THIS FILE IS CLOSED AS OF 31 JULY 1970
FOR FURTHER CORRESPONDENCE PLEASE SEE VOL. V

RECORDS MANAGEMENT SECTION
Dear Mr. Shin,

According to your request, we are sending you the BNB income statements for 1967 and 1968, as we have done previously for 1969, so that you may complete your table on comparative operational ratios of development finance companies.

Always with pleasure at your service, believe us

Cordially yours

Enclosure

Mr. B.H.Shin
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Development Finance Companies
1818 H Street,N.W.,
Washington, D.C. 20433
UNITED STATES OF AMERICA
## Income Statement Form

### 1967

#### Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans</td>
<td>28,224,325.16</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments</td>
<td>43,635,379.04</td>
</tr>
<tr>
<td>3. Income on Equity Investments</td>
<td></td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee fees and Letters of Credit fees</td>
<td></td>
</tr>
<tr>
<td>5. Income from Subsidiary Company</td>
<td>1,223,647.80</td>
</tr>
<tr>
<td>6. Other</td>
<td></td>
</tr>
</tbody>
</table>

### Total Income

<table>
<thead>
<tr>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>73,793,792.00</td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest and Other Charges on Term Debt</td>
<td>2,672,782.24</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-term Debt</td>
<td>1,751,558.11</td>
</tr>
<tr>
<td>3. Write-offs from Loans and Investments</td>
<td></td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td>2,877,618.24</td>
</tr>
<tr>
<td>5. Other Financial Expenses</td>
<td>30,677,677.49</td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td>25,812,476.33</td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>4,714,201.48</td>
</tr>
<tr>
<td>b. Other Administrative Expenses</td>
<td></td>
</tr>
</tbody>
</table>

### Total Expenses

<table>
<thead>
<tr>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>37,687,041.98</td>
</tr>
</tbody>
</table>

#### Net Profit before Taxes

<table>
<thead>
<tr>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>36,406,750.02</td>
</tr>
</tbody>
</table>

#### Provision for Income Tax

<table>
<thead>
<tr>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>72,757.62</td>
</tr>
</tbody>
</table>

#### Net Profit

<table>
<thead>
<tr>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>36,336,992.40</td>
</tr>
</tbody>
</table>

#### Appropriation of Net Profit:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to General (Legal) and other Free Reserves</td>
<td>12,147,429.89</td>
</tr>
<tr>
<td>Transfer to Reserves for Losses on Loans and Investments</td>
<td>9,084,248.10</td>
</tr>
<tr>
<td>Provision of Dividends</td>
<td>3,463,351.79</td>
</tr>
<tr>
<td>Unappropriated Surplus</td>
<td>24,219,552.11</td>
</tr>
</tbody>
</table>

### Notes:

1/ Income denotes not only interest but also commitment charges, study fees and all other fees and charges made on term loans and debentures.

2/ Term Loans (or Debt) means Loans (or Debt) maturing more than one year from the date of contract.

3/ Intermediate Investments are taken to mean short-term or temporary investments, including deposits, designed to utilize idle funds, e.g. Government securities and highly marketable private bonds and debentures. Compulsory investments in Government bonds are also included in this category for the sake of convenience.

(x) Inclusive participação dos funcionários no lucro e percentagem à Diretoria. Including participation of employees in the profits and percentage to members of the Board.
Consisting of dividends received on equity investments and capital gains before tax from sales of equity investments.

Consisting of dividends and other income including interest received from a subsidiary company.

All other income, e.g. gains from sales of property and general banking service charges not relating to lending operations, etc.

Including commitment charges and other charges directly relating to debt. Also including amortization of financial expenses incurred on the issue of bonds and debentures.

Including interest paid on deposits.

Other financial expenses not directly relating to the incurring of debt.

Including consultation fees, lawyers' fees, depreciation of fixed assets, amortization of establishment costs, etc.
## Income Statement Form

**Year:** 1968

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans(^1)/</td>
<td>65,222,189.28</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments(^2)/</td>
<td>47,708,170.11</td>
</tr>
<tr>
<td>3. Income on Equity Investments(^4)/</td>
<td></td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee Fees and Letters of Credit fees</td>
<td></td>
</tr>
<tr>
<td>5. Income from Subsidiary Company(^5)/</td>
<td>15,477,687.79</td>
</tr>
<tr>
<td>6. Other(^2)/</td>
<td></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>128,703,047.12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest and Other Charges(^2)/ on Term Debt(^2)/</td>
<td>3,152,390.92</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-term Debt(^6)/</td>
<td>2,825,093.08</td>
</tr>
<tr>
<td>3. Write-offs from Loans and Investments</td>
<td></td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td>10,103,490.33</td>
</tr>
<tr>
<td>5. Other Financial Expenses(^2)/</td>
<td>70,125,050.46</td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td></td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>51,927,361.76</td>
</tr>
<tr>
<td>b. Other Administrative Expenses(^10)/</td>
<td>18,127,688.79</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>86,211,014.79</td>
</tr>
</tbody>
</table>

Net Profit before Taxes: 42,492,092.23
Provision for Income Tax: 35,133.47
Net Profit: 42,406,992.06

Appropriation of net profit:
- Transfer to General (Legal) and other Free Reserves: 13,635,145.60
- Transfer to Reserves for Losses on Loans and Investments: 10,601,724.74
- Provision of Dividends (\(x\)): 3,213,420.96
- Unappropriated Surplus: 28,551,753.46

\(^1\) Income denotes not only interest but also commitment charges, study fees and all other fees and charges made on term loans and debentures.

\(^2\) Term Loans (or Debt) means Loans (or Debt) maturing more than one year from the date of contract.

\(^3\) Intermediate Investments are taken to mean short-term or temporary investments, including deposits, designed to utilize idle funds, e.g. Government securities and highly marketable private bonds and debentures. Compulsory investments in Government bonds are also included in this category for the sake of convenience.

\(x\) Inclusive participação dos funcionários no lucro e percentagem à Diretoria.
1/ Consisting of dividends received on equity investments and capital gains before tax from sales of equity investments.
2/ Consisting of dividends and other income including interest received from a subsidiary company.
3/ All other income, e.g. gains from sales of property and general banking service charges not relating to lending operations, etc.
4/ Including commitment charges and other charges directly relating to debt. Also including amortization of financial expenses incurred on the issue of bonds and debentures.
5/ Including interest paid on deposits.
6/ Other financial expenses not directly relating to the incurring of debt.
7/ Including consultation fees, lawyers' fees, depreciation of fixed assets, amortization of establishment costs, etc.
### Income Statement Form

#### Income

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans</td>
<td>91,699.458.93</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments</td>
<td>70,676.255.60</td>
</tr>
<tr>
<td>3. Income on Equity Investments</td>
<td></td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee fees and Letters of Credit fees</td>
<td></td>
</tr>
<tr>
<td>5. Income from Subsidiary Company</td>
<td>26,118.111.35</td>
</tr>
<tr>
<td>6. Other</td>
<td></td>
</tr>
</tbody>
</table>

**Total Income**

188,394.012.72

#### Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest and Other Charges on Term Debt</td>
<td>4,457.511.06</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-term Debt</td>
<td>1,477.628.00</td>
</tr>
<tr>
<td>3. Write-offs from Loans and Investments</td>
<td></td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td>27,522.640.88</td>
</tr>
<tr>
<td>5. Other Financial Expenses</td>
<td>5,996.606.77</td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td>77,582.578.81</td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>55,505.688.35</td>
</tr>
<tr>
<td>b. Other Administrative Expenses</td>
<td>22,076.990.46</td>
</tr>
</tbody>
</table>

**Total Expenses**

116,994.299.12

#### Net Profit before Taxes

71,399.713.60

#### Provision for Income Tax

4,340.176.08

#### Net Profit

71,059.537.52

#### Appropriation of net profit:

- Transfer to General (Legal) and other Free Reserves
  - Transfer to Reserves for Losses on Loans and Investments
  - Provision of Dividends

39,976.724.55

**Unappropriated Surplus**

31,082.812.97

---

1/ Income denotes not only interest but also commitment charges, study fees and all other fees and charges made on term loans and debentures.

2/ Term Loans (or Debt) means Loans (or Debt) maturing more than one year from the date of contract.

3/ Intermediate Investments are taken to mean short-term or temporary investments, including deposits, designed to utilize idle funds, e.g. Government securities and highly marketable private bonds and debentures. Compulsory investments in Government bonds are also included in this category for the sake of convenience.

(x) Inclusive participação dos funcionários no lucro e percentagem à Diretoria.
Consisting of dividends received on equity investments and capital gains before tax from sales of equity investments.

Consisting of dividends and other income including interest received from a subsidiary company.

All other income, e.g. gains from sales of property and general banking service charges not relating to lending operations, etc.

Including commitment charges and other charges directly relating to debt. Also including amortization of financial expenses incurred on the issue of bonds and debentures.

Including interest paid on deposits.

Other financial expenses not directly relating to the incurring of debt.

Including consultation fees, lawyers' fees, depreciation of fixed assets, amortization of establishment costs, etc.
### RECEITAS

<table>
<thead>
<tr>
<th>Receita</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Receitas de Empréstimos de Longo Prazo</td>
<td>28,934,725,16</td>
<td>34,223,289,28</td>
<td>32,649,426,63</td>
</tr>
<tr>
<td>2. Receitas de Investimentos de Curto Prazo</td>
<td>43,695,539,04</td>
<td>47,708,970,13</td>
<td>70,636,265,40</td>
</tr>
<tr>
<td>3. Receitas de Investimentos Diretos</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Comissões sobre 'underwriting'</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Receitas de Companhias Subsidiárias</td>
<td>3,123,447,80</td>
<td>15,772,487,73</td>
<td>36,214,760,39</td>
</tr>
<tr>
<td>6. Outras Receitas</td>
<td>71,953,792,00</td>
<td>126,703,047,12</td>
<td>185,394,012,72</td>
</tr>
<tr>
<td><strong>Total das Receitas</strong></td>
<td><strong>71,953,792,00</strong></td>
<td><strong>126,703,047,12</strong></td>
<td><strong>185,394,012,72</strong></td>
</tr>
</tbody>
</table>

### DESPESAS

<table>
<thead>
<tr>
<th>Despesa</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Juros e Comissões por Débitos de Longo Prazo</td>
<td>2,672,762,24</td>
<td>3,352,390,92</td>
<td>4,457,511,66</td>
</tr>
<tr>
<td>2. Juros e Comissões por Débitos de Curto Prazo</td>
<td>1,731,656,11</td>
<td>2,835,408,08</td>
<td>1,277,668,00</td>
</tr>
<tr>
<td>3. Amortizações de Empréstimos e Investimentos</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Prejuízos</td>
<td>30,532,697,79</td>
<td>70,325,050,16</td>
<td>77,588,272,61</td>
</tr>
<tr>
<td>a) Despesas de Pessoal e Encargos Sociais</td>
<td>25,518,476,33</td>
<td>51,957,363,67</td>
<td>55,505,683,35</td>
</tr>
<tr>
<td>b) Outras Despesas Administrativas</td>
<td>4,734,203,16</td>
<td>15,297,668,79</td>
<td>22,076,390,46</td>
</tr>
<tr>
<td><strong>Total das Despesas</strong></td>
<td><strong>37,297,423,78</strong></td>
<td><strong>87,223,024,44</strong></td>
<td><strong>116,594,422,99</strong></td>
</tr>
</tbody>
</table>

### INCOME RECEIVED BEFORE RENT TAX

<table>
<thead>
<tr>
<th>Income Received Before Rent Tax</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Percentage of Rent</td>
<td>36,406,750,02</td>
<td>42,492,033,33</td>
<td>77,399,713,60</td>
</tr>
<tr>
<td>2. Imposto de Renda</td>
<td>28,789,707,62</td>
<td>85,733,278,27</td>
<td>349,739,08</td>
</tr>
<tr>
<td>3. Income Received Before Rent Tax</td>
<td>36,196,492,40</td>
<td>42,492,033,33</td>
<td>71,099,937,52</td>
</tr>
</tbody>
</table>

### DISTRIBUTION OF NET INCOME

<table>
<thead>
<tr>
<th>Distribution of Net Income</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Income Reserve Legal</td>
<td>2,826,849,62</td>
<td>2,120,344,54</td>
<td>3,535,787,04</td>
</tr>
<tr>
<td>b) Income Reserve Previsão</td>
<td>5,047,469,24</td>
<td>4,140,689,90</td>
<td>7,250,747,10</td>
</tr>
<tr>
<td>c) Income Reserve Previsão</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>d) Transferência de Reservas por Perdas e/ ou Empréstimos</td>
<td>(1) 980,284,45</td>
<td>(2) -</td>
<td>11,648,748,26</td>
</tr>
<tr>
<td>e) Participação dos Funcionários nos Lucros</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>f) Percentage of Directors on Income</td>
<td>28,269,977,24</td>
<td>17,343,208,66</td>
<td>27,056,80,26</td>
</tr>
<tr>
<td>g) Dividendo</td>
<td>3,900,000,00</td>
<td>3,900,000,00</td>
<td>9,390,000,00</td>
</tr>
<tr>
<td><strong>Total Resultado a Distribuir</strong></td>
<td><strong>26,219,952,11</strong></td>
<td><strong>28,691,793,46</strong></td>
<td><strong>31,982,932,87</strong></td>
</tr>
</tbody>
</table>

(1) - Refere-se ao 1º Semestre. A participação do 2º Semestre (Cré $1,842,008,45) foi lançada como despesa administrativa.
(2) - A participação do 2º Semestre foi lançada como despesa administrativa (Cré $7,633,155,33).
Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street N.W.
Washington D.C. 20433

U.S.A.

Dear Mr. Shin:

This is in reference to your letter of July 24, 1970.

We have received one copy each of the descriptive memoranda on the eighteen development finance companies in the attached list to your above mentioned letter for which we thank you.

Sincerely yours,

TÜRKİYE SİNÂI KALKINMA BANKASI A.Ş.

[Signatures]

Bezkas Burak
(Assistant Manager Loan and Investment and Financial Analysis Department)

Nejat Gülen
(Deputy-Director Loan and Investment and Financial Analysis Department)
Bogotá, D.E., July 31st, 1970

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C., 20433

Dear Mr. Shin:

I acknowledge receipt of your letter dated July 24th and of the descriptive memoranda on eighteen development finance companies which you kindly sent us. These interesting documents will be most useful and we look forward to receiving those on the rest of the companies associated with the World Bank Group.

Thanking you for this remittance, I remain,

Very sincerely yours,

Ignacio Copete-Lizarralde
President
Cher Monsieur Shin,

J'ai bien reçu votre lettre en date du 24 Juillet à laquelle étaient joints les memorandums concernant les 18 Compagnies Financières de Développement affiliées à la Banque Mondiale.

Je vous en remercie, et vous prie d'agréer, Cher Monsieur Shin, l'expression de mes sentiments distingués.

Le Président

M'Hamed BARGACH.
Monsieur R.H. Shin
Companiess Interdevelopment
P.R.D.
1818 H. Street NW
WASHINGTON DC 20036 (USA)

C'est Monsieur Shin

Les mesures prises en date du 31 janvier a introduit une situation

Je vous en remercie et vous prête mon assistance.

Le Président
M. Henri HANGCHI
Señor
B. H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development
Washington, D. C.

Estimado señor Shin:

Por medio de la presente me place acusar recibo de los Informes sobre las empresas asociadas al Grupo del Banco Mundial.

Agradeciendo su atención, me suscribo muy atentamente,

Alvaro Jaramillo Vengoechea
Presidente

mta.
Helsinki, July 30, 1970

Mr. B.H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin,

I acknowledge the receipt of the descriptive memoranda on the eighteen development finance companies mentioned in your letter of July 24, 1970.

Thank you for sending us the memoranda.

With best regards,

Yours sincerely,

Jaakko Lassila
HELSINKI, July 30, 1970

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin,

I acknowledge the receipt of the geographic memoranda on the eighteen development finance companies mentioned in your letter of July 24, 1970.

Thank you for sending us the memoranda.

With best regards,

Yours sincerely,

[Signature]

Mikko Lasila

REOVED

102966UG-3 FR 1:56
Mr. William Diamond

Sunit Gupta

Financing of State-controlled Enterprises

Referring to your memo of July 29, 1970 attached is a list of state-controlled companies which IDBE and IMDBI have helped to finance.

In the case of PICIC, CDC and IFCT there are no loans to or investments in state-controlled enterprises.

Enclosure

cc: Mr. Shin
**Investments in State-controlled Enterprises**

**by IMDHI and IDEP**

<table>
<thead>
<tr>
<th>IDEP</th>
<th>Rs million</th>
<th>% of outstanding loan portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>as of June 30, 1969</td>
<td></td>
</tr>
</tbody>
</table>

| Municipal Slaughterhouses in Karachi | 5.67 | 0.55 % |
| Decca | 3.29 | 0.32 % |
| Rawalpindi | 1.12 | 0.15 % |

10.08 | 1.02 % |

<table>
<thead>
<tr>
<th>IDEBI</th>
<th>Rials million</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Araya National Shipping</td>
<td>220</td>
</tr>
</tbody>
</table>

1/ No bank funds involved.

2/ No equity investments were made by the DFC's in state-controlled enterprises.

3/ The original intention was that this company would be transferred to the private sector. We do not know if this has yet happened.
Addendum to your memorandum of July 7, 1970, on sample d/c loan agreement

1. I was away when the above note was issued. I have one comment:

2. Although it appears that there might be no difficulty in adopting a fixed amortization schedule, the point raised does not imply a disadvantage in maintaining a flexible schedule (although, perhaps, additional bookkeeping).

3. Indeed, we should not worry about minor deviations from the actual that might result from a fixed schedule based on a best guess. But what about significant deviations? Our past experience with ICOH for example shows that the value of a "best guess" during preparation of a loan may be considerably depreciated over the short period between loan signing and final date for commitment. Similarly in the forthcoming loan to CIH, in Morocco, major differences in a flexible schedule may result if hotel project "a" rather than project "b" is entered into the schedule.

4. Finally a flexible amortization schedule is an important forecasting tool; several companies have adopted the concept with great sympathy.

J. Coudol: eb
Mr. William Diamond

J. Acevedo-Navas

**Financing of State-controlled Enterprises**

Among the companies we deal with in Division I, CF Caldas and CF Nacional have financed state-controlled enterprises, as follows:

<table>
<thead>
<tr>
<th>Financiera</th>
<th>Financed enterprise</th>
<th>Type of financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>CF Caldas</td>
<td>Oleoducto de Caldas¹/</td>
<td>Equity - 25% participation</td>
</tr>
<tr>
<td>CF Nacional</td>
<td>Ecopetrol</td>
<td>Loan - Col$ 4.0 million, with a 10-year term</td>
</tr>
</tbody>
</table>

However, only the loan to Ecopetrol was extended in 1969.

---

¹/ 75% owned by Ecopetrol and Department of Caldas

cc: Mr. Shin

J.Acevedo/ma
July 30, 1970

Dr. Ernst Keller  
Managing Director  
ADELA Investment Company S.A.  
Casilla 207  
Lima, Peru

Dear Ernst:

Mr. Shin has shown me your letter of July 17, concerning the operational ratios of the development finance companies which the World Bank Group helps finance.

You are right, of course, that ADELA has features which distinguish it from other companies. Indeed, some of those companies also feel that their own set-ups and circumstances are unusual, and that they are not, strictly speaking, comparable to others. We, too, think there are limits to which comparisons can be made, as Mr. Shin's letter pointed out.

Nevertheless, we have found it useful to keep, on a standard basis, a record of the operational and financial performance of the companies we help finance; and the companies have all been happy to have us send them a copy of our record.

My reason for writing to you is that it was not clear from your letter of July 17 that you would have no objection to our including ADELA in the record which we circulate. I imagine that you have no objection, since the data has been entirely put together from the financial statements that appear in your Annual Report. But I would appreciate your confirmation, because I would not want to include ADELA if our doing so troubled you.

I am glad you find our tabulation useful. I am sure that everyone who receives the tabulation will find the record of ADELA's performance no less interesting.

With best regards.

Sincerely yours,

William Diamond  
Director  
Development Finance Companies

cc Mr. Paterson  
Mr. Acevedo  
Mr. Shin  
WDiamond:us
July 30, 1970

Mr. Moncef Belkhodja
President
Societe Nationale D'Investissement
68, Ave. Habib Bourguiba
Tunis, Tunisia

Dear Mr. Belkhodja:

Thank you very much for your letter of July 22 and for the copy of the draft descriptive memorandum on SNI which you have kindly reviewed, made comments and filled in the blanks.

I am grateful for your undertaking the troubles for the improvements of the draft. I will revise the draft according to your suggestions. Only item which I would like to further clarify with you is "Reinvestissement exercise of D 99,300" for 1969 in Summarized Audited Balance Sheets as Annex III to your letter. I am wondering whether the item is a tax liability payable to the Government in future, or another government grant to SNI under a new agreement entered into with the Government. In any case I would greatly appreciate your explanation on the item.

Sincerely yours,

B. A. Shin
Development Finance Companies

cc: Mr. Pollan
BHShin:er
July 30, 1970

Mr. Vicente R. Jayme
Executive Vice President
Private Development Corporation
of the Philippines
Commercial Center
P. O. Box 757
Makati, Rizal - D 708
Philippines

Dear Mr. Jayme:

With reference to my letter of July 23 to you on my short visit to your company, I would like to inform you that my hotel reservation is changed from Philipinas to Intercontinental. The scheduled dates stated in my previous letter remain unchanged.

With best wishes,

Sincerely yours,

E. H. Shin
Development Finance Companies

cc: Mr. Powell

EHS:er
Mr. P. M. Mathew
July 30, 1970

William Diamond

(1) Amortization Schedules
(2) Disbursement Forecasts

(1) Legal agrees to procedure you and Gabriel worked out for revising amortization schedules. We must now write to each DFC to inform it of the new procedure. Gabriel cannot draft till he returns from home leave in mid-September. Had you started a draft? If not, you can either wait for Gabriel or start a draft yourself. No hurry. Cancio will await our (or Gabriel's) draft.

(2) Projects Department are producing new disbursement forecasts based, not as before on original plans, but on today's situation. Gabriel will arrange for periodic reviews of forecasts.

a. Were our recent forecasts based on original plans or on present outlook?

b. Please coordinate with Baum.

WDiamond: us
Mr. William Diamond

Jacques Coudol

Financing of State-Controlled Enterprises

July 30, 1970

1. With reference to your memorandum on the same subject of July 29, 1970, please find attached a statistic on the three companies which to my knowledge do some financing of State-controlled enterprises:

<table>
<thead>
<tr>
<th>Company</th>
<th>Volume of Commitments to State-controlled enterprises in 1969 (US $ million)</th>
<th>% of Total portfolio lent or invested in State-controlled enterprises as of 12.31.1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMI</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>ENDE</td>
<td>nil</td>
<td>10 - 20</td>
</tr>
<tr>
<td>NIDB</td>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

2. I have not included in the above ICICI which is a very special case the difficulty comes from a definition of State-controlled enterprises. You may recall that this definition in India applies only to companies where the Central Government or a State Government own more than 51% of the stock. The best example is ICICI itself which is not a State-controlled enterprise but which is a public sector enterprise. By consequence, a company where ICICI invest in more than 50% of the equity is not a State-controlled enterprise but would appear to the Bank as a public sector company. In any case, we know that by Statutes ICICI cannot finance State-controlled enterprises. However, it has financed a large number of public sector companies, but no statistics are available.

J'Coucol:ob

cc. Mr. Shin
Reference: TS 221/2 (14) 29 July 1970

Dear Mr. Diamond,

Thank you for your letter of 13 July. With reference to the first paragraph of your letter concerning the second meeting of development banks, I think that my letter of 27 July gives you further information on the subject. The revised questionnaire is also attached to it.

I should like, however, to confirm that every effort is being made to time the Committee Meeting with your Annual Meeting but I am sure that you will understand that there is a minimum time limit required to receive the replies to the questionnaires, to compile them and to submit them to the Committee in the appropriate form. I am aware of the difficulties facing us in finding a time which will suit the members of the Committee and for that reason we shall ask the members to give us an indication of their availability in the coming months in order to enable us to find the most convenient time. I should appreciate very much if you would let me know when it would suit you.

Concerning our first Training Programme on Industrial Banking Techniques, I should be delighted to have your participation in this. Please let me know which of the two basic topics being covered by the Programme, namely "Project Proposal" and "Follow-up Procedure" is of more interest to you and your preferred timing, in order to fit it into our timetable. The first subject will be covered in the first half of November and the second subject in the second half of that month. It may, of course, happen that the Meeting of the Committee on the development banks coincides with your participation in the Training Programme.

Mr. W. Diamond
Director
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
I am dictating this letter before leaving on Mission to Lebanon to discuss with the Government our assistance in the establishment of an agency for industrial financing and investment promotion, which will have, among its tasks, to promote the creation of an international industrial free zone. I have, however, briefed my staff on this subject and they will fit your preference into the timetable of the Programme and, if necessary, they can contact me at the office of the United Nations Development Programme in Beirut.

Kind regards.

Yours sincerely,

[p.p. C. Akhras]

Chief

Industrial Policies and Financing Section
Mr. William Diamond

R. L. Powell

Financing of State-controlled Enterprises

July 29, 1970

I refer to your memorandum of July 29.

Of the five companies within the responsibility of this division which have Bank Group money, (DFCC, IDBI, KDFC, LBIDI and PICP) only IDBI does some financing of state-controlled enterprises.

As of December 31, 1969, IDBI had outstanding loans to Government-controlled enterprises of Rs 74 million, rather less than 10% of its portfolio. The funds were provided by the Government, and the Government guarantees the loans made. We have no information on the volume of commitments for such enterprises during 1969.

BAPINDO has made loans to state-controlled enterprises, but we do not yet deal with BAPINDO in the sense of providing funds for it.

R.L.Powell:cbm
cc: Mr. Shin
Division Chiefs

William Diamond

Financing of State-controlled Enterprises

July 29, 1970

May I have from you by tomorrow evening:

(a) A list of the companies you deal with which do some financing of state-controlled enterprises.

(b) If you have the information, the volume of commitments last year for such enterprises, and the proportion of the portfolio invested in such enterprises.

Please send a copy of your note to me, to Mr. Shin.

cc Mr. Mathew
Mr. Shin

WDiamond:us
Request from DFC for Assistance in Project Analysis

Mr. Coudol called to request assistance in analyzing the technical, financial and economic aspects of a Poultry Development Project in Morocco. The investment which DFC has been requested to help finance would amount to more than US$ 2 million and would be carried out jointly by a Moroccan and German firm.

Mr. Coudol requested our assistance because of our recent appraisal mission to Tunisia and the presence of our French consultants. He was not able to get help from others in our Department, either because the background material was French or because too many persons were on annual or home leave.

I advised him to bring the problem to the attention of Mr. Evans who would decide what action was needed and which division would be made responsible for assisting DFC.

Mr. H. J. Walden

Horst von Oppenfeld

July 29, 1970

cc: Mr. Coudol
Mr. Ravi Gulhati

Willam Diamond

Economic Rate of Return

July 29, 1970

The President is accustomed to receiving, for each project financed by the Bank, its expected economic rate of return. He has not received such a figure for a development bank "project." We have discussed the problem that inhibits coming up with such a figure, but he nevertheless wants us to try.

Please consider this point and then let us talk.

cc Mr. Mathew

WDiamond:us
July 29, 1970

Mr. B. H. SHIN
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Mr. Shin:

I have received your kind letter dated 24th July 1970 and I wish to thank you very much for enclosing with it a copy of the descriptive memoranda on the eighteen development finance companies.

With best wishes.

Yours sincerely,

BENJAMIN MARTINEZ MORIONES
President
July 29, 1970

Mr. H.R. Shin
Development Finance Corporation
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Shin:

I have received your kind letter dated July 1970 and I wish to thank you very much for enclosing with it a copy of the Gear-Exporting Memorandum of the eighteen Development Finance Companies.

With best wishes,

Yours sincerely,

[Signature]

Benjamin Mariner Woroniw
President

[Stamp]
Mr. B.H. Shin,
Development Finance Companies,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.
Washington, D.C. 20433.

Dear Mr. Shin,

We look forward to receiving the descriptive
memoranda of eighteen development finance companies mentioned
in your letter of July 24, 1970.

Yours sincerely,

H.F.C. LEEBRUGGEN
General Manager.
July 28, 1970

Mr. R.H. Shin,
Development Finance Company
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Shin,

We look forward to receiving the geometric
memoranda of eighteen development finance companies mentioned
in your letter of July 26, 1970.

Yours sincerely,
H.T.C. Irwansugeng
General Manager
Dear Mr. Shin,

Thank you for your letter of July 22, 1970 enclosing three copies of the final version of the descriptive memorandum on MIDF.

Yours sincerely,

H.P.G. LEEMBRUGGEN
General Manager.
July 28, 1970

Our Ref: 711(p)
Your Ref:

Mr. B.H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development,
1818 H Street. N.W.
Washington D.C. 20433.

Dear Mr. Shin,

Thank you for your letter of July 27, 1970 enclosing
three copies of the final version of the geophysical memoranda
on MIDP.

Yours sincerely,

H.C. Ithamarcon
General Manager.
Mr. B.H. Shin,
Development Finance Companies,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.
Washington D.C. 20433,
U.S.A.

Dear Mr. Shin,

I refer to your letter dated 30th June, 1970, and as requested I send you herewith draft of the Memorandum on the DFCC duly corrected and updated.

It would be very much appreciated if you could send us fifteen copies of this once it is completed.

Yours faithfully,

S.KANAGARATNAM
Assistant General Manager
(Administration)

encl.
JLP/bj/cs.
Quito, July 27, 1970

Mr. B. H. Shin  
Development Finance Companies  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
1818 H Street, N.W.  
Washington, D.C. 20433

Dear Mr. Shin:

I wish to acknowledge receipt of your letter of July 2, 1970, and a copy of a Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969".

We thank you for this Table which will be of interest to us.

Sincerely yours,

Raúl Páez Calle  
Gerente Departamento Técnico
July 5th, 1970

Mr. B.H. Shin
Development Finance Companies
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
1118 15th Street, N.W.
Washington, D.C. 20433

Dear Mr. Shin,

I wish to acknowledge receipt of your letter of July 5th, 1970, and a copy of a tape.

Enclosed is a copy of the tape of "Competitive Operations" taken at the Development Finance Companies' Trade Show on July 5th.

We thank you for the tape which will be of interest to us.

Sincerely yours,

[Signature]

[Name]

[Department]

[Organization]
Mr. B. H. Shin

William Diamond

Terms of Reference

July 27, 1970

1. Regarding the terms of reference for your forthcoming mission, as set forth in Mr. Gulhati's memorandum of July 21 which I endorsed on July 21.

2. If it is convenient, without interfering significantly with your holiday, it would be good for you to spend two days or so at KDFC in Seoul, doing there the same job you are planning to do in CDC and PDCP.

cc: Messrs. Mathew
    Clayton
    Gulhati

WDiamond:jmb
July 27, 1970

Mr. B. H. SHIN
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Mr. Shin:

I wish to acknowledge receipt of your very kind letter dated 2nd July 1970.

I am very grateful for your sending me a copy of the most useful and interesting Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969".

With best wishes.

Yours sincerely,

BENJAMIN MARTINEZ MORIONES
President

BMM/edv
July 27, 1970

Mr. H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Shin:

I wish to acknowledge receipt of your very kind letter dated

And July 1970.

I am very interested in your sending me a copy of the report


With best wishes,

Yours sincerely,

Benjamin Marcus Monches
President

Received

1977 Aug. 5 M: 3:14

BMM '74a

Emilio Franco Catalán 818 P/D - Trenes y Tramways - Asociación de Accionistas del Ferrocarril "Andes" - Carreras - Información Cali - Colombia
July 24, 1970

(Salutation)

I take pleasure in sending you by air-print one copy each of the descriptive memoranda on the eighteen development finance companies in the attached list that we have thus far put into final form.

We will be sending to you those on the rest of the companies associated with the World Bank Group as soon as they are finalized.

Sincerely yours,

B.H. Shin
Development Finance Companies

(Inside Address)

Attachment

cc: Division Chiefs (with a copy each of the descriptive memorandum)

BHShin:bw
Dear Dr. Copete:

Dr. Ignacio Copete Lizarralde
President
Corporacion Financiera Colombiana
Apartado Aereo 11843
Bogota, Colombia

Dear Dr. Ocampo:

Dr. Roberto Ocampo Mejia
President
Corporacion Financiera de Caldas
Apartado Aereo 460
Manizales, Colombia

Dear Dr. Gutierrez Gomez:

Dr. Jose Gutierrez Gomez
President
Corporacion Financiera Nacional
Apartado Aereo 1039
Medellin, Colombia

Dear Mr. Lassila:

Mr. Jaakko Lassila
General Manager
Taollistamisrahasto Oy - Industrialization Fund of Finland Ltd.
Lamartiikatu 13, V hrs.
Helsinki, Finland

Dear Mr. Mehta:

Mr. S. S. Mehta
General Manager
The Industrial Credit and Investment Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

Dear Mr. Egeli:

Mr. Resid Egeli
General Manager
Turkiya Simii Kalkinma Bankasi A.S.
P. O. Box 17
Karakoy
Istanbul, Turkey
Dear Mr. Condicas:

Mr. George Condicas  
General Manager  
National Development Bank for Industrial  
Development, S.A.  
P.O. Box 643  
6 Sophocleous Street  
Athens, Greece

Dear Mr. Chang:

Mr. Felix Chang  
President  
China Development Corporation  
131 Nanking East Road, Sec. 5  
Taipei 105, Taiwan  
Republic of China

Dear Mr. Daniyan:

Mr. Silas B. Daniyan  
General Manager  
Nigerian Industrial Development Bank  
Limited  
M & K House  
96/102 Broad Street  
Lagos, Nigeria

Dear Mr. Diby:

Mr. Alphonse Diby  
Managing Director  
Banque Ivoirienne de Developpement  
Industrial  
Boite Postale 4470  
Abidjan, Ivory Coast

Dear Mr. Kheradjou:

Mr. A. Gasem Kheradjou  
Managing Director  
Industrial and Mining Development Bank  
of Iran  
133 Shiraz Street  
Tehran, Iran

Dear Ato Tekalign:

Ato Tekalign Gedamu  
Managing Director  
Development Bank of Ethiopia  
P. O. Box 1900  
Addis Ababa, Ethiopia
Dear Khun Sommai:

Khun Sommai Moentrakul
General Manager
The Industrial Finance Corporation
of Thailand
101 Narej Road
Bangkok 5, Thailand

Dear Mr. Marzo:

Sr. Don Jose Maria Marzo Churuca
Director General
Banco del Desarrollo Economico Espanol
Apartado de Correos 30460
Calle Fernando EC Santa 20
Madrid, Spain

Dear Mr. Jayme:

Mr. Vicente R. Jayme
Executive Vice President
Private Development Corporation
of the Philippines
Commercial Center
P. O. Box 757
Makati, Rizal - D 708
Philippines

Dear Mr. Ahmed:

Mr. Said Ahmed
Managing Director
Pakistan Industrial Credit and Investment
Corporation Ltd.
P. O. Box 5080
Karachi 2, Pakistan

Dear Mr. Bargach:

Mr. M'hamed Bargach
President
Banque Nationale pour le Developpement
Economique
Bolts Postale 407
Kabat, Morocco
Dear Mr. Leembruggen:

Mr. H. F. C. Leembruggen
General Manager
Malaysian Industrial Development Finance Berhad
P. O. Box 2110
Kuala Lumpur, Malaysia

Dear Mr. Parker:

Mr. P. Clarence Parker, Jr.
President
The Liberian Bank for Industrial Development and Investment
100 Broad Street
P. O. Box 547
Monrovia, Liberia

Dear Dr. Neaman:

Dr. Avraham Neaman
Managing Director
Industrial Development Bank of Israel Limited
9 Ahad Haam Street
Shalom Mayer Tower
Tel Aviv, Israel

Dear Dr. Vallenilla:

Dr. Luis Vallenilla
President
C.A. Venezolana de Desarrollo
Apartado 62191
Caracas, Venezuela

Dear Dr. Teufenstein:

Dr. Wilhelm Teufenstein
Chairman, Board of Management
Oesterreichische Investitionskredit Aktiengesellschaft
Renagasse 10
1013 Wien
Vienna, Austria

Dear Mr. Belkhodja:

Mr. Moncef Belkhodja
President
Societe Nationale D'Investissement
68, Ave. Habib Bourguiba
Tunis, Tunisia
Dear Dr. Martinez Moriones:

Dr. Benjamin Martinez Moriones
President
Corporacion Financiera del Valle
Apartado Aereo 4902
Cali, Colombia

Dear Dr. Jaramillo:

Dr. Alvaro Jaramillo Vengoechea
President
Corporacion Financiera del Norte
Apartado Aereo 2747
Barranquilla, Colombia

Dear Mr. Loganathan:

Mr. C. Loganathan
General Manager and Director
Development Finance Corporation
of Ceylon
42/1 Horton Place
P. O. Box 1397
Colombo 7, Ceylon

Dear Mr. Kim:

Mr. C. H. Kim
President
Korea Development Finance Corporation
12th Floor, Cho Haung Bank Building
14 Naamaeon - Ro, 1 - Ka
Seoul, Korea

Dear Mr. Huq:

Mr. Z. Huq
Managing Director
Industrial Development Bank of Pakistan
Head Office, Motijheel Commercial Area
P. O. Box No. 975
Dacca-2, Pakistan

Dear Dr. Correa:

Dr. Jose Antonio Correa
President
Ecuatoriana de Desarrollo S.A.
Compania Financiera
P. O. Box 411
Quito, Ecuador
Dear Dr. Wabsitz:

Dr. W. D. Wabsitz
Executive Vice President
Development Bank of Singapore Ltd.
P. O. Box 1235
Singapore 1

Dear Mr. Vaz da Costa:

Mr. Rubens Vaz da Costa
President
Banco de Nordeste do Brasil
Fortaleza
Brazil

Dear Mr. Guetta:

Mr. Serge Guetta
Directeur General
Societe Congolaise de Financement du Developpement
Boite Postale 1148
Kinshasa I
Republique Democratique du Congo

Dear Mr. Aaberg:

Mr. Gunnar Aaberg
Secretary of the Board of Management
ADELA Investment Company S.A.
P.O. Box 207
Lima, Peru
LIST OF DESCRIPTIVE MEMORANDA

1. Oesterreichische Investitionskredit Aktiengesellschaft (Austria)
2. China Development Corporation
3. Teollistamisrahasto Oy - Industrialization Fund of Finland Limited
5. The Industrial Credit and Investment Corporation of India Limited
6. Industrial Development Bank of Israel Limited
7. Banque Ivoirienne de Developpement Industriel (Ivory Coast)
8. Korea Development Finance Corporation
9. The Liberian Bank for Industrial Development and Investment
10. Malaysian Industrial Development Finance Berhad
11. Banque Nationale pour le Developpement Economique (Morocco)
12. Nigerian Industrial Development Bank Limited
13. Pakistan Industrial Credit and Investment Corporation Ltd.
14. Private Development Corporation of the Philippines
15. Banco del Desarrollo Economico Espanol (Spain)
17. Industrial Finance Corporation of Thailand
18. Turkiye Siani Kalkinma Bankasi A. S. (Turkey)

IBRD/DFC
July 24, 1970
July 23, 1970

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Shin:

Thank you for your letter of July 10th in which you enclosed two copies of the final version of the description memorandum on LBIDI. We are most grateful to you for these.

Sincerely yours,

P. Clarence Parker, Jr.
President
Mr. Leopoldo Cancio  
William Diamond  

Mr. Mathew and Mr. Gabriel have agreed on the attached note. Mr. Cope and I find it satisfactory, and adequately correct the present unpleasant situation. Do you see anything wrong with it?

Attachment
WDiamond:cbm

cc: Messrs. Cope
  Mathew
  Gabriel
TO: Mr. William Diamond

FROM: P. M. Mathew

SUBJECT: Revision of pro-forma amortization schedules of DFC loans

1. Even though the Loan Agreement provided for amendment of the pro-forma schedule "from time to time" in order to make it conform as nearly as possible to the actual situation, the present practice is to wait till the loan is wholly disbursed before making a full revision. However, in advance of each amortization date, the maturity falling due on that date is adjusted to reflect the Borrower's estimate of what it should be if it were to conform substantially to the amortizations on his sub-loans. This works well in practice and probably is not being seriously abused by clients.

2. However, it puts the Bank in the embarrassing position of (a) having told Borrowers (informally) that the amortizations contained in the Loan Agreement will not be acted upon, (b) not knowing what is due to the Bank on a certain date, and having to depend on the Borrower to tell us what it is; and (c) not assuring that the changes made in the schedule each six months make it conform substantially to the composite of the sub-loan amortizations (the change in the next maturity makes that alone conform, if the Borrower chooses to be correct, but not the rest of the amortizations).

3. The following changes in procedure are suggested:

   (a) The amortization included in the loan document be treated substantively as such until it is fully revised. For this purpose, better care should be exercised by the DFC Department to assure that the estimates which form the basis of that amortization are realistically made.
(b) The amortization schedule be normally changed at the Bank's initiative twice: once when the loan is fully committed, and again when the loan is fully disbursed. On both occasions, the revisions should be based on actual commitments and/or disbursements, as the case may be. The Bank should examine the evidence presented by the DFC.

(c) If collection by the Bank on the basis of the accepted schedule (except when revised for the last time after full disbursement) involves the client in a hardship (e.g., payments to the Bank considerably in excess of actual collections because of cancellations of principal amounts, exchange risk in holding excess collections not yet due for repayment to have the right to the Bank), the Borrower should request full revision supported with evidence, and the Bank should revise after examining the evidence.

If this change in procedure is agreed to:

(a) no change is needed in loan documents;
(b) it would be desirable to tell DFCs in advance what we intend to do; and
(c) the change should be introduced in all cases, at the time of the next payment date, provided it is not too near (under 4 months).

cc: Mr. Cope (for clearance)
Cher Monsieur SHIN,

J'ai l'honneur de vous faire parvenir ci-joint la notice établie sur la Société Nationale d'Investissement avec en annexe, les rectifications que nous vous proposons et dont vous trouverez mention dans le document lui-même.

Nous n'avons pu vous adresser ces documents plus tôt, les chiffres définitifs relatifs aux impôts, établis avec l'accord du fisc n'ont été connus que récemment.

Je vous prie de bien vouloir me faire parvenir cinq exemplaires du document définitif.

Veuillez croire, Cher Monsieur SHIN, à l'expression de ma considération distinguée.
ANNEXE I.-

Rectifications proposées

PAGE 1 - CHAPITRE 3 :

- Réserves : avant répartition : 574,4
  après répartition : 593,4
- Caisse Nationale de Sécurité Sociale : 372,3

PAGE 2 - CHAPITRE 4 :

Une assemblée générale extraordinaire tenue le 10 Juin 1970 a décidé de porter le capital à D. : 3,000,000.

PAGE 3 - CHAPITRE 10 :

Dépôts : La structure des comptes de dépôts se présente ainsi :

1,097,000 Dépôts à vue
200,000 " à terme
325,000 " bloqués
1,622,000

- Taux d'intérêt servis à la SNI par les banques commerciales : 4 %
- Taux de rééchelonnement que pourra appliquer la Banque Centrale : entre 5 % et 5,75 %

PAGE 3 - CHAPITRE 14 :

L'Administrateur Délégué M. BEN YEDDER appelé à d'autres fonctions, cette fonction n'a pas été pourvue par un remplaçant depuis le 12 Décembre 1969.

PAGE 6 - CHAPITRE 21 :

Approbations Utilisations
1969 1,010,532 625,857
dont 824,200 D. = participation à COFTOUR.

- Dividende distribué en 1970 pour l'exercice 1969 : 5 %
ANNEXE II.

Rectifications à apporter au chapitre 19
(Lending activities)

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<table>
<thead>
<tr>
<th></th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Montant des crédits approuvés</td>
<td>3,811,000</td>
<td>3,294,500</td>
<td>4,813,500</td>
</tr>
<tr>
<td>II. Montant des crédits annulés ou réduits</td>
<td>106,000</td>
<td>149,500</td>
<td>90,000</td>
</tr>
<tr>
<td>III. Total des crédits effectivement accordés (I - II)</td>
<td>3,705,000</td>
<td>3,145,000</td>
<td>4,723,500</td>
</tr>
<tr>
<td>IV. Nombre des crédits annulés</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>V. Nombre des crédits effectivement accordés</td>
<td>40</td>
<td>31</td>
<td>28</td>
</tr>
<tr>
<td>VI. Montant moyen des crédits accordés (III - V)</td>
<td>92,625</td>
<td>101,451</td>
<td>168,696</td>
</tr>
</tbody>
</table>

**REMARQUES :**

1) En 1967, le montant des crédits approuvés s'élève à 3,811,000 D. contre 3,804,000 D. retenus dans le rapport du Conseil d'Administration de la S.N.I. Cette différence est due au complément de crédit de 5,000 D. accordé à la Société Saint Louis Carthage (Comité exécutif du 22.2.1968) et au fait que la Société Rectif a bénéficié d'un 2ème crédit de 27,000 D. et non de 25,000 D. Par ailleurs, le total des crédits effectivement accordés en cette année (3,705,000 D.) présente une différence de 4,200 D. avec le montant communiqué par la Banque Mondiale (3,709,200 D.)

(voir en annexe le détail des crédits approuvés en 1967). Notons que les dépassements en dinars sur prêts ont été en 1967 de 2,828 D. 

.../...
2) En 1968, des écarts apparaissent entre les montants réels des crédits accordés et ceux qui se dégagent aussi bien du rapport du Conseil d'Administration de la S.N.I. que du procès-verbal de la BIRD. Ces écarts sont les suivants :

a) Un écart de 107 000 D sur les montants des crédits accordés (3 145 000 D. contre 3 252 000 D). Cet écart provient vraisemblablement du fait que certains crédits annulés postérieurement à la date de l'établissement des documents sus-visés. Ces crédits sont les suivants :

<table>
<thead>
<tr>
<th>Société</th>
<th>Montant</th>
</tr>
</thead>
<tbody>
<tr>
<td>STIN</td>
<td>40 000 D</td>
</tr>
<tr>
<td>Comptoir Tunisien des papiers</td>
<td>37 000 D</td>
</tr>
<tr>
<td>Fabrique pièces automobile</td>
<td>30 000 D</td>
</tr>
</tbody>
</table>

TOTAL = 107 000 D.

b) Un écart sur le montant moyen des crédits accordés (101 451 D contre les 77 700 D. communiqués par la BIRD). Cette différence est due non seulement à l'écart dégagé ci-dessus, mais surtout à un écart sur le nombre des crédits accordés (31 contre 42).

3) Enfin en 1969, nous observons les écarts suivants :

a) À la suite de la restriction (décidée en 1970) du crédit accordé à la S.T.I.A. (250 000 D. contre 340 000 D initialement prévus) le total des crédits accordés est ramené à 4 723 500 D.

b) Le montant moyen des crédits accordés en 1969 présente une différence de 16 304 D avec le chiffre communiqué par la Banque Mondiale (168 696 D contre 185 000 D.). Cette différence est due à l'écart indiqué ci-dessus et à un écart sur le nombre des crédits accordés (28 contre 26).
<table>
<thead>
<tr>
<th>Bénéficiaire</th>
<th>en devises</th>
<th>en dinars</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLASTIC TUNISIE</td>
<td>30,000</td>
<td></td>
<td>30,000</td>
</tr>
<tr>
<td>SOCIETE HOTELIERE KARAWAN</td>
<td></td>
<td>24,000</td>
<td>24,000</td>
</tr>
<tr>
<td>ETS MEHAMED MFARIDJ</td>
<td>26,000</td>
<td></td>
<td>26,000</td>
</tr>
<tr>
<td>SICOAC</td>
<td>160,000</td>
<td></td>
<td>160,000</td>
</tr>
<tr>
<td>STUNETAL</td>
<td>130,000</td>
<td></td>
<td>130,000</td>
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<tr>
<td>SOHOTOMI</td>
<td>250,000</td>
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<td>250,000</td>
</tr>
<tr>
<td>SOTUVER</td>
<td>50,000</td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td>OMAR KHAYAM</td>
<td>50,000</td>
<td>100,000</td>
<td>150,000</td>
</tr>
<tr>
<td>SAAD</td>
<td>25,000</td>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td>HAMMAMET HOTEL</td>
<td></td>
<td>70,000</td>
<td>70,000</td>
</tr>
<tr>
<td>S.I.H.T. SCHAHRAZADE</td>
<td>100,000</td>
<td>150,000</td>
<td>250,000</td>
</tr>
<tr>
<td>S.T.A.T.</td>
<td>50,000</td>
<td></td>
<td>50,000</td>
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<tr>
<td>SOTAL</td>
<td>28,000</td>
<td></td>
<td>28,000</td>
</tr>
<tr>
<td>SOTUNISE</td>
<td>34,000</td>
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<tr>
<td>AFRIQUE TRAVAUX</td>
<td>26,000</td>
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<tr>
<td>SINDHOR</td>
<td>17,000</td>
<td></td>
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<tr>
<td>LA BROSSE</td>
<td>20,000</td>
<td></td>
<td>20,000</td>
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<tr>
<td>LES SABLES D'OR</td>
<td></td>
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<td>HOPITAL SAINT LOUIS DE CARTHAGE</td>
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<tr>
<td>SOCIETE FILTERIE DE TUNISIE</td>
<td>35,000</td>
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<td>S.T.I.D.</td>
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<td></td>
<td>30,000</td>
</tr>
<tr>
<td>EBENISTERIE DU KEF</td>
<td>15,000</td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>RECTIF</td>
<td>27,000</td>
<td></td>
<td>27,000</td>
</tr>
<tr>
<td>STIEL</td>
<td>23,000</td>
<td></td>
<td>23,000</td>
</tr>
<tr>
<td>S.P.T. (Sté. Franco Tne. d'Alimentation)</td>
<td>18,000</td>
<td></td>
<td>18,000</td>
</tr>
<tr>
<td>CARRELAGES DU CAP BON</td>
<td>40,000</td>
<td></td>
<td>40,000</td>
</tr>
<tr>
<td>a reporter:</td>
<td>1,167,000</td>
<td>409,000</td>
<td>1,576,000</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Project</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOTAP</td>
<td>21,000</td>
<td>21,000</td>
</tr>
<tr>
<td>SOTIM</td>
<td>49,000</td>
<td>49,000</td>
</tr>
<tr>
<td>COMPTOIR NATIONAL DU PLASTIQUE</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>HOTEL SIDI SAAD</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>COTUSAL</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>BEN TANFOUS</td>
<td>135,000</td>
<td>270,000</td>
</tr>
<tr>
<td>BEAU RIVAGE</td>
<td>190,000</td>
<td>380,000</td>
</tr>
<tr>
<td>Sté. Crée par la CTANA</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>NOTRE DAME DE TUNIS</td>
<td>30,000</td>
<td>100,000</td>
</tr>
<tr>
<td>SIMET</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>SOTIRRI</td>
<td>57,000</td>
<td>57,000</td>
</tr>
<tr>
<td>UNION GENERALE</td>
<td>250,000</td>
<td>400,000</td>
</tr>
<tr>
<td>CERES PRODUCTION</td>
<td>50,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Cie. Immobilière et Touristique El Mehdi</td>
<td>125,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

**TOTAL des crédits accordés**

2,726,000 974,000 3,705,000

**Crédit annulé**

106,000

**TOTAL**

3,811,000 D.
July 22, 1970

Mr. H. F. G. Leembruggen
General Manager
Malaysian Industrial Development
Finance Berhad
P. O. Box 2110
Kuala Lumpur, Malaysia

Dear Mr. Leembruggen:

Thank you very much for your letter of July 9 and the copy of our draft descriptive memorandum on Malaysian Industrial Development Finance Berhad which you have kindly reviewed, filled in the blanks and made some corrections.

I am most grateful for your undertaking trouble in reviewing the draft. In the light of your reviews, we have put it into final form. I take pleasure in enclosing three copies of the final version of the descriptive memorandum on MIDF.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the final version of the descriptive memorandum).

BHShin:er
July 22, 1970

Industrial Development Bank
of Israel Limited
9 Ahad Haam Street
Shalom Mayer Tower
Tel Aviv, Israel

Gentlemen:

Thank you for your letter of July 5 and the copy of our draft descriptive memorandum on Industrial Development Bank of Israel Limited which you have kindly reviewed and suggested corrections.

On page 8, paragraph 32 of the draft you indicated that you would send us the final figures in due course. As regards these figures I wrote to you on June 24, replying your question raised in your June 14 letter. Since no further words have come from you on them, I assumed that we could use our revised figures.

In the light of your suggestions and using the revised figures, we have put the draft into final form. If you find the revised figures objectionable, please let us know promptly. In the meantime, I take pleasure in sending you two copies of the final version of the descriptive memorandum on IDBI.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the final version of the descriptive memorandum).

BHHShin:er
Dear Mr. Shin:


With best regards,

Sincerely yours,

Felix S. Y. Chang
President
Mr. B.H. Shin:

Development Finance Companies,

International Bank for Reconstruction and Development,

1818 H Street, N.W.,

Washington, D.C. 20433,

U.S.A.

Sender's name and address: Development Finance Corporation of Ceylon

P. O. Box No. 1397

Colombo.

AN AIR LETTER SHOULD NOT CONTAIN ANY ENCLOSURE; IF IT DOES IT WILL BE SURCHARGED OR SENT BY ORDINARY MAIL.

Form approved by the Postmaster-General.
20th July, 1970.

Dear Mr. Shin,

I thank you for your letter of July 2, 1970, enclosing a copy of a Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", which you have recently prepared.

This, we find interesting and will be a very useful addition to our Library.

The contents of the penultimate paragraph of your letter have also been noted and will be strictly observed.

With kind regards,

Yours sincerely,

C. LOGANATHAN,
GENERAL MANAGER DIRECTOR.

Mr. B.H. Shin,
Development Finance Companies,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington, D.C. 20433,
U.S.A.
<table>
<thead>
<tr>
<th>INCOMING MAIL</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agric. Projects</td>
<td>JUL 29 1970</td>
</tr>
<tr>
<td>Mr. Bart</td>
<td></td>
</tr>
<tr>
<td>Mr. Burney</td>
<td></td>
</tr>
<tr>
<td>Mr. Consolo</td>
<td></td>
</tr>
<tr>
<td>Controller's</td>
<td></td>
</tr>
<tr>
<td>Mr. D.A. de Silva</td>
<td></td>
</tr>
<tr>
<td>Mr. Dahlberg</td>
<td></td>
</tr>
<tr>
<td>Development Serv.</td>
<td></td>
</tr>
<tr>
<td>Director, Projects</td>
<td></td>
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<tr>
<td>E.D.I.</td>
<td></td>
</tr>
<tr>
<td>Educ. Projects</td>
<td></td>
</tr>
<tr>
<td>Mr. Eschenberg</td>
<td></td>
</tr>
<tr>
<td>Mr. Frost</td>
<td></td>
</tr>
<tr>
<td>r. Gibbs</td>
<td></td>
</tr>
<tr>
<td>Mr. Glaessner</td>
<td></td>
</tr>
<tr>
<td>Mr. Gue</td>
<td></td>
</tr>
<tr>
<td>Mr. Gustafson</td>
<td></td>
</tr>
<tr>
<td>Mr. Halbe</td>
<td></td>
</tr>
<tr>
<td>Mr. Hornstein</td>
<td></td>
</tr>
<tr>
<td>Mr. Horsley</td>
<td></td>
</tr>
<tr>
<td>Mr. Husain</td>
<td></td>
</tr>
<tr>
<td>Industrial Proj.</td>
<td></td>
</tr>
<tr>
<td>Info. &amp; Pub. Affairs</td>
<td></td>
</tr>
<tr>
<td>Internal Auditor</td>
<td></td>
</tr>
<tr>
<td>Mr. Jentgen</td>
<td></td>
</tr>
<tr>
<td>Mr. Kirk</td>
<td></td>
</tr>
<tr>
<td>Mr. Kraske</td>
<td></td>
</tr>
<tr>
<td>Mr. Krithof</td>
<td></td>
</tr>
<tr>
<td>Mr. Lari</td>
<td></td>
</tr>
<tr>
<td>Mr. Michaels</td>
<td></td>
</tr>
<tr>
<td>Mr. Mirski</td>
<td></td>
</tr>
<tr>
<td>Mr. Mirza</td>
<td></td>
</tr>
<tr>
<td>Mr. Nelson</td>
<td></td>
</tr>
<tr>
<td>Off. Services Div.</td>
<td></td>
</tr>
<tr>
<td>Mr. Paijmans</td>
<td></td>
</tr>
<tr>
<td>Mr. Panikar</td>
<td></td>
</tr>
</tbody>
</table>

| Remarks | From: Communications Section, Room C219, Extension 2023 |
20th July, 1970

Mr. Hans Wyss,
Chief, Western Hemisphere Dept.,
International Bank for Reconstruction & Development,
1818 H St., N.W.,
Washington,
U.S.A.

Dear Hans,

I have not heard from Peter Engelmann regarding the Specialist we hope the World Bank will be able to provide us, for the Pre-investment Unit. I would appreciate your checking to see what progress has been made.

When I met with Jim Fransen in the Agricultural Division he suggested I ask you about the Economic Development Institute graduates specifically, have there been any West Indian graduates in whom we might be interested? I would appreciate your checking this for me also.

Thank you for your helpful co-operation.

Yours sincerely,

[Signature]

Lorne D.R. Dyke,
Vice-President.

LDRD/nl.
20th July, 1970

Mr. Hans Wies,  
Chief, Western Hemisphere Dept.,  
International Bank for Reconstruction  
& Development  
1918 H St., N.W.  
Washington, D.C.  
U.S.A.

Dear Hans,

I have not heard from Peter Endelman regarding the Specialist we hope the World Bank will provide us with for the Pre-Investment Unit. I would appreciate your checking to see what progress we have been making.

When I met with Mr. President in the Agricultural Development and Rural Development Sections I asked you about the Economic Development Inspectors. I specifically asked if you saw any other Indians graduates in whom we might be interested. I would appreciate your checking this for me, please.

Thank you for your helpful cooperation.

Yours sincerely,

[Signatures]

[Handwritten text]
July 20, 1970

William Diamond

Government Advantages to DFC's

Attached is a draft note. I am now checking it out, so please do not put it forward as my final version.

Please note the President's undertaking on page 64 of the transcript. It refers only to tax exemptions; it refers to "other significant countries in the world"; it does not refer to development finance companies alone. On the other hand, this memo refers to advantages of all kinds, to those countries in which "our" development finance companies are located, and only to development finance companies.

I am sending you two extra copies, and I am sending a copy to Mr. Cope.

Attachment

cc. Mr. Cope.
Memorandum on the Advantages given to SOCOFIDE by the Democratic Republic of the Congo

On June 2, when the Executive Directors considered an IFC investment in, and an IDA credit to, Societe Congolaise de Financement du Developpement (SOCOFIDE), several Executive Directors raised questions concerning the advantages which the Congolese Government had accorded to SOCOFIDE. The staff stated that SOCOFIDE's position was not very unusual by comparison either with other companies in the Congo or with similar companies outside the Congo. The President undertook to compare the Congolese tax exemptions with those of other countries and to inform the Board of the results.

Attached is a Table showing some important advantages, arranged in categories, given by governments to the 33 development finance companies which have received finance from the World Bank Group. It may not be comprehensive; that is, there may be advantages not reflected in the Table. Moreover, it is not possible to be sure that the advantages referred to are strictly comparable as between companies (or countries). Also, in some cases advantages have lapsed or were not repeated when opportunity to do so arose; so the Table does not always show currently effective advantages, but rather the list of those which a development bank once had or still has. Finally, the quantitative value of the advantages given to some companies is great but in others, negligible; the Table does not reflect relative weight or importance. Although the Table is thus a rather mechanical and static one, it does give facts relevant to the questions raised by the Executive Directors.
The Table shows that only one of the 33 companies financed by the Bank Group receive no advantages at all: ADELA, which operates throughout Latin America.

Of the 32 companies which have had advantages, all but one, the Development Bank of Ethiopia, has received loan capital on advantageous terms; and in another case, CAVENDES of Venezuela, the advantage in the form of low cost funds has been of trivial significance. Both these companies were "promotions" of the Bank Group. Ten companies have rediscount privileges at the country's central bank. As these privileges are common to many banking institutions in the country, they do not constitute a special concession to the development finance company. The financial advantage of greatest quantitative significance has been low-cost subordinated loans. These have been available to 20 companies, of which 13 were Bank promotions and 7 were not.

As for tax advantages, 23 companies receive tax advantages of one kind or another; of these, 13 are Bank Group promotions and 10 are not. The most common types of advantages are income tax holidays or exemptions and extensions of tax on profits put to resources.

Of course, every company that borrows from the World Bank has a privilege in the form of a government guarantee on the privileged borrowing through a governmental intermediary. (This latter technique is also used in the case of IDA credits.) Such arrangements are common also for other foreign borrowing, and occasionally for domestic borrowing as well.

1/ The term "promotions" has been used when the Bank or the IFC played a key role (or the key role) in the creation or reorganization of the company.
Leaving guarantees aside:

<table>
<thead>
<tr>
<th>Category of Advantages</th>
<th>Bank Promotion</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3 categories</td>
<td>11</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>4-6 categories</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>7-8 categories</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>16</td>
<td>32</td>
</tr>
</tbody>
</table>

The Bank's promotions predominate among the six companies which have the highest number of privileges. Of the 16 companies promoted by the Bank, four have five or more advantages; 6 have 3-4 advantages; and 6 have 1-2 advantages.

One may read the following conclusions:

(1) Governments normally give advantages of one kind or another to development finance companies.

(2) The most frequent type of advantages is cheap, subordinated loans. The next most frequent types are guarantees of debt, tax exemptions and exchange risk protection.

(3) Companies receive such privileges whether or not they are promoted by the Bank.

(4) SOCOFIDE is one of the two companies with the highest number of advantages. It was promoted by the Bank; the other was not. Of the companies with the smallest number of advantages, 11 were Bank sponsored and 13 were not.
<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Date of establishment or reorganization</th>
</tr>
</thead>
<tbody>
<tr>
<td>IVK BNB</td>
<td>Austria</td>
<td>1957</td>
</tr>
<tr>
<td>DFCC</td>
<td>Brazil</td>
<td>1955</td>
</tr>
<tr>
<td>CDC</td>
<td>China</td>
<td>1955</td>
</tr>
<tr>
<td>Caldas</td>
<td>Colombia</td>
<td>1959</td>
</tr>
<tr>
<td>Caldas</td>
<td>Colombia</td>
<td>1959</td>
</tr>
<tr>
<td>Nacional</td>
<td>Colombia</td>
<td>1961</td>
</tr>
<tr>
<td>Norte</td>
<td>Colombia</td>
<td>1961</td>
</tr>
<tr>
<td>Talla</td>
<td>Colombia</td>
<td>1960</td>
</tr>
<tr>
<td>SOCOFIDE</td>
<td>Congo</td>
<td>1970</td>
</tr>
<tr>
<td>CUFEC</td>
<td>Spain</td>
<td>1966</td>
</tr>
<tr>
<td>DEB</td>
<td>Brazil</td>
<td>1963</td>
</tr>
<tr>
<td>IFF</td>
<td>Finland</td>
<td>1963</td>
</tr>
<tr>
<td>RHD</td>
<td>Germany</td>
<td>1963</td>
</tr>
<tr>
<td>IMDBI</td>
<td>India</td>
<td>1959</td>
</tr>
<tr>
<td>ICICI</td>
<td>India</td>
<td>1959</td>
</tr>
<tr>
<td>NIBID</td>
<td>India</td>
<td>1959</td>
</tr>
</tbody>
</table>

Key role by Bank Group for establishment or reorganization:

1. Equity capital from Government
   a. Share capital subordinated
   b. Dividends subordinated
   c. Restriction of voting power

2. Loan capital from Government
   a. Subordinated loans
   b. Low cost loans including deposits
   c. Rediscount facilities
   d. Other

3. Grant and direct subsidy
   a. Grant
   b. Direct subsidy
   c. Interest subsidy

4. Government guarantee of debt

5. Exchange risk protection
   a. Free of charge
   b. Fee charged

6. Tax exemption or holiday
   a. Income tax
   b. Reserve
   c. Other

7. Elimination of competition from Government-owned institutions

8. Right to hold and utilize foreign exchange
   a. Normal
   b. Exceptional

9. Assistance for staff recruitment

10. Restriction of dividends and proceeds of sales of shares by the foreign shareholders

11. Major advantages not listed above

---

1/ Including central bank and government agencies.

2/ "Low cost loans" mean those on which a development finance company makes an interest spread of at least 3% or more.

3/ In early years of their operations, Colombian development finance companies were granted by the central bank revolving facilities for industrial loans for fixed assets. These facilities, however, have been transformed into a line of credit.

4/ IFF is entrusted to manage Government funds for the purpose of lending to and investing in, industrial projects on a fee basis.

5/ On IDA credit (1961) only.

6/ For part of IFF's clientele, mainly small-scale businesses.

7/ On net profits in any one year up to 6% of the paid up share capital and the Government advances to DEB of €360 million.

8/ Portion of net profit to be set aside as reserve is exempt from tax. The accumulation of such a reserve is usually limited to a certain proportion of the share capital or the value of portfolio of a company.

9/ For share capital not exceeding the value of the portfolio of a company.

10/ Registration fees, charges on issues of bonds, debentures and securities, custom duties, etc.

11/ Soquoted is free from other taxes. The Government has granted to its tax stability for 25 years.

---

*The Government will not impose any legislative or regulatory measures to restrict the rights of shareholders, directors, bondholders, creditors or employees in their relations with SOCOFIDE. *Most favored treatment* will be applied to SOCOFIDE and its shareholders, directors, bondholders, creditors and employees.*
### Advantages Accrued by Governments to Development Finance Companies

**Associated with the World Bank Group (Cont'd)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Date of establishment or reorganization</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD</td>
<td>Israel</td>
<td>1957</td>
</tr>
<tr>
<td>IBRD</td>
<td>Ivory Coast</td>
<td>1965</td>
</tr>
<tr>
<td>IBRD</td>
<td>Korea</td>
<td>1968</td>
</tr>
<tr>
<td>IBRD</td>
<td>Liberia</td>
<td>1966</td>
</tr>
<tr>
<td>IBRD</td>
<td>Malaysia</td>
<td>1967</td>
</tr>
<tr>
<td>IBRD</td>
<td>Morocco</td>
<td>1965</td>
</tr>
<tr>
<td>IBRD</td>
<td>Nigeria</td>
<td>1964</td>
</tr>
<tr>
<td>IBRD</td>
<td>Pakistan</td>
<td>1961</td>
</tr>
<tr>
<td>IBRD</td>
<td>Philippines</td>
<td>1963</td>
</tr>
<tr>
<td>IBRD</td>
<td>Poland</td>
<td>1965</td>
</tr>
<tr>
<td>IBRD</td>
<td>Singapore</td>
<td>1963</td>
</tr>
<tr>
<td>IBRD</td>
<td>Spain</td>
<td>1966</td>
</tr>
<tr>
<td>IBRD</td>
<td>Thailand</td>
<td>1964</td>
</tr>
<tr>
<td>IBRD</td>
<td>Tunisia</td>
<td>1965</td>
</tr>
<tr>
<td>IBRD</td>
<td>Turkey</td>
<td>1964</td>
</tr>
<tr>
<td>IBRD</td>
<td>Venezuela</td>
<td>1950</td>
</tr>
</tbody>
</table>

#### Key roles by Bank Group for establishment or reorganization

1. **Equity capital from government**
   - Subordinated share capital
   - Subordinated dividends
   - Restriction of voting power
2. **Loan capital from government**
   - Subordinated loans
   - Low-cost loans including deposits
   - Rediscount facilities
3. **Grant and direct subsidy**
   - Grant
   - Direct subsidy
   - Interest subsidy
4. **Government guarantee of debt**
5. **Exchange risk protection**
   - Free of charge
   - Fee charged
6. **Tax exemption or holiday**
   - Income tax
   - Reserve
   - Other
7. **Elimination of competition from government-owned institutions**
8. **Right to hold and utilize foreign exchange abroad**
9. **Assistance for staff recruitment**
10. **Repayment of dividends and proceeds of sales of shares by the foreign shareholders**
11. **Major advantages not listed above**

---

1/ Including central bank and government agencies.
2/ "Low-cost loans" mean those on which a development finance company makes an interest spread of at least 3% or more. On EFW loans.
3/ Also on the local issue of bonds or debentures.
5/ On part of the first (1950) and second (1953) Bank loans to be used for imports from EPU countries.
6/ The accumulation of such a reserve is usually limited to a certain proportion of the share capital or the value of portfolio of a company.
7/ Registration fees, charges on issues of bonds, debentures and securities, custom duties, etc.
8/ On part of the first (1950) and second (1953) Bank loans. In the future, interest is limited to 8%. Interest over and above 8% is subject to taxation.
9/ The Government has agreed that it will not directly finance any project which is suitable for financing by NIDB and will rely on NIDB as the primary national institution to provide finance for the private sector industry.
10/ The Government guarantees to NIDB and its shareholders the stability of their rights. It also guarantees to NIDB and to its shareholders and all its employees no discrimination either in law or in fact will affect from the date of the agreement.
11/ The Government guaranteed SNI against its operational losses from commitment made before the completion of the reorganization: (i) recovery within five years, if SNI wishes, of its book value of any equity investments made before the reorganization, (ii) recovery of all interest and principal on loans already made and of all money debts, (iii) reimbursement of any payments which have to be made by SNI under guarantee given before the reorganization.
Managing Director

Tehran, July 18, 1970.

Dear Mr. Shin,

Thank you very much for your letter of July 6, 1970 and the enclosed draft memorandum on our bank, which, as usual, will be of very great interest.

We shall review it and will inform you of any comments we may have. Also, as requested by you, the blanks on pages 8 and 9 will be filled and a copy of the new draft memorandum will be returned to you by August 6.

With best regards,

Sincerely yours,

A. Gasem Kheradjou

Mr. B.H. Shin
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
November 17, 1949

Dear Mr. Smith,

Thank you very much for your letter of July 8, 1949.

We appreciate your interest in our Bank and the financial services we provide to the community.

As informed to you by my letter of July 16, 1949, we will be able to extend the services of the new loan department with the opening of a new office in this city.

We look forward to your visit.

Sincerely yours,

[Signature]

A. James Johnson

Managing Director

International Bank for Reconstruction and Development

19th N Street, N.W.

Washington, D.C. 20577

June 24, 1949
Mr. William Diamond  

J. Acevedo Navas  

Brief for Dr. Gutierrez Gomez' Visit  

Sub-Projects  

1. There are no sub-projects pending with us. Since Dr. Gutierrez may not be aware of some of the sub-projects approved recently, I list them below:

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
<th>Loan</th>
<th>Date of Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabricato</td>
<td>1,726,600</td>
<td>625</td>
<td>7/9/70</td>
</tr>
<tr>
<td>Textiles Papalta</td>
<td>256,285</td>
<td>625</td>
<td>7/14/70</td>
</tr>
<tr>
<td>Hilanderias Medellin</td>
<td>425,790</td>
<td>625</td>
<td>7/14/70</td>
</tr>
<tr>
<td>Colombiana-Kimberly</td>
<td>215,000</td>
<td>451</td>
<td>7/17/70</td>
</tr>
</tbody>
</table>

Status of CF Nacional under Bank Loans (in US$ thousands)

<table>
<thead>
<tr>
<th>Loan</th>
<th>Utilization</th>
<th>Pre-allocation</th>
<th>Balance</th>
<th>Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>451</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>534</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>625</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is interesting to note that while Nacional had the highest utilization under the first loan, it ran a close second to Colombiana under the second loan and fell substantially behind Valle ($5.1 million vs. $7.2 million) under the third loan. You may wish to discuss the different performance of Nacional under the various loans.

Increase in Share Capital

3. Nacional is presently engaged in a substantial increase in share capital (20.7%) in two tranches: 10% at par and 16.7% at a 160% of par. You may wish to enquire what has been the response to these issues?

   a) from existing shareholders

   b) from new shareholders

4. IFC advised Nacional that it was not interested at this time in increasing its participation in the company and accepted Nacional's offer to explore the possibility of selling its subscription rights in these issues. IFC was later advised that there was no market for the subscription rights.

1/ Shared with the other 4 financieras

2/ Balance of free portion (US$10.0 million) will be taken up by the Asbestos Colombianos project of CF Caldas.
CF Nacional's performance

5. First semester 1970 financial statements just received, indicate increasing profitability of CF Nacional. Net profit was Col$ 13.1 million, or 20% return of average equity, which compares with Col$ 11.0 million in the first semester of 1969 and an 18% return on equity. You may wish to congratulate Dr. Gutierrez on a sustained record of increasing profitability.

Proposed Fourth Loan to Financieras

6. CF Nacional has already supplied us with answers to a substantial portion of the questionnaire. No other financiera has done so. You may wish to ask Dr. Gutierrez if he anticipates any particular problems with respect to the questions on economic impact of CF Nacional's operations.

Mobilisation of Resources

7. A study made by Messrs. William Prendergast Sr., and Jorge Franco Holguin, dated October 31, 1969, made some recommendations regarding additional assistance from the Government to the financieras in order to facilitate their raising additional capital. Have any changes taken place as a result of the study?

8. There have also been talks of formalising, with IFI, a rediscount facility for the financieras, which will give them access, on a consistent basis, to social security funds received by IFI. Has there been anything concrete developed along this line?

Jacevedo/ma

cc: Division

Mr. Nilsson
Managing Director

Tehran, July 16, 1970.

Dear Mr. Shin,

Thank you for your letter of July 2, 1970 and the enclosed Table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969".

I would like to express my appreciation for your sending us the above Table which will be of great interest and use to us and I assure you that the contained information shall be used solely by the staff members of our bank.

With best regards,

Sincerely yours,

A. Gasem Kheradjou

Mr. B.H. Shin
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
Madame Director

January 10, 1946

Dear Mr. Smith,

Thank you for your letter of July 2, 1945 and the enclosed Tablent Exhibits of the Department of Development Finance Committee. I refer you to the enclosed tabulation and appendices may I assume you that the attached information will be made public by the next session of our bank.

With best regards,

Sincerely yours,

Yours sincerely,

[Signature]

J. G. Smith
18th Street, N.W.
Washington, D.C. 20033

[Postmark: 1946 JUL 21 AM 9:16]
July 16, 1970

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin:

Thank you for sending us a copy of a Table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968, and 1969". The figures are indeed interesting. I am sure our staff will find the Table useful by way of providing insights into the performance and structure of other DFCs.

Very truly yours,

VICENTE R. JAYME
Executive Vice President
1. The Image of ADELA

ADELA's shareholders are important, internationally operating corporations from industrialized countries. Some of them are financial giants. The image of ADELA is fused with the image of its shareholders: they are primarily profit-making institutions and pay little attention to development. The public (political) opinion in some of the countries, mainly in Europe, is against that kind of institutions. The public attitude in these countries towards the World Bank Group might turn negative if it associates with ADELA.

2. Is ADELA primarily profit-making?

ADELA's primary purpose is to promote and strengthen private investment by providing financial, technical and entrepreneurial services. Its main activity is provision of finance. It has committed all its own equity and long-term resources in equity investments and long-term lending and has also attracted other investors to participate in its projects. Most of ADELA's equity investments have been made on new enterprises. ADELA's technical activities have resulted in the promotion of several companies, even local development finance companies. To be able to make a contribution to the development, ADELA has to be profitable, which it thus far has been but only moderately. ADELA's "developmental" investments are slowly maturing and to enhance profitability in the meantime, ADELA has used its leverage and entered into the short- and medium-term financing. ADELA plans to stay in this business and to increase the volume at approximately the same rate as their long-term investments. ADELA's short-term operations have therefore a long-term "developmental" effect as the funds are placed throughout Latin America and will stay there for a considerable length of time.

3. Why can ADELA not obtain long-term funds through its shareholders?

ADELA's shareholders have contributed considerably in subscribing to the share capital and at present, ADELA is in the process of raising around US$ 38 million (= 75% of present paid-in share capital) from the shareholders in a combined share and convertible bond issue. ADELA is not yet seasoned to go public in the capital markets in Europe and U.S.A. and the IFC loan will partly bridge the gap in long-term funds until ADELA can float its own issues.

ADELA's shareholders from the financing community are generally working in short- and medium-term business. It is therefore difficult for a single shareholder as well as for consortia of shareholders to provide long-term funds by other means than subscriptions to share and/or bond issues.
4. Why doesn't IFC finance projects directly or through local DFCs?

Is ADELA a competitor to local DFCs?

ADELA covers a range of investments that are normally too big for local DFCs and too small for direct IFC investment. The median outstanding loans in many of the local DFCs in Latin America is of the magnitude of US$ 50,000 while the corresponding figure for ADELA is US$ 450,000. It is too costly for IFC to make direct investments of that size.

ADELA cooperates with local DFCs and has even promoted some of them. It has equity investments in 17 DFCs in 11 countries, but has not given loans to any of them, mainly because they can normally obtain financing from other sources on the same or even better terms. Some DFCs are shareholders in ADELA and one of their presidents is a member of ADELA's Executive Committee. ADELA has turned over investment proposals to local DFCs when it considered the investments could be best serviced by them. It has also joint ventures with local DFCs.

ADELA is making basic promotional work through ADELATEC. Its capacity for feasibility studies, appraisals, etc. is higher than local DFCs and it can therefore undertake assignments for studies of larger projects. The results of the promotions and the studies are often made available to local DFCs.

ADELA is rather an additional provider of funds and investment services than a competitor to DFCs.

5. Erroneous statements.

(a) ADELA's projections are kept conservative.

The Mission's opinion (Appraisal Report Paras. 119-124) is that they are too optimistic.

(b) ADELA has 93 operations in 18 different countries with investments of US$ 80 million of which they have been able to dispose of by sales of portfolio US$ 55.5 million.

ADELA has approved investments for US$ 80 million and their present holding is US$ 55.5 million. (Appraisal Report Annex 12) The difference is mainly undisbursed commitments. A portion of the difference will probably be cancelled and a very small portion comes from sales.

(c) ADELA has been paying dividends regularly.

ADELA has only paid one dividend, 4% in FY 1969. (Appraisal Report Para. 112)
Mr. B. H. Shin,
Development Finance Companies
International Bank for Reconstruction and Development
1818 H. Street, N.W.
WASHINGTON, D.C. 20433-USA

Prezado Sr. Shin,

Apenas umas poucas linhas para acusar o recebimento de sua carta datada de 2 do corrente, com a qual V.Sa. teve a gentileza de nos enviar exemplar de Tabela contendo dados acerca da situação de 30 Financeiras associadas ao Grupo do Banco Mundial, ao longo do triênio 1967/69.

Cientes da recomendação quanto ao caráter reservado daquele documento, e com nossos sinceros agradecimentos pela remessa do excelente material, enviamos-lhe no ensejo

Cordiais Saudações

RUBENS VAZ DA COSTA
Presidente
MR. H. R. D.
Development Finance Company
International Bank for Reconstruction and Development
1878 H. Street, N.W.
WASHINGTON D. C. 20433 USA

President

Received
21 Jul 1970

RUDYNO VAZ DA COSTA
President

Coordinador Nacional

J. O. C. de E. N. E. A.
TO: Mr. S. R. Cope
FROM: William Diamond
SUBJECT: Pro-Forma Amortization Schedules on Loans to DFC's

Please refer to your conversation with Mathew concerning revision of the pro-forma amortization schedules of loans to development finance companies. You will recall that the situation at present is confused; it is the borrower who tells us, in advance of each payment date, how much he proposes to pay. This is a situation that must be changed and Mathew and Gabriel agreed on a text, which is attached in a draft dated May 21.

I understand you proposed another text, attached as Annex 2. Your modification of their proposal certainly simplifies it, and minimizes the amount of work which the Bank will have to do. However, although it assures that a definite amortization exists at any given time, it appears to me that it does not greatly improve the situation. Moreover, the device of simply "transferring the difference between the amount of the original amortization schedule and the amount proposed by the borrower to the next amortization payment" runs contrary to the rationale on which our amortization schedules are based. That is, the result would not be an amortization schedule which conforms substantially to the aggregate of the amortization schedules of all the sub-loans.

In the circumstances, I think it would be best to stick to the Mathew-Gabriel proposal. Do you agree? If not, let us discuss it.

Attachments May 21/70
OUTGOING WIRE

TO: SNITUN
TUNIS

DATE: July 14, 1970

COUNTRY: TUNISIA

TEXT:

RE SNI DRAFT DESCRIPTIVE MEMORANDUM WE SENT YOU MAY 5 AND REMINDED OF JUNE 17 COMMA I WOULD APPRECIATE YOUR PROMPT REPLY

SHIN
INTBAFRA D

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:
NAME B. H. Shin
DEPT. IBRD/DFC
SIGNATURE (Signature of Individual Authorized to Approve)

CLEARANCES AND COPY DISTRIBUTION:
cc: Mr. Pollan

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)
Estimado Mr. Shin:

Recibí el ejemplar de la tabla titulada "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", preparada por ese Banco y que usted tuvo la gentileza de hacerme llegar. Sobra manifestarle que hemos encontrado de mucho interés y utilidad la información contenida en el mencionado documento, el cual, tal como usted lo sugiere, se destinará al uso exclusivo de esta Entidad.

Muy atentamente,

ROBERTO OCAMPO
Presidente
CORPORACION FINANCIERA DE CALI

Julio 14 de 1970

004300

MR. J. C. RYAN
Development Finance Committee
International Bank for Reconstruction and Development
1818 H Street N.W.
WASHINGTON D.C. 20433

Este como a Mr. Ryan:

Record of meeting of the Finance Committee of 10th, 12th and 14th, September 1970 show that the same has been in receipt of your one page letter of 7th October 1970. The member for the Committee takes this opportunity to invite the members of the Committee to inspect the minutes of the meeting held on 10th, 12th and 14th, September 1970.

Yours sincerely,

[Signature]

Received:

1970 Jul 21 AM 9:07 O:07

[Stamp]
Messrs. Alter, Gutierrez, Lejeune

Willaim Diamond

Pearson Commission: Recommendation No. 4, Regional Development Banks

Mr. Demuth is briefing the President for the discussion of the staff memoranda on the Pearson recommendations. No. 4, involving regional development banks, will be discussed by the Executive Directors Thursday.

Attached is a draft note, which Mr. Demuth asked for, on regional development banks. Is it OK? Have you any corrections to suggest?

cc Mr. Demuth
    Mr. Mathew
    Mr. Acevedo
    Mr. Nespoulous-Neuville
    Mr. Pollan

WDiamond:us
Mr. Richard H. Demuth

July 14, 1970

William Diamond

Regional Development Banks

Attached is the note you asked for on regional development banks.

I have sent it to the Area Directors for checking.

cc Messrs.Alter
Gutierrez
Lejeune
Mathew
Acevedo
Nespoulos-Neaville
Pollan

WDiamond:us
Relations with Regional Development Banks

A. There are four such banks:

1. **Central American Bank for Economic Integration (CABEI)**
   - established: 1960; operations since 1961.
   - members: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua.
   - location: Tegucigalpa
   - president: Enrique Ortez-Colindrez

2. **East African Development Bank (EADB)**
   - established: 1967; operations since 1968.
   - members: Kenya, Tanzania, Uganda
   - location: Kampala
   - director general: Iddi Simba (former Bank ED)

3. **Caribbean Development Bank (CDB)**
   - established: 1970; operations not yet begun
   - members: 14 Caribbean countries and Guyana
   - location: Bridgetown, Barbados
   - president: Sir Arthur Lewis

4. **Andean Development Corporation (ADC)**
   - established: 1970; operations not yet begun
   - members: (prospective) Bolivia, Chile, Colombia, Ecuador, Peru
   - location: Caracas (although Venezuela will not be a member)
   - president: Adolfo Linares.
B. Bank Group Technical Assistance

1. CABEI
   a. None, so far.
   b. CABEI has recently asked for help in reorganization and strengthening its industrial financing; it is likely to be given.

2. EADB
   a. A continuing dialogue with EADB, starting from the moment Iddi Simba, a Bank ED, was named Director General, at the end of 1967.
   b. Advice on personnel and organization, including several visits by staff to Kampala and visits by EADB's Director General and Secretary here.
   c. Legal Department visited EADB in December 1969 to advise on legal problems and procedures; a Bank lawyer has been seconded to EADB.

3. CDB
   a. The Bank recommended to the UN the man who was chosen to head the UN feasibility study.
   b. Bank legal staff helped draft the CDB Charter and other basic documents.
   c. The Bank is Executing Agency for a UNDP program to help establish in CDB a pre-investment unit.
   d. Sir Arthur Lewis has visited the Bank to discuss his problems, and methods of collaboration. He has a standing offer to continue close contact.
4. **ADC**

a. None so far.

b. Bank staff participated in a meeting in Lima in June to discuss activities of development finance companies in the Andean region.

C. **Bank Group Finance**

The President has said that the Bank is prepared to consider lending to regional development banks. The question has come up concretely in only two cases:

1. **CDB**: Sir Arthur Lewis suggested that the Bank "might use CDB as a conduit for IDA lending to the smaller Caribbean countries which are not members themselves of the World Bank". He was told that, when CDB began to run short of funds, the Bank Group would consider a loan.

2. **EADB**: The Director General has been told EADB can apply when funds are needed. This might be in Calendar 1971 or 1972; a sum already appears in the lending program.

**CABEI** has, in the past, been adequately funded by AID and IDB. However, in requesting technical assistance recently, it has referred to putting itself in condition to justify Bank lending in due course. **ADC** has not yet raised the question of financing.
Señor
B. H. Shin
Compañías Financieras de Desarrollo
Banco Internacional de Reconstrucción y Fomento
1818 H Street, N. W.
Washington, D.C. 20433

Muy estimado señor Shin:

Tengo el gusto de referirme a su atenta comunicación de fecha 2 de Julio último, con la cual me hizo llegar una copia de una tabla, titulada "Relaciones Operacionales Comparativas entre Compañías Financieras de Desarrollo, 1967, 1968 y 1969".

Quiero aprovechar la presente para expresarle mis agradecimientos por el envío de este interesante documento.

Sin particulares para más, me suscribo muy atentamente,

Alvaro Jaramillo Vengoechea
Presidente
Señor

Compañía Financiera de Desarrollo
Banco Internacional de Reconstrucción y Fomento
1818 H Street N.W.
Washington D.C. 20433

Hoy estamos seguro de que Tendrá a bien de contestarme en breve, comunicándome de forma efectiva acerca de sus medidas tendientes a la disminución de intereses de sus créditos para los próximos años.

Quedo a la espera de su amable respuesta y agradezco con anticipación.

Presidente

[Signature]

Recibido

19/Jul/22 a las 9:03
No. A. 1755/2513

July 13, 1970

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin:

Thank you very much for the promptitude with which you were so kind as to send to us with your letter of the 6th instant two copies of the final version of the descriptive memorandum on IFCT, as well as for the additional eight copies of same which came separately by air-print.

Yours sincerely,

P. Prabhailakshana
Assistant General Manager for Administration
for General Manager

PP:pt
July 13, 1970

Mr. H. Shin
Development Finance Company
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin:

Thank you very much for the prompt and quick manner with which you were so kind as to send us with your letter of the 12th January two copies of the final version of the secretariat memorandum on ICT, as well as for the additional copies of same which came separately by air-print.

Yours sincerely,

[P. Preapattakaran]
Assistant General Manager for Administration
for General Manager

[Signature]
July 13, 1970.

Mr. B.H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
WASHINGTON D.C. 20433
U.S.A.

Dear Mr. Shin:

Thank you for your letter dated July 6, 1970 and
the final version of the descriptive memorandum on DBS.

Sincerely yours,
THE DEVELOPMENT BANK OF SINGAPORE LTD.

(W.D. Wabnitz)
Executive Vice President
July 13, 1970

Mr. B.H. Shih
Development Finance Companies
International Bank for Reconstruction
and Development
18th H Street, N.W.
Washington D.C. 20433
U.S.A.

Dear Mr. Shih:

Thank you for your letter dated July 6, 1970 and
the final version of the Gesquiere memorandum on DBS.

Sincerely yours,

THE DEVELOPMENT BANK OF SINGAPORE LTD.

[Signature]

W.D. Wapnitzt
Executive Vice President
July 10, 1970

Turkiye Sinai Kalkinma Bankasi A. S.
P. O. Box 17
Karakoy
Istanbul, Turkey

Gentlemen:

Thank you very much for your letter of June 29 and the draft descriptive memorandum on Turkiye Sinai Kalkinma Bankasi A. S. which you have kindly reviewed and filled in the blanks.

In the light of your reviews and corrections, we have put the draft into final form. I take pleasure in enclosing five copies of the final version of the descriptive memorandum on TSBK.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the final version of the descriptive memorandum).

BHShin:er
July 10, 1970

Mr. P. Clarence Parker, Jr.
President
The Liberian Bank for Industrial Development and Investment
100 Broad Street
P. O. Box 547
Monrovia, Liberia

Dear Mr. Parker:

Thank you for your letter of June 15 and the copy of the draft descriptive memorandum on Liberian Bank for Industrial Development and Investment which you have kindly reviewed and suggested certain corrections.

I am most grateful for your cooperation in this regard. In the light of your suggestions we have revised and put the draft into final form. I take pleasure in enclosing two copies of the final version of the descriptive memorandum on LBIDI.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the final version of the descriptive memorandum).

B.HShin:er
July 10, 1970

Mr. Abul Hasnat
Manager, Operations
Pakistan Industrial Credit and Investment Corporation Ltd.
P. O. Box 5060
Karachi 2, Pakistan

Dear Mr. Hasnat:

Thank you for your letter of June 12 and the draft descriptive memorandum on Pakistan Industrