Folder Title:	Operational - Development Banks - Report on the Study - Observation Trip of Development Finance Companies
Folder ID:	1503971
Series:	Operations Policy and procedures
Dates:	09/27/1965 - 09/27/1965
Fonds:	Central Files
ISAD Reference Code:	WB IBRD/IDA ADMCF-04
Digitized:	05/19/2022

OPERATIONAL - DEV. BANK - Study on Dev. Banks;

Operational - Development Banks - Report on the Study - Observation Trip of Development Finance Companies

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A REPORT ON THE STUDY-OBSERVATION TRIP OF DEVELOPMENT FINANCE COMPANIES

PRIVATE DEVELOPMENT CORPORATION
OF THE PHILIPPINES

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A REPORT ON THE STUDY-OBSERVATION TRIP OF DEVELOPMENT FINANCE COMPANIES

CONTENTS

"........ development, to be successful, requires a dedication and singleness of purpose. However, thus far, no means have been devised to deeply stir patriotic emotions for massive and intensive economic development in agriculture or in extractive and manufacturing and service industry. Yet development should be waged as a war, a war against intolerable living conditions that must be carried on with a determination to overcome all obstacles." *

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* George D. Woods, IBRD President, in an address to the Board of Governors of the World Bank on September 27, 1965.

INTRODUCTION

Development Banks or Development Finance Companies, by whatever name they are called in their respective countries constituted along private enterprise lines but with the support and approval of the government concerned, first appeared in the capital market scene in Turkey in 1950. Since then, largely through the continuing efforts of both the World Bank and its affiliate, the International Finance Corporation, it has been reported that the number of such institutions "certainly exceeds 125." * Those that have received financing assistance from the World Bank and its affiliates are listed in Supplement A.

The models of such institutions have been characterized as "national both in identity and outlook, vigorous in the promotion of productive investment, yet prudent in the conduct of its affairs. It seeks to promote industrial and other development on business principles in the interest of the sound economic growth of the country." **

The significant and valuable role played by local development finance companies in the industrialization and economic development of virtually every nation in the world today is well known and appreciated. In fostering the growth of industry, successful development finance companies have been able to analyze the market for industrial products, identify promising fields for investment, provide sufficient finance of the right kind, help bring together the factors of production, promote the use of modern or improved techniques in manufacturing, and in many ways more important, supply or arrange to supply experienced technical skills, competent managers and well trained staff. By their successful operations, the development finance companies have given credence and fulfillment to the philosophy of the World Bank family ".... that it is possible to combine profit-making with a development orientation. And not simply possible. If a development finance company is providing financial, technical and entrepreneurial services which are in demand and not being adequately supplied, then it is service-oriented in the best sense of the term. The prospect of, indeed the need for, profit makes it possible to provide these services, to mobilize capital, both at home and abroad, and to take the risks which investment entails. The combination of profit-making with an orientation towards providing services crucial to economic development is, indeed, the fundamental justification lying behind assistance from the World Bank group to a development finance company." **

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* International Finance Corporation, Private Development Finance Companies, June 1964.

** William Diamond, IFC, The Role of Private Institutions in Development Financing, an address to the First Latin American Meeting of Development Financing Institutions.

In the decade that followed the inauguration of the first development finance company in Turkey, a wealth of information and experience in their operations has been recorded. Notable among these were publications authored by IFC's William Diamond * and Mrs. Shirley Boskey ** of IBRD. In the creation and operation of a service-oriented, profit-making institution designed to promote national economic development, each national institution has had to organize itself in such a way as to meet its particular country's needs - taking into consideration the available talent and manpower, both from local professionals as well as from expatriate staff with expertise on development financing operations. It is significant to note that the IFC has never imposed a stereo-typed organizational structure even within the framework of local conditions and availability of suitable manpower. Because of the by and large common objectives of development finance companies, however, it is always interesting to study how each institution has attempted to achieve these objectives by providing the necessary organizational units, methods, procedures and, of course, competently trained personnel to operate within these limits.

This report is a modest attempt to explain the organizational and operational aspects of development finance institutions in several countries which we visited. In expounding on these institutions, it is not our purpose to compare or to criticize. Our relative youth among other venerable development finance companies precludes this presumption. In analyzing their organizations, procedures and techniques, however, it has been our assigned mission to learn from the experience of other development finance institutions, and where appropriate, make recommendations to PDCP for its consideration and possible adoption. To this end, our recommendations are appended to this report.

It is hoped that some opportunity in the future will present itself for other members of PDCP's staff on similar missions to add to this report for updating and future reference. Only by a periodic re-examination of our needs and a study of the experiences of both ourselves and similar institutions can we successfully achieve the objectives of a true development finance company in the midst of the fast changing world we live in.

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* William Diamond, Development Banks, published for the Economic Development Institute/IBRD, by the John Hopkins Press, 1957.

** Shirley Boskey, Problems and Practices of Development Banks, published for the International Bank for Reconstruction and Development by the Johns Hopkins Press, 1959.

PURPOSE OF THE STUDY-OBSERVATION TRIP

1. ".......... to familiarize Mr. Silvestre with the technical operations of development finance corporations .... around the world including the World Bank and IFC in Washington.

2. ".......... discuss with World Bank and IFC officials the operations of development finance companies vis-a-vis the IBRD and IFC, and

3. ".......... study the various methods of project evaluation used, as well as the key factors looked into to determine feasibility of projects submitted for financing." *

The impressions of our visits to various development finance corporations around the world including the World Bank and the IFC form the main sections of this report. The result of discussions with IBRD and IFC officials on operations of development finance companies vis-a-vis IBRD and IFC, as well as project feasibility considerations will be covered in separate departmental reports to management.

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* Excerpts from the memorandum of Mr. Vicente R. Jayme to the PDCP Board of Directors, dated 23 August 1965.

LIST OF INSTITUTIONS VISITED

Development Finance Companies Affiliated with IBRD/IFC

1. China	:	China Development Corporation (CDC)
2. India	:	Industrial Credit & Investment Corporation of India (ICICI)
3. Iran	:	Industrial Mining & Development Bank of Iran (IMDBI)
4. Malaysia	:	Malaysian Industrial Development Finance Ltd. (MIDFL)
5. Thailand	:	Industrial Finance Corporation of Thailand (IFCT)
6. Turkey	:	Turkiye Sinai Kalkinma Bankasi A.S. (TSKB)

Frankfurt, West Germany

- Kreditanstalt fur Wiederaufbau (KfW)

Rome, Italy

- Food & Agriculture Organization of the United Nations (F.A.O.)

Singapore

- Economic Development Board

Tokyo, Japan

- Export-Import Bank of Japan
- Industrial Bank of Japan
- Japan Development Bank

Washington, D.C., U.S.A.

- International Bank for Reconstruction and Development/World Bank
- International Finance Corporation (IFC)
- Export-Import Bank of Washington

RECOMMENDATIONS

1. A proposed organizational structure responsive to our needs is herewith presented for management's consideration. Attention is invited to the reassigned functions and areas of responsibility.

We will be glad to answer any queries on details of this proposal. (Annex R-1)

2. To do away with voluminous paperwork and its attendant demands of office services (stencilling, printing, assembling, sorting, proof-reading, etc.) it is proposed that a "PROJECT SUMMARY" be submitted to the Board of Directors in lieu of the complete Project Appraisal itself. However, the Project Appraisal proper will be made available to members of the Board of Directors who may wish more details than is possible in a concise project summary. A sample format is attached herewith for consideration. (Annex R-2)

3. To broaden the perspective and competence of management and senior staff members, it is proposed that we take advantage of regular training opportunities offered by various development finance institutions listed in the section under "Training Opportunities" in this report. It is further suggested that the allocation of staff for training be planned and programmed well in advance.

N. B. - Other ministerial recommendations affecting office/departmental procedures will be presented at subsequent staff meetings after the arrival of our materials on development finance institutions which were posted via sea mail.

PROPOSAL

Annex R-1

BOARD OF DIRECTORS

CHIEF OPERATING EXECUTIVE

LEGAL

OFFICE & PERSONNEL

ECONOMICS & DEVELOPMENT

* Economic Intelligence, Information & Statistics
* Industry-wide Studies
* New Projects Development
* Industrial Estates
* Agricultural Projects
* Equity Investments & Participation
* Eco. & Business Info. Serv. (incl.publications & library)

PROJECT EVALUATION & SUPERVISION

* Project Evaluation
  - Technical
  - Financial
  - Marketing
* Project Supervision (post-disbursement & during entire life of loan project)
* Mgmt. Advisory Services

TREASURY & FINANCE

* Loan Disbursement & Collection
* Placement of Funds
* Insurance
* Budget Planning
* Credit Investigation
* Guarantees of Foreign Obligations
* Securities Underwriting
* Portfolio Mgmt. Services

ACCOUNTS & COLLECTION

* Accounts/Records
* Financial Statements & Reports
* Budget Control
* Payroll Administration
* Taxes

Committees	Composition	Chairman
Staff Investment Committee	E&D, PE&S, T&F, Project Team, (Legal)	COE
Short-term Placement	T&F, E&D	COE
"Sick Cases"	PE&S, A&C, E&D, Legal	COE
Management	All heads of Departments	COE

NOTES ON PROPOSED ORGANIZATION CHART
(Please refer to Organization Chart marked Annex R-1)

1. The organization herewith proposed describes functions and areas of responsibility only. It does not indicate rank, title or portray relative importance of one department over the other. It simply spells out four operating departments, two staff departments and their functional areas of responsibility. Sub-divisions of each department have been left out but if this proposal is acceptable, a more detailed chart responsive to our every need can be prepared.

2. The proposed organization has been designed to meet two fundamental requirements:

a. "Check and balance" principle. No unilateral moves can be made by any one unit without check or "control". (Control here is used in the "safeguarding sense, not in a sense of subordination or subservience of one office or section to another).

b. Only one department at a time will deal with a borrower-client, viz.:

Project Evaluation & Supervision	:	during inquiry and appraisal stage.
Legal	:	during negotiation of loan agreement terms.
Treasury & Finance	:	during loan disbursement.
Accounts & Collection	:	during actual collection and receipt of amortization payments.
Project Evaluation & Supervision	:	during periodic visits to plant to check on progress of the project.

3. The proposed set-up whereby Project Evaluation also looks after Project Supervision has been made bearing in mind the following:

a. Attendant advantages of having the same team or group of people who did the appraisal do the "follow-up".

b. The relatively small number of projects in our portfolio. As soon as the number of projects reach proportions of say 100 projects for supervision, then we can consider setting up a separate section/division/department to do project supervision full time. When that stage is reached, it is also hoped that on-the-job training doing both appraisal and supervision will give us ample resources of trained manpower to choose from in the event that we "raise (project supervision) to the dignity of a separate/distinct department."

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* Attributed to Mr. A. Gasem Kheradjou, Managing Director, IMDBI.

ACKNOWLEDGMENT

We are most grateful to the PDCP Board, officers and management for providing us with the opportunity to study intimately the organization and operations of development finance companies in the Republic of China, Japan, Mexico, Turkey, Iran, India, Thailand and Malaysia. In addition, it was most rewarding to visit Kreditanstalt für Wiederaufbau of West Germany, F.A.O. in Rome, and the Economic Development Board of Singapore.

The achievements of these institutions in their respective sphere of operations are well deserved. The management and staff of the banking, financial and industrial development institutions we visited in these countries have, willingly and without reservations, shared their valuable experiences with us and we are indebted to all of them for receiving us with warmth and friendship.

We are also grateful to the staff of the World Bank and its affiliate, the International Finance Corporation. Special mention must be made of the exceptional help extended to us by the Development Finance Companies Department of I.F.C., specifically Messrs. Frans Bakker, Tore Hedberg, P. M. Mathew, and Robert Skillings whose collective experience and keen insight into the operational aspects of development financing institutions are fountains of wisdom and inspiration.

J. PLARIDEL SILVESTRE

PROJECT EVALUATION

The success which a development finance company achieves is largely dependent on the facility with which inquiries and applications for financial assistance are competently and judiciously evaluated to determine their worthiness and viability. In practice, the project evaluation function is carried out in as many ways as there are development finance companies. The variety extends from delineated and separate departments staffed with specialist disciplines (Engineers/Economists/Financial Analysts) to fully integrated disciplines within a single department.

TSKB/Turkey maintains separate Engineering, Economic Research and Financial Analysis departments, each responsible for specific aspects of project evaluation plus a Loans and Investment department charged with the actual project responsibility and coordination of appraisal work.

In an effort to meet the challenge of professionalism in the operations of development finance companies, a "hybridization" process has taken place among staff engaged in appraisal or project evaluation work. This attempt at obtaining a "hybrid" professional, i.e., one who is capable of performing in at least two of three disciplines (Engineering, Economics, Finance) has in itself produced myriad combinations resulting in various organization types such as the following:

1. combination of Loans department with the financial analysis function as in IMDBI/Iran;

2. consolidation of Loans department with both the financial and marketing analyses functions as in IFCT/Thailand;

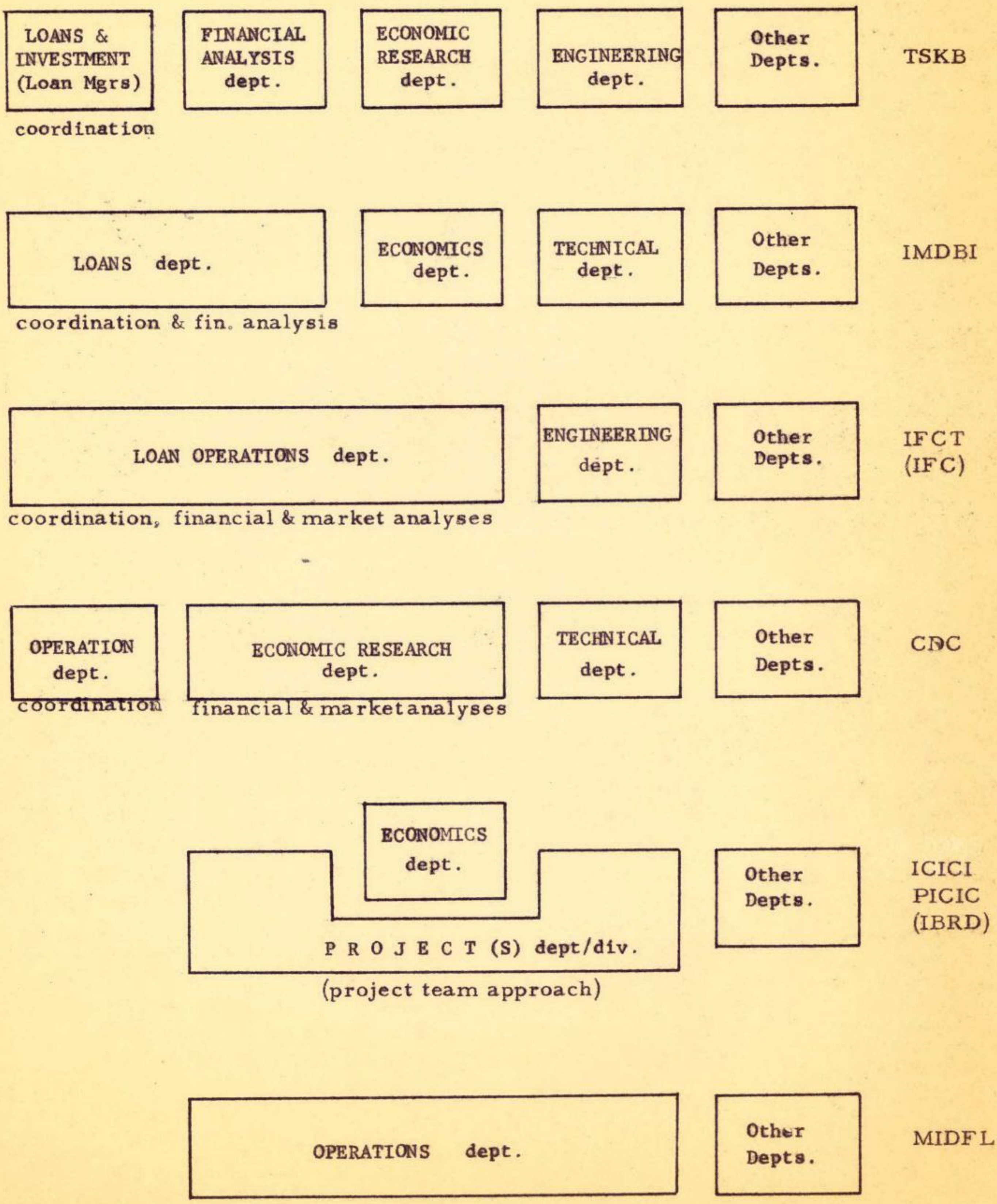
3. combination of the economics/marketing function with the financial analysis function as in CDC/China;

4. combination of engineering with marketing analysis function as in the Technical-Economic Department of CFC/Bogota.

A graphical analysis of various types of organization designed to carry out the project evaluation function in the different development finance companies we visited is illustrated in Table No. 1.

Table 1

AN ANALYSIS OF ORGANIZATIONS FOR PROJECT EVALUATION IN VARIOUS DEVELOPMENT FINANCE INSTITUTIONS



How each of these set-ups operate is better explained in the individual sections covering each development finance companies in this report. We can only add that no matter how the organization is departmented into the various types and/or combinations of disciplines or functions, the success with which the project evaluation function is carried out is largely determined by the personal attitudes of their professional staff - what their outlook is, their experience, and most important, how well they work and get along together.

The esteem with which lending institutions such as IBRD, IFC, AID and KfW regard the project evaluation efforts of successful development finance companies tend to indicate that the resulting "overall view" of a project team or working party approach is decidedly the most advantageous organization. Instead of separate consecutive departmental reports requiring another person or department to integrate properly, a consolidated project team approach has the following operational advantages:

1. less paper work, cross-references and liaison between organizational units;

2. less time consumed in informal working party discussions rather than lenghty, time-consuming memos, correspondence and formal departmental meetings;

3. intimate discussions among team members give everyone an "overall view", producing a "big" picture" in everyone's mind rather than the possibility of any one discipline or aspect dominating the others, specially if they come from strong personalities or loud-mouthed advocates.

4. the advisability of looking at a proposal as a project, not as three separate, seemingly unrelated problems of marketing, production and finance. This approach also encourages team members to work together as members of the same working party, thus minimizing rivalry between specialist disciplines.

5. reduce/eliminate the possibility of non-merit influence by emphasizing full discussion of the project between Team members and a staff loan or screening committee. A consecutive departmental approach creates opportunities for outside influence to temper a decision as each department either supports or blocks a proposal through a separate, independent report.

PROJECT SUPERVISION/FOLLOW-UP/END USE CHECK

After a study of twenty diverse development banks in various parts of the world, Professor J. D. Nyhart concludes that "...... ....the policies bank managers choose regarding internal procedures and structure can be potent agency in hastening an existing, but gradual evolution toward professionalism in development banking."* In addition to new concepts and approaches to project appraisals, project supervision has been a function which has grown in importance in the overall operations of development finance institutions.

By whatever name this function is alluded to, project supervision, follow-up, end-use check, etc., its value and worth in development finance companies' operations are now well recognized. Once upon a time, the attitude of lending institutions is that everything is satisfacotry if the client pays his amortizations regularly and this represented his entire interest in the client or project after the disbursement of funds. Today, the collective experience of many development finance companies attest to the advantages of having a well organized procedure and the trained staff necessary to carry out proper supervision of projects.

When one considers that staff assigned to do follow-up work almost always imposes on the client a mass of administrative reports which the borrower would rather avoid, then the importance of good public relations with the client is underscored. Experience has shown that no amount of provision in a Loan Agreement properly signed, sealed and delivered can fully assure development finance companies that clients' reports are forthcoming, if they ever come at all. Staff visits help a great deal in bringing the point home to the client that the development finance company has just as much stake and interest in the success and well-being of the project as the sponsors themselves, perhaps even more. There is also no doubt that forms designed along simple lines but containing only the necessary information gets better client reception and compliance than a fancy form chockfull of data many of which have no immediate use except to obtain extra information for future need or reference.

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* J. D. Nyhart, "Toward Professionalism in Development Banking" Massachusetts Institute of Technology, 1964.

Like project evaluation, project supervision is carried out with varying organizational structures in different development finance institutions. Some naively proclaim that they have no use for it until arrears in amortization payments reach alarming proportions. Others attribute sufficient importance to the project supervision function, they are "willing to raise it to the dignity of a distinct/separate department." * An analysis of organizational treatment for project supervision is given in Table 2. It will be noted that three (3) major approaches are used to carry out the project supervision function:

1. Creation of a separate or distinct organizational unit;
2. Assigning a unit combined with other functions or units;
3. Team or committee approach.

Some development finance companies charge their project evaluation department with the added responsibility of carrying out project supervision. This arrangement produces the following advantages:

1. Follow through from the planning stage to the operational stage of a project gives project evaluation staff valuable experience and feed-back of information to guide and temper future evaluations or appraisals.

2. Since the same team or groups of people evaluated it, they are more "at grips" with the anticipated problems of a client whose project they have studied and therefore, are in a better position to recommend courses of action to solve the problems involved. Otherwise, a new organizational unit coming in or another group of people handling the situation would require sometime to study the problems, lost time in referrals and familiarization with the project and a lack of kinship or interest in the well-being of the project itself.

OTHER FUNCTIONS

The other ancillary and related functions in development finance companies are presented in the following tables:

Table 3: The Economic Function in the Organizational Structure of Development Finance Institutions

Table 4: The Accounting Function in the Organizational Structure of Development Finance Institutions

Table 5: The Personnel Function in the Organizational Structure of Development Finance Institutions

Table 6: The Legal Function in the Organizational Structure of Development Finance Institutions

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* Attributed to Mr. A. Gasem Kheradjou, IMDBI's Managing Director.

