stage including the construction of cofferdam I, excavation and concreting of the spillway section of the dam and the left abutment was completed in October 1953. On the second stage, cofferdam II was completed in December 1953 and the water was successfully diverted through the completed spillway section. The excavation

and concreting of the main part of the dam including the power house and will require about 2 years; installation of the three units is scheduled to be started in the spring of 1956 and completed in the middle of 1957. The progress on the project has been very good. Overall completion at the end of 1953 is estimated to be 12%.

3. Petajaskoski Hydro Power Project

The Petajaskoski project is the first step in a program to develop the hydro electric potential of the Kemi River in Northern Finland. Preliminary work like construction of access roads, camp facilities and construction plant was started early 1953 and largely completed by the end of the year. The site of the power house was cut off from the main river by a small cofferdam and excavation work on this phase of the project was started in December 1953. The construction period is estimated to be about 3 years. Technically this seems feasible; however, financial considerations might make it necessary to extend the construction over a longer period.

4. Transmission Lines

In April 1953 the Bank approved the inclusion of the 500 km Nuoja-Petajavesi-Tammisto transmission line in the construction program partly financed under the loan. The total estimated cost of the program has, therefore, been increased by about \$14.5 million to about \$36.7 million. The program will be carried out over a period of 8 years.

The construction of the first stage of the new line, from Nuoja power plant to Petajavesi substation, was completed in June 1953. Construction of the second stage to Tammisto outside Helsinki is progressing satisfactorily. Tower foundations have been completed and erection of towers is under way. The line will be in operation in the middle of 1954.

The construction of 110 kv line connecting the Pamilo power plant with the Imatran grid at Viinijarvi was started towards the end of 1953. Most of the work will be carried out during the summer of 1954. The line will be completed well ahead of time the power plant will be ready for operation.

The largest project to be constructed is the line from Petajaskoski to Southern Finland. Detailed engineering studies are being carried out on this project and final plans were not yet completed at the end of 1953. The line will be built in two stages, and survey of the right of way has been completed on the Northern branch between Petajaskoski and the substation planned at Pikkarala on the Oulu River. The right of way of the Southern branch has not been decided and different solutions are being studied. The question whether the line will be built for 380 kv is also still under study.

5. Pamilo Hydro Power Project

The construction work on the Pamilo project was started in the summer of 1952 and is progressing satisfactorily. At the end of 1953 the project as a whole was a few months behind schedule, mainly caused by unfavorable weather conditions during last summer. At the end of the year, the rock excavation

on the channels and construction of dams, which will form the reservoir of the plant, was about 30% completed. Rock excavation is also under way on the access shaft, inlet tunnel and tailrace tunnel of the underground power house. The installation of the first of the two 25,000 kw units will be started in August 1954 and be in operation in early 1955. Deliveries of equipment are well coordinated with the progress of the construction work.

6. Vaasa Steam Power Project

The construction of transmission lines and substations connecting the city of Vaasa with the surrounding districts is being carried out as scheduled, and will be completed by the end of 1954. No further work has been carried out on the planned steam power plant in Vaasa.

ESTIMATED COSTS AND STATUS OF EXPENDITURES TO DECEMBER 31, 1953
ON POWER AND WOODWORKING PROJECTS
FINANCED UNDER LOANS 61 FI AND 70 FI

(Both loans combined and expressed in thousands of US\$)

	<u>Original Estimates</u>			<u>Revised Estimates 12-31-53</u>			<u>Expenditures to 12-31-53</u>		
	<u>IBRD</u>	<u>Other</u>	<u>TOTAL</u>	<u>IBRD</u>	<u>Other</u>	<u>TOTAL</u>	<u>IBRD</u>	<u>Other</u>	<u>TOTAL</u>
	<u>Funds</u>	<u>Funds</u>		<u>Funds</u>	<u>Funds</u>		<u>Funds</u>	<u>Funds</u>	
<u>Power Projects</u>									
Utanen	506	15,986	16,492	506	15,745	16,251	187	2,137	2,324
Montta	696	16,746	17,442	696	16,849	17,545	578	9,653	10,231
Petajaskoski	2,012	27,832	29,844	2,012	26,992	29,004	1,019	3,068	4,087
Pamilo	1,430	10,691	12,121	1,430	10,874	12,304	1,209	5,171	6,380
Vaasa	610	5,061	5,671	610	5,269	5,879	171	407	578
Transmission Lines	4,246	18,048	22,294	4,246	32,524	36,770	2,318	7,142	9,460
Power Total :	9,500	94,364	103,864	9,500	108,253	117,753	5,482	27,578	33,060
<u>Woodworking Projects</u>									
Enso-Gutzeit	2,150	10,040	12,190	4,090	15,023	19,113	2,919	5,725	8,644
Veitsiluoto	1,086			806	6,277	7,083	427	2,137	2,564
Kemi	1,058	2,674	3,819	1,146	2,668	3,814	838	2,070	2,908
Joutseno <u>1/</u>	1,274			1,274	9,548	10,822	588	3,072	3,660
Myllykoski	950	5,310	6,260	1,083	1,233	2,316	38	49	87
Yhtyneet	1,300	8,972	10,272	2,186	14,847	17,033	721	8,665	9,386
Oulu	1,661			889	2,527	3,416	387	1,139	1,526
Pietarsaari	355			355	2,546	2,901	232	2,274	2,506
Kajaani	450			598	397	995	118	200	318
Serlachius	212			261	122	383	261	-	261
Topilla	69	3,110	3,179	69	2,336	2,405	40	2,365	2,405
Saastamoinen <u>2/</u>	50			50	22	72	16	1	17
Kymin	100			100	870	970	96	64	160
Metsanomistajain <u>3/</u>	68			68	80	148	-	23	23
Woodworking Total:	12,975	<u>4/</u>		12,975	58,496	71,471	6,681	27,784	34,465

1/ August 31, 1953 data

2/ November 30, 1953 data

3/ April 30, 1953 data

4/ Includes \$2,192,000 originally allocated to three projects since deleted (Tampella, Rosenlew, and Viiala).

(Prepared by MDB)

PART III
SALE AND EXPORT OF WOODWORKING PRODUCTS

Organization

The Finnish woodworking companies have formed a number of trade associations which represent an extensive export organization covering all of the most important branches of Finland's forest industry. The associations are at all time informed about current production and are also being consulted about expansion plans. Incoming orders are distributed among the different mills in relation to their production capacity. Recent trends in some of the major branches of the industry have been as follows:

Newsprint

The price of newsprint fell steadily during the first half of 1953 and the price was about the same as before the Korea boom, when the minimum level was reached in June. Recently the demand has picked up and the price has been increasing slowly and is at present \$170-175 per ton. About 40% of the Finnish production is exported to the U.S. and contracts are signed on a yearly basis and usually negotiated in December. The contract price is based on the price quoted by 5 of the main Canadian producers. The trade association judges the outlook for the next 6 months as favorable and does not foresee any difficulties in obtaining orders for the available production. The present price permits the Finnish mills to operate at a moderate profit which, however, is not sufficient for new capital investments.

Other paper products

The general outlook and price development are the same as for newsprint. Sales are made on an individual basis by exchange of letters with no standard contracts being used. Through trade agreements higher than average prices are being obtained in certain countries, in particular USSR and Turkey.

Woodpulp

The price development of pulp has also followed the same pattern as for newsprint. There is at present an unsatisfied demand for pulp on the world market but the price is only slowly increasing and had at the end of 1953 not reached a level which permitted the Finnish producers to operate at a profit. The mills are therefore forced to operate with reduced capacity. The major part of the pulp is sold or contracted on a yearly basis providing for price negotiations each quarter. A weakness in the sales picture of Finnish pulp is the fact that Finland lost its only sulphate pulp bleaching plant after the war and it is, therefore, not able to fill the total requirements of a number of its customers. On the other hand, the Finnish pulp products enjoy a reputation of being of excellent quality.

General

Three tables are attached showing the total production and export of woodworking products for 1952 and 3 first quarters of 1953.

March 25, 1954

Christian Finne

THE CENTRAL ASSOCIATION OF

, FINNISH WOODWORKING INDUSTRIES

Production Statistics

	W o o d p u l p						Newsprint ton	Other paper ton
	Sulphite		Sulphate		Mechanical			
	ton	ton	ton	ton	ton	ton		
	Total	For sale	Total	For sale	Total	For sale		
1952	712,000	540,000	442,000	324,000	723,000	147,000	435,000	249,000
Jan.-Sept. 1953	467,000	337,000	334,000	193,000	?	135,000	328,000	193,000

	<u>Paperboard</u>	<u>Wallboard</u>	<u>Plywood</u>	<u>Sawn-Timber</u>	<u>Timberhouses</u>
	ton	ton	m ³	ton	m ²
1952	147,000	84,000	233,000	765,000	1,085,000
Jan.-Sept. 1953	142,000	73,000	165,000	619,000	

Helsinki, 6.11.1953

THE CENTRAL ASSOCIATION OF FINNISH

WOODWORKING INDUSTRIES

Export of woodworking products 1952

	W o o d p u l p									
	Sulphite		Sulphate		Mechanical		Newsprint		Other paper	
	ton	1000 mk	ton	1000 mk	ton	1000 mk	ton	1000 mk	ton	1000 mk
USA	71,882	2,269,418	54,498	1,434,977	16,867	238,287	143,727	3,630,205	6,234	193,690
England	191,767	9,002,381	96,303	4,621,325	71,726	1,215,857	75,076	2,502,747	15,097	917,690
USSR	-	-	-	-	12,009	328,990	-	-	23,786	1,557,656
Other countries	212,852	11,806,952	94,621	4,350,928	42,841	984,752	173,639	8,013,145	130,480	9,006,744
Total	476,501	23,078,751	245,422	10,407,230	143,443	2,767,886	392,442	14,146,097	175,597	11,675,780

	Paperboard		Wallboard		Plywood		Sawn-Timber		Timberhouses	
	ton	1000 mk	ton	1000 mk	m ³	1000 mk	std	1000 mk	m ²	1000 mk
USA	3,820	122,609	2,934	56,645	5,645	156,707	-	-	298	1,861
England	12,046	500,743	3,341	77,145	125,633	3,923,057	158,284	6,512,865	21,017	80,762
USSR	6,483	300,088	-	-	-	-	122,811	6,300,006	913,205	7,446,109
Other countries	42,491	1,823,362	38,085	887,098	90,572	2,695,321	330,085	13,663,553	114,073	569,188
Total	64,840	2,746,802	44,360	1,020,888	221,850	6,775,085	611,180	26,476,424	1,048,593	8,097,920

Helsinki, 3.11.1953

THE CENTRAL ASSOCIATION OF
FINNISH WOODWORKING INDUSTRIES

Export of woodworking products 1.1 - 30.9.1953

	W o o d p u l p									
	Sulphite		Sulphate		Mechanical		Newsprint		Other paper	
	ton	1000 mk	ton	1000 mk	ton	1000 mk	ton	1000 mk	ton	1000 mk
USA	32,817	798,639	44,516	987,506	24,687	333,688	104,378	2,746,649	35,151	1,004,747
England	126,434	3,085,138	72,913	1,456,248	79,324	1,092,124	28,722	784,830	10,430	434,605
USSR	8,428	339,116	8,476	254,250	8,705	129,019	8,580	243,763	27,446	1,519,695
Other countries	171,649	4,979,090	112,820	2,310,394	35,244	492,350	156,497	4,487,160	113,327	5,035,268
Total	339,328	9,201,983	238,725	5,008,398	147,960	2,047,181	298,177	8,262,402	186,354	7,994,315

	Paperboard		Wallboard		Plywood		Timber		Timberhouses	
	ton	1000 mk	ton	1000 mk	m ³	1000 mk	std.	1000 mk	m ²	1000 mk
USA	4,012	123,961	4,391	75,450	20,861	518,538	3	124	-	-
England	11,082	311,225	4,366	89,691	39,765	1,103,324	251,767	10,493,853	4,161	58,428
USSR	7,575	323,045	8	295	3	78	55,088	2,733,086	581,351	4,429,755
Other countries	31,948	957,800	22,973	434,522	88,658	2,269,823	201,449	8,779,311	17,784	61,907
Total	54,617	1,716,031	31,738	599,958	149,287	3,891,763	508,307	22,006,374	603,296	4,550,090

Helsinki, 2.11.1953

SUOMEN PANKKI — FINLANDS BANK, HELSINKI
HELSINGFORS

VIA AIR MAIL

fin = Rb1

RECEIVED
NATIONAL BANK FOR
CONSTRUCTION AND DEVELOPMENT

PÄIVÄYS

DATUM

DATE

VIITEEMME

VÄR. REF.

OUR REF.

KIRJEENNE

EDERT BREV

YOUR LETTER

VIITEENNE

EDER REF.

YOUR REF.

March 12, 1954.

A JG MJ.

International Bank for Recon-
struction and Development,
Department of Technical Opera-
tions, Washington, 25, D.C.

ASIA
BETR.
RE

Re: Loan № IB-61-FIIII-II, Woodworking Industries Projects.

Gentlemen:

We have pleasure in sending you herewith an Information
of Estimated Withdrawals from the captioned loan.

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

1 Enclo.

act. March 16/54 SP 108.

Fin: 101

VIA AIR MAIL

SUOMEN PANKKI — FINLANDS BANK, HELSINKI

March 12, 1954.

A 16 M.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MAR 15 4 09 PM 1954
YOUR REF.
EDER REF.
VIITTEINNE
YR. R. ER
EDER REF.
KIRJENNE
OUR REF.

International Bank for Recon-
struction and Development
Department of Technical
tions, Washington, 25, D.C.

Re: Loan No IR-61-FIII-II, Woodworking Industries Projects.

ASIA
RETR.
RE

Gentlemen:

We have pleasure in sending you herewith an information
of Estimated Withdrawals from the captioned loan.

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK



1 Enclo.

201 208

Loan N:o IB-61-FiIII-II

Information of estimated withdrawals from the loan

C o m p a n y	Cur- rency	Withdrawals as per 28.2.54	Estimated withdrawals in 1954				Est.withdr. in 1955	T o t a l
			March	II-quarter	III-quarter	IV-quarter		
Enso-Gutzeit Oy	₤	2.919.619:50	-	362.287:20	600.000:-	207.748:73	-	4.089.655:43
Veitsiluoto Oy	"	492.386:-	24.198:-	-	-	-	-	516.584:-
Kemi Oy	"	668.233:-	-	-	31.767:-	-	-	700.000:-
Joutseno-Pulp Oy	"	515.023:88	-	10.000:-	10.000:-	24.976:12	-	560.000:-
Myllykosken Paperitehdas Oy	"	-	28.000:-	185.000:-	145.000:-	180.000:-	412.000:-	950.000:-
Yhtyneet Paperitehtaat Oy	"	721.197:07	259.300:-	777.900:-	167.363:50	260.000:-	-	2.185.760:57
Kymin Oy	"	96.096:-	1.234:-	2.670:-	-	-	-	100.000:-
Vakobstads Cellulosa Ab	"	17.000:-	-	-	-	-	-	17.000:-
Oulu Oy	"	310.000:-	-	-	-	-	-	310.000:-
H. Saastamoinen Oy	"	6.096:39	-	-	8.000:-	8.000:-	8.903:61	31.000:-
Toppila Oy	"	39.797:-	-	203:-	-	-	-	40.000:-
	₤	5.785.448:84	312.732:-	1.338.060:20	962.130:50	680.724:85	420.903:61	9.500.000:-

Helsinki, 11.3.1954

Fin: L61

OUTGOING WIRE

DATE: March 8, 1954

TO: *ST* SUOMENPANKKI
HELSINKI
FINLAND

TEXT:

RCA

CLASS OF SERVICE DESIRED

NIGHT LETTER	☒	CODE	☐
DEFERRED	☐	FULL RATE	☐
TELETYPE		☐	

✓
YOUR CABLE MARCH 1 BANK AGREES AMENDMENT DESCRIPTION TRANSMISSION LINE
ACCORDING YOUR LETTER OCTOBER 10, 1953.

COPE

RECEIVED
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
MAR 8 2 25 PM 1954
DISPATCHED

AUTHORIZED BY:



NAME S.R.COPE

DEPT. EUROPE, AFRICA & AUSTRALASIA

For Use by Archives Division

Checked for Dispatch

2

ORIGINAL (FILE COPY)

NJPaterson;dnc

OUTGOING WIRE

CLASS OF SERVICE DESIRED	
☐ NIGHT LETTER	☒ CODE
☐ DEFERRED	☐ FULL RATE
☐ TELETYPE	

DATE: March 8, 1954
TO: SUOMENRAKKA
HEIKKILÄ
FINLAND
TEXT:

ACA

YOUR CABLE MARCH 1 BANK AGREES AMENDMENT DESCRIPTION TRANSMISSION LINE
ACCORDING YOUR LETTER OCTOBER 10, 1953.
COPY

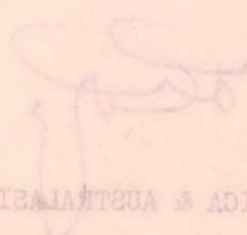
DISPATCHED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

MAR 8 5 52 PM 1954

For Use by Archives Division
Checked for Dispatch

MAR 8 5 46 PM 1954
RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

ORIGINAL (FILE)

AUTHORIZED BY: 
NAME: S.R. COFF
DEPT: EUROPE, AFRICA & AUSTRALASIA

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

files
Finland
Loan N° 61

DATE OF WIRE: MARCH 1, 1954 1758

TO: INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FROM: HELSINKI

TEXT:

ROUTING	
ACTION COPY TO	MR. FOSTER
INFORMATION COPY TO	
Decoded By	

ATTENTION FINNE IB-61-FI OUR LETTER TO INTBAFRAD 10/10/53
CONCERNING NUOJUA PETAJAVESI TAMMISTO LINE STILL WITHOUT
REPLY PLEASE CABLE

SUOMENPANKKI
(SUOMEN PANKKI-FINLANDS BANK)

Answered by Area Dep. 61
3/9 CF

ORIGINAL

ROUTING SLIP		Date <i>Mar 3</i>	
NAME		ROOM NO.	
<i>M. Foster</i>		<i>305</i>	

Action	Note and File
Approval	Note and Return
Comment	Prepare Reply
Full Report	Previous Papers
Information	Recommendation
Initial	Signature

Remarks

From GENERAL FILES AND CORRESPONDENCE,
Archives Division

SUOMEN PANKKI — FINLANDS BANK, HELSINKI

PÄIVÄYS
DATUM
DATE

1/3/54

VIITTEEMME
VÅR REF.
OUR REF.

A KK MJ.

→ International Bank for Reconstruction
and Development, Department of Techni-
al Operations, Washington 25, D.C.

SÄHKEVAHVISTUS
TELEGRAMBEKRÄFTELSE
CABLE CONFIRMATION

VAHVISTAMME TÄTEN TÄMÄNPÄIVÄISEN, ALLAOLEVAN
JÄLJENNÖKSEN MUKAISEN SÄHKEEMME.
VI BEKRÄFTA HÄR MED VÅRT TELEGRAM AV I DAG ENLIGT NEDANSTÅENDE KOPIA.
WE CONFIRM OUR TELEGRAM OF TO-DAY AS PER COPY HEREAFTER.

KUNNIOTTAEN / HOGAKTNINGSFULLT / YOURS FAITHFULLY

SUOMEN PANKKI — FINLANDS BANK

LT Intbafrad

Washington DC

Attention Finne IB-61-F1 our letter to Intbafrad 10/10/53 concerning
Nuojuu Petajavesi Tammisto line still without reply please cable
Suomenpankki

Mr. A. S. G. Hoar

March 1, 1954

Neil J. Paterson

Finland: Loan No.61 for \$20 million

Mr. Sveinbjornsson telephoned today to say that the Swedish Government had declined to release from their 18% the S.Kr.556,000 (\$107,000) requested in your memorandum of January 15 to the late Mr. Varjonen. As you will recall, the amount was required to complete payment under the above loan for an electrical drive being partly financed under the S.Kr.18 million loan (Loan No.70). The Swedish refusal means, of course, that we shall now have to purchase kronor with some other currency. The Finns are agreeable to this. Disbursement would be in accordance with established procedure under an existing loan for a specific project and would therefore do no violence to the case for dollar payment to the borrower which we are now arguing for Norway.

cc: Mr. Cavanaugh
Miss Morsey
Mr. Verheyen
Mr. Finne

Copy in Sweden 1820

NJP
NJPaterson:dnc

File Fin 61

OFFICE MEMORANDUM

TO: Mr. A. S. G. Hoar

DATE: March 1, 1954

FROM: J. Akerman *JA*

SUBJECT: Finland

The following chronology of Finnish loan inquiries covers the period since the autumn of 1952. The latest loans for Finland, Loans Nos. 61 FI and 70 FI, were granted on April 30, 1952 and November 13, 1952, respectively.

1. On November 10, 1952 Minister Nykopp inquired informally of Mr. Garner if the Bank would consider lending \$3 million to Finland for road construction and maintenance. Mr. Garner promised to consider the proposal.
2. On December 3, 1952 the Staff Loan Committee agreed that the Bank should not at that time lend dollars to Finland for road building. Minister Nykopp was subsequently informed about the Staff Loan Committee's decision.
3. On January 12, 1953 Minister Nykopp informed Mr. Garner that the Finnish Government did not regard a loan for road development of high priority but that they were considering applying for a loan of about DM 20 million for woodworking industries and DM 10 million for electric power. On January 29 Mr. Garner informed Minister Nykopp that the Bank would be prepared to consider a DM 30 million loan if i.a. an adequate 18% release could be obtained.
4. On February 18, 1953 Minister Nykopp informed Mr. Garner that the Finnish Government wished him to reopen discussions for a \$3 million loan for road building in addition to a German mark loan. Mr. Garner said the Bank would be prepared to consider the matter if certain information was provided.
5. On March 23 Mr. Garner and Mr. Hoar agreed that even if not asked to send an operational mission, the Bank should send someone to Finland to study economic development.
6. In the spring and early summer of 1953 Mr. Kahma, Director of the Finnish Export Association, approached the Bank for a loan to Finnish small industry through the intermediary of an "Industrialization Finance Corporation." (This was subsequently set up in the fall of 1953)
7. On November 16 Professor Waris handed Mr. Cope a memorandum dated November 13 containing a request from the Finnish Government for a DM 40.2 million loan with the following distribution:

✓ X Fin 70

Woodworking Industry	DM 18.0 Million
Hydroelectric Plants	8.5
Chemical Industry	3.0
State Railways	1.7
Minor Projects including the "Industrialization Finance Corporation"	<u>9.0</u>
Total	DM 40.2 million

Some DM 4.3 million were connected with the completion of projects involved in earlier Bank loans.

8. On January 13, 1954 Mr. Skribanowitz, Assistant to the German Executive Director, stated that Germany would not be prepared to release from its 18% subscription as much as DM 40.2 million for Finland.
9. On January 14, 1954 Mr. Garner informed Minister Nykopp that until a Bank mission had investigated the Finnish situation the Bank would not be able to proceed with the Finnish loan negotiations.
10. On January 26, 1954 the German Ministry of Economy informed Dr. Zahn that Germany could only grant an 18% release for Finland on a 50-50 basis (letter attached). On February 5, Dr. Zahn replied stating different points in connection with the loan which had to be further examined (letter attached).

PELLONRAIVAUS O.Y.

POSTIOSOITE:
HELSINKI,
YRJÖNK. 2

PUHELIN:
VAIHDE 61526

SÄHKEOSOITE:
"PERA"

Viitteenne: H/AS/I/54.

Helsinki, 16.2.54.

International Bank for Reconstruction and Development,
Washington, D.C.

U. S. A.

Gentlemen,

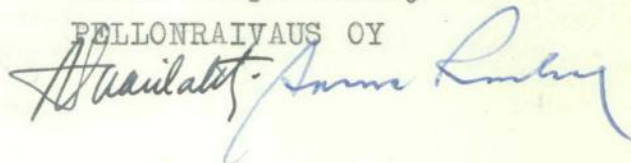
This refers to your letter of December 27th concerning deliveries of Allis Chalmers HD-9B tractors.

These tractors are all delivered and delivery dates are indicated in following monthly reports:

Rep. No.	Date	Number of tractors
7	27.3.1953	1
8	27.4.1953	4
10	27.6.1953	1
		6
		===

Yours respectfully

PELLONRAIVAUS OY



RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVELP.

FEB 23 4 30 PM 1954

BEITONBIVILANS OX

List of tractor orders placed in 1951
by Pellonraivaus Oy with the Caterpillar Tractor Company

<u>Purchaser</u>	<u>Order No.</u>	<u>Item</u>	<u>Submitted to OIT for DO RATING</u>
Pellonraivaus Oy	M-8/11	(4 D4 tractors	11/27/51
"	M-68, M-70	(2 D8 "	"
"	M-72, 77/79	(1 D7 tractor (3 D6 tractors	"
"	M-76, M-85/86	(2 D6 tractors (1 D7 tractor	"
"	M-84 M-13/14	(2 D4 tractors (1 D6 "	"
"	M-71	(1 D6 "	"
"	M-80	(2 D7 "	"
"	M-73/74	(1 D8 "	"
"	M-12	(1 D4 "	"
"	M-75	(3 D6 "	"
"	M-81/83	(1 D7 "	"
"	M-87/88	(2 D6 "	"
"	M-15/16	(7 D4 tractors	"
"	M-22/24		
"	M-66/67		

Summary

✓3 D8 tractors
✓5 D7 tractors
✓12 D⁶ tractors
✓14 D4 tractors

*Hellama informs me
no down payments have
been made.*

AS

15 Feb. 52.

FILE COPY

① Mr. Ripsman
② Files Fin 61-7

February 8, 1954

Bank of Finland
Helsinki, Finland

Gentlemen:

Re Loans Nos. 61 FI and 70 FI
Wood-Progress Reports

I refer to our several letters, particularly those dated December 12, 1952, February 4 and June 6, 1953, concerning the submission of project reports on the various projects financed under the two loans. We have now reviewed the status and presentation of all reports which you have forwarded us as of to date and would like to make the following comments:

The information contained in the technical and financial progress reports received has generally been satisfactory in giving the Bank a good picture of the current progress on the various individual projects financed under the two loans. The many excellent photographs attached to these reports, showing the various phases of construction have been very much appreciated.

On the other hand, we have had difficulties, sometimes, in arriving at an overall picture of the progress made under the two loans, in part because of the different time periods for which progress reports have been prepared, and in part because of delays in the submission of some of the reports. Also, the Schedules of Purchases and Deliveries, while generally too detailed for our purposes, have been lacking consolidation and uniformity of presentation.

In order to consolidate and simplify the presentation of progress reports and to bring our information up to date, we would like to make the following suggestions:

(1) The technical, financial and operational reports on all projects financed under the two loans (including power, woodworking industry and agricultural development) should henceforth be prepared on a quarterly basis, the first report to be submitted as at December 31, 1953. In cases where a report has already been prepared for a date later than the above, such a report, of course, would be submitted. The next report in such cases, similar to all other reports, should be furnished as at March 31, 1954.

(2) A statement of Scheduled Expenditures and Sources of Financing should be submitted showing:

- (a) past and anticipated expenditures to completion of the project, broken down in six-monthly periods;
- (b) sources of funds to cover these expenditures. This statement should be prepared as of March 31, 1954, and should be revised whenever appropriate, at least once a year.

✓ x Fin 70

FILE COPY

- 2 -

(3) A Schedule of Purchases and Deliveries should be submitted for each project as at March 31, 1954, and every six months thereafter (instead of monthly intervals as at present). This Schedule should show for each of the major items of equipment required for completion of the project -

- a) Value of order,
- b) Amount of IBRD financing,
- c) Name of supplier,
- d) Estimated delivery date,
- e) Arrival at site,
- f) Changes and partial deliveries.

In addition, a brief note should be included in each quarterly technical report describing significant changes during the period with respect to orders, prices, estimated and actual deliveries concerning major items of equipment financed under the loans. This note should be supplemented by a summary statement showing:

- (a) total IBRD loan allocation to the project and total value of equipment fully or partially financed from this allocation;
- (b) total amount of IBRD loan funds earmarked for orders placed to date and total value of these orders;
- (c) total estimated value of deliveries to date.

(4) Finally, we would like to receive at an early date additional up-to-date information with respect to the following points:

Project I D - Pamilo Oy

The latest statement of Scheduled Expenditures and Sources of Funds, dated March 19, 1953, does not specify sources of financing other than the Bank loan. We would like to have an up-to-date breakdown of these sources.

Project II G - Veitsiluoto Oy

The Statement of Sources of Funds, dated November 30, 1953, shows an uncovered balance of approximately \$1.8 million (equiv.). Mr. Finne, during his recent visit to the Company, was told that negotiations for the additional financing were underway. We would like to receive an up-to-date statement regarding this matter.

Project II C - Yhtyneet Paperitehtaat Oy

Total cost of this project is now estimated at about \$17 million (equiv.) which also includes the cost of paper machine No. 2. The statement of Sources of Funds, dated November 18, 1953, indicates an uncovered balance of about \$3.9 million (equiv.). We presume that this substantially represents the credit granted by the British supplier of the paper machine, and would like to have this confirmed and obtain some indication as to the payment arrangements under the contract.

Project II H - Kajaani Oy

We expect to receive a brief report on the progress on this project.

Project II F - Myllykoski Oy

We are looking forward to receiving the first progress report on this project.

We would appreciate your contacting the respective companies regarding the above matters and would welcome any further questions or comments you or they might have. We believe that the suggested changes in the present reporting arrangements should relieve those concerned with the preparation of the reports of a substantial burden of work, while at the same time providing the Bank with more useful information.

We will write you later with regard to Loan 16 FI, concerning the type of information we would like to receive with respect to the operational performance and general economic merits of some of the major projects, now completed, in the financing of which the Bank has participated.

We enclose two copies of this letter for your convenience.

Thanking you for your kind cooperation, we are,

Yours very truly,

C. W. Flesher,
Chief, Industry Division
Department of Technical Operations

LSvoboda:jd

cc: ~~Mr. Bryce~~

CLEARED WITH
AREA DEPT.

fin: Ln 61

In reply
refer to: Loan No.61

January 26, 1954

Your ref: AJG;MJ

Gentlemen:

✓
Thank you for your letter of January 14, 1954, and enclosure about the financing under Loan No.61 of three excavators for the Petäjäskoski power plant of Imatran Voima Oy.

We note that the cost of the excavators will be \$307,012.67 instead of \$240,000, as originally estimated, and that, on the other hand, the sum needed for tower cranes will be less than expected. Accordingly we are agreeable to the transfer of \$67,012.67 from Item B-3-a to Item B-3-b of the breakdown list of goods. It will not be necessary to modify the official list of goods for this purpose.

One copy of this letter has been sent to the Legation of Finland in Washington.

Yours truly,



S. R. Cope
Assistant Director of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
FINLAND

NJPaterson;dhc

(CLEARED WITH LEGAL DEPARTMENT)

January 22, 1954

Bank of Finland
Helsinki, Finland

Gentlemen:

Loan No. 61 FI

With further reference to your letter of October 27, 1953 and the schedule of Purchases and Deliveries for Lapin-Raivaus which was attached thereto, we would appreciate it if you could let us know when Lapin-Raivaus expects to receive the last International TD-14A Crawler Tractor which was ordered on January 7, 1953 for delivery in May, 1953 under item number IB-61-FI-III-B-3.

Once this will have been received there will be no further need for Lapin-Raivaus to prepare schedules of Purchases and Deliveries. Thereafter, we will want to receive only the operational reports, the last of which covered the year 1952. We are looking forward to receiving shortly the report on the activities carried out during 1953.

Very truly yours,

E. de Vries
Chief, Agriculture Division
Department of Technical Operations

BPS/iaf

Fin. Lm 61

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: January 19, 1954

TO: Mr. V. Makkonen, Legation of Finland.

FROM: Neil J. Paterson

SUMMARY: Enclosing duplicate letter written to Bank of Finland about financing of equipment for Pellonraivaus Oy under Loan No. 61 and Joutseno-Pulp Oy under Loan No. 70.

FILED UNDER: Finland - Loan 70

CROSS REFERENCE: Finland - Loan 61

Fin 61

In reply refer to:
Loan No.61 FI

January 19, 1954

Your ref: A JG MJ

Gentlemen:

✓
Thank you for your letter of November 28, 1953 and enclosure about equipment to be financed under Loan No.61 for Pellonraivaus Oy.

We are agreeable to your suggestion that the allocation for spare parts for Caterpillar tractors be increased from \$210,000 to \$241,000 and that the allocation for spare parts for Allis-Chalmers tractors be increased from \$65,000 to \$75,000. We are providing for these increases by re-allocating the unused balances for other items for Pellonraivaus Oy, and we assume that you will adjust your records correspondingly. No formal modification of the list of goods is called for.

One copy of the letter has been sent to the Legation of Finland in Washington.

Yours truly,

Neil J. Paterson
Department of Operations
Europe, Africa and Australasia

Suomen Pankki-Finlands Bank
Helsinki
FINLAND

(CLEARED WITH WORKING PARTY)

cc: Mr. Verheyen
Mr. Finne
Miss Morsey

NJP:erson, dhc

OFFICE MEMORANDUM

TO: Mr. A.S.G. Hoar,
 FROM: Unto Varjonen
 SUBJECT: FINLAND - LOAN NO. 61

DATE: January 18, 1954.

I fully agree with you in your reluctance to service the A S E A delivery of Myllykosken Paperitehdas in dollars. I have informed the Bank of Finland about your stand and have asked the Bank to request an additional release of Swedish kroners. I shall notify you of the result.

WV

Mr. Hoar,

Yes. I have

seen Mr. Varjonen. He will now:-

① cable Sveriges Riksbank, as their representative, and ask for the release;

② cable the Bank of Finland not to ask formally for the release. They may, however, give unofficial support to it

L.S. 19/1

Mr. Paterson

Is this usual form?

Should the request have

gone direct to Sweden

from Mr. Varjonen as their representative on the Board?

L.S. 18/1

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Fin 61

CS OFFICE MEMORANDUM

TO: Mr. A. S. G. Hoar

DATE: January 15, 1954

FROM: Neil J. Paterson *NJP*

SUBJECT: Finland - Loan No. 61

I attach for your signature a memorandum to Mr. Varjonen (Tab "B") asking him to try to obtain the release of S.Kr. 556,000 to help finance the purchase of an item of woodworking equipment from ASEA (Swedish General Electric).

A letter to Mr. Makkonen which I have signed (Tab "C") and his letter dated January 5 (Tab "D") explaining the transaction.

Briefly it is that the Finns will need for the woodworking projects which we are financing under Loans 61 and 70 more Swedish kronor than the 18% released for Loan No. 70. The release now sought would, therefore, be used under Loan No. 61 (\$20 million loan, which was made for purchases in countries other than Sweden).

The memorandum now submitted for your signature and the letter to Mr. Makkonen have been cleared with the Working Party and Mr. Cavanaugh.

*Copy 18%
Sweden*

CROSS REFERENCES

✓ Fin Ln 70

Fin Ln 61

Mr. Unto U. M. Varjonen

January 15, 1954

A. S. G. Hoar

Finland - Loan No.61

Myllykosken Paperitehdas Oy. has to pay S.Kr.556,000 to complete payment for an electrical drive for a paper machine.

2. The total cost of the drive, which is being manufactured by ASEA, is S.Kr.590,000. Of this amount only S.Kr.34,000 is available from the proceeds of Loan No.70 (for which the Swedish Government released S.Kr.18 million) after providing for other purchases in Sweden, including another electric drive.

3. The Finnish Legation has therefore asked the Bank to provide the balance from Loan No.61. This loan, as you are aware, was intended to finance purchases from countries other than Sweden, and no release of 18% Swedish kronor was requested for it. As the matter stands at the moment, therefore, we could agree to the Finnish request only by financing the transaction with, say, dollars and thus imposing a dollar liability on Finland. We are most reluctant to do this.

4. I should therefore be most grateful if you would ask the Swedish Government to release from their 18% subscription the additional S.Kr.556,000 needed to complete payment for this electric drive, so that we could use it through Loan No.61.

Ex

cc: Mr. Cavanaugh
Miss Morsey
Mr. Verheyen
Mr. Finne

(CLEARED WITH WORKING PARTY AND MR. CAVANAUGH)

N. Paterson;ASGH;dhc

copy. Rec'd 18/1 Sweden

CROSS REFERENCES
✓ Fin Ln 70

ROUTING SLIP		Date
		1-21-54
NAME		ROOM NO.
DR BARANYIAI		
Mr Peterson		746
Action		Note and File
Approval		Note and Return
Comment		Prepare Reply
Full Report		Previous Papers
Information		Recommendation
Initial		Signature
Remarks <u>Loan 61 F1</u> Attached is report for change in list of goods by Imatra Voima Oy. There are no objections on part of TOD. L A Looboda		

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

PROGRESS REPORT SLIP

DEPARTMENT OF TECHNICAL OPERATIONS

COUNTRY

Finland 61/70 FI

LOAN OR PROJECT

Etelä-Pohjanmaan

PERIOD TO

Nov. 30 and Dec. 31

TYPE OF REPORT

Pur & Del (2 reports)

CARDED

1/18/54 jd

FOR ACTION TO:

INITIAL

DATE

1

~~Sroboza~~

2

~~Bryce~~

3

~~Finn~~

4

5

6

7

L R. Jones

20 Jan. 54

21/1/54



VIA AIR MAIL

Helsinki, January 14, 1954.

A JG MJ.

Fin: Ln 61

International Bank for Reconstruction
and Development,
Department of Technical Operations,
Washington 25, D.C.

Gentlemen:

Loan № IB-61-F1-I, Electric Power Projects.

We have pleasure in sending you herewith a
letter of Imatran Voima Osakeyhtiö dated January 8 con-
cerning an alteration in their share as well as the
Monthly Reports № 7 and 8 of the Etelä-Pohjanmaan Voima Oy.

Yours very truly,

SUOMEN PANKKI-FINLANDS BANK

Lauri Lintu M. Järveläinen

Enclos.

*acknowledged
1/21/54
JD.*

OG. Jan. 26/54

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JAN 18 3 30 PM 1954

IMATRAN VOIMA OSAKEYHTIÖ

HEAD OFFICE: TELEGRAMS IMATRANVOIMA HELSINKI - TELEPHONE 10941 HELSINKI



HELSINKI
P. O. BOX 138
FINLAND

Helsinki, January 8th, 1954

International Bank for
Reconstruction and Development
1818 H. Street, N.W.
WASHINGTON 26, D.C.
USA

IB 61 Loan - Excavators for Petäjäskoski Power Plant.

Gentlemen:

The specification concerning the use of the above mentioned loan includes three excavators of $2\frac{1}{2}$ cyds for Petäjäskoski power plant. Two of them are already delivered and the purchase of a third one is at the moment under negotiation.

As the unit price of the excavators of $2\frac{1}{2}$ cyds was estimated too low the remaining currency for the item B3b amounts only to
\$4.227.33

We therefore suggest that the additional currency required for the purchase of the third excavator,

\$67.012.67

should be taken from item B3a including 3 tower cranes totalling to

\$126.000.00

All this because the cableway which is now in operation at Montta power plant can be transferred to Petäjäskoski power plant considerably earlier than expected and our intention therefore is to buy only one tower crane.

Yours very truly

IMATRAN VOIMA OSAKEYHTIÖ

H. Bolk *E. Savia*

OK
12/15/54
PÖ/TL

Fin Lm 61

In reply refer to:
Loans Nos. 61 and 70

January 15, 1954

Your reference No.12

Dear ^{MR} ~~M~~akkonen:

I refer to your letter of January 5, 1954, and our telephone discussion yesterday about the financing under the Bank's loans of electric drives for two paper machines of Myllykosken Paperitehdas Oy.

We are agreeable to your suggestion that S.Kr.690,000 be disbursed against item II - F of the list of goods for Loan No.70 to pay in full for one drive and in part for the other. We are also prepared to disburse S.Kr. 556,000 against item II - F of the list of goods for Loan No.61 to cover the balance of the cost of the second drive but we may not have 18% capital from Sweden available for this purpose at the time reimbursement is requested.

REITS

You will recall that at the time the loans were signed it was assumed that the equipment for the wood product industries from countries other than Sweden would be financed under Loan No.61 and that equipment coming from Sweden would be financed under Loan No.70. We shall attempt to obtain the release from Sweden of the Swedish kronor 556,000 which you now wish to apply against Loan No.61, but if we are unsuccessful we shall have to purchase the kronor against another currency, presumably Swiss francs or U.S. dollars and charge the Bank of Finland with an obligation to repay in the currency used for the purchase.

I understand that you will discuss this aspect further with the Bank of Finland before submitting the request for reimbursement under Loan No.61. We should also be interested to learn if there are any further purchases in Sweden for the Woodworking Industries Project for which reimbursement will be sought under Loan No.61 and also for what items of equipment the balance of Myllykosken's allocation under Loan No.61 will be used.

Yours sincerely,

Neil J. Paterson
Department of Operations
Europe, Africa and Australasia

ds.

Mr. Veikko Makkonen
Legation of Finland
1900 Twenty-fourth Street, N.W.
Washington, 8, D.C.

(CLEARED WITH WORKING PARTY)

cc: Miss Morsey
Mr. Verheyen
Mr. Finne

CROSS REFERENCES

Fin Lm 70

NJPaterson:jhc

fin 61 & 70 Gen

Mr. Carl Flesher

January 6, 1954

Christian Finne

Status of Loans - Finland

Loan No. 16 FI

Amount of Loan: \$ 12.5 million

Loan fully disbursed

Closing date: December 31, 1953

All projects financed by the Loan have been completed with the exception of the expansion of the Kymmene Sulphite Pulp Mill, which will be ready for operation in March 1954.

Loans No. 61 and 70 FI

Power, Woodworking and Agriculture

	<u>Projects</u>	
<u>Amount of Loan:</u>	<u>No. 61</u>	<u>No. 70</u>
		<u>Sw. Kronor</u>
Power	9.5 million	
Woodworking	9.5 million	18 million
Agriculture	1.0 million	
<u>Amounts disbursed as of December 31, 1953:</u>		
Power	5,154,000	
Woodworking	5,180,064.41	13,898,070
Agriculture	955,935.59	
<u>Closing date of Loans:</u>	May 31, 1955	

The major projects were inspected by Mr. Finne in October, and November, 1953.

1. Power

The work on the three hydro plant projects in Northern Finland, Montta, Utanen and Petajaskoski, is progressing as scheduled. Construction

✓ fin 61 & 70 Gen

work on Montta is about 30% completed, on Utanen about 15% and on Petajaskoski preliminary work has been completed and actual construction work started.

The projects are carried out by the government-financed power company Isastran Voima Oy. Sufficient funds for the company's construction program is made available through long term loans from the State Pension Fund.

The work on the Pamiho hydro plant is progressing considerably ahead of schedule and is about 35% completed. Construction work has been speeded up because shorter delivery time on equipment than originally estimated, has been obtained. Scheduled completion of the project has been revised from end of 1956 to July 1955. The project is carried out by the woodworking company Enso-Gutzeit Oy. Sufficient funds are available to cover the estimated construction cost.

On the project to be carried out by the power company Stela-Pohjamaan Voima Oy in Maasan, the work on transmission lines and substations is making good progress and is about 30% complete. The position of the steam plant project is however unclear. The company has approached the State Pension Fund to obtain the major part of the funds required for the project but a decision has not yet been made. A considerable amount of foreign currency in addition to the Bank loan is required for this project and will have to be made available from the resources of Bank of Finland.

Work on the transmission lines included mainly planning and surveys. Some of the plans have been revised and will be submitted to the Bank shortly.

Woodworking

Kemi Oy

Installation of soda recovery boiler is well advanced and will be ready for operation in March 1954. Various equipment financed with the Swedish Kronor Loan has been ordered and will be delivered and installed in 1954.

Veitsiluoto Oy

The building for the new paper mill is under roof and installation of equipment has started. Operation is scheduled for January 1955.

Oulu Oy

Installation of soda recovery boiler is close to completion and will be in operation in February 1954.

Yhtynseet Paperitehtaat Oy

The construction of the integrated newsprint mill at Kaipola has been progressing satisfactorily and reached an overall completion of about 70%. Operation of woodgrinding department is scheduled for March 1954, and paper machine No. 1 October 1954.

Enso-Gutzeit Oy

The installation of the paper board machine in the Kolka Mill is close to completion. Full operation is scheduled for February 1954.

The location of the new integrated newsprint mill has been changed from Taniokseid to Summa near the harbor Hamina. Preliminary work on the site has been started and the mill is scheduled to be completed in the beginning of 1955.

Joutseno Oy

The building construction work on the new sulphate pulp mill has been completed and equipment installation is in progress. The overall progress is some 2 - 3 months behind schedule. The plant should be ready for operation in the beginning of 1955.

Myllykoski Oy

The revised project to be carried out by this company includes the reconstruction and modernisation of two existing newsprint machines. Details on the work to be carried out ~~has~~ not yet been submitted to the Bank.

Various Companies

Allocations of the Loan to further 8 companies covers purchase of various prices of equipment and machinery. Most of the deliveries and installation will be made during 1954.

Financial

All the companies have sufficient funds available from own resources and through loan from government institutions and commercial banks to cover the overall costs of their construction programs.

Agricultural Development

During the course of his visit to Finland, Mr. Finne discussed the status of the Pellonraivaus project. He was told by a representative of this company that because of a large portion of Pellonraivaus work is contracted for by farmers there has been a decline of 10 - 15% during the second half of 1953 due to the general decrease in economic activity in the country. With respect to work performed on road for the Government, discussions are now under way to change the basis of charges made by Pellonraivaus from cost plus to bid basis.

Pellonraivaus' fleet of equipment consists of 247 tractors, 58 excavators and 200 miscellaneous pieces of equipment such as plows, harrows, etc. One hundred and fifty (150) of the tractors are war surplus tractors which have now nearly reached the end of their economic life. Pellonraivaus is anxious to begin replacing these tractors.

During the course of these discussions Mr. Finne was told that the Bank of Finland has requested Pellonraivaus to repay the counterpart of the loan in 5 years.

Fin. Ln 61

LEGATION OF FINLAND
1900 TWENTY-FOURTH ST, N. W.
WASHINGTON 8, D. C.

No. 12

January 5, 1954

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Re: IB-61-FI-II-F and IB-70-II-F, Myllykosken
Paperitehdas Oy.

Gentlemen:

The Bank of Finland has requested us to submit to you the following proposal regarding the use of the allocations granted to Myllykosken Paperitehdas Oy under the above-captioned loans:

The modernization of the two paper machines of Myllykosken Paperitehdas Oy includes the purchase of two electric drivers for the said machines. The drivers have been ordered from the Swedish company ASEA and their prices are SKr. 656,000 and SKr. 590,000 respectively. The payment of these purchases is proposed to be made as follows:

I. Electric driver SKr. 656,000 under the allocation IB-70-FI II-F of SKr. 690,000, leaving a balance of SKr. 34,000

II. Electric driver SKr. 590,000 as follows:

- a. SKr. 556,000 under the allocation IB-61-FI-II-F
- b. SKr. 34,000 under the allocation IB-70-FI-II-F

I would highly appreciate if you kindly would let us know whether the above payment plan is acceptable to you.

Very truly yours,

Veikko Makkonen
Veikko Makkonen
Secretary of Legation

F.O.L. (DISB.) Date **JAN 5 1954**
Loan: **IB-61-70-FI**

	Inf.	Ret.	Act.
Mr. Street			
Mr. Connor			
Mr. Verheyen			
Mr. Kynhoff			
Mr. McCarthy			
Mr. Keittie			

VM:db

for Mr. h. Paterson

Encs Ref.:

CROSS REFERENCES
✓ Fin. Ln 70

acc. Jan 15/54

*no comments
ag.*