Table 2

THE PROJECT SUPERVISION FUNCTION IN THE ORGANIZATIONAL STRUCTURE OF DEVELOPMENT FINANCE CORPORATIONS

Case 1: As a Separate/Distinct Organizational Unit

End Use Department (1 of 4 major departments)	: PICIC/Pakistan
Follow-up Division in Secretary and Chief Administrative Officer's Dept.	: MIDFL/Malaysia
Intelligence & Information Section under the Asst. General Manager for Operations & Administration	: TSKB/Turkey

Case 2: Jointly with Other Functions or Units

Responsible Unit	Major Organizational Unit	Institution/ Country
"End Use Check" Section	Controller's Office	CDC/China
Follow-up Section	Economics Dept.	ICICI/India
Follow-up & Legal Dept.		BNDE/Morocco

Case 3: Team or Committee Approach

Between Loan Operations and Engineering Department	: IFCT/Thailand
Between an Engineer and a Financial Officer	: IMDBI/Iran
Project Teams (from Projects Dept.), both for appraisal and follow-up of the project	: IBRD/World Bank

Table 3

THE ECONOMICS FUNCTION IN THE ORGANIZATIONAL STRUCTURE OF DEVELOPMENT FINANCE CORPORATIONS

Case 1: Separate/Distinct Organizational Unit

Economic Department	: IDBI/Israel
Economics Department	: IBRD/World Bank ICICI/India IMDBI/Iran
Economic Documentation Department	: BNDE/Morocco
Economic Research Department	: CDC/China
Economic Research & Statistics Dept.	: DBE/Ethiopia

Case 2: As a sub-unit in a Division/Department

Economic Research Dept. in Project Appraisal Division	: TSKB/Turkey
Economics Section in Operations Dept.	: MIDFL/Malaysia
Market Division in Loan Operations Dept.	: IFCT/Thailand
Research Division in Operations Dept.	: PICIC/Pakistan

Case 3: In Combination with Other Functions

Economic & Finance Department	: CFN/Medellin
Technical-Economic Department	: CFC/Bogota

Table 4

THE ACCOUNTING FUNCTION IN THE ORGANIZATIONAL STRUCTURE OF DEVELOPMENT FINANCE CORPORATIONS

Name of Accounts Unit	Responsible To	Institution/ Country
Accounts & Disbursement Dept.	(Corporate)Secretary & Chief Accountant	ICICI/India
Accounts (& Insurance) Dept.	Chief Accountant	PICIC/Pakistan
Administration Dept.	Assistant Manager in charge of Administration & Chief Accountant	CAVENDES/ Venezuela
Administration Dept. (Accounting Division)	Manager, Administration Department	IFCT/Thailand
Controller's Office	Controller	CDC/China CFC/Bogota IDBI/Israel LBIDI/Liberia
Finance Dept. of Financial Affairs Group	Asst. General Manager for Financial Affairs	TSKB/Turkey
Treasury & Accounts Dept.	Managing Director/ Deputy	IMDBI/Iran
Treasury (Accounts Division)	Secretary & Chief Administrative Officer	MIDFL/ Malaysia
Treasurer's Department	1 of 3 Vice Presidents	IBRD
Treasurer's Department	Executive Vice President	IFC

Table 5

THE PERSONNEL FUNCTION IN THE ORGANIZATIONAL STRUCTURE OF DEVELOPMENT FINANCE CORPORATIONS

Case 1: Joint Function With the Administration Department

Administration Department	: BNDE/Morocco IFCT/Thailand
Administration & Personnel Dept	: DBE/Ethiopia
Administration & Public Relations Dept.	: IMDBI/Iran
Asst. General Manager for Operations & Administration	: TSKB/Turkey
Asst. Manager in Charge of Administration & Chief Accountant	: CAVENDES/ Valenzuela

Case 2: Joint Function with Secretariat/Corporate Secretary

With Secretarial & Shares Dept.	: ICICI/India
Secretariat Department	: CDC/China CFC/Bogota CFN/Medellin IDBI/Israel
With Secretariat & Legal Dept. (Administrative Section, 1 of 4 in Secretariat & Legal Dept.)	: PICIC/Pakistan
With Secretary & Chief Administrative Officer's Department	: MIDFL/Malaysia

THE LEGAL FUNCTION IN THE ORGANIZATIONAL STRUCTURE OF DEVELOPMENT FINANCE CORPORATIONS

Case 1: Separate/Distinct Unit

Legal Department	: CFC/Bogota
Legal Department	: CFN/Medellin
Legal Department	: DBE/Ethiopia
Legal Department	: ICICI/India
Legal Division	: IFCT/Thailand
Legal Department	: IBRD
Legal Department	: IFC

Case 2: Joint Function With Other Units

Follow-up & Legal Department	: BNDE/Morocco
Secretariat & Legal Department	: IMDBI/Iran PICIC/Pakistan
Legal Counsel & Registrar's Division under the Secretary & Chief Administrative Officer	: MIDFL/Malaysia
Secretariat (includes Legal)	: CDC/China

Case 3: Advisory Function

One of three Advisers to Management	: IDBI/Israel
Part-time Legal Adviser	: TSKB/Turkey

CHIEF EXECUTIVES' TITLE IN VARIOUS DEVELOPMENT FINANCE INSTITUTIONS

Similarly, an analysis of various titles of chief executive officers in development finance corporations is presented in Table 7. It is interesting to note that most development finance companies are headed by officials who wear two hats: one as the chief executive officer and at the same time as a member of the Board of Directors. The obvious advantages of having a man chiefly responsible for staff be also a bona-fide member of its policy-making group is reflected in most cases in the actual examples given in Table 7. In one particular company (CDC) both the chief executive officer (President) and his deputy (Vice President) are both full members of the CDC Board of Directors.

Such arrangements allow better flow of communications between the Board and the Chief Executive Officer and provides both with mutual advantages, least of all, an up-to-date reckoning of corporate operations and activities as well as quicker and more decisive decisions of the Board on matters brought to it.

Table 7

TITLES OF CHIEF EXECUTIVE OFFICERS IN VARIOUS DEVELOPMENT FINANCE CORPORATIONS

Case 1: Chairman of the Board of Directors

(Executive) Chairman	:	ICICI/India

Case 2: Managing Director & Concurrently Member/ Board of Directors

Managing Director	:	IMDBI/Iran
Managing Director	:	DBE/Ethiopia
Managing Director	:	IDBI/Israel
Managing Director	:	BNDE/Morocco
Managing Director	:	PICIC/Pakistan

Case 3: President & Concurrently Member/Board of Directors

President	:	CDC/China
President	:	CAVENDES/ Valenzuela

Case 4: General Manager & Concurrently Member/ Board of Directors

General Manager	:	TSKB/Turkey

Case 5: Others

General Manager	:	IFCT/Thailand
General Manager	:	MIDFL/Malaysia
President	:	CFC/Bogota
President	:	CFN/Medellin
President	:	LBIDI/Liberia

TRAINING OPPORTUNITIES

Adequate training of management staff in the operational techniques of development/investment financing cannot be over-emphasized. The training experience of older development finance institutions cover both formal and informal training and staff exchange programs. Secondment in other development finance institutions is one of the usual means employed by several institutions to broaden executive staff perspective and experience.

A summary of training programs available to us are enumerated below:

1. IBRD/IFC Training Programs in Washington, D.C.

A valuable part of the World Bank program is the operation of the Economic Development Institute, organized in 1955 with initial financial support from both the Ford and Rockefeller Foundations. The curriculum courses include:

i. The General Course

- covers comprehensively the policies and problems of economic development.

Period: From October each year to late March.

ii. Project Evaluation Course

- for officials whose work is directly related to the formulation and evaluation of development projects.

Period: Usually two courses a year, one from April to June, and the other from late June to September.

An important part of the courses of study consists of field trips outside Washington on industrial and agricultural sites as well as commercial and investment institutions in continental U.S.A. Lately, arrangements have been made to allow participants to work for a few weeks in one of the many development finance institutions in various parts of the world.

2. Industrial Finance Seminars, in Tokyo, Japan

To celebrate the 60th anniversary of the founding of the Industrial Bank of Japan, it inaugurated the "Industrial Finance Seminars" in July 1962. The subject coverage includes sessions on economics, industry, and banking with particular stress on industrial financing. Participants for these seminars have come from thirty Asian countries. Two sessions are held each year.

Mr. Hideo Nakayama, project manager of the seminar, has reiterated the invitation of the Bank to us during our visit. The Bank looks forward to receiving participants from us in the near future.

3. ICICI/India's Staff Training Program

Each year, ICICI welcomes numerous officers from other development finance companies to study its operational procedures in Bombay. It has a regular training program under which two foreign trainees undergo training each year at ICICI, at ICICI's expense.

4. IMDBI/Iran Training Invitation

During our visit in Tehran, Iran, Mr. A. Gasem Kheradjou, formerly an official of IBRD/IFC, and now Managing Director of IMDBI, has graciously offered us the facilities of his Bank for the training of our staff. He repeatedly assured us that the Industrial and Mining Development Bank of Iran would be happy to receive PDCP staff for training in their institution.

5. Conferences of Development Finance Companies

Several conferences, both on regional and international level, have been held among development finance companies. Turkey's TSKB, Iran's IMDBI, Pakistan's PICIC and India's ICICI have held regular conferences among themselves to discuss operational and procedural problems of development finance institutions. We have received repeated assurances that we would be welcome to join future conferences of these institutions.

6. A.I.D.-Sponsored Programs

Periodic groups are organized by A.I.D. for productivity/study groups to visit and observe American institutions. Such visits could profitably include, for our purposes, Export-Import Bank of Washington (which has an excellent non-mechanical accounting and information-retrieval system) and A.I.D. itself.

7. Economic Development Board of Singapore

The tremendous progress of Singapore in the planning and operation of Industrial Estates has impressed us very much. Several such industrial estates are actually in the operational stage and the largest and most extensive, Jurong, is well on the way. EDB's Chairman, Mr. Hon Sui Sen, has extended to us an invitation for PDCP staff to visit them and share their considerable experience in putting up industrial estates.

CHINA DEVELOPMENT CORPORATION (CDC)

CDC HISTORY, PURPOSE AND SCOPE OF ACTIVITIES

CDC was established in Taipei, Republic of China, on May 1959 to assist in the creation, expansion and modernization of private industrial enterprises by extending financing assistance in the form of medium- and long-term loans, guarantees, and equity participation. CDC may also float or underwrite corporate bonds and encourage private investors, both local and foreign, to participate in such financing.

CDC occupies an entire building in downtown Taipei with address at 181-5 Chung Shan Road, North, 2nd Section, Taipie, Taiwan.

CDC RESOURCES

As at December 31, 1964, resources totalling NT$ 1,807 million (equivalent to US$ 45.2 million) were available to CDC as follows:

Local Sources (in millions)

Share Capital	NT$ 120.0			6.7%	
Reserves	41.9			2.3%	
Counterpart Fund Loans	400.0			22.1%	
Special Govt. Loan for Typhoon Damage Rehabilitation	5.0	NT$	566.9	0.3%	31.4%

Foreign Sources (in millions) :

IBRD (World Bank)	US$	15.0 =	NT$	600.0	33.2%	
AID/Dev. Loan Fund		10.0 =		400.0	22.1%	
Int'l. Dev. Assn. (Govt.)		5.0 =		200.0	11.1%	
CIECD (Govt.)		1.0 =		40.0	2.2%	68.6%
				NT$1,806.9		100.0%

CDC CAPITALIZATION & OWNERSHIP

CDC's original paid-in capital was NT$ 80 million of which about 70 % was held by private firms and individual investors and 30 % by three government-owned commercial banks. Initially, there was no foreign participation. In February 1962, the shareholders voted to increase CDC's paid-in capital to NT$ 120 million by means of a rights issue. At the same time, CDC arranged to have the three government-owned banks and some existing private shareholders to waive part of their rights so as to accommodate Morgan Guaranty International Banking Corporation's entry into CDC. As at September 1965, the distribution of share capital among the various groups are as follows:

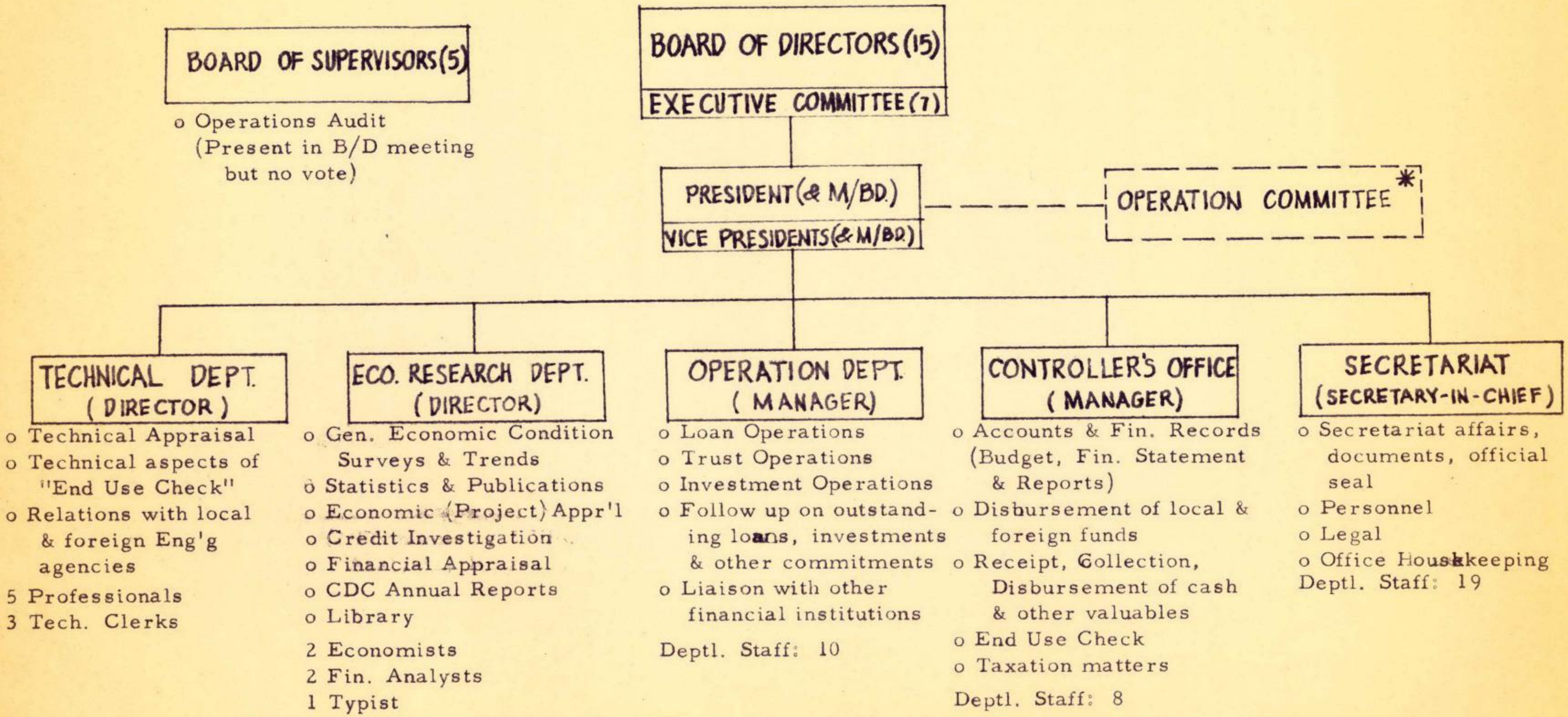
	NT '000	%
Private Corporation	53,328	44.4
Private Banks (2)	19,000	15.8
Private Individuals	10,977	9.2
Morgan Guaranty International Banking Corp.	12,250	10.2
Others	0.975	0.8
Total Private Stockholders	(96,530)	(80.4)
Government Banks (3)	23,470	19.6
TOTAL	120,000	100.0

CDC BOARD OF DIRECTORS

Fifteen (15) elective members of the Board of Directors elect an Executive Committee from among themselves consisting of seven (7) persons known as Managing Directors. The Board of Directors meet every two (2) months; the Executive Committee, twice a month. The Executive Committee is empowered to approve all loan applications, regardless of size.

CDC's President and Vice President are both Board members. The Government who guarantees repayment of an IBRD loan to CDC is not represented in CDC's Board but it has appointed a representative to be present at CDC's Board meetings as long as any amount of IBRD loan is outstanding. This representative does not have the power to vote but is supplied with all information provided to other Directors.

In accordance with the requirements of local company law, there is a Board of Supervisors, in addition to a Board of Directors. A five-man Board of Supervisors is elected by shareholders to safeguard their interests by generally acting as watchdogs. The Chairman always attends all Directors' meetings.



* Operation Committee: President (Chairman); Vice President & All Dept. Heads, members; observers from U.S./A.I.D. and C.I.C.D.

CHART NO. 1: CHINA DEVELOPMENT CORPORATION - ORGANIZATION CHART

CDC MANAGEMENT AND STAFF
(Please refer to Chart No. 1 for CDC's organization structure)

CDC's operating staff is headed by a President and a Vice President, both of whom are full-time members of the Board of Directors. In September 1965, the operating management and staff totalled 53 of which 37 are professionals. Personnel is distributed in five (5) departments, as follows:

Technical Department - headed by a Director

- provide technical advice and engineering planning for productive enterprises ;
- responsible for technical project appraisal, technical aspects of "End Use Check;"
- cooperate and coordinate with local and foreign engineering agencies.

Departmental Staff: 5 Engineers and 3 Technical Clerks

Economic Research Department - headed by a Director

- reports on survey and trends of general economic conditions; prepares CDC statistics, publications and CDC Annual Reports as required ;
- responsible for project appraisal in its marketing and financial aspects including credit investigation of clients ;
- responsible for CDC Library.

Departmental Staff: 6 of which 2 are Economists and
2 are Financial Analysts

Operation Department - headed by a Manager

- responsible for loan, trust and investment operations; follow up on outstanding loans, investments and other commitments; liaison with other financial institutions.

Departmental Staff: 10

Controller's Department - headed by a Manager

- responsible for accounts and financial records including budget, financial statements and reports;
- responsible for disbursement of local and foreign funds; receipt, collection and disbursement of cash and other valuables; taxation matters;
- responsible for "End Use Check" on project loans.

Departmental Staff: 8

Secretariat Department - headed by a Secretary-in-Chief

- responsible for Secretariat affairs, documents and official seals;
- responsible for Personnel and Legal matters;
- look after office housekeeping of CDC.

Departmental Staff: 19

Operation Committee

- A staff working committee which acts as the screening committee on project loan applications prior to Board consideration/approval.
- Composition: CDC President as Chairman, Vice President and all department heads as members; observers from U. S. /AID and C. I. C. D.

CDC OPERATING POLICIES

CDC's Articles of Association restrict CDC's aggregate equity investments to an amount not exceeding 75 % of its net worth; individual equity participations are limited to 20 % of net worth. CDC would not normally grant assistance to a single enterprise in excess of 50 % of CDC's net worth. CDC is not restricted in the amount of a single company's equity which it may take up, provided it is within the limitations mentioned earlier. However, it is CDC's policy not to seek controlling interests in firms it finances so as to avoid being involved in the management of these firms.

LENDING ACTIVITIES OF CDC

A flow chart of CDC Operations for project loan processing, administration and supervision is given in Chart No. 1-a, attached.

Project appraisal and end-use check procedures of CDC may be summarized in the following steps:

1. A preliminary interview with the applicant is conducted by the Vice President (or the President in some cases). After the preliminary discussion, if the proposal appears to be sound and reasonable, the applicant is furnished with blank forms to be filled and returned to CDC.

2. The Operation Department acknowledges the receipt of the filled application and registers it for control purposes. The application is then routed first to the Technical Department for an evaluation of the technical/engineering aspects of the project. If the technical findings prove justifiable, then the application is referred, in turn, to the Economic Research Department for a market survey, credit investigation and financial analysis of the project. During this process, both departments may make on-the-spot surveys of the plant or the books, if necessary, to satisfy their respective requirements. Complete reports covering both these departments' findings and opinions are submitted to Operation Department. Should the application involve legal considerations, it is referred to the Secretariat for study and comment.

3. Based on reports submitted, the Operation Department makes an overall review of the data gathered and opinions expressed by both the Technical and Economic Research departments. The Operation Department then draws up a construction report for management.

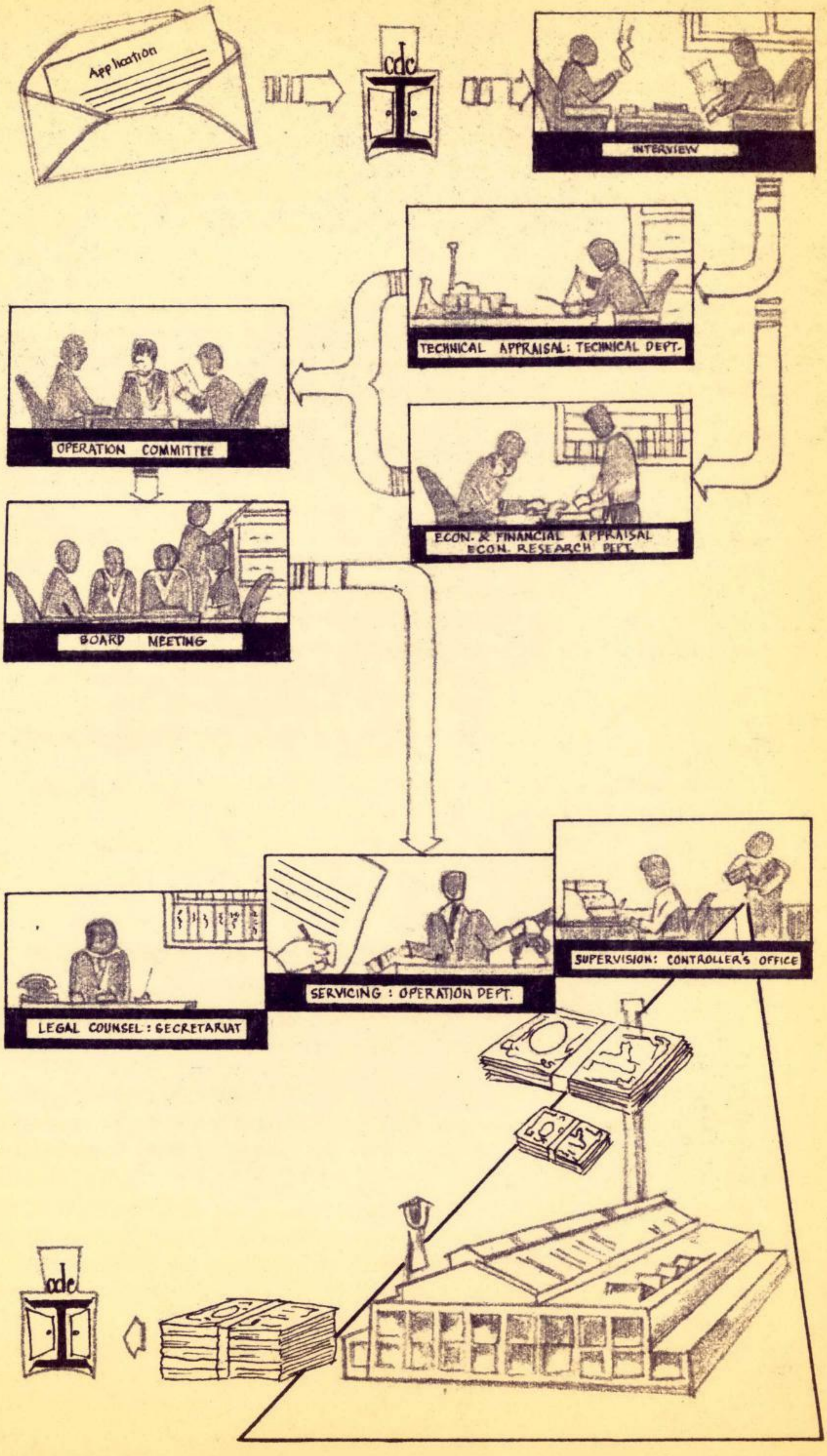
4. The President and the Vice President goes over the report submitted including, if necessary, the original data and departmental reports to decide whether the proposal should be presented to the Operation Committee or rejected

5. The (Staff) Operation Committee deliberates on the project appraisal report and if meritorious, recommends it to the Executive Committee/Board of Directors (whichever body meets first) for their consideration.

6. The Executive Committee or the Board approves or rejects the loan application. If necessary, because of loan ceiling limits, referrals are made to IBRD/CIECD for their approval or concurrence.

7. If the project is approved, the applicant is notified and negotiations are commenced for the client to sign a loan agreement with CDC.

FLOW CHART
PROCESSING OF CDC LOAN APPLICATIONS



8. Loan funds are disbursed by the Controller's Office after the client meets with all pre-requisites of the loan agreement.

9. End-use supervision of the loan/investment is carried out by the Controller's Office through periodic reports on operations submitted by the client. Periodic visits are made by an Accountant from the Controller's Office, accompanied where necessary, by an Engineer from the Technical department to keep tab of the progress of the project.

During the period of CDC's establishment in 1959 up to the end of 1964, CDC reviewed 600 project-applications for financial assistance. Of these, 274 projects were approved for assistance (net of cancellations) for a total value of about NT$ 1,384 million (equivalent to US$ 34.6 million) as given below:

SUMMARY OF CDC's LOAN & EQUITY INVESTMENTS
(In NT$ Million)

APPROVALS

Year	Domestic Currency Loans	Foreign Currency Loans	Equity Invest-ments	Total NT$ millions
1959	56.8	-	-	56.8
1960	195.2	53.0	-	248.2
1961	84.4	111.7	7.2	203.3
1962	59.8	101.1	18.0	178.9
1963	52.5	181.1	8.0	241.6
1964	124.3	295.6	34.9	454.8
	573.0	742.5	68.1	1383.6

Actual disbursements for the same period were as follows:

DISBURSEMENTS

1959	28.3	-	-	28.3
1960	118.0	-	-	118.2
1961	103.2	17.3	6.7	127.2
1962	106.4	94.2	11.5	212.1
1963	65.4	103.5	9.0	177.9
1964	82.4	171.0	24.1	277.5
	503.7	386.0	51.3	941.0

DISTRIBUTION OF CDC LOANS BY INDUSTRY (in NT$ 1,000)

Item	1964 Operations Amount	1964 Operations %	Cumulative from 1959 Amount	Cumulative from 1959 %
Chemicals	266,401	63.44	575.130	43.72
Textile	96,806	23.05	254,547	19.35
Ceramics	9,446	2.25	121,493	9.24
Electrical Equipment	18,000	4.29	91,467	6.95
Food & Beverages	6,909	1.64	85,500	6.50
Mining	2,005	0.48	69,286	5.27
Wood Processing	7,176	1.71	54,984	4.18
Machinery	2,807	0.67	30,542	2.32
Iron & Steel	8,465	2.02	27,621	2.10
Others	1,885	0.45	4,890	0.37
	419,900	100.00	1,315,460	100.00

Note: Chemicals include raw material manufacture for nylon and polyester fibres; textiles include wool and synthetic combinations; ceramics include cement manufacture.

SIZE OF CDC PROJECT LOANS

From CDC's establishment up to the end of 1964, 53.6% of the total number of loans approved have been within the range of US$ 25,000 to 100,000. It is significant however, that in 1964, the size of loans approved averaged NT$ 8.9 million (US$ 222,500) as compared with only NT$ 3.4 million (US$ 85,000) in 1963. This would indicate that Taiwan's industrial development has entered the stage where its industries require more advanced technology and larger capital outlay.

An analysis of CDC project loans according to size is given below:

Size of Loan, NT$	No. of Loans	% of Total No.	Amount NT $ '000
Under 1.0 million	42	16.8	25,092
1.0 to 3.9 million	134	53.6	308,224
4.0 to 9.9 million	46	18.4	293,565
above 10 million	28	11.2	688,579
Total	250	100.0	1,315,460

TERMS OF CDC LOAN AGREEMENTS

The terms of CDC loans since 1959 averages 5.4 years. For loans approved in 1964, the average term of the loan is 6.7 years.

INTEREST RATES CHARGED BY CDC

For foreign currency lending, CDC charges 14.04% for loans under the IDA credit with the Government assuming the foreign exchange risk. For loans granted under the AID/DLF, the borrower only pays 7% interest, but he assumes the foreign exchange risk.

CDC's local currency lending rate has been gradually reduced from its initial level of 16.8% in 1959 to the present rate of 14.04% which went into effect in mid-1963. CDC takes as its lending rate the ceiling rate established by the Central Bank for commercial bank secured loans of 6 to 12 months maturities. (CDC expected this rate to be reduced to 12% but this has not been done by CB in an effort to keep interest rates high in line with its anti-inflationary policies.)

EQUITY INVESTMENTS BY CDC

By the end of 1964, CDC had approved eight (8) equity investments totalling NT$68.1 million, details of which are given below:

Type of Enterprise	CDC's Equity Investment	CDC Holding as a % of Total Capital
Nylon Yarn Manufacture	NT$ 20,000,000	20.00%
Color Printing	12,727,000	63.64%
Electrical & Machinery Manufacture	10,000,000	38.46%
Sea Products Development	9,800,000	46.67%
Wool Raw Material Manufacture	6,900,000	27.60%
Ambassador Hotel, Ltd.	5,000,000	6.25%
Taiwan Television Enterprise	2,960,000	4.93%
Taiwan Stock Exchange	700,000	7.00%
TOTAL	NT$ 68,087,000	

The most recent equity investment was in the establishment of a wool-top factory to supply the raw material requirements of the nine (9) wool textile firms in Taiwan. CDC's leadership in this project overcame the previous lack of cooperation among the nine (9) existing wool textile mill owners.

GUARANTEES & UNDERWRITING ACTIVITIES

CDC has not yet handled direct underwriting, but has provided stand-by commitments in two share issues for which the Bank of Communications was the underwriter.

In 1964, CDC continued to provide guarantees against repayment of loans, installment plans for equipment ordered overseas, custom duties on imports and bond issues totalling NT$ 9,549,157 and US$ 700,000. Up to the end of 1964, the total amount guaranteed through various forms came to NT$ 84,639,157 and US$ 1,976,418. CDC has acted as Trustee for the holders of a bond issue of a private industrial company. It also acts as an agent for the insurance of fixed assets pledged to it as collateral for its loans.

PERSONNEL TRAINING IN CDC

Many among CDC's management and staff members have participated in periodic regional conferences among development finance companies. In addition, a number of CDC's professional staff have made study and observation visits of several months duration among development finance companies and in both the World Bank and the I.F.C.

DIVIDENDS AND RESERVES

CDC has paid 6 % dividends in 1960, and 12 % in 1961, 1962, 1963 and 1964, or an average of 56 % of net profits after tax. About 2 % of the net profits has been paid as bonuses. This yield is now comparable to the dividend yield on industrial shares in Taiwan.

FINANCIAL RESULTS

Summary Balance Sheets for the past five years are given in Annex 1/CDC. For the same period, the Income & Expense Statements are summarized in Annex 2/CDC. It will be noted that CDC's administrative expenses have declined from 3.3 % of average total assets in 1960 to 1.2 % in 1964 in spite of business expansion during the same period.

CDC is subject to normal corporate income tax of 18 % and in addition, pays a revenue tax of 3.9 % on its gross income. On the average, CDC's total tax payments have been equivalent to 25 % of before-tax profits.

ANNEX 2: CDC SUMMARY INCOME & EXPENSE STATEMENTS (in millions of NT$)

	1960	1961	1962	1963	1964
GROSS INCOME					
Interest on Loans	13.51	29.97	44.49	53.46	64.38
Interest on Temp. Invest.	2.58	4.44	8.55	10.06	13.22
Interest on Bank Deposits	10.47	8.16	6.35	9.37	7.43
Service Charges & Commis.	0.66	0.98	1.86	1.68	2.32
Miscellaneous Income	0.08	0.13	0.16	0.43	0.73
Total Gross Income	27.30	43.68	61.41	75.00	88.08
EXPENSES					
Business Taxes, etc.	2.69	1.88	2.60	3.13	3.69
Administrative Expenses	4.88	6.48	7.68	8.51	8.09
Amortization-Def. Chgs.	0.25	0.25	0.25	0.25	0.08
Depreciation- Fixed Assets	0.41	0.44	0.46	0.43	0.30
Provision for Bad Debts	2.41	2.01	2.98	1.69	3.26
Bad Debts Written Off	-	0.18	-	5.79	2.92
Interest & Other Financial Expenses	5.97	12.07	19.72	28.93	40.47
Miscellaneous Expenses	-	0.01	0.81	0.69	0.04
Total Expenses	16.61	23.32	34.50	49.42	58.85
Income Before Income Tax	10.69	20.36	26.91	25.58	29.23

Allocation of Income Before Income Tax

	1960	1961	1962	1963	1964
Brought Forward	0.50	0.54	0.56	0.44	0.63
Income Before Tax	10.69	20.36	26.91	25.58	29.23
	11.19	20.90	27.47	26.02	29.86
Income Tax	2.91	3.02	3.39	2.81	2.83
Legal Reserve	2.14	4.07	5.38	5.12	5.85
Special Reserve	0.50	3.20	6.40	3.50	5.50
Dividend	4.80	9.60	11.30	13.40	14.40
Bonus	0.30	0.45	0.56	0.56	0.65
Carry Forward	0.54	0.56	0.44	0.63	0.63
	11.19	20.90	27.47	26.02	29.86

/rsf

ANNEX 1: CDC SUMMARY BALANCE SHEETS (in millions of NT$)

	1960	1961	1962	1963	1964
ASSETS					
Cash & Bank Balances	84.46	71.15	66.88	86.07	52.05
Temporary Investments	17.64	33.15	55.16	88.22	127.45
Accrued Interest & Other Receivables	1.20	3.74	10.92	17.77	19.40
Current Assets:	103.30	108.04	132.96	192.06	198.90
Prepaid Expenses & Deferred Charges	3.70	3.76	3.35	4.73	3.26
Other Assets	-	-	-	-	-
Fixed Assets (net)	2.05	1.76	1.51	1.31	2.18
Assistance to Industries					
Term Loans Secured	25.29	30.14	17.65	9.32	6.11
Counterpart Funds Loans	116.30	189.78	255.94	265.54	304.91
DLF Loans	-	16.92	100.68	133.68	186.83
IDA Loans	-	-	7.79	55.76	132.11
CIECD Special Loan	-	-	-	0.90	0.80
Overdue Loans & Guarantees	-	9.54	16.27	17.77	15.30
Less: Provision for Bad Debts	(2.98)	(4.99)	(7.97)	(9.66)	(12.92)
Investment in Industries	-	6.69	18.17	27.17	51.27
Total Assistances:	138.61	248.08	408.53	500.48	684.41
TOTAL ASSETS	247.66	361.64	546.35	698.58	888.75
LIABILITIES					
Accounts Payable & Accruals	3.90	1.86	3.37	5.93	5.66
Accrued Interest Payable	2.37	3.74	9.82	9.89	15.19
Other Liabilities	-	-	-	0.05	0.11
Current Liabilities:	6.27	3.60	13.19	15.87	20.96
DLF Loan (US$10 million)	-	17.29	102.78	154.11	243.73
IDA Loan (US$5 million)	-	-	7.79	55.76	139.78
CIECD Loan	-	-	-	1.90	0.88
Long-Term Debt	-	17.29	110.57	211.77	384.39
Share Capital	80.00	80.00	100.00	120.00	120.00
Legal Reserve	0.20	2.34	6.42	11.80	16.92
Special Reserve	-	0.50	3.70	10.10	13.60
Undistributed	0.50	0.55	0.56	0.44	0.63
Net Worth	80.70	83.39	110.68	142.34	151.15
Counterpart Loan Funds	150.00	235.00	285.00	303.02	303.02
Borrowing Basis	230.70	318.39	395.68	445.36	454.17
Income for the Year Before Tax	10.69	20.36	26.91	25.58	29.23
TOTAL LIABILTIES	247.66	361.64	564.35	698.58	888.75

/rsf

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA, LTD. (ICICI)

ICICI HISTORY, PURPOSE AND SCOPE OF ACTIVITIES

Incorporated on 5 January 1955 in Bombay, India, ICICI commenced operations on 14 April 1955. Its Memorandum of Association empowers it to undertake the usual functions of an industrial development finance company, i.e., medium- and long-term banking, investment in equity, underwriting of share issues, guaranteeing loans and providing managerial and technical assistance to enterprises.

ICICI owns and occupies part of a building in Bombay, with address at 163 Backbay Reclamation, Bombay 1, India.

ICICI RESOURCES

As of 31 December 1965, resources totalling Rs 1157 million were available as follows:

Rupees					
Share Capital	Rs	67,195,500		5.8%	
Reserves		27,204,924		2.3%	
Government Loans (4)		325,000,000	419,400,424	28.1%	36.2%
Foreign					
IBRD Loans (6)	US$ 140,000,000 =	Rs	666,400,000	57.6%	
AID Loan (1)	US$ 5,000,000 =		23,800,000	2.1%	
KfW Loans (4)	DM 40,000,000 =		47,600,000	4.1%	63.8%
TOTAL		Rs	1,157,200,424		100.0%

Four loans have been made to ICICI by the Government of India:

First for Rs 75 million in 1955 upon formation, interest free; repayable over 30 years (including 15 years of grace). Repayments start from 1970. It is subordinated to all debt and paid-up share capital.

Second for Rs 100 million concluded on 26 October 1959; 4-1/2% interest; repayment in 20 years (including 10 years grace) dating from the first withdrawal. Repayments start from 1971.

Third for Rs 100 million at 5% interest; 15 year-term including 5 years of grace. It becomes repayable in installments from 1970.

Fourth for Rs 50 million at 5-1/2% interest; 15 year-term including 5 years of grace. It becomes repayable in installments from 1971.

The second, third and fourth government loans are subordinated to foreign debt only and not to share capital. All four loans are drawn in lump sums as ICICI requires them and not in respect to specific projects as in foreign loans.

The first IBRD loan to ICICI was granted during its foundation; five more since then have been granted, making a total of US$ 140 million. The last such loan was signed in May 1965 and amounted to US$ 50 million. This is the largest loan received by the Corporation since inception and it is also the largest single loan granted by IBRD to any development bank to date.

IBRD loans to ICICI provide that borrowings (including commitments) shall not exceed four times the sum of the share capital, reserves and the first government loan. However, in computing indebtedness, all three government loans are excluded. These three items totalled Rs 169 million on 31 December 1965 so that the limit on borrowings (not including the first government loan) was Rs 676 million.

AID loan was obtained in 1961 and repayments began in 1963. Any allocation of over US$ 100,000 from AID loan is tied to procurement in U.S.A. No commitment fee is charged.

KfW has extended four (4) loans. There are no restrictions on procurement but the loans are in fact used only for purchases from the Federal Republic of Germany as the demand in India for procurement in Germany is quite heavy. Negotiations are proceeding with the KfW for a fifth line of credit of DM 20 million (Rs 23.8 million).

ICICI CAPITALIZATION AND OWNERSHIP

The authorized capital of ICICI is Rs 250 million divided into 2,500,000 shares of Rs 100 each, of which 750,000 are ordinary and 1,750,000 unclassified shares. Rs 50 million (500,000 ordinary shares) was issued and paid in full when ICICI was floated. In September 1965, ICICI issued 250,000 New Ordinary Shares of Rs 100 each as rights to its shareholders in the proportion of one New Share for every two existing shares held. The sum of Rs 100 per share in respect of the New Ordinary Shares was payable in two installments of Rs 50 each; Rs 50 on or before 30 October 1965 and the balance Rs 50 on or before 3 January 1966. On 31 December 1965, ICICI had 1,779 shareholders. With about 30 % of the shares held abroad, ICICI seeks to maintain about that proportion of foreign holdings.

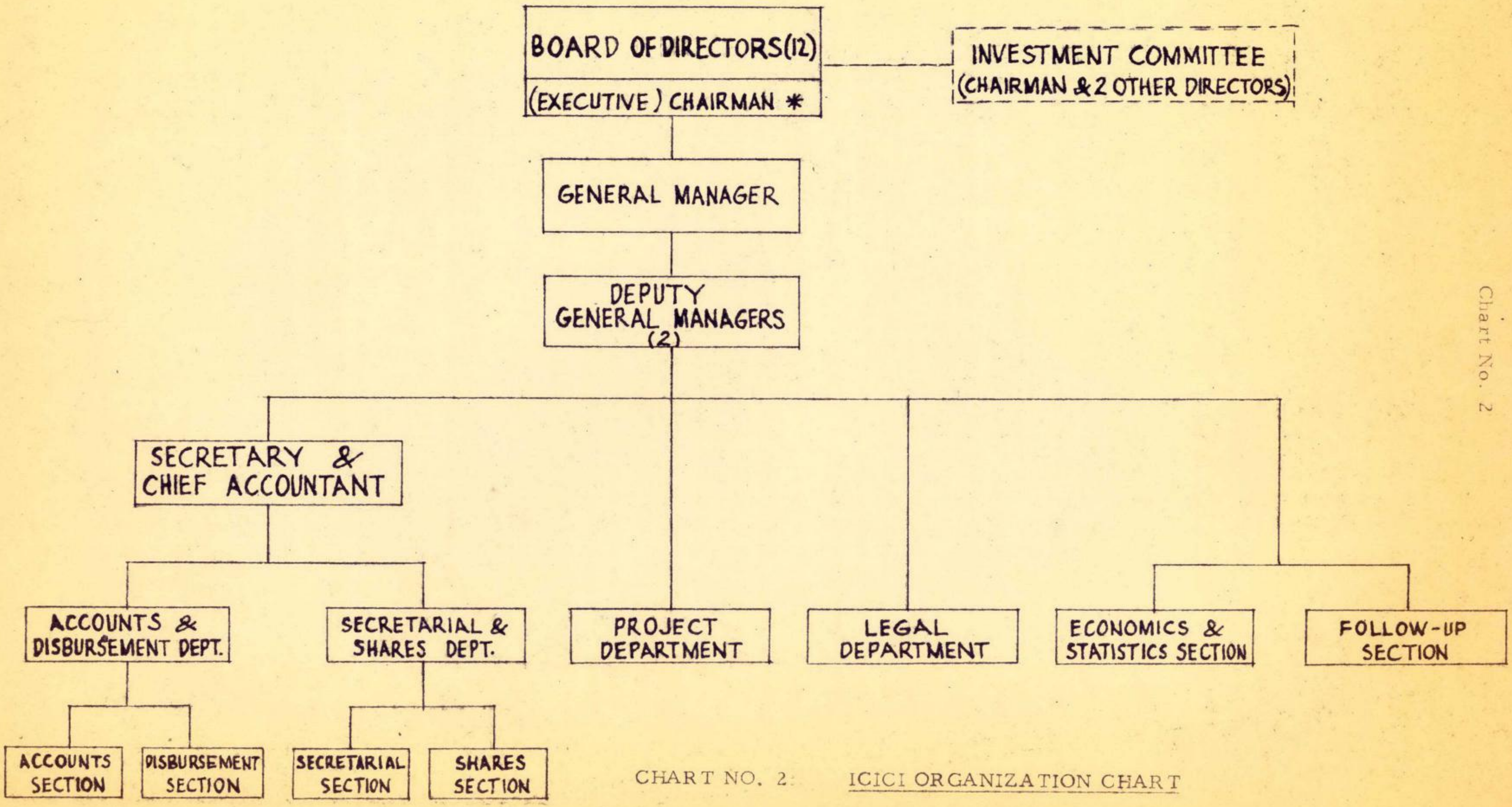


CHART NO. 2: ICICI ORGANIZATION CHART

* "Chairman & Chief Executive Officer"

ICICI BOARD OF DIRECTORS

Composition: 12 (9 Indians and 3 foreigners)

One director is appointed by the IndianGoverment so long as a government loan or guarantee is outstanding. The Board formulates corporate policies, reviews overall operations, and approves all loans and other investments.

The Board has an Investment Committee, consisting of the Chairman and three other directors. The Committee is concerned with the management of ICICI's short-term investments pending their use for long-term transactions. It also lays down policy for sales of ICICI holdings (obtained from its underwriting and direct subscription operations), particularly the limits of sales and the price at which they have to be sold.

ICICI MANAGEMENT AND STAFF
(See Chart No. 2 for ICICI organization structure)

The entire management and staff has been Indian since 1958. Operating executives are the (Executive) Chairman, General Manager, two Deputy General Managers (one of whom is concurrently Technical Adviser). Total staff as of December 1965: 150

ICICI is organized as follows:

Project Department - headed by Deputy General Manager (Officiating)/Technical Adviser

carries out the engineering, financial and market appraisal of proposals received and preparation of recommendations to the Board. (The last, an innovation, is carried out by a Marketing "cell" comprising one Economist and two Statisticians.)

Economics Department - subdivided into two (2) sections:

- Economics & Statistics Section
  looks after economic analysis of problems of interest to ICICI; compilation and presentation of overall statistical data on ICICI operations; Government liaison; Loan Negotiations with both foreign and government sources; ICICI publications, e.g., Annual Report, brochures, etc.

- Follow-up Section
  responsible for keeping watch on progress of projects after Board sanction and analyzing post-sanction problems, submit semi-annual report to Board and creditors on project status.

Accounts & Disbursement Department - headed by the Secretary & Chief Accountant and consists of two (2) sections:

- Accounts Section
  responsible for maintenance of accounts, collection of loan repayments, attending to tax matters, payroll, etc.

- Disbursement Section
  responsible for disbursement of both foreign and rupee loans, and insurance matters.

Secretarial & Shares Department - comprised of:

- Secretarial Section
  work connected with Board and shareholders meetings and company law; general administration.

- Shares Section
  maintenance of share registers; dividend payments on shares, etc.

Legal Department

looks after all legal matters relative to ICICI's financial operations; check clients' titles; prepares mortgage agreements and registration of the same.

ICICI OPERATING POLICIES

Assistance is extended mainly to newer sectors of industry, keeping to a minimum the financing of long existing industries in India, e.g., jute and other textiles.

As of 31 December 1964, ICICI's equity portfolio amounted Rs 75 million, a little more than its own net worth.

Limits: Rs 10 million for all types of finance to any one company and Rs 30 million for foreign currency loans to companies in the same group.

LENDING ACTIVITY OF ICICI

During the ten-year period from ICICI's establishment in 1955 up to the end of 1964, ICICI extended financial assistance to 328 companies of which 156 were new undertakings. The total assistance amounted to Rs 1,023 million (US $ 215 million), net of cancellations. Total disbursements for the same period amounted to Rs 543 million.

An analysis of ICICI's lending operations during the last five years is given below:

Year	Domestic Currency Loans*	Foreign Currency Loans	Under-writing	Equity Invest-ments	TOTAL
1960	30.5	58.9	13.6	2.0	105.0
1961	36.6	67.9	5.5	3.0	113.0
1962	43.5	90.1	31.1	9.8	174.5
1963	81.8	110.4	35.3	3.0	230.5
1964	38.0	95.0	53.9	3.9	190.8

During the same period, actual disbursements were as follows:

1960	5.1	12.6	9.5	3,8	31.0
1961	16.4	28.2	8.4	6.5	59.5
1962	30.9	49.4	12.8	5.4	98.5
1963	27.1	61.4	12.5	6.6	107.6
1964	61.0	73.4	13.9	4.6	152.9

SIZE OF ICICI LOANS

Loans below Rs 500,000 are discouraged so as not to compete with other development banks within the country.

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* Include guarantees.

DISTRIBUTION OF ICICI LOANS BY INDUSTRY

The share of any one sector of industry in ICICI's total operations has not exceeded 20 %. Both chemicals and metals have continuously accounted for over 10 % of operations. Paper and paper products was 18 % in 1959 but accounted for only 7 % in 1964. Machinery increased from 2 % in 1959 to 12 % of ICICI's total operations in 1964.

An analysis of the distribution by industry of ICICI's total financial assistance during its ten-year period of existence (up to the end of 1964) is as follows:

Sector of Industry	Rs, millions	%
Ferrous Metal Products	203.7	19.9
Chemicals & Chemical Products	150.7	14.7
Machinery (other than Electrical)	118.7	11.6
Electrical Equipment	88.2	8.6
Pulp, Paper & Paper Products	67.7	6.6
Cement	64.2	6.3
Automobiles & Cycles	60.1	5.9
Textiles	58.4	5.7
Glass, Pottery, etc.	41.5	4.1
Food Products	34.1	3.4
Electricity, Gas & Steam	33.2	3.2
Non-Ferrous Metal Products	30.0	2.9
Shipping	22.5	2.2
Oil Pipeline	15.0	1.5
Rubber Products	13.5	1.3
Wood, Cork & Hardboard	13.5	1.3
Miscellaneous	7.9	0.8
TOTAL	1022.9	100.0

TERMS OF ICICI LOAN AGREEMENTS

- prior approval by ICICI of any expansion by client

- in projects involving foreign collaboration, the right is reserved to insist on continued collaboration until the loan is repaid.

- clients required to assume exchange risk.

- clients generally have to adhere to a 1:1 debt/equity ratio.

- right is reserved to appoint a director on a borrower's board (ICICI has done so in 24 cases).

INTEREST RATES CHARGED BY ICICI

When business commenced, interest charged was 7 % on foreign currency loans and 6 % on rupee loans plus a commitment charge on undrawn amounts of 1 % per annum. At present the commitment charge has remained unchanged but foreign currency loans have been raised to 8-1/2 % and local currency loans to 8 %.

TRAINING IN ICICI

In 1960, a training program was started for its professional staff. A graduate engineer and a graduate accountant are engaged in training programs. Professional personnel attend conferences of development financing corporations in India and abroad; ten (10) staff members have participated in training programs held in Washington under IBRD, IFC and EDI auspices. In 1965, a staff member also attended an Industrial Finance Course sponsored by the Industrial Bank of Japan. ICICI's Deputy General Manager has been seconded for two years as General Manager of Nigerian IDB. In 1962, one of the senior staff advised the government of Mauritius on the establishment of a development financing institution. In 1965, ICICI sent one of its officers to the National Investment Bank of Ghana and Nigerian Industrial Bank Ltd. to advise both for a few weeks on appraisal procedures. One senior staff member will join Malaysian Industrial Development Finance Ltd. early in 1966.

A regular training program: 2 foreign trainees each year to undergo training at ICICI's expense.

Regional Conference of Development Banks in Asia was held, under the auspices of ICICI, in March 1962. The Conference discussed problems of general interest to development banks in the region.

Conference of Clients convened in November 1964, attended by 425 persons representing 246 companies out of a total of 270 companies invited. It is reviewing at present some of its internal procedures in the light of comments made by conferees.

FINANCIAL RESULTS

Balance Sheet. Comparative summary balance sheets for 31 December 1960 through 1964 are shown in Annex 1. For easier reference, the Balance Sheet for 31 December 1964 is condensed in the following table:

			Million Rs	%
ASSETS				
Liquid Assets				
Cash			45.6	
Govt. Securities, etc.			28.7	
Advanced Payment, etc.			10.3	
			84.6	16
Loans				
Rupees		139.6		
Foreign Currency				
IBRD	191.6			
AID	5.0			
KfW	11.5	208.2	347.8	65
Securities				
Ordinary Shares		53.6		
Preference Shares		21.5		
Debentures		24.0		
Unit Trust of India		1.3	100.4	19
			448.2	
Fixed Assets			2.1	
Total Assets			534.9	100 %
CAPITAL & LIABILITIES				
Current Liabilities			15.3	3
Foreign Exchange Loans			197.5	37
Government Loans			250.0	47
Share Capital			50.0	9
Reserves:				
General		5.4		
Special		6.6		
Capital		10.1	22.1	4
Total Capital & Liabilities			534.9	100 %

Portfolio. All loans are adequately secured against assets or covered by a bank guarantee. Up to 31 December 1964, only one loan of Rs 1.4 million had been in default. It has not been considered necessary to build up a reserve specifically designated for bad debts as ICICI's overall reserve position is very strong.

Dividends. Except for 1955 when ICICI commenced operations, dividends have been paid every year, increasing steadily from 3-1/2% for 1956 to 7-1/2% for 1964.

ICICI SUMMARY BALANCE SHEETS (in millions of Rupees) ANNEX 1/ICICI

ASSETS	1960	1961	1962	1963	1964
Temporary Investments	16.9	15.0	28.9	28.8	30.0
Industrial Securities					
Shares	38.5	49.2	50.8	57.2	75.1
Debentures	12.4	12.4	25.1	35.1	24.0
Loans in Rupees	20.7	35.2	63.3	85.5	139.6
Total Rupees Investments	88.5	111.8	168.1	206.6	268.7
Loans in Foreign Currencies	35.4	60.0	103.2	152.7	208.2
Fixed Assets	2.4	2.4	2.3	2.2	2.1
Current Assets and Advances					
Cash & Bank Balances	46.7	44.5	40.4	31.2	45.6
Other Assets and Advances	4.7	6.7	4.8	8.3	10.3
	51.4	51.2	45.2	39.5	55.9
Total	177.7	225.4	318.8	401.0	534.9
LIABILITIES					
Share Capital	50.0	50.0	50.0	50.0	50.0
Reserves and Surplus	7.6	12.4	15.8	18.6	22.1
	57.6	62.4	65.8	68.6	72.1
Rupee Loans:					
Govt. of India	75.0	95.0	145.0	175.0	250.0
Foreign Currency Loans:					
I B R D	35.4	58.9	99.5	144.2	181.6
A I D	-	-	1.4	2.2	4.4
K F W	-	-	-	-	11.5
	35.4	58.9	100.9	146.4	197.5
Current Liabilities & Provisions	9.7	9.1	7.1	11.0	15.3
Total	177.7	225.4	318.8	401.0	534.9

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ICICI SUMMARY INCOME & EXPENSE STATEMENT (In Millions of Rupees) ANNEX 2/ICICI

INCOME	1960	1961	1962	1963	1964
Interest on Temporary Investment and Deposits	2.58	2.21	2.95	2.90	2.45
Interest on Rupee Loans	1.81	2.49	4.10	7.05	10.06
Interest on Foreign Exchange Loans	2.27	4.14	6.89	10.91	15.62
Dividends	1.27	2.24	1.95	2.06	1.93
Underwriting Commission and Brokerage	0.68	0.21	0.55	0.42	0.86
Other Income	0.17	0.26	0.30	0.27	0.26
Total Income	8.78	11.55	16.74	23.61	31.18
EXPENSES					
Salaries, etc.	0.51	0.59	0.74	0.83	1.18
Other Administrative Expenses	0.56	0.63	1.13	0.77	0.69
Interest Paid and Other Financial Expenses	1.45	2.91	6.98	11.86	16.85
Provision for Doubtful Debts	-	-	-	0.22	0.10
Total Expenses	2.52	4.13	8.85	13.68	18.82
Profit Before Income Tax	6.26	7.42	7.89	9.93	12.36
Less: Provision for Income Tax	2.69	2.77	3.25	4.14	5.45
Net Profit	3.57	4.65	4.64	5.79	6.91
ADDITIONS TO NET PROFITS OF THE YEAR					
Balance Per Last Year	0.10	0.08	0.23	0.62	0.36
Income Tax Refunds	0.03	-	0.06	-	0.01
Other Additions	0.15	-	0.10	-	0.02
Total Funds Available	3.85	4.73	5.03	6.41	7.30
ALLOCATION OF FUNDS AVAILABLE					
Special Reserve	0.90	1.15	1.16	1.45	1.75
General Reserve & Surplus	0.08	0.33	0.62	1.46	1.80
Dividends	2.87	3.25	3.25	3.50	3.75
(Dividend as of % of Share Capital)	5.75 %	6.50 %	6.50 %	7.00 %	7.50 %
RATIOS					
Net Profit*/Net Worth	6.6 %	7.4 %	7.1 %	8.5 %	9.5 %
Dividends/Net Worth	5.0 %	5.2 %	5.0 %	5.2 %	5.0 %
Profits* Before Tax/Net Worth	10.8 %	11.8 %	12.0 %	14.5 %	17.2 %
Net Profit and Capital Gains/Net Worth	11.9 %	11.2 %	9.6 %	9.3 %	10.0 %

* Excludes Capital Gains

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INDUSTRIAL FINANCE CORPORATION OF THAILAND (IFCT)

COMPANY HISTORY, PURPOSE & SCOPE OF ACTIVITIES

After the liquidation of IFCT's predecessor, the Industrial Bank of Thailand, IFCT was incorporated in 1959 by the "Industrial Finance Corporation of Thailand Act B.E. 2502 (1959)" and organized as a limited corporation with individuals and financial institutions as shareholders. IFCT was completely reorganized in 1964 with existing shareholders, new foreign shareholders, IBRD, IFC and KfW participating. IFCT's objectives are:

1. to assist in the establishment, expansion or modernization of private industrial enterprise*; and

2. to encourage the participation of private capital, both internal and external, in such enterprises.

The IFCT Act authorizes IFCT to carry out the following activities:

1. to provide finance in the form of medium- and long-term loans, with or without security;

2. to purchase/underwrite shares and other securities;

3. to guarantee loans from other private sources;

4. to sell investments of the corporation;

5. to acquire, hold, take or give on lease, mortgage or pledge, and sell or otherwise dispose of immovable or movable property;

6. to furnish administrative, managerial and technical advice and assist in obtaining the same services for private industrial enterprise; and

7. to do all such other things as may be conducive to the attainment of its objectives.

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* "Industrial enterprise" is defined by the Act to mean "engaging in industrial activity and includes the manufacture, processing and repair of goods, mining, generation and distribution of electricity or other kinds of power, transportation, tourist industry, construction and site clearing and commercial agriculture."

"Private enterprises" as defined by the Act are those in which government ownership is less than 10%.

RESOURCES OF IFCT

At the end of 1964, IFCT's resources were as follows:

Local Currency:	Baht, millions
Paid-In Share Capital	30.0
Reserves	4.9
Thai Government Loan (1st)	13.7
" " " (2nd)	15.0
" " " (3rd)	20.0
	83.6

Foreign Currency:	Millions
KfW loan (5-1/2% for 15 years)	DM 11.0 (equivalent to US$2.75 million)
IBRD loan	US$ 2.5

IFCT CAPITALIZATION & OWNERSHIP

IFCT was capitalized at 30,000 shares at TB 1,000 par value per share. Its share capital amounting to TB 30.0 million is completely paid-in and owned by about 80 shareholders distributed as follows:

(31.3%) 9,388 shares are held by Thai institutions and individuals

(13.3%) 4,000 shares are held by International Finance Corporation

(13.4%) 4,027 shares are held by the government-owned Agricultural Bank

(42.0%) 12,585 shares are held by foreign-owned financial institutions

IFCT has only one class of shares. For registration purposes IFCT is considered a Thai institution. The Thai Government as such owns no shares in IFCT but the government-owned Agricultural Bank is an investor as shown above.

BOARD OF DIRECTORS

IFCT's nine-man Board of Directors consist of eight shareholder-directors with four-year terms and a government-appointed director. Its charter provides that as long as any loan or government-guaranteed loan is outstanding, the government will name one director in IFCT's board. IFCT's foreign shareholders have organized themselves into three groups; each group rotates annually for one director's position. Among the eight shareholder-directors, one is from IFC.

The entire Board of Directors meet regularly every month to carry out IFCT's business. The Board does not constitute permanent sub-committee.

IFCT MANAGEMENT & STAFF

The General Manager, Mr. Kraisri Nimmanahaeminda, is the chief operating executive of IFCT. Its management and staff totals 52 of which about half are professionals. The GM together with an Assistant General Manager head the staff organized as follows:

1. Loan Operations Department (headed by a Manager) consisting of:

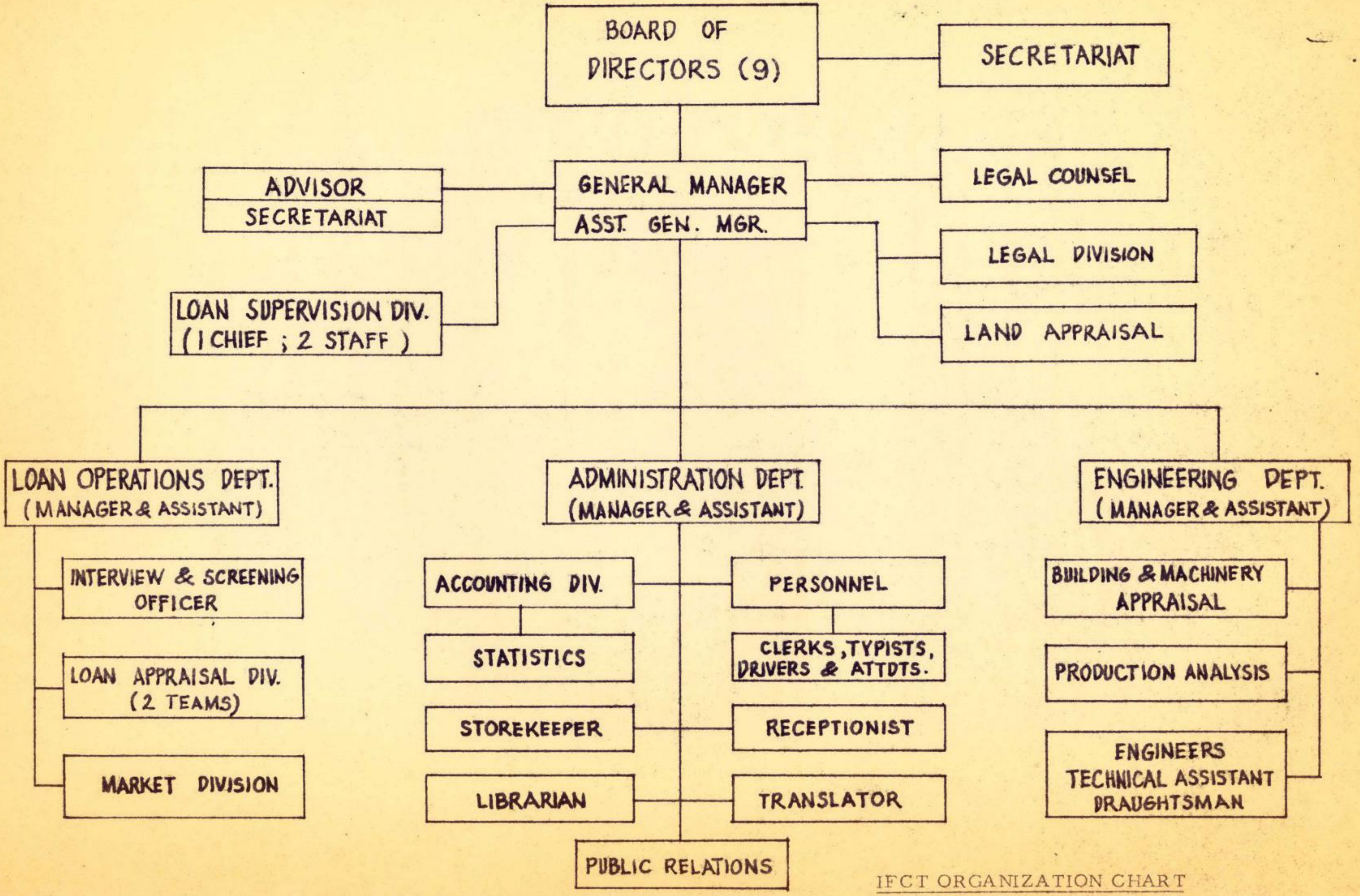
   - An Interview & Screening Officer;
   - Two Loan Appraisal Teams made up of a chief and two subordinates;
   - A Market Division composed of three market analysts

2. Engineering Department (headed by a Manager) consisting of:

   - An Assistant Engineering Manager;
   - Two other Engineers;
   - A Technical Assistant; and
   - A Draughtsman

3. Administration Department (headed by a Manager) consisting of:

   - An Accounting Division (including a Statistics Section)
   - A Personnel Man
   - A Public Relations Man
   - Library
   - Miscellaneous Office Services (including clerks, typists, a translator, a receptionist, a storekeeper, drivers and attendants)



IFCT ORGANIZATION CHART

Chart No. 3

In addition, two separate divisions are answerable to the General Manager or his Assistant as follows:

4. Loan Supervision Division

- responsible for "follow-up" work on project loan operations
- staffed by a chief and two staff members

5. Legal Division (separate from the Legal Counsel)

- responsible for legal matters including land appraisal
- staffed by a chief and three staff members

IFCT'S OPERATING POLICIES

A "Statement of Operating Policies" was adopted by the IFCT Board on December 23, 1963. It is appended to this section as Annex 3/IFCT.

IFCT'S LENDING ACTIVITIES

IFCT's lending activity may be summarized in the following table:

Approvals (in millions of Baht)

Year	Thai Baht Loans	Foreign Currency Loans	Equity Investments	Total (million Baht)
1960	2.0	-	-	2.0
1961	9.8	-	-	9.8
1962	13.9	-	-	13.9
1963	21.1	-	-	21.1
1964	33.0	7.0	1.5	41.5
1965 (1st quarter only)	1.0	-	-	1.0

Disbursements (in millions of Baht)

Year	Thai Baht Loans	Foreign Currency Loans	Equity Investments	Total (million Baht)
1960	2.0	-	-	2.0
1961	6.0	-	-	6.0
1962	12.0	-	-	12.0
1963	13.9	-	-	13.9
1964	12.0	1.3	1.5	14.8
1965 (1st quarter only)	7.7	5.4	-	13.1

IFCT PROJECT APPRAISAL & SUPERVISION PROCEDURES

The following general stages describe the procedures used in dealing with appraisal and supervision of projects:

1. Discussion with the Interviewing Officer (Loan Operations Dept.). The Interview and Screening Officer (concurrently Assistant Manager of the Loan Operations Dept.) interviews loan applicants to determine if an enterprise may be considered credit-worthy and if the project requires further study.

2. Preliminary Application. The loan applicant supplies more detailed information concerning the project to determine if a complete study is warranted and to ascertain if the applicant is worthy of assistance.

3. Formal Application. The Loan Operations Department Manager assigns the project to a Team Captain who, together with the Project Appraisal Team members, makes a study of the project which includes:

(a) general information
(b) financial & accounting
(c) marketing & sales
(d) legal and taxation information

The Engineering department member makes a study of the project covering technical and production aspects.

If the Team Captain to whom this particular project has been assigned is of the opinion that it is a good loan prospect, a detailed appraisal report is prepared with all pertinent information.

4. Review by the General Manager. The detailed appraisal report is reviewed by the General Manager.

5. Consideration by the Executive Loan Committee. With the Chairman of the Board of Directors presiding and the heads of all departments (Loan Operations, Engineering, Administration) or their representatives as members, the Executive Loan Committee considers the project appraisal report for proper recommendation to the Board of Directors. If necessary, the Legal Counsel Division head is requested to attend also.

6. Consideration by the Board of Directors. The Board of Directors deliberates on the merits of the project and either approves or rejects the application.

7. During the life of the loan, "follow-up" activities are carried out by the Loan Supervision Division. Collection of amortization payments are made by the Accounting Department.

TERMS OF IFCT LOAN AGREEMENTS

IFCT does not assume the foreign exchange risk on its borrowings from abroad. That risk is usually passed on to its borrowers. Since the Thai Government is authorized by the IFCT Act to assume the foreign exchange risk in cases where IFCT's borrowers are unwilling to assume the risk, contractual arrangements have been made for the government to do so, when necessary, for a nominal charge.

DISTRIBUTION OF IFCT ASSISTANCE BY INDUSTRY

Type of Industry		Amount of Assistance
Cold Storage & Deep Freeze	B/	9,000,000
Paper & Paper Products		8,650,000
Milk Products		8,000,000
Hotel		7,000,000
Aluminum Products		5,755,000
Steel Pipes		5,408,000
Cotton Textiles		3,400,000
Tapioca Flour		3,370,000
Tobacco Curing		3,200,000
Ceramics		3,100,000
Steel Rods		3,000,000
Seed Oil Extraction		2,800,000
Pharmaceuticals		2,500,000
Plastic Products		2,500,000
Gypsum Products		2,400,000
Soap		2,300,000
Machine Tools		2,000,000
Radio & TV Receiving Sets		2,000,000
Wood Flooring		2,000,000
Electrical Appliances		1,500,000
Dry Cell Batteries		1,500,000
Automobile Parts		1,400,000
Cotton & Nylon Twine		1,300,000
Chemicals		1,000,000
Cotton Ginning		700,000
Rubber Sheets		700,000
Reed Mats		400,000
38 companies	B/	86,883,000

SIZE OF IFCT LOANS

IFCT loans range in size from B/200,000 (US$10,000) to B/8,000,000 (US$400,000). In practice, IFCT does not grant loans greater than 10% of its paid-in share capital, reserves and quasi-equity (currently totalling about B/8.0 million).

	No. of Companies	Amount Involved (million Baht)	% of Total
Under B/1.0 million	11	6.05	7
1.0 to 1.9 million	9	12.70	16
2.0 to 2.9 million	8	17.00	20
3.0 to 3.9 million	3	9.47	10
4.0 to 4.9 million	2	8.25	99
5.0 to 5.9 million	2	10.41	11
6.0 to 6.9 million	-	-	-
7.0 to 7.9 million	1	7.00	8
8.0 million	2	16.00	19
TOTAL	38	86.88	100

(N.B. - The above listing includes repeat loans to 5 companies)

INTEREST RATES CHARGED BY IFCT

On local currency loans, IFCT charges an interest rate of 9% per annum.

On loans made in foreign currencies for which the beneficiaries assume the foreign exchange risk, 7-1/2% interest per annum is charged.

EQUITY INVESTMENT

Thus far, IFCT has made only one (1) direct equity investment.

UNDERWRITING ACTIVITIES

To date, no underwriting activities have been undertaken. IFCT however is sending two of its staff members to the Philippines to visit and observe the underwriting operations of PDCP.

GOVERNMENT RELATIONSHIPS

The Thai Government is a strong supporter of IFCT. Although it does not directly own any shares, its Agricultural Bank owns 13.4% of the shares of IFCT. In addition, the Thai Government:

1. granted IFCT three (3) subordinated loans totalling TB 48.1 million;

2. exempted IFCT from all taxes;

3. guaranteed the foreign loans incurred by IFCT;

4. agreed to assume the foreign exchange risk for a nominal charge in cases where IFCT's borrowers are unwilling to do so; and

5. assisted in the financing of IFCT's foreign adviser.

FINANCIAL RESULT

Summary Balance Sheets for the past five years of operations are given in Annex 2. For the same period, the Income & Expense Statements are summarized in Annex 2.

DIVIDENDS

Although established in 1959, IFCT only commenced paying dividends out of earnings in 1962. The dividend paid was 5% and this was maintained in 1963 and 1964. Because IFCT's earnings are tax-free, this has allowed IFCT to pay only a moderate dividend so as to build the necessary reserves.

IFCT SUMMARY BALANCE SHEETS
(in millions of Baht)

ANNEX 1/IFCT

ASSETS	1960	1961	1962	1963	1964
Cash	0.04	0.46	0.34	37.25	0.19
Fixed Deposits	6.26	6.26	0.92	-	33.00
Government Securities	27.05	22.10	35.00	2.10	7.68
Project Loans	3.50	8.99	20.20	31.21	40.56
Fixed Assets	0.11	0.07	0.24	0.22	2.20
Customers' Liabilities under Guarantees	-	-	-	-	0.79
Other Assets	0.13	0.21	0.62	1.42	3.12
Total Assets	37.09	38.09	57.32	72.20	87.54
LIABILITIES & CAPITAL					
Current Liabilities	0.27	0.24	0.46	1.16	1.80
Subordinated Loans					
Govt. Counterpart Loan	15.00	15.00	15.00	15.00	15.00
Govt./Industr. Bank Loan	14.96	14.89	13.13	13.66	13.73
Govt. Loan of 1962	-	-	20.00	20.00	20.00
KFW Loan	-	-	-	-	1.35
Share Capital (paid-in)	6.10	6.10	6.10	18.69	30.00
Reserves	-	1.70	2.35	2.85	3.00
Provision for Losses	-	-	0.20	0.70	1.85
Unallocated Profits	0.76	0.16	0.08	0.14	0.02
Liability on Guarantees	-	-	-	-	0.79
Total	37.09	38.09	57.32	72.20	87.54

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IFCT SUMMARY INCOME & EXPENSE STATEMENTS (in millions of Baht)

ANNEX 2/IFCT

	1960	1961	1962	1963	1964
I N C O M E					
Interest from Loans	0.16	0.50	1.29	2.32	3.21
Government Securities	0.96	1.15	0.90	1.83	1.91
Bank Deposits	0.23	0.35	0.30	0.02	0.32
Liquidation Fee - Industrial Bank	0.33	0.17	0.03	0.02	-
Other Income	-	-	0.02	0.01	0.01
Total Income	1.68	2.17	2.54	4.20	5.54
E X P E N S E S					
Personnel Expenses	0.62	0.76	1.01	1.45	2.21
Director's Fees and Expenditures	0.09	0.10	0.10	0.11	0.12
General Expenses	0.12	0.12	0.22	0.54	0.38
Rent	0.05	0.05	0.06	0.09	0.13
Depreciation	0.04	0.04	0.08	0.08	0.10
Total Expenses	0.92	1.07	1.47	2.27	2.94
Net Profit	0.76	1.10	1.07	1.93	2.51
Dividends	-	-	0.31	0.87	1.34
Reserves	0.76	1.10	0.56	0.56	0.02
Provision for Losses	-	-	0.20	0.50	1.15
	0.76	1.10	1.07	1.93	2.51

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INDUSTRIAL & MINING DEVELOPMENT BANK OF IRAN (IMDBI)

IMDBI HISTORY, PURPOSE & SCOPE OF ACTIVITIES

With Lazard Freres & Co. and Chase International Investment Corporation as sponsors, discussions and negotiations were carried out for two years with the Government of Iran to form a development finance corporation. During the organizational period, the World Bank acted as an adviser to the negotiating parties. IMDBI officially commenced operations on October 14, 1959 and is designed to offer advisory services to industry in Iran along technical, financial, marketing and management aspects.

IMDBI's Memorandum of Association provides that its objectives are "to develop, encourage and stimulate private industrial, productive, mining and transportation enterprises in Iran" and to sponsor, promote and facilitate the participation of domestic and foreign private capital in such enterprises. The Memorandum further emphasizes the promotion and development of a capital market.

In carrying out these objectives, IMDBI makes medium- and long-term loans, invests in equity capital, sponsors and underwrites new issues of securities and guarantees loans and commitments of other investors. It may make its funds available for reinvestment through sales from its own portfolio. However, IMDBI may not engage in purely commercial banking activities.

IMDBI RESOURCES

Equity/Quasi-Equity	US$ million		Rls. million
Share Capital (fully paid)			400
Iranian Gov't. Advance (1959)			600
Loans			
Plan Organization (1st)			750
Plan Organization (2nd)			750
US/AID (1959)	5.2		
IBRD (1959)	5.2		
IBRD (1965)	10.0		
Managed Funds			1,400
Special Equity Fund			900
TOTAL	20.4	plus	4,800
Total Equivalent to:	84.4	or	6,330

Currency Unit: Rial (Rls.)
1 Rial = US$0.013
75 Rls. = US$1.00
1 million rials = US$13,300.00

IMDBI CAPITALIZATION & OWNERSHIP

IMDBI's authorized and fully paid share capital of Rls. 400 million (US$5.3 million) is divided into 400,000 shares of Rls. 1,000 par value each. Since the Monetary & Banking Law of Iran require that no more than 40% of the share capital of Iranian banks may be held by non-Iranian nationals, IMDBI's capital stock is divided into two (2) classes. Class A shares must at all times be owned by Iranian nationals and must represent not less than 60% of the total capital. Class A shares in IMDBI has the widest ownership distribution of shares of any company in Iran. About 85% of almost 1,700 Class A shareholders hold less than 100 shares each. Class B shares, which make up the remaining 40% of the share capital, are held by twenty non-Iranian private banking and investment institutions from seven (7) countries.

In 1965, IMDBI's capital was increased to Rls. 480 million (US$6.4 million) by issuing bonus shares out of IMDBI's reserves, one share for every five (5) shares held. On February 1966, the 60/40 ratio of ownership between Iranian and non-Iranian shareholders was altered. One-half of the B shares (20% of the total shares) was sold to Iranian nationals. Now, 80% of IMDBI shares are held by some 2,000 Iranian shareholders and only 20% by non-Iranians. The composition of the foreign shareholders, however, remain unchanged.

BOARD OF DIRECTORS

There are fifteen (15) members of the Board of Directors, eight of whom are elected by Iranian shareholders (Class A) and seven by Class B shareholders originally. However, because of the reduction in B shares and in accordance with IMDBI's Articles of Association, the number of board members elected by Class B shareholders will be reduced to four (4) during the next annual meeting. The Board remains with a total membership of fifteen (15).

The Chairman of the Board is elected annually by the Board from those directors representing Class A shareholders. IMDBI's Managing Director is a full member of the Board. As long as the "Advance" granted by the Iranian Government in 1959 is outstanding, the Government appoints an observer to IMDBI's Board of Directors who shall have the rights of Director but without the right to vote.

An Executive Committee of the Board composed of three Class A directors and two Class B directors acts for the Board of Directors, including the approval/rejection of projects proposed. The Executive Committee meets about once every three weeks. The Government Observer has also the right to attend Executive Committee meetings but he does not have voting rights.

MANAGEMENT & STAFF

Since March 1965, the entire management and staff of IMDBI totalling 69 (of which 30 are professionals) are all Iranian nationals. Chief operating executive is the Managing Director who is assisted by a Deputy Managing Director. The rest of the staff is distributed among six departments, each headed by a manager with responsibilities, as follows:

Projects Department

Headed by a Manager; functions include:

- Preparation of information sheet and preliminary screening of projects.
- Technical and financial appraisal of projects.
- Presentation of technical report to Technical Committee.
- Preparation and presentation of Summary of Application to the Loans Committee.
- Correspondence with IBRD &/or AID if the loan is in foreign currency.
- Follow-up of project loan applications until they are signed and finalized.

Loans Supervision Department

Headed by the Deputy Managing Director; responsible for general control and follow-up of all loans granted including:

- Supervising the utilization of loans.
- Making periodic technical and financial inspection of plants.
- Checking lists of defaults from Accounts Department and initiating action re defaulters.
- Discussions and negotiations with customers in default and preparation of extension scheme.
- Routine reports:

  Internal (monthly statistics)
  External (monthly and quarterly to IBRD and AID)

- Period reports on progress of projects.
- Insurance.

Technical Advisor

- Advises the Projects Department and the Loans Supervision Department on technical matters.

Economics Department
Headed by a Manager; functionsinclude:

- Preliminary feasibility of projects initiated by IMDBI.
- Study of market and economic justification of project applications.
- Promotion of Industrial projects.
- Preparation of quarterly and annual reports analyzing the economic conditions of the country.
- Contact with various government agencies.
- Promotion of capital market (preparatory work for the establishment of a Stock Exchange).

Treasury and Accounts Department
Headed by IMDBI's Treasurer; functions include:

- Keeping of all accounts.
- Preparation of monthly Balance Sheets and Profit and Loss Accounts.
- Preparation of quarterly reports for IBRD.
- Preparation of monthly reports for Central Bank of Iran.
- Opening of documentary credit for the Borrowers of IMDBI.
- Maintaining Managed Loans and New Loans (both in rials and foreign currency).
- Perform other treasury functions.

Administration and Public Relations Department
Headed by a Manager; functions include:

- Personnel and Office Management.
- Mailroom and Duplication services.
- Central File and Library.
- Translation, Information and Typing Pool.
- Public Relations.

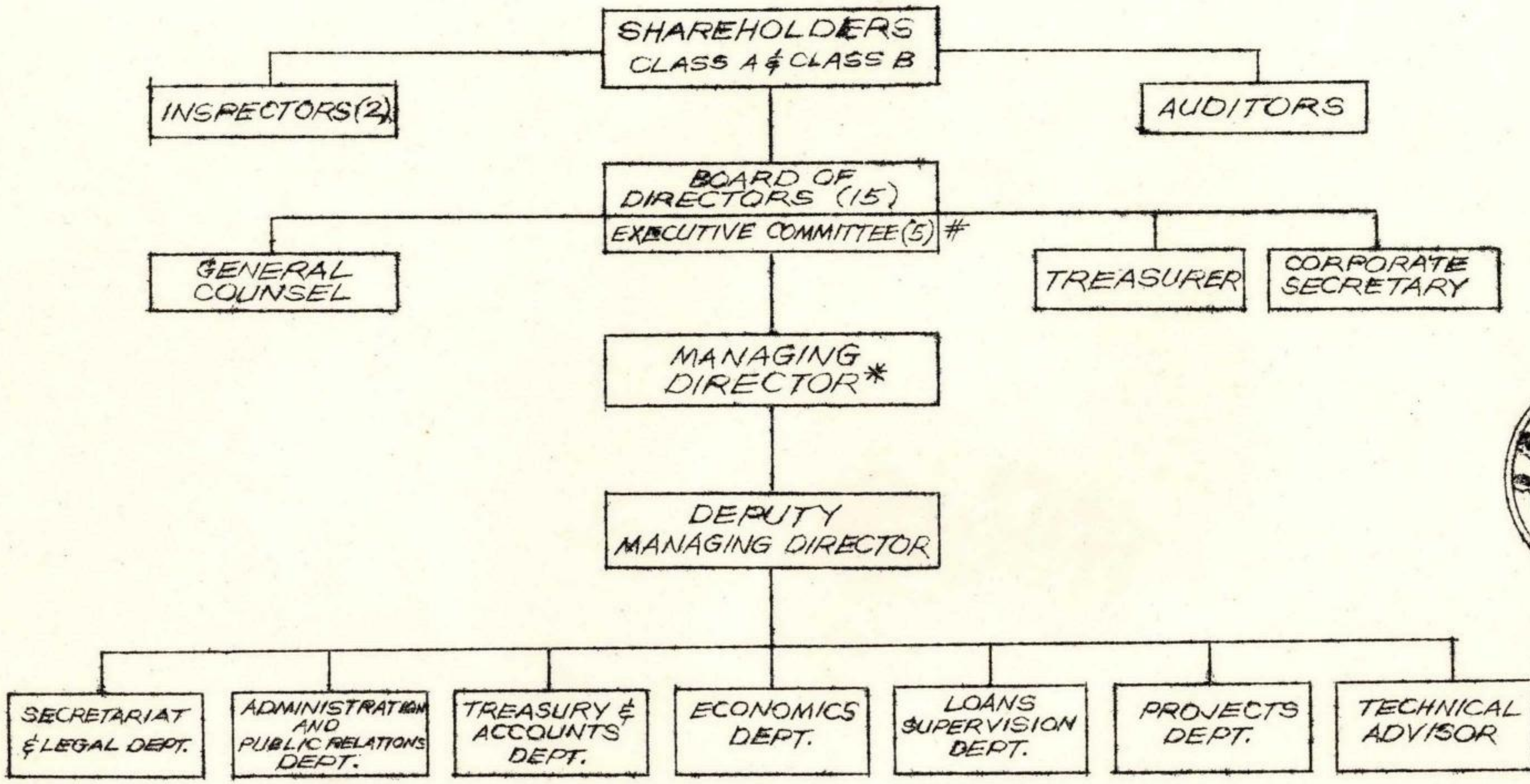
Secretariat & Legal Department
Headed jointly by the Corporate Secretary and a Co-Manager; functions include:

- Secretariat affairs, including the handling and filing of official records and documents.
- Legal affairs, including preparation of loan agreements, etc.

Staff: 5 Professionals & 1 Staff.

IMDBI's organizational structure is shown in Chart No. 4, attached to this section.

INDUSTRIAL & MINING DEVELOPMENT BANK OF IRAN



	Secretariat & Legal Dept.	Administration and Public Relations Dept.	Treasury & Accounts Dept.	Economics Dept.	Loans Supervision Dept.	Projects Dept.	Technical Advisor	Total
Professionals	5	6	9	7	5	8	1	41
Others	1	7	1	2	2	2	-	15
							Service Staff :	18
							TOTAL STAFF :	74

(As at November 1965)

\# Executive Committee of the Board: Acts for Board of Directors, including approval/rejection of projects.

* The Managing Director is also a full member of the Board of Directors.

Chart No. 4

PROJECT LOAN APPRAISAL & SUPERVISION PROCEDURES

IMDBI's appraisal procedure is followed for both project loans and equity investments.

1. All applications for financial assistance are first given a preliminary appraisal by a Loans Committee composed of senior members of IMDBI's professional staff. The Loans Commitee advises the Managing Director whether to reject an application outright or to proceed with a full appraisal. Any rejections made at this stage are due to the relative smallness of the project or its unsuitability for financial assistance because of other policy considerations.

2. IMDBI's Projects Appraisal Department is responsible for the full project appraisal. Usually, a joint financial-technical team is drawn from its staff. The joint financial-technical team subsequently prepares a report of its findings. This report is examined by a technical committee consisting of the technical advisor and the Deputy Managing Director.

3. The Economics Department prepares a separate report which covers mainly the marketing aspects of the project.

4. These two separate reports are then considered by the Loans Committee. If the application is approved and its recommendations are acceptable to management, a summary report is then made by the Project Appraisal Department summarizing the findings from the two reports.

5. The summary report is then presented by management to the Executive Committee of the Board. Since the Executive Committee does not receive any of the detailed reports, staff members concerned are invited to the Executive Committee's meeting to answer any queries on the project details.

6. In addition to annual financial statements, each borrower-client is required to submit monthly reports on operations to IMDBI. The Loans Supervision is responsible for project supervision/follow-up. Every project is visited at least once a year by an engineer and a financial officer, the frequency being dictated by the degree of progress or trouble of a project or if monthly reports from the client are poor.

Based on reports of staff visits to the project and the monthly reports submitted by clients, appropriate action is decided upon by management. The Loans Supervision Department normally carries out the recommended action.

IMDBI OPERATING POLICIES

IMDBI's loans are usually granted for financing of fixed assets. Normally, it insists on a first mortgage over all of the borrower's fixed assets, plus the personal guarantee of shareholders owning greater than 10% of the project's share capital. Foreign exchange risks on foreign currency loans are passed on to its borrowers.

In addition to financing assistance to established concerns, it has helped assist new enterprises. Usually, IMDBI limits its assistance to less than 50% of the total project costs involved although on occasion, it has provided a larger percentage of the finance required. The lower limit of IMDBI's loan operations is Rials 5 million (US$66, 667).

Occasionally, IMDBI finances long-term capital needs. However, these loans are only made from the repayments of IMDBI's managed funds.

IMDBI LENDING ACTIVITIES

From the start of operations up to 21 December 1965, IMDBI has approved 148 loans with an aggregate total of Rls. 4, 389.8 million. An economic recession in Iran during 1961 caused a slump in IMDBI's activities. Since then, however, the distribution of approved loans by fiscal year of operation indicates the steady growth of IMDBI's lending activities.

SIZE OF IMDBI LOANS

Of the 148 loans approved up to 21 December 1965, approximately 65% have been for amounts less than Rls. 25 million (US$333, 333). The fourteen (14) largest loans granted account for only 33.6% of the total amount lent. Reflective of IMDBI's willingness and confidence, new enterprises number slightly less than half of the 148 loans granted.

Occasionally, IMDBI finances long-term capital needs. Twelve of the 148 ~~loans~~ approved were granted for working capital requirements. Averaging Rls. 10 million in ~~size,~~ these loans ~~were~~ made to existing clients to tide them over temporary difficulties caused by depressed business conditions. However, these loans are only made from the repayments of IMDBI's managed funds.

DISTRIBUTION OF IMDBI LOANS BY INDUSTRY

Food processing has received 21% of the total amount granted, the largest amount of loans as well as the largest number of loans granted (23 of 148 loans). Textile manufacturing is next, having received approximately 19% of the total amount of loans granted. The metal products industry (excluding electrical appliances and transport equipment) came third, receiving 11.2% of the total amount of loans approved.

TERMS OF IMDBI LOAN AGREEMENTS

Over half of the number of loans approved, accounting for approximately 70% of the amount granted, have terms over five (5) years. Sixteen (16) loans have been granted for maturities longer than seven (7) years. Loans over three years usually have a grace period of between 18 to 24 months.

Working capital loans were made originally for one-year terms although some had to be extended. These loans are made only from the repayments of IMDBI's managed funds.

INTEREST RATES CHARGED BY IMDBI

Irrespective of the purpose or duration of a loan, IMDBI charges the same interest on all loans it grant. Since January 1964, the current rate is 7% per annum. In addition, there is a 1% service charge per annum to cover the cost of studies, as well as technical, financial and other types of assistance extended to clients. During the previous year, these charges totalled 9% and a year earlier, were 10% per annum. These reductions were made to keep in line with the general reduction of interest rates in Iran sponsored by its Central Bank. The benefit of these interest rate reductions were extended by IMDBI to existing loans as well.

Because of its voluntary action to reduce its interest rates, IMDBI has obtained improved public relations and an assurance from government that the government-owned Industrial Credit Bank would not go below 7.5% on loans above Rls. 5 million, which is the lower limit of IMDBI's loan operations.

EQUITY INVESTMENTS

Eight equity investments have been made up to September 22, 1964. IMDBI has also negotiated option rights with respect to 16 loans, six of which were second loans to the same company. These are in the form of preferential rights to purchase shares if a public issue is made as well as a right to convert part of its loan into shares. Four of these options have been allowed to lapse but none has ever been exercised. Three other equity investments totalling Rls. 128 million are under consideration with Plan Organization's Executive Board.

GUARANTEES/UNDERWRITING

IMDBI has not entered into any underwriting operations since it is difficult to market shares because of the lack of a stock exchange in Iran. IMDBI's management is keenly aware of this need, however, and is presently active in promoting the organization of a proper stock exchange in Iran.

Parliament is expected to ratify the relevant bill within the coming months. However, the Exchange is not expected to go into operation before a year's time.

PERSONNEL TRAINING IN IMDBI

Some of the senior staff members of IMDBI have received training at the Economic Development Institute of IBRD/IFC.

Many of its staff members have participated in periodic regional conferences among development companies in the Middle East region. In addition, some among its staff members have made study and observation visits of several months duration among development finance companies in the same region and in both the World Bank and IFC.

FINANCIAL RESULTS

Summary Balance Sheets as of March 20th of each year (IMDBI's fiscal year follows the Persian calendar) for the past five years are given in Annex 1. For the same period, the Income & Expense Statements are summarized in Annex 2. IMDBI's income and expenses for fiscal year 1964/1965 are as follows:

	In million Rials	% of Average Portfolio
Interest & Dividends Receivable	116.4	7.5
Less:		
Financial Expenses	24.2	1.6
Administr. Expenses	40.6	2.6
Depreciation	1.6	0.1
Total Expenses:	66.4	4.3
Profit on Portfolio	50.0	3.2
Add: Other Income	39.5	2.6
Gross Profit	89.5	5.8
Less: Tax & Provisions	27.7	1.8
Net Profit	61.8	4.0

Because of a militant management, there has been considerable reductions in administrative expenses. There has been a significant increase in the Profit on Portfolio figure (Rls. 29.5 million in 1963/1964 to Rls. 50.0 million for the current fiscal year) which has been attributed almost entirely to the reduction in administrative expenses.

DIVIDENDS

For the 17-month period covering its establishment up to March 20, 1961, IMDBI's first dividend rate was 4%. The dividend rate has increased yearly viz.:

6% for fiscal year 1961/62
6-1/2% for fiscal year 1962/63
7% for fiscal year 1963/64
7-1/2% for fiscal year 1964/65

ANNEX 1

IMDBI SUMMARY BALANCE SHEETS
(In thousands of Rials)

	March 20, 1961		March 20, 1962		March 20, 1963		March 20, 1964		March 20, 1965	
ASSETS										
Cash and short-term assets		425,302		187,030		287,361		146,726		98,210
Accrued Interest and Fees Receivable		17,858		20,594		37,721		46,507		54,944
Loans in Iranian currency:										
Advances and commitments	760,407		326,869		850,517		975,583		1,472,331	
Less amounts not disbursed	198,256	562,151	18,757	808,112	105,198	745,339	34,091	941,492	79,423	1,392,908
Loans in foreign currency:										
Advances and commitments	147,058		180,081		197,156		300,091		497,375	
Less amounts not disbursed	133,042	14,016	37,130	142,951	33,402	163,754	83,159	216,932	234,724	262,651
Equity participations in Iranian companies, at cost		10,000		30,000		57,000		112,000		155,150
Fixed Assets (net)		5,560		2,941		-		-		17,230
Deferred Charges (net)		11,805		5,902		-		-		-
		1,046,692		1,197,530		1,291,175		1,463,657		1,981,093
LIABILITIES										
Overdraft - Central Bank of Iran		-		-		-		-		155,292
Provisions and payables		26,760		43,091		89,179		155,512		145,845
US/AID Advances & commitments	93,075		127,097		125,090		157,085		246,104	
Less amounts not disbursed	83,025	10,050	42,657	84,440	17,935	107,155	39,099	117,986	115,752	130,352
IBRD advances and commitments	53,383		52,984		72,066		143,006		250,550	
Less amounts not disbursed	49,417	3,966	4,547	48,437	15,467	56,599	44,060	98,947	118,972	131,578
Plan Organization loan		-		-		-		70,000		350,000
Government Advance		600,000		600,000		600,000		600,000		600,000
Paid-in capital										
Class A shares	240,000		240,000		240,000		240,000		240,000	
Class B shares	160,000	400,000	160,000	400,000	160,000	400,000	160,000	400,000	160,000	400,000
Legal Reserve		3,288		9,235		15,640		23,290		35,000
General Reserve		2,500		12,000		22,500		37,500		73,000
Surplus		128		327		102		422		26
		1,046,692		1,197,530		1,291,175		1,463,657		1,981,093

Note: Earlier Balance Sheets have been modified to reflect a change in classification adopted in 1965.

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SUMMARY INCOME & EXPENSE STATEMENTS
(In thousands of Rials)

	Oct. 14, 1959 to March 20,1961	March 21,1961 to March 20,1962	March 21,1962 to March 20,1963	March 21,1963 to March 20,1964	March 21,1964 to March 20,1965
INCOME					
Interest, commitment and service fees on loans to borrowers	22,558	69,191	74,720	94,396	115,067
Dividends from investments	-	-	-	-	1,391
Agency fees	48,052	32,531	29,559	24,843	25,314
Interest on deposits with other Banks and on short term investments	37,700	15,831	21,882	13,217	9,721
Other income	1,741	3,403	6,272	6,819	4,474
Gross Income	110,052(a)	120,956(a)	132,433(a)	139,275(a)	155,967(a)
EXPENSES					
Interest and commitment fees payable	178	5,546	9,433	11,335	24,206
Salaries, wages and allowances	52,414	42,059	43,570	41,834	31,508
Other operating expenses	12,416	9,532	10,491	10,661	9,142
Sundry provisions including provisions for contingencies and taxation	11,535	15,121	17,255	23,404	27,709
Depreciation of fixed assets	3,724	3,150	3,020	1,071	1,588
Amortization of preliminary and pre-operating expenses	7,870	5,903	5,983	-	-
Total Expenses	88,137(b)	81,311(b)	89,752(b)	88,305(b)	94,153(b)
Net Profit after taxation (a-b)	21,916	39,645	42,681	50,970	61,814
Undistributed profits brought forward	-	128	326	102	422
	21,916	39,773	43,007	51,072	62,236
APPROPRIATIONS					
Transfer from miscellaneous reserves (included in "provisions and payables")	-	-	-	-	15,000

SUMMARY INCOME & EXPENSE STATEMENTS
(In thousands of Rials)

	Oct. 14, 1959 to March 20,1961	March 21,1961 to March 20,1962	March 21,1962 to March 20,1963	March 21,1963 to March 20,1964	March 21,1964 to March 20,1965
AVAILABLE FOR DISTRIBUTION (c)	21,916	39,773	43,007	51,072	77,236
Transfer to Legal reserve	3,288	5,947	6,405	7,650	11,710
Transfer to general reserve	2,500	9,500	10,500	15,000	35,500
Dividend	(4%) 16,000	(6%) 24,000	(6½%) 26,000	(7%) 28,000	(7½%) 30,000
Total Appropriations(d)	21,788	39,447	42,905	50,650	77,210
Undistributed profits carried forward(c-d)	128	326	102	422	22
Net profit after taxation (and allocation to the reserve for bad and doubtful debts) as percentage of:					
(i) Net worth (at beginning of year)	5.5%	9.8%	10.1%	11.6%	13.4%
(ii) Share capital	5.5%	9.9%	10.7%	12.7%	15.5%

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MALAYSIAN INDUSTRIAL DEVELOPMENT FINANCE, LTD. (MIDFL)

MIDFL HISTORY, PURPOSE & SCOPE OF ACTIVITIES

Malaysian Industrial Development Finance, Limited (MIDFL)was established in March 1960 as a joint venture between the Malayan Government and private capital, both local and foreign. Its Memorandum of Association was amended in 1963 in anticipation of the formation of Malaysia, "to carry on the business of assisting enterprises within the private sector of industry in the Federation of Malaya, the State of Singapore, the State of Brunei, Sarawak and North Borneo, in general by:

1. assisting in the creation, expansion and modernization of such enterprises;

2. encouraging and promoting the participation of private capital, both internal and external, in such enterprises; and

3. encouraging and promoting private ownership of industrial investments and the expansion of investment markets;

and in particular by:

1. providing finance in the form of long- or medium-term loans or equity or preference share capital participations;

2. sponsoring and underwriting new issues of shares and securities;

3. guaranteeing loans from other private investment sources;

4. making funds available for reinvestment by revolving investments as rapidly as prudent; and

5. furnishing managerial, technical and administrative advice and assisting in obtaining managerial, technical and administrative services to industry."

Note: At the time of writing, Singapore has withdrawn from Malaysia.

MIDFL occupies three floors of a modern building in downtown Kuala Lumpur with postal address at Hwa-Li Building, 63-65, Jalan Ampang, Kuala Lumpur.

MIDFL RESOURCES

The latest Annual Report as at 31 March 1965 reflects the following:

Equity	M$ Millions
Share Capital (paid in)	15.0 *
Accumulated Reserves & Unappropriated Income	1.4
Loans	
1963 Gov't. Loan (interest-free)	22.5 *
1963 IBRD Loan U.S.$8.0 million, equivalent	24.0
Total Resources	62.9

Since then, paid-in share capital and the Government loan have increased to M$25.0 and 37.5 million, respectively.

CAPITALIZATION & OWNERSHIP OF MIDFL

Before August 1963, MIDFL's issued and subscribed share capital was 175,000 shares of M$ 100 par value each, of which 60% or M$ 10.5 million had been paid in, the remainder being on call. In 1963, as part of its reorganization and expansion, MIDFL issued an additional 75,000 shares, making a total of 250,000 shares issued and outstanding. Again, only 60% of the nominal value subscribed has been called. Its paid-in share capital is therefore M$ 15 million out of a total subscribed value of M$ 25 million. 250,000 additional shares are authorized but still unissued.

The distribution of share ownership in MIDFL as at 31 March 1965 is as follows:

	No. of Shares	%
Private Malaysian Shareholders	50,727	20.3
Malaysian Government	25,000	10.0
Central Bank	25,000	10.0
International Finance Corp.	25,000	10.0
Foreign Shareholders	90,541	36.2
Non-~~Foreign~~ Shareholders	33,732	13.5
Total	250,000	100.0

IFC, the Malaysian Government and the Central Bank have agreed that they will dispose of their holdings in a ratio of 2:2:1 to private Malaysian investors, as rapidly as is consistent with good marketing practices and with the aim of obtaining as wide a distribution as possible within Malaysia. Thus far, however, none of these shares have been sold.

MIDFL shares are not listed on the Stock Exchange. Since the 1963 reorganization, only 230 shares have changed hands, the transactions having taken place at par value.

BOARD OF DIRECTORS

The present Board of Directors of MIDFL is composed of 14 members elected as follows:

- five (5) directors are nominated by Malaysian private interests;
- three (3) directors are nominated by British shareholders;
- one (1) director is nominated by American interests;
- one (1) director is nominated by other foreign interests;
- one (1) director is nominated by IFC;
- one (1) director is nominated by the Central Bank;
- one (1) director is nominated by Malaya Developments Ltd., a wholly owned subsidiary of the Commonwealth Development Corporation.

The 14th director is appointed by the Malaysian Government as long as any part of the Government loan remains outstanding.

The Board of Directors meet about three to four times a year. Directors have the right to appoint alternates, subject to the approval of the Board. Some directors, particularly the foreign ones, are represented by their alternates at most meetings.

An Executive Committee of the Board was organized in 1963 consisting of the Chairman of the Board as chairman, and two other directors or alternates. The Executive Committee meets about twice a month, deciding on all applications for financial assistance, making business decisions on matters delegated to it by the Board itself and preparing matters of policy of consideration by the entire Board of Directors. The Executive Committee, however, is not empowered to borrow money, cannot make calls on shares or formulate new policies for MIDFL.

The Board is kept informed of Executive Committee action through the Committee's minutes and reports rendered by the General Manager at every Board meeting. The General Manager must attend all meetings and he may express his views on subjects under consideration, but he has no voting rights.

MIDFL MANAGEMENT & STAFF

The present management and staff of MIDFL totals 63 of which 33 are officers and professionals. Chief executive officer is the General Manager, the present one being Mr. L. M. Svoboda, an IBRD staff member who earlier served as adviser to the Arab Development Fund in Kuwait. In addition to the General Manager, there are two principal officers, both Malaysians, whose responsibilities are distributed as follows:

1. Operations Manager
   - responsible for technical, marketing and financial appraisal of projects.
   - professional staff consists of four engineers, four economists and four financial analysts.

2. Secretary & Chief Administrative Officer
   his responsibility is subdivided into
   - Administrative/Secretariat Division, including the Library
   - Treasury, consisting of a Financial Division and an Accounts Division
   - Follow-up Division, consisting of three professionals
   - Legal Counsel and Registrar's Division

Other staff members belong to M.I.E.L. which is discussed in the next section.

MALAYSIAN INDUSTRIAL ESTATES LTD. (M.I.E.L.)

M.I.E.L. was incorporated in September 1964 as a wholly-owned subsidiary of MIDFL for the purpose of developing industrial estates. Ultimately, MIDFL intends to channel all factory mortgage loans through M.I.E.L. as soon as it is finally established and staffed with suitable personnel. In addition to a manager, it is presently staffed with an engineer, an accountant and an office assistant.

MIDFL OPERATING POLICIES

In August 1963, MIDFL's Board of Directors adopted a "Statement of Policies & Procedures" which is reproduced in its entirety as Annex 3, enclosed. In accordance with this policy statement, MIDFL management has successfully operated within its prescribed limits.

MIDFL LENDING ACTIVITIES/INTEREST RATES

Loan commitments during the fiscal year ending 31 March 1965 amounted to M$ 19.5 million covering 47 approved loans. Since the beginning of operations, cumulative commitments up to the same period amounted to M$ 40.6 million for a total of 85 approved loans. During fiscal year 1965, actual loan disbursements amounted to M$ 12.9 million; cumulative total disbursements made up to the end of this fiscal period amounted to M$ 28.8 million.

Lending activities may be summarized under the following headings:

1. Hire-Purchase Financing - for the acquisition of machinery and equipment. Introduced in February 1961, the loans cover up to 75% of the purchase price of the equipment and bear an interest rate of 9% on the unpaid balance. This type of loan are for maturities up to three years and repayment is made in monthly installments. To date, MIDFL has made 31 of this type of loan for a total amount of M$ 0.7 million. The average hire-purchase loan amounts to M$ 23,000. Recently, MIDFL's hire-purchase operations have been most successful in financing the purchase of marine diesel engines by fishermen with local suppliers' guarantees.

2. Factory Mortgage Loans - Eight factory mortgage loans have been approved up to the end of 1964. Except for the first case, all factory mortgage loans carry an interest of 8% to 8-1/2%. These loans mature almost about the same period as regular medium- and long-term loans but the average size only amounts to about M$ 60,000 (vs. M$ 690,000 for the latter). After a grace period of 6 to 12 months, repayments are usually made on a monthly basis.

3. Special Loan Program for Assistance to Small-scale Industries - at the government's suggestion, MIDFL inaugurated a special program designed to assist small-scale industrial enterprises which require loans between M$ 50,000 and M$ 150,000. MIDFL's experience has demonstrated that in many cases, financial assistance in amounts below the M$ 50,000 can be of crucial importance to a project's success. Thus, the original lower limit of M$ 50,000 has not been applied strictly in justifiable instances. The increase in MIDFL's hire-purchase loans to small entrepreneurs has given considerable assistance to the small-scale industries sector.

4. Medium- and Long-term Loans - In spite of the increase of commercial banks' lending rates resulting from the recent increase in the Central Bank rate, MIDFL has continued to charge clients 7% to 8-1/2% for medium- and long-term loans. The rate of interest to be charged in each individual case is based on considerations such as the credit-worthiness of the borrower, the degree of risk in the project and possible benefits that may be derived from the loan, e.g., equity participation, conversion rights or issuing and underwriting income.

PROJECT APPRAISAL & SUPERVISION PROCEDURES

An instruction circular on project appraisal procedure was recently circulated by the General Manager. In general, project appraisal procedures are carried out in the following manner.

1. Preliminary review of the project with the project sponsors; additional information requested, as necessary.

2. Receipt by MIDFL of financial, technical, marketing and other data on the project.

3. Project is assigned to a project team consisting of an engineer, a financial analyst and an economist.

4. The project team visits the site, clarifies any item of information with the project sponsors, reviews the facts and prepares a preliminary appraisal report on the project.

5. Any legal implications in the project as well as the terms of the loan proposal is referred to the Staff Solicitor.

6. The preliminary appraisal report is submitted for discussion in the Staff Loan Committee. It consists of the General Manager as chairman, department heads and the Project Team members concerned.

7. The Appraisal Report is then finalized, incorporating the observations, comments and recommendations of the Staff Loan Committee.

8. Based on the Appraisal Report, the General Manager prepares a Recommendatory Report to the Executive Committee on the proposed investment project.

Project supervision or "follow-up" is carried out by a newly formed section under the Secretary/Chief Administrative Officer. An excellent checklist and accompanying procedure are used to scrutinize periodic reports required of clients to keep tab on the progress of construction, operating results and financial status of the client companies.

SIZE OF MIDFL LOANS

As at 31 March 1965, an analysis of MIDFL's loans indicate that 44 loans are for less than M$ 100,000 (factory mortgage and hire-purchase types); 41 loans are long- and medium-term loans; 13 loans are in the M$ 250,000 to M$ 500,000 range. Only two (2) loans are for more than M$ 3.0 million. Two (2) equity investments have been made, each for about M$ 1.0 million.

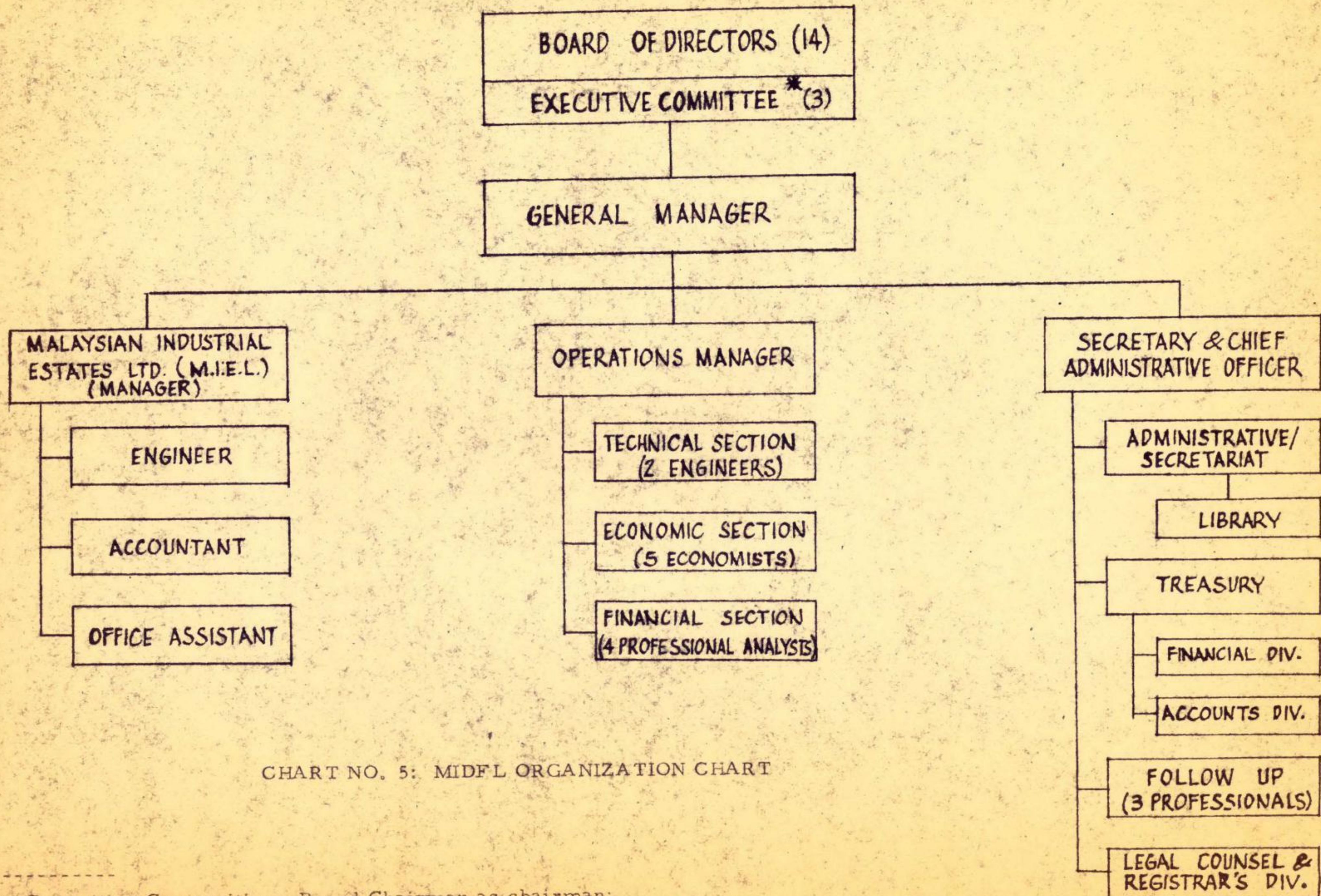

CHART NO. 5: MIDFL ORGANIZATION CHART

* Executive Committee Composition: Board Chairman as chairman; two (2) Directors/Alternates as members.

DISTRIBUTION OF MIDFL LOANS BY INDUSTRY

MIDFL loans have been fairly well distributed among the various industrial sectors.

Industries financed, including M$2.0 million equity investments, are distributed as follows:

Rubber Goods	M$7.5 million
Food, Beverages & Tobacco	6.3 "
Non-Metallic Minerals	5.7 "
Wood Products	4.2 "
Metal & Engineering	4.1 "
Textiles & Clothing	3.7 "
Chemicals	1.4 "
Paper & Printing	0.8 "
Leather Goods	0.6 "
Other Industries	8.3 "

TERMS OF MIDFL LOANS

In addition to the terms given in the previous sections, other standard provisions on MIDFL loans are the following:

1. 1% commitment charge.

2. Appointment of a nominee-director to the borrower's board; this right is not usually exercised.

3. Stipulation that the borrower pay all legal fees, etc.

4. Reserving the right to approve the borrower's auditors and insurance coverage.

5. Standard provisions requiring the borrower to maintain proper records, submit periodic reports to MIDFL and grant of inspection rights on the project.

6. Security. Generally, as a security for its loan, MIDFL takes a first fixed or floating charge on existing and future assets of the borrower. This practice is fairly common in Malaysia.

In particular cases, MIDFL has taken personal guarantees of the directors in addition to a first charge on the assets. In principle, MIDFL excludes any charges on stocks, stores and receivables which can be pledged to commercial banks against overdrafts.

Conversion rights have been obtained on 10 of 37 loans approved up to the end of 1964, in most cases covering up to 15% of the amount of the loan. During 1965, only two conversion rights have been obtained. The resistance of some clients, mostly among private limited companies, to the exercise of such righ~~ts~~ ~~have~~ been considerable. although MIDFL has not yet exercised any of them. The Government, however, now requires private companies to "go public" in return for the privileges granted them for "Pioneer" status (roughly equivalent to the Philippines Basic Industries privileges.)

EQUITY INVESTMENTS BY MIDFL

MIDFL subscribed M$1.0 million to its wholly-owned subsidiary, Malaysian Industrial Estates Ltd. (MIEL). Thus far, MIDFL has made only two (2) equity investments, each for about M$1.0 million.

UNDERWRITING & SHARE ISSUES

The first public share issue ever offered in Malaya was for Dunlop's 1961 share issue of M$4.7 million, with MIDFL acting as underwriter. It was so successful the issue was almost four times oversubscribed. Consequently, underwriting was dispensed within subsequent share issues in favor of sale by placement with brokers and recently, sale by tender directly to the public.

MIDFL became not only the first underwriter in Malaya but the first issuing house as well. In 1962, MIDFL acted as issuing house for all three public share issues offered during that year, for a total of M$26.9 million out of the M$42.9 million of new share capital raised by the entire manufacturing sector. This success spawned a large number of new firms organized for issuing house services. Thus, after 1962, MIDFL found its fees non-competitive with a large number of these new firms set up for the purpose and it received no share issues subsequently.

Early in 1965, MIDFL resumed its underwriting activities by undertaking an operation for a brewing concern, Guinness (Malaya) Ltd.

OTHER ACTIVITIES OF MIDFL

1. Technical Assistance

In addition to financial assistance, many of MIDFL's clients - particularly the small ones, require technical assistance. MIDFL's technical and professional staff have extended this service, and where conditions warrant it, arranged for qualified consultants to be retained by clients for technical services. With more additions to MIDFL's professional staff and more intensive staff training, it hopes to be able to render more technical assistance to its growing list of clients.

2. Market & Feasibility Studies for Industrial Promotion

MIDFL has sponsored several detailed studies designed to promote new industry in Malaysia, either on its own initiative or at the request of Government. The extensive marketing experience of its Operations Manager in private industry have been put to good use. In 1964, a pre-investment study of a pulp and paper industry was undertaken jointly with IFC and a Canadian technical partner. On its own, MIDFL has carried out extensive market studies on charcoal, flour milling, etc., primarily to assist it in the proper appraisal of projects submitted for financial assistance. Presently, studies on textile, woodworking and coconut coir industries are also being considered. An overall industrial survey of Malaysia which includes six feasibility studies on selected industries is being undertaken by Messrs. Arthur D. Little & Co. in consultation with and participated in by MIDFL.

3. Public & Government Relationships

MIDFL has succeeded in building for itself a favorable image as an institution which serves the aim of industrialization for the whole economy, rather than serving the interests of any particular group, be it local or foreign. It has been favorably regarded as a profit-motivated but service -oriented development finance company.

Since the reorganization of 1963, relationships with the Government of Malaysia have improve tremendously. On several occasions, the former General Manager was called upon to advise the Government on specific matters of policy. His successor and his staff continues to maintain close contacts with the government on ministry-levels particularly as regards MIDFL's phase of operations involving government relations. The membership of both the Chairman of the Board and the Governor of the Central Bank in MIDFL's Executive Committee provide excellent rapport between MIDFL and the government. Effective and fruitful relationships characterize the relations of MIDFL staff with various government agencies concerned with industrial development.

PERSONNEL TRAINING IN MIDFL

In addition to the considerable development banking experience of its expatriate staff, continuous personnel training is developed in MIDFL. Several of its executive staff are graduates of the World Bank's Economic Development Institute. Early in 1966, ICICI will send one of its senior staff engineers to augment the small technical staff of MIDFL's Operations Department and to help train Malaysian staff members.

ANNEX 1: SUMMARY BALANCE SHEETS (in thousands of Malayan Dollars)

	Audited on Fiscal Year Ending 31 March			
	1962	1963	1964	1965
ASSETS				
Cash & Bank Balances	608	1,035	387	159
Sundry Debtors & Debt Balances	41	134	81	616
Accrued Income	234	211	251	336
Treasury Bills	-	-	18,000	13,150
Bank Deposits	4,500	-	6,550	3,500
Total Current Assets	*5,383	1,380	25,269	17,761
Equity Investments	* -	-	-	047
Long- & Medium-Term Loans	3,653	11,415	13,502	25,188
Factory Mortgage Loans	-	21	69	266
Hire-Purchase Financing	121	156	139	336
Loans Outstanding (less Provision for Bad Debts)	*3,774	11,592	13,710	25,790
Fixed Assets (Net)	* 121	166	202	223
** TOTAL ASSETS	9,278	13,138	39,181	45,821
LIABILITIES & CAPITAL				
Provision for Taxes	120	359	657	1,060
Sundry Creditors & Provisions#	81	82	371	76
Total Current Liabilities	*201	441	1,028	1,136
Gov't. Long-Term Advance	* -	-	22,500	22,500
IBRD Loan	* -	-	-	5,834
Issued Capital##	9,000	12,544	15,000	15,000
General Reserve	-	50	300	650
Unappropriated Profits	77	103	353	701
Total Shareholders Funds	*9,077	12,697	15,653	16,351
** TOTAL LIABILITIES	9,278	13,138	39,181	45,821

Includes current tax liability and provision for the following year.

250,000 Ordinary shares at M$ 100 each of which M$ 60 is paid in.

MIDFL

ANNEX 2: SUMMARY INCOME & EXPENSE STATEMENTS (in thousands of Malayan Dollars)

	Audited in Fiscal Year Ending 31 March			
	1962	1963	1964	1965
INCOME				
Interest on Treasury Bills & Bank Deposits	153	138	571	866
Interest on Malaysian Dollar Loans	230	478	1,011	1,361
Interest on Foreign Currency Loans	-	-	-	105
Underwriting Commission, Share Issue & Registration Fees	114	414	14	83
Miscellaneous	21	9	9	58
TOTAL INCOME	518	1,039	1,605	2,473
EXPENSES				
Salaries, Wages, Bonus, Social Benefits	121	272	343	575
Other Administration Expenses	66	129	210	197
Director's Fees & Expenses	23	26	16	14
Audit Fees	1	3	3	5
Depreciation & Miscellaneous	17	21	27	31
*Sub-Total, Administrative Expenses	228	451	599	822
Interest on IBRD Loan	-	-	-	81
Interest on Bank Overdraft	-	2	12	-
**TOTAL EXPENSES	228	453	611	903
Net Profit Before Taxes	290	586	994	1,570
Provision for Income Tax	159	310	417	640
Net Profit After Taxes	131	276	577	930
Provision for Bad Debts	-	200	77	249
Net Profit After Taxes & Bad Debts	131	76	500	681
Unapp. Profit Brought Forward	4	77	103	370
Total Available for Approp.	135	153	603	1,051
Amortiz. of Prelim. Expenses	58	-	-	-
Transfer to General Reserve	-	50	250	350
Unapp. Profit Carried Fwd.	77	103	353	701
Net Profit After Taxes & Provision for Bad Debts as a % of:				
- Average Net Worth	1.0#	0.7	3.5	4.3
- Average Paid-In Share Capital	1.0#	0.7	3.6	4.7

After amortizing preliminary expenses of M$ 58,000

ANNEX 3

MALAYSIAN INDUSTRIAL DEVELOPMENT FINANCE LIMITED

Statement of Policies and Procedures approved by the Board of Directors on September 23, 1964

RESOLVED: The Board of Directors of Malaysian Industrial Development Finance Limited (MIDFL) hereby adopts the following policies and procedures which will govern its operations:

1. MIDFL is an investment institution designed to assist in the expansion of private industry in Malaysia (as used in this Resolution, means the area from time to time comprised in the territories of the Guarantor under the Guarantee Agreement dated 15th July 1963 between the Federation of Malaya and the International Bank for Reconstruction and Development). In order to accomplish this purpose, it will pursue an active policy to promote, finance and otherwise assist private industry.

2. MIDFL will invest only in privately owned and managed enterprises in Malaya which are expected to make a contribution to the economic development of Malaya.

3. MIDFL will make its investment decisions only on the basis of sound investment principles and standards. Subject thereto, it will select projects on as broad a geographical basis as possible.

4. MIDFL will diversify its financing (except for temporary investment of liquid funds in short-term securities) among different types of industries and different types of financing.

5. Although, in accordance with normal business practice, MIDFL will obtain adequate security to protect its loans, its decisions to invest will be based on its judgment regarding the prospective profitability of its clients' enterprises.

6. MIDFL will make appropriate use of its powers in order to provide its clients with finance in any form it considers appropriate to their needs, and in its own interest. It will give particular attention to its clients' needs for equity financing and to the extent consistent with sound financial practice will provide such equity within the following percentage limitations.

7. It will normally not commit to any single enterprise:

a. in the form of equity an amount greater than 10%;

b. in whatever form an amount greater than 15%;

of the total of its own paid-in share capital, the proportionate drawal of the Government loan and the reserves.

8. The total amount of its equity investments at cost will not exceed the amount of its paid-in share capital and reserves.

9. MIDFL will refrain from seeking in any enterprises (other than one which in actuality although not technically is a branch or department of MIDFL) a controlling interest or any other interest which would give it the primary responsibility for the management of that enterprise, and to this end it will not (save as aforesaid) seek to own more than 25% of the Common or Ordinary shares of any single enterprise. Notwithstanding the foregoing limitations, in any case of jeopardy, MIDFL may take such action as it thinks fit to protect its investment.

10. MIDFL will conduct its operations in such a manner as to foster the growth of a capital market in Malaya, and improve the facilities for marketing shares and securities. It will revolve its own portfolio whenever it can sell on satisfactory terms. In selling any investment it will pay due regard not only to its own interests but also to those of other participants in such investment, and to those of the other investors in the enterprise in which it has invested.

11. MIDFL will finance undertakings which are soundly managed and which, after careful economic, financial and engineering investigation, appear to be economically and financially viable. Thereafter it will carefully watch over the conduct of the enterprises it has financed, and it will promptly make available to them constructive and remedial advice whenever requisite.

12. In order to strengthen its own management and staff, as well as to assist its clients in the formulation and conduct of their projects, it will rapidly build up an effective organization and develop an adequate staff possessing skill in finance, marketing and economic analysis, engineering, accountancy and law.

13. MIDFL will initiate a special program designed to assist small-scale industrial enterprises which require loans in amounts between M$50,000 and M$150,000. Pursuant to its operation of this program:

a. Not more than 20% of the total amount of MIDFL's annual commitments will be lent to such borrowers;

b. Separate accounts will be kept for such loans, so that from time to time the economics and experience of small-loan operations can be ascertained.

At the end of two years from the inception of this program, MIDFL and IFC will study MIDFL's experience with such loans, and, if it is concluded that the small-loan program has jeopardized MIDFL's objective of building itself into a financially sound institution, the program will be abandoned.

14. MIDFL will build up reserves consistent with sound financial practice, including reserves for bad debts and other losses on investments (which will not be less than 2% of its loan and investment portfolio, and said rate will continue until MIDFL and IFC shall otherwise agree after reviewing the small-loan program as provided herein), and, in addition, supplementary reserves. At least 50% of its profits after providing reserves for bad debts and other losses on investments, and after taxes, will be allocated to such supplementary reserves until they total M$1.5 million; thereafter at least 25% of such profits will be allocated to such supplementary reserves until they equal the amount of the subordinated Government loan then outstanding. At the time when the study of MIDFL's experience with small loans is made (as provided in 13. above), MIDFL and IFC will review the adequacy of the reserves for bad debts and losses on investments, and will consult together as to a satisfactory level for such reserves for the future.

15. MIDFL will transfer the risk of foreign exchange fluctuation on any external borrowings which it must repay in foreign exchange, except that in the case of small-loan operations it may refrain from transferring such risk provided that it finds other suitable ways to make provision for such risk.

16. The Board of Directors will prevent any one person or company or any group of affiliated persons or companies from gaining control of MIDFL.

TURKIYE SINAI KALKINMA BANKASI A.S. (TSKB)

TSKB HISTORY, PURPOSE & SCOPE OF ACTIVITIES

TSKB was the first development finance company organized through the auspices of the World Bank. It was established in June 1950 but did not commence operations until March 1951. The government itself and TSKB are the only two sources of foreign currency funds in Turkey.

TSKB's activities include short-, medium- and long-term lending, investment in shares and bonds of industrial enterprises, and provision of technical assistance to the same. In addition to its normal operations with its own and borrowed capital, TSKB administers three (3) revolving funds on behalf of both the governments of Turkey and U. S. A.:

1. Marshall Plan Private Enterprise Fund
   - for long-term loans to private industry.

   TSKB receives a management fee of 3 % of the loans outstanding. The risk of the loans made from this Fund is borne by the Fund.

2. Capital Participating Fund
   - for investment in equities.

   TSKB receives a quarterly management fee of 25 % of the net profit of this Fund, but not to exceed 1 % of the value of this Fund.

3. Industrial Exports Working Capital Fund
   - for short-term loans to finance the export of industrial goods.

   TSKB receives a quarterly management fee of 1/2 of 1 % of the amount of loans outstanding at the end of each quarter.

TSKB's main office is located in the Karakoy district with postal address at P. O. Box 17 Karakoy, Istanbul, Turkey. Its Technical and Economic Research departments are presently located in another building. At the time of our visit (end of 1965), a new building to house its entire staff was under construction.

TSKB RESOURCES

The resources of TSKB as at mid-1965 may be summarized as follows:

	TL millions	US$ millions
Share Capital (paid in)	50.0	-
Reserves	14.9	-
Unappropriated Income	5.4	-
EQUITY	70.3	
1951 Lira Bonds (@ 4-1/2 %)	12.5	-
1954 Lira Bonds (@ 5.0 %)	12.5	-
1st (1950) IBRD Loan (@3-3/4 %)	-	US$ 9.0
2nd (1953) IBRD Loan (@4-7/8 %)	-	9.0
DLF 1959 Loan (@5.0 %)	-	10.0
1st (1962) IDA Credit (@5-1/2 %)	-	5.0
2nd (1964) " " "	-	5.0
3rd (1965) " " "	-	10.0
AID(1964) Loan (@ 5-1/2 %)	-	5.0
TOTAL LONG-TERM LOANS	25.0	53.0
Marshall Plan Private Enterprise Funds	217.2	24.1
Capital Participation Fund	69.4	7.7
Industrial Exports Working Capital Fund	34.1	3.8
TOTAL ADMINISTERED FUNDS	320.7	35.6

TSKB CAPITALIZATION AND OWNERSHIP

Eighteen (18) institutions, mostly commercial banks, subscribed in TSKB's initial share capital of TL12.5 million (then equivalent to US$4.5 million) which was made up of 125,000 bearer shares of TL 100 each. In addition to the ordinary shares, 100 bearer certificates were issued to TSKB founders in proportion to their participation in the initial capital, entitling the holders to a special bonus out of TSKB's profits.

In October 1953, as required by the second IBRD loan, TSKB's authorized share capital was doubled to TL 25 million through a successful new issue. Late in 1963, TSKB again doubled its share capital to TL 50 million (US$5.6 million). IFC subscribed to TL 8.3 million, representing 15 % of the share capital.

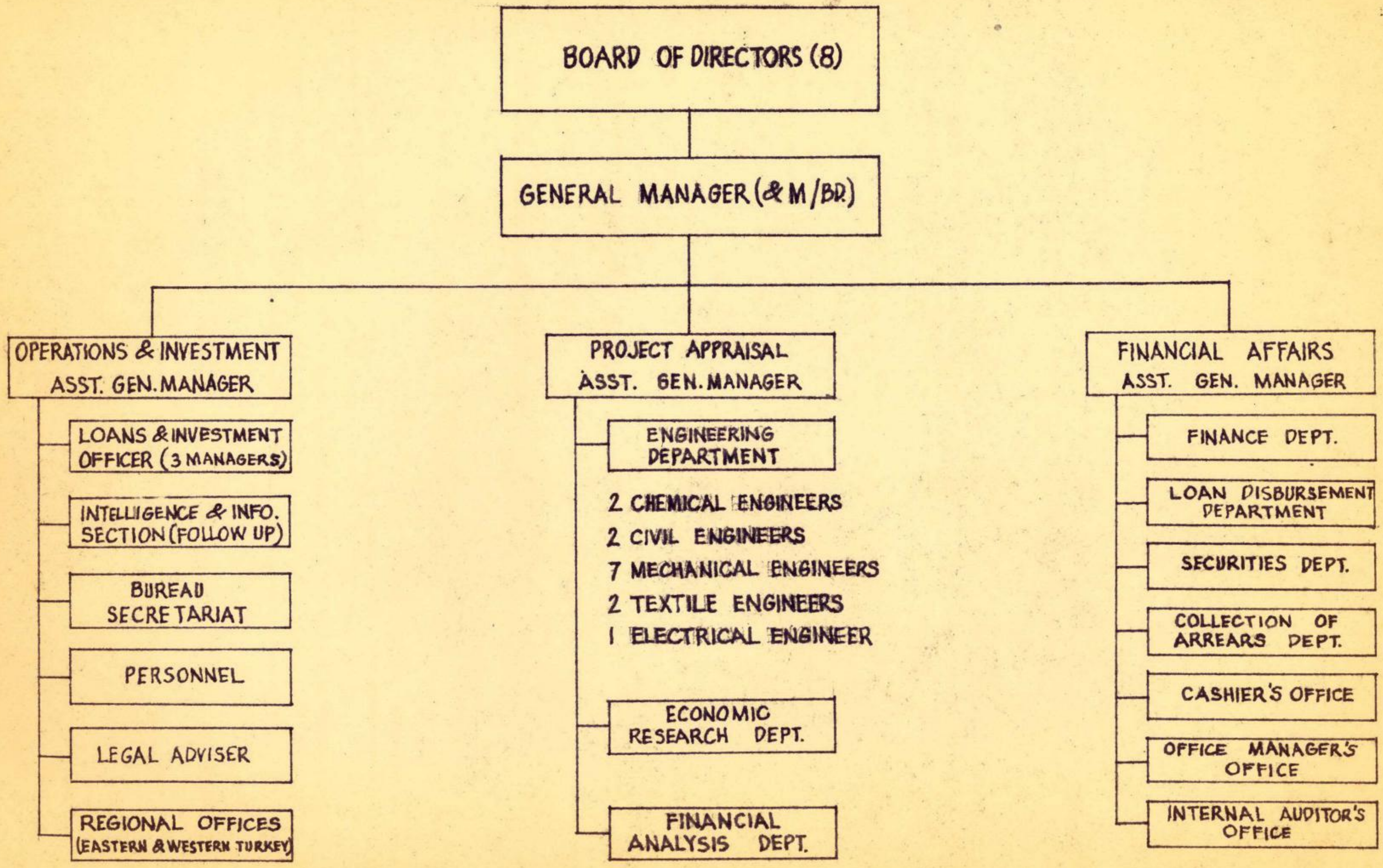

CHART NO. 6: TSKB ORGANIZATION CHART

TSKB BOARD OF DIRECTORS

TSKB's Board consists of eight (8) directors (one of whom is a representative of IFC) elected by shareholders for three-year terms. One among these directors is elected from a panel of three shareholders belonging to the banking profession and nominated by the Central Bank of Turkey in consideration of certain loans it made to TSKB. The General Manager of TSKB is also a full member of the Board of Directors. Board membership has been widely representative of various sectors including banking, industry, commerce and economics.

The Board meets regularly once a week. Its approval is required for every investment exceeding TL 150,000 or its equivalent in foreign currency.

MANAGEMENT AND STAFF (as at November 1965)

TSKB's operating staff is headed by a General Manager who is also a member of the Board of Directors. One hundred thirty-five (135) staff members are organized into three groups, each headed by an Assistant General Manager, and subdivided as follows:

1. Departments concerned with Operations and Administration:

   - Loans & Investment Department consisting of three (3) Loan Officers with manager rank.

   - End-use Investigation and Information Department

   - Bureau Secretariat

   - Personnel

   - Legal

   - Regional Offices in Eastern and Western Turkey

2. Three Project Appraisal Departments, each headed by a Director

   - Engineering Department consists of 14 Engineers

   - Economic Research Department consists of 11 Professionals

   - Financial Analysis Department consists of 11 Financial Analysts

3. Departments concerned with Treasury and Financial Affairs:

   - Finance Department

   - Loan Disbursement Department

   - Securities Department

   - Collection of Arrears Department

   - Office Manager's Department

   - Cashier's Office

   - Internal Auditor's Office

TSKB OPERATING POLICIES

Guidelines concerning investments are contained in a statement of policies and practices adopted by TSKB in 1963 (please see Annex 3). This includes the following provisions:

1. TSKB's financing may be in the form of loans, participations, or both; the last is preferable in appropriate circumstances. Wherever possible, the client should provide at least 50 % of his capital.

2. TSKB lends foreign exchange only for imports of equipment.

3. Equity participation in any one company shall not exceed 10 % of TSKB's own equity.

4. TSKB's interest in any particular company shall not exceed 25 % of the share capital of that company.

5. Total commitments to one company is restricted to 10 % of TSKB's total assets.

PROJECT LOAN PROCEDURES

1. The prospective borrower goes to the Bureau Secretariat and contacts a Loans & Investment Officer for preliminary talks on his project proposal.

2. The prospective borrower is asked to fill an Application Form/ Questionnaire which is submitted to the Loans & Investment Officer.

3. After careful consideration, if the Loans & Investment Officer formally accepts the application, then the application is officially considered.

4. The Project File is referred to the Investigation & Information Department to check the credit worthiness of the prospective borrower.

5. The Project File is routed to the Engineering Department for a technical appraisal of the project. The following items are checked:

    - proforma invoices

    - machinery & equipment (is it new? check prices) (only new equipment is financed by TSKB)

   The technical cost is calculated, as well as the technical profitability and (technical) working capital requirements. Comments are made on the suitability of plant location and the technical cost of the project. These findings are put together in an Engineering Report.

6. The Engineering Report together with the Project File is routed next to the Economic Research Department. The project's economic and marketing aspects are then examined and summarized in an Economic Research Report.

7. The Project File plus the separate reports from Engineering and Economic Research departments are forwarded to the Financial Analysis Department. The commercial cost of the project, the working capital requirements including proforma balance sheets, cash flow projections, profitability and sources of financing are embodied in a Final Report.

8. During all these examinations in the three appraisal departments, the Loans & Investment Officer keeps tab of the progress of the project with both the entrepreneur and the departments concerned for coordination and to facilitate the flow of the file. His responsibility extends up to the formal signing of the Loan Agreement.

9. All the above reports are finally sent to the Loans & Investment Officer. He makes a consolidated project report but in practice, arranges to make the Financial Report both a summary and a final report.

10. The final Project Appraisal report is brought to the Loan Committee composed of the following members:

    - all three Assistant General Managers
    - three appraisal department directors (Engineering, Economic Research and Financial Analysis departments)
    - Loans & Investment Officer concerned
    - Chief of the Bureau Secretariat
    - General Manager

    During the discussions on the project, minority views are entertained. Recommendations of the Loan Committee are forwarded to the Board of Directors.

11. The Board of Directors act on the recommendations of the Loan Committee. Its decisions are final.

12. After approval of the project proposal, the Operations and Investment department, with the assistance and cooperation of the Legal Adviser, prepares the Loan Agreement.

13. Disbursements are made by the Loan Disbursement department.

14. End-use check and project follow-up is effected by the Investigation and Information department.

DISTRIBUTION OF TSKB LOANS BY INDUSTRY
(As at 31 December 1965)

Industry Classification	TL '000	%
Textile & Apparel	176,985	20.85
Stone/Earthenware/Glass/Ceramics	153,949	18.14
Food & Food Products	122,972	14.49
Metal Smelting	106,644	12.56
Chemicals	71,746	8.45
Metal Goods	52,519	6.19
Machinery & Mechanical Equipment	45,328	5.34
Timber & Wood Products	26,908	3.17
Beverages	13,277	1.56
Transport Vehicles	12,686	1.49
Rubber Goods	11,133	1.31
Wood Pulp & Paper Products	7,562	.89
Repair & Maintenance Shops	6,874	.81
Printing & Publishing	5,734	.68
Coal & Petroleum Products	3,006	.35
Leather & Leather Products	2,681	.32
Mining	2,057	.24
Miscellaneous	26,793	3.16
TOTAL	848,854	100.00 %

EQUITY INVESTMENTS BY TSKB

Up to the end of 1965, TSKB investments from its own resources in 18 companies amounted to TL 43.0 million. Using TL 52.0 million from the Capital Participation Fund, TSKB particupated in 22 other enterprises. During the year 1965, equity participations amounting to TL 13.6 million were approved. Equity investments were made in a variety of industries corresponding roughly to the distribution of loans in industry.

PERSONNEL TRAINING

Largely because of its seniority among development finance companies and also because of its close liaison with the government, most officials and senior staff members have received training at the Economic Development Institute of IBRD/IFC.

Many of its staff members have participated in periodic regional conferences among development finance companies in the Middle East region. In addition, a good number among its staff members have made study and observation visits of several months duration among development finance companies in the same region and in both the World Bank and IFC.

FINANCIAL RESULTS

Addition to reserves during 1965 are likely to increase TSKB's equity base from about TL 70 million at the beginning of the year to about TL 80 million by year's end, allowing for long-term debts of about TL 320 million.

The Balance Sheets of TSKB over the past three years are summarized in Annex 1. For the same period, the Income and Expense Statements are summarized in Annex 2.

DIVIDENDS

Since 1954, a dividend of 12 %, the maximum rate allowed by TSKB's statutes, have been paid annually. In 1964, this dividend amounted to TL 6.34 million representing a payout of 53.3 % of net profits after taxes. In 1965, dividends paid out amounted to TL 6.36 million.

TSKB SUMMARY BALANCE SHEETS
(In Thousand Turkish Liras)

	1963	1964	1965
ASSETS			
Cash	15,029	5,652	2,866
Accounts Receivable	7,504	4,627	4,321
Accrued Interest & Charges	12,263	11,973	11,891
Temporary Investments	5,221	7,605	8,734
Prepaid Expenses	211	391	459
Operational Funds	40,228	30,248	28,271
Loans:			
Short-term credits	40,859	24,189	19,337
Long-term loans in TL	12,439	9,689	7,377
Long-term loans in foreign currencies	114,857	145,749	178,060
	168,155	179,627	204,774
Less: Reserve for expected losses on receivables	-	5,691	4,433
Loans (net)	168,155	173,936	200,341
Investments:			
Shareholdings in Enterprises at cost	35,858	38,476	42,254
Property & Equipment, at cost less depreciation	3,508	3,598	7,227
Total Assets	247,749	246,258	278,093
Administered Funds	234,864	320,676	-
	482,613	566,934	278,093

TSKB SUMMARY BALANCE SHEETS
(In Thousand Turkish Liras)

	1963	1964	1965
LIABILITIES			
Bank Borrowings	16,043	2,200	9,774
Accounts Payable	10,809	7,359	5,915
Accrued Interest	1,444	1,467	1,537
Accrued Taxes	7,165	6,322	4,418
Dividend Payable	3,457	6,338	6,364
Operational Liabilities	38,918	23,686	28,008
Long-Term Debt:			
Bonds Issued	12,944	10,229	7,386
IBRD Loan	64,625	46,657	27,768
DLF Loan	57,283	48,683	31,401
IDA Credit	4,493	46,710	103,088
AID Loan	-	-	4,345
Total Long-Term Debt	139,345	152,279	173,988
Capital Shares & Surplus:			
100 Founders' Shares	-	-	-
250,000 ordinary shares (TL 100 par)	25,000	25,000	25,000
50,000 ordinary shares (TL 500 par)	25,000	25,000	25,000
Legal Reserves	5,005	5,982	6,994
Reserve for future losses	2,851	3,285	3,742
Extraordinary Reserve	3,292	5,624	7,959
General Provision	8,338	5,402	7,402
Total Capital Stock & Surplus	69,486	70,293	70,097
Liability to Turkish Government for Administered Funds	234,864	320,676	
	482,613	566,934	

TSKB SUMMARY INCOME & EXPENSE STATEMENTS

(In Thousand Turkish Liras)

	1963	1964	1965
INCOME			
Interest from Long-term Loans	11,774	12,155	13,573
Interest from Short-term Credits	4,433	3,993	1,620
Income from Investments	3,047	5,122	7,852
Profit on Sale of Investments	-	107	425
Commissions for Banking Services	3,334	3,641	3,193
Service Fees on Managed Funds	6,078	7,416	7,556
Other Income	1,006	722	936
Total Income	29,672	33,156	35,155
EXPENSES			
Interest on Bank Borrowings	1,604	1,333	500
Interest on Long-term Debt	6,928	6,781	7,377
Taxes, dues and Fees	1,041	2,165	2,140
Personnel Expenses	4,371	4,842	5,556
General and Office Expenses	1,152	1,025	1,235
Depreciation of Property	145	173	184
Other Expenses	85	462	559
Total Expenses	15,326	16,781	17,551
Net Income before Provisions and Taxation	14,346	16,375	17,604
Provision for Expected Losses on Receivables	-	553	2,156
General Provision*	3,000	3,000	2,500
Net Income Before Tax	11,346	12,822	12,948
Tax	4,760	4,437	4,341
Net Income	6,586	8,385	8,607

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* As permitted by the Turkish Commercial Code, the general provision is charged to income at the end of each year, in an amount which will leave reported distributable income at a level considered by the Board to be appropriate for the circumstances. Since this represents an appropriation of income, reported net income is understated by the amount of the provision.

TURKIYE SINAI KALKINMA BANKASI A. S.

STATEMENT OF OPERATIONAL POLICIES
(Approved by the Board of Directors in June 1950)

1. The Industrial Bank is a private institution which, though it will consider the Government's plans for the national economy, will make decisions on the basis of what is best for the health and activity of private enterprises.

2. The factor of primary importance in the Industrial Bank is not its financial resources but the technical services through which its financial aid will be made effective.

3. The Bank should have a first-class technical staff whose head and nucleus must be sought abroad. It will make investments only after full examination of applications by this staff.

4. In selecting enterprises to be financed, the Bank will observe the following criteria:

a. Production of goods of benefit to the turkish economy;

b. Soundness of the enterprise;

c. Quick realization and profitableness of the enterprise; and

d. Desirability of geographical distribution of investment.

5. The Bank will keep its interest rate as low as possible consistent with the payment of its dividends and the accumulation of necessary reserves. It may also charge a percentage of the profits of the financed enterprise in return for the services of its technical staff.

6. The Bank's financing may be in the form of loans, participations, or both; the last is preferable in appropriate circumstances. Wherever possible, the client should provide at least 50 per cent of his capital.

7. The Bank will lend foreign exchange only for imports of equipment. In order to make best use of its foreign exchange, it should seek, insofar as possible, to apply for use of the Government's own foreign exchange resources.

8. The Bank will obtain adequate security on its loans; require the keeping of adequate records and the use of sound accounting procedures; and obtain rights of inspection and audit and, in the event of faulty management, of intervention in the enterprises it finances.

9. The Bank will seek to sell its participations to the widest public and at the earliest moment practicable.

10. The Bank will seek to interest foreign capital in investment in Turkey.

11. The Bank should use its influence in trying to improve government administration relating to business so as to better the working conditions and so the confidence of all private enterprise.

In March 1963 the Board passed the following new policy resolutions:

1. For the purpose of avoiding unnecessary duplications of investment in the public and private sectors the Bank will keep regular and continuous contact with the State Planning Organization through the Economic Research Department.

2. In order to ensure a widespread distribution of its investment risks, the Bank will follow the following policies:

a. At any one time not more than 10% of the Bank's assets would be invested in any one company, the amounts invested to include loans, shares and investments in any other form.
b. The Bank would not acquire ordinary or common shares of any one company if thereby the total cost of such shares held exceeds 10% of the Bank's own equity.
c. The Bank would not hold shares in any one company in a nominal amount of more than 25% of the company's subscribed capital.
d. The aggregate value of shares held by the Bank would not exceed an amount equivalent to the Bank's share capital and reserves.

The provisions of b, c, and d do not apply to shares received in exchange for debit in a liquidation or reorganization or to conversion of debt into shares necessary to protect the Bank's interests.

This resolution will not be amended without the prior consent of IDA.

3. The economic criteria to be applied on investment loans is amended as follows:

Priority shall be given to projects which:

a. have a positive influence on the balance of payments of Turkey, or
b. have a high ratio of value added to investment, or
c. promise reduction in costs and selling prices and/or improvement in the quality of products, or
d. are of importance from the standpoint of the realization of the production targets set forth in the Development Plan.

4. a) After submission of the final project to the Bank, if there is an increase in the investment loan the General Management is authorized to grant a supplementary loan not exceeding LT 150,000, or its equivalent in foreign currency and up to 10% of the original project.

b) The General Management is also authorized to grant a new investment loan up to LT 150,000, or its equivalent in foreign currency if the project is in conformity with the general criteria and economic priorities accepted by the Board of Directors.

Information will be given to the Board by the end of each month on the number and amounts of loans granted by the General Management.

5. The management fee of the Marshall Plan Private Enterprise Fund is reduced from 4% to 3%.

6. The number of experts in the Financial Analysis Department is increased from 7 to 14, in the Engineering Department from 10 to 15 and in the Economic Research Department from 8 to 11.

INTERNATIONAL FINANCE CORPORATION (IFC)

HISTORY, PURPOSE AND SCOPE OF ACTIVITIES

The International Finance Corporation (IFC) is an investment institution established in 1956 by its member governments to assist the industrial development of its less-advanced member countries through investments in productive private enterprise. After the World Bank had been in operation for sometime, it was felt that its activities did not sufficiently satisfy all the needs of development financing. Under IBRD's charter, it could only grant loans to governments or, in case of loans to non-governmental borrowers, must be made under government guarantee. The situation did not permit private enterprise to avail of IBRD's financial resources directly. IBRD financing was generally limited to loans, not including equity investments. In addition, IBRD did not provide funds for meeting local currency needs. Because of the importance of stimulating private enterprise for rapid economic growth, particularly in less developed areas, it was decided to create IFC in 1956 as an affiliate of the World Bank.

The scope of IFC's activities are designed to supplement the activities of IBRD by providing financial assistance through subscription of capital stock, through a combination of stock subscriptions and loans, or through loans with equity or other special features. IFC carries out its objectives through the following measures:

a. in association with private investors, without government guarantee of repayment, investments are made in cases where sufficient private capital is not available on reasonable terms. IFC, however, does not compete with private capital;

b. promote joint ventures by bringing together domestic and foreign investors as well as experienced management and technical know-how;

c. provide underwriting facilities for public issue of shares of companies in the private sector in association with local financial institutions;

d. develop sound and broad-based capital markets in under-developed countries; and

e. help establish or reorganize industrial finance companies on a broad basis of private ownership so that these institutions may be independently operated and financially viable.

IFC's FINANCIAL POSITION (at end of fiscal year 1964-1965)

Funds Available	In Millions of US Dollars Fiscal Year 1964/1965	Cumulative up to 30 June 1965
Capital (paid-in)	-	99.0
Net Income	3.0	22.0
Net Profits on Sale of Investment	0.3	1.6
Net Other Losses	(0.4)	(0.5)
Repayment of Investments	3.0	9.0
Sales of Investments	7.1	29.5
Securities Acquired *	6.0	13.4
Total Funds Available	19.0	174.0
Gross Commitments Made	26.0	137.4
Less Cancellations/Terminations	2.9	11.2
Less Exchange Adjustments	0.4	0.4
Net Commitments Made	22.7	125.3
Uncommitted Funds	(3.7)	48.2

IFC MANAGEMENT AND STAFF
(Please refer to Chart No. 7 for IFC's organizational structure)

The President of IBRD serves ex officio as Chairman of the Board of IFC, and has been appointed by the Executive Directors of IBRD to be President of IFC. IFC's operational affairs are managed by an Executive Vice President with an operational staff organized into eleven (11) departments as follows:

- Two (2) separate Departments of Investments, each headed by a Director:
  - o One for Latin America, Europe and Australasia
  - o Another for Africa, Asia and the Middle East

- Development Finance Companies Department : headed by a Director
- Engineering Department : headed by a Director
- Legal Department : headed by the General Counsel
- Treasurer's Department : headed by IBRD's Treasurer
- Administration Department : headed by IBRD's Director of Administration
- Office of the Secretary : headed by IBRD's Secretary
- Office of Information : headed by IBRD's Director/ Office of Information
- European Office : headed by a Director
- New York Office : headed by a Director

In addition there are two advisers to top management, one a Special Adviser and the other an Accounting Adviser.

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* Acquisition by others of securities covered by standby and underwriting commitments.

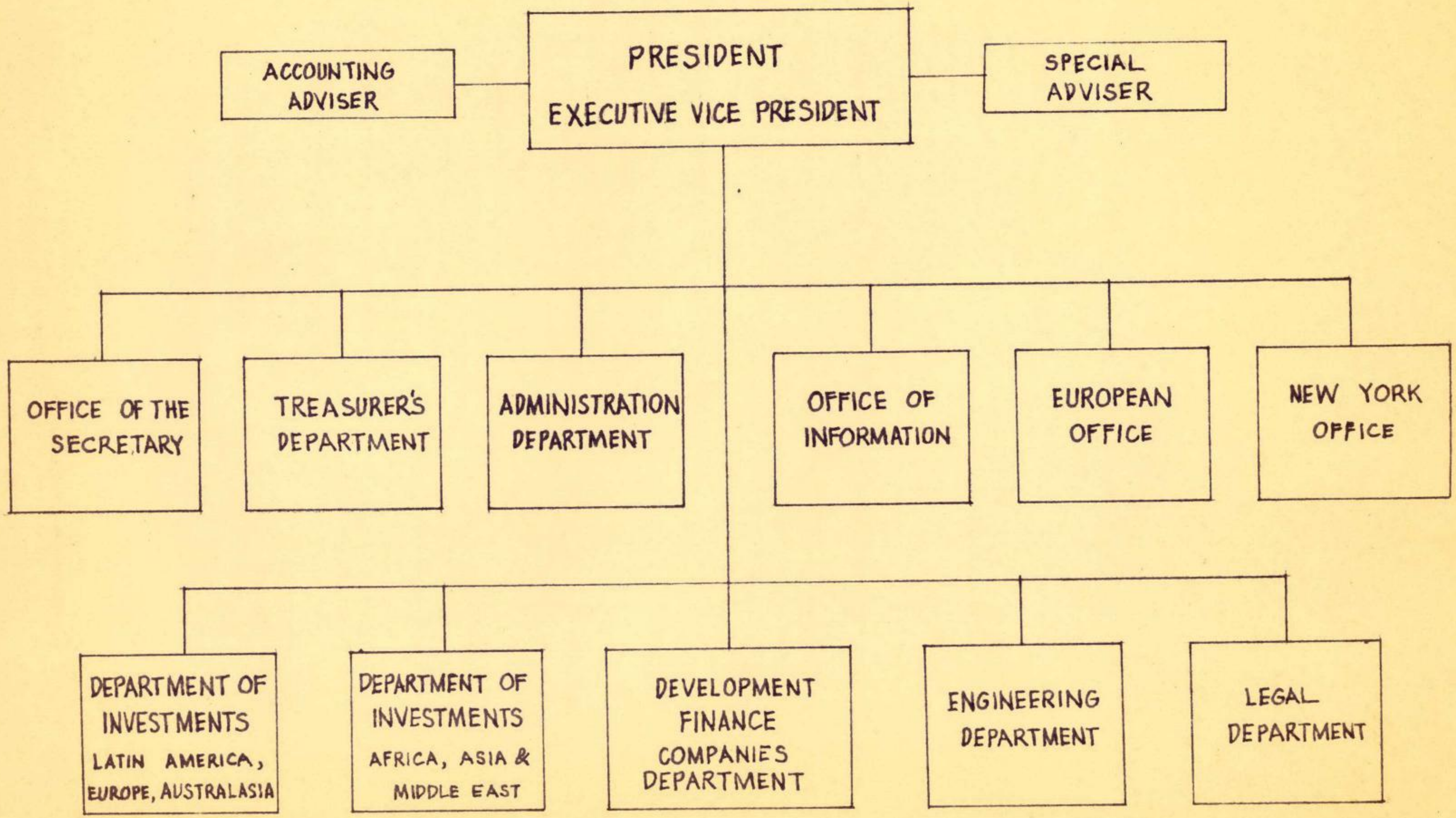

CHART NO. 7 IFC ORGANIZATION CHART

ANNEX 1: IFC SUMMARY BALANCE SHEET (as at 30 June 1965)

ASSETS		US Dollars
Due from Banks		512,114
Investments		
U.S. Government Obligations	53,484,928	
Time Deposits	9,500,000	
Accrued Interest	971,328	63,956,256
Effective Loans & Equity Investment Held		
Loans	41,635,635	
Equity	21,069,684	62,705,319
Accrued Income on Loans, Equity Investments and Underwriting		919,003
Receivables		2,031,166
Other Assets		46,760
TOTAL ASSETS		$130,170,618
LIABILITIES, RESERVE AND CAPITAL		
Liabilities		
Accounts Payable, etc.		131,557
Undisbursed Balance of Effective Loans and Equity Investment		7,851,249
Reserve Against Losses		23,140,812
Capital		
98,964 Subscribed Shares at $1,000 par value each		98,964,000
Payment on Account of Pending Subscription		83,000
TOTAL LIABILITIES, RESERVE AND CAPITAL		$130,170,618

ANNEX 2: IFC SUMMARY STATEMENT OF INCOME & EXPENSES
(For Fiscal Year Ended 30 June 1966)

INCOME	US Dollars
Income from U.S. Government Deposits	2,489,886
Income from Loans, Equity Investments, Standby & Underwriting Commitments	3,241,837
Other Income	1,196
Gross Income	$5,732,919
EXPENSES	
Administrative Expenses	
Personnel Services	1,419,011
Contribution to Staff Benefits	209,758
Fees and Compensation	130,025
Travel	543,109
Representation	32,080
Furniture & Equipment	43,579
Books & Library Services	22,675
Printing	41,122
Insurance	11,035
Supplies & Materials	18,639
Office Occupancy	167,435
Communication Services	82,238
Other Expenses	801
Gross Expenses	$2,725,507
NET INCOME (allocated to Reserve against Loss)	$3,007,412

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)
(Also known as the WORLD BANK)

HISTORY AND PURPOSE

IBRD was conceived during the years of World War II by the economic and financial experts of the allied nations to meet the tremendous economic problems of peace after the war. Considerable discussions were carried out for three years up to 1944 resulting in broad outlines for the establishment of two complimentary financial institutions:

* The International Monetary Fund (IMF): designed to promote international currency stability by -

  - assisting in financing its members temporary balance of payments deficits

  - providing for the professional elimination of currency exchange restrictions

  - observance of accepted rules of conduct in international finance.

* The IBRD, popularly known as the World Bank -

  - designed to help finance the reconstruction and development of its member countries.

A United Nations Monetary and Financial Conference was convened on 1 July 1944 at Brotton Woods, New Hampshire, U.S.A., with representatives from 44 countries to consider proposals for the establishment of these institutions. The final drafts of the "Articles of Agreement" for both IMF and IBRD were completed three weeks later for the consideration and acceptance of the participating nations. The Articles of Agreement of IBRD were formally accepted on 27 December 1945 by a majority of the governments of the conference-participants. On 25 June 1946, IBRD actually started operations.

IBRD was created as an international investment institution authorized to grant or guarantee loans for productive reconstruction and development projects both through the use of its own capital resources as well as the mobilization of private capital. All these would be designed with a financial structure under which the risk of such investments would be shared by all member-governments, roughly according to their economic strength. Thus, IBRD was established as an inter-governmental institution, in corporate form, whose capital stock is owned entirely by its member-governments.

Originally, IBRD's authorized capital was equivalent to US$21 billion. Of this amount, $20.7 billion was subscribed of which only one-tenth was actually paid-in. It was understood that if IBRD needed to meet its obligations which may arise out of borrowings or guarantees, the nine-tenths balance of its capital would be subject to call. By July 1964, the total subscribed capital of IBRD amounted to US$21,186 million. However, of this amount, only the equivalent of US$2,119 million had been actually paid in, partly in dollars, local currencies or gold. The remainder is still subject to call under the original conditions stated earlier.

IBRD LOAN OPERATIONS POLICIES

The lending operations of IBRD are carried out on the basis of three main considerations:

1. that the borrower will be in a position to repay the loan;

2. that the project or programme to be financed will be of such benefit to the economy as to justify the lending of foreign exchange in the amounts required; and

3. that the project itself is well-designed and feasible to execute.

The required investigations and appraisals on the proposed project or programme is carried out by IBRD's staff prior to the negotiation of the loan. During and after disbursement of the loan itself, the project is visited periodically by IBRD's technical staff in much the same fashion as the follow-up or end-use check procedures of development finance companies. Project supervision is continued during the operation of the project and throughout the life of the loan.

The interest rates charged by IBRD is based in the rate which IBRD itself would have to pay to borrow money at the time the loan is made, plus a 1% annual commission charge which is allocated to a Special Reserve. In actual practice, the interest on long-term loans of IBRD over the last five years varied from 5% to 6-1/4% due to the changes in money rates in the main capital markets where IBRD sells its own bonds. However, no distinction is made between borrowers as regards the interest rate to be charged. IBRD loans average a term of 15 years, but in general, this is dependent upon the type or character of the particular project to be financed.

IBRD STAFF ORGANIZATION
(Please refer to Chart No. 8 for IBRD's organizational structure)

The revised organizational structure of IBRD is divided as follows:

1. A Vice President & Chairman of the Loan Committee responsible for operations in five (world) area departments (Africa, Europe and Middle East, Far East, South Asia and Western Hemisphere), each of which is headed by a Director. These five area departments are each responsible for performing the following main functions within their respective areas, with the assistance of other IBRD departments:

- develop plans for loans, missions and related operations;

- examine loan applications and negotiate and administer loans;

- appraise development programmes;

- follow economic developments in and assess credit worthiness of member countries;

- coordinate preparation of operational, economic and technical reports on loan operations;

- plan and direct technical assistance activities, in consultation with the Development Services Department;

- negotiate releases of local currency capital subscriptions.

2. A Vice President & Director of the Projects Department. The Projects Department is responsible for assessing the merits of projects (non-industrial) proposed to IBRD for financing and of following the progress of projects financed by the Bank. It is also responsible for investigating and appraising specific fields of economic development in member-countries and following developments in various specific fields of interest to IBRD.

3. A Vice President responsible for the Treasurer's Department, the Office of the Secretary, the Office of Information, the Economic Development Institute and both the New York and European offices.

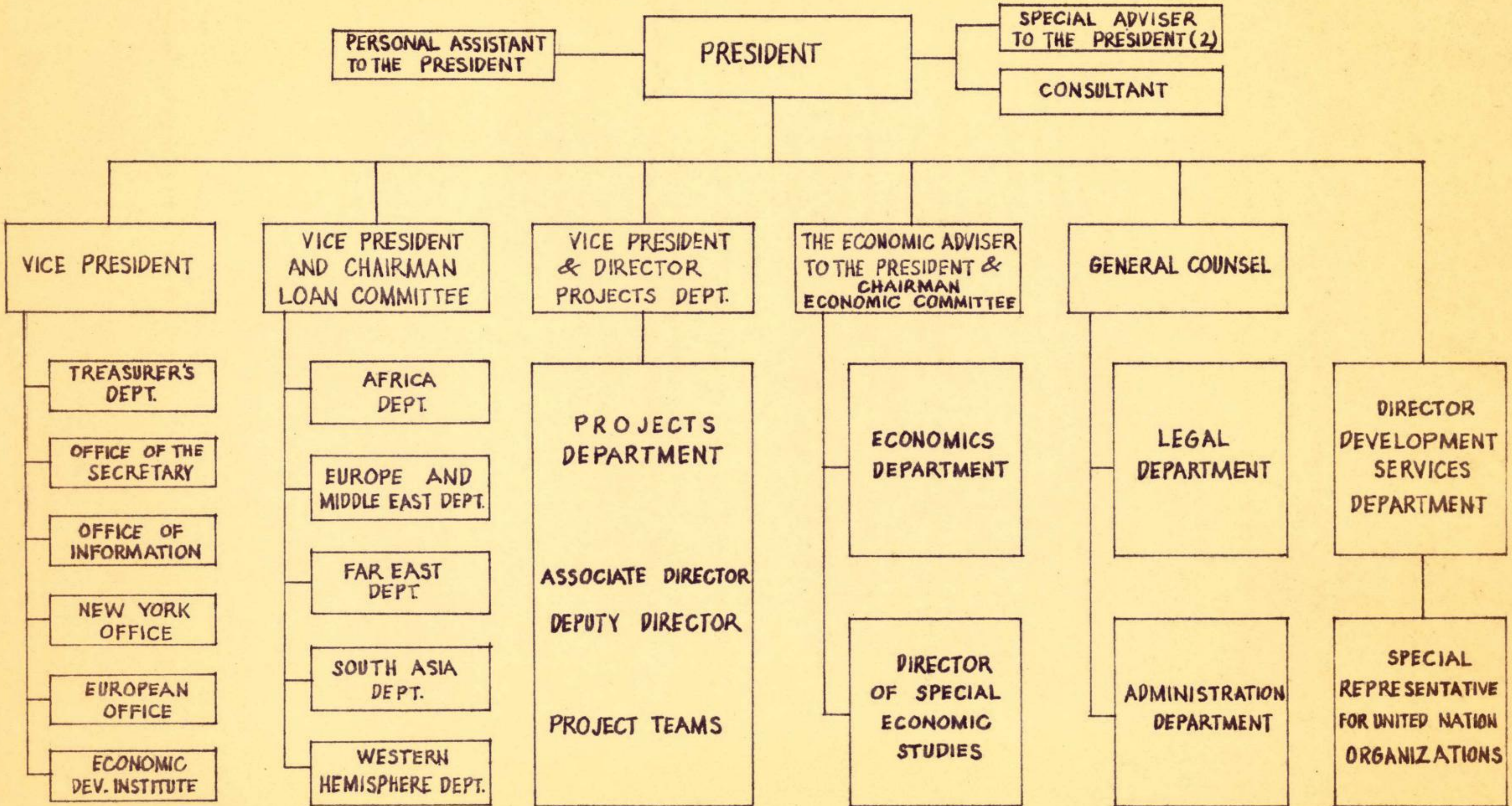

Chart No. 8

CHART NO. 8 · IBRD ORGANIZATION CHART

4. The Economic Adviser to the President and Chairman of the Economic Committee who is responsible for the following:

- advise and reports on general economic problems and on general aspects of IBRD's economic approach to its operations;

- preparation of general economic and financial studies including studies on foreign debt, investment and commodity price trends;

- furnish statistical services.

He is assisted by a Director who heads the Economic Department and a Director of Special Economic Studies.

5. A General Counsel who looks after the following departments:

- Legal Department: responsible for legal matters relating to all aspects of IBRD's operations;

- Administration Department: provides administrative services and supplies, including personnel matters, general files and records, translation service and conducts internal audits.

6. A Director for the Development Services Department who is responsible for the coordination of technical assistance by IBRD to member-countries and maintaining liaison with the United Nations and other international organizations.

Supplement A

WORLD BANK, IFC AND IDA FINANCING OF DEVELOPMENT FINANCE COMPANIES
(Equivalent in US$ Millions, as of 30 June 1964)

Beneficiary	IBRD Loans Number	IBRD Loans Amount	IFC Investments	IDA Credits
AUSTRIA				
Osterreichische Investitionskredit A. G.	3	23.3	-	-
CHINA				
China Development Corporation	-	-	-	5.0
COLOMBIA				
a. Corporacion Financiera Colombiana (CFC)	-	-	2.0	-
b. Corporacion Financiera Nacional (CFN)	-	-	2.0	-
c. Corporacion Financiera de Caldas	-	-	0.7	-
ETHIOPIA				
Development Bank of Ethiopia (DBE)	2	4.0	-	-
FINLAND				
The Industrialization Fund of Finland (Teollistamisrahasto Oy)	1	7.0	0.3	-
INDIA				
Industrial Credit and Investment Corporation of India Ltd.	5	89.9	-	-
IRAN				
Industrial and Mining Development Bank of Iran	1	5.2	-	-
MALAYSIA				
Malaysian Industrial Development Finance Ltd.	1	8.0	1.3	-
MOROCCO				
Banque Nationale pour le Developpement Economique	1	15.0	1.5	-
NIGERIA				
Nigerian Industrial Development Bank	-	-	1.4	-

Beneficiary	IBRD Loans Number	IBRD Loans Amount	IFC Investments	IDA Credits
PAKISTAN				
Pakistan Industrial Credit and Investment Corporation Ltd.	5	79.1	0.4	-
PHILIPPINES				
Private Development Corporation of the Philippines	1	15.0	4.4	-
SPAIN				
Banco del Desarrollo Economico Español, S.A.	-	-	0.3	-
THAILAND				
Industrial Finance Corporation of Thailand	1	2.5	0.2	-
TURKEY				
Industrial Development Bank of Turkey	2	17.5	0.9	5.0
VENEZUELA				
C.A. Venezolana de Desarrollo (Sociedad Financiera)	-	-	1.3	-
TOTALS (Columns may not add to totals due to rounding)	23	266.6	16.7	10.0

CURRENCY SYMBOLS & EQUIVALENTS USED IN THIS REPORT

One U.S. Dollar (US$1.00) is equivalent to any of the following:

DM	4.00	:	Deutsche Mark/West Germany
M$	3.00	:	Malayan Dollars/Malaysia & Singapore
NT$	40.00	:	New Taiwan Dollars/Republic of China
Rls	75.00	:	Iranian Rials/Iran
Rs	4.76	:	Indian Rupees/India
TB	20.00	:	Thai Baht or Ticals/Thailand
TL	9.00	:	Turkish Liras/Turkey

Other Quick Currency Conversions:

Country	Unit/Amount	Equivalent US $
CHINA	NT$ 1,000,000	US$ 25,000
WEST GERMANY	: DM 1,000,000	250,000
MALAYSIA	M$ 1,000,000	333,333
INDIA	Rs 1,000,000	210,000
IRAN	Rls 1,000,000	13,300
THAILAND	TB 1,000,000	50,000
TURKEY	TL 1,000,000	111,000

Supplement C

PHYSICAL LOCATION OF VARIOUS DEVELOPMENT FINANCE COMPANIES

Institution/Country	Housed in	Postal Address
CDC/China	CDC Building in downtown Taipei	181-5 Chung Shan Road North, 2nd Section Taipei, TAIWAN
ICICI/India	ICICI Building (shared with a pharmaceutical company) in Bombay's business section	165 Backbay Reclamation Bombay 1, INDIA
IMDBI/Iran	IMDBI Building in Embassy row	P.O. Box 1801, Tehran, IRAN
IFTC/Thailand	IFCT Building in downtown Bangkok	491 Silom Road, Bangkok, THAILAND
MIDFL/Malaysia	in 3 floors of a building in downtown Kuala Lumpur (shared with the British Information Services)	Bangunan Hwa-li 63-65 Jalan Ampang Kuala Lumpur MALAYSIA
TSKB/Turkey	in 2 buildings (one owned; another leased). New building under construction	Istanbul, Karakoy P.O.B. 17 TURKEY

PUBLICATION OF POLICY STATEMENTS BY VARIOUS DEVELOPMENT FINANCE COMPANIES

CDC/China	:	"Statement of Policies" approved by the Board of Directors on November 4, 1964 and amended on November 25, 1965.
MIDFL/Malaysia	:	"Statement of Policies and Procedures" (adopted by the Board of Directors in August 1963)
IFCT/Thailand	:	"Statement of Operating Policies" (adopted by the Board of Directors on December 23, 1963)
TSKB/Turkey	:	"Statement of Operational Policies" (adopted by the Board of Directors in June 1950)

Note: The policy statements of the above development finance companies are appended to the section on each institution in this report.

ICICI/India	:	No definitive statement of policies have ever been published.
IMDBI/Iran	:	No definitive statement of policies have ever been published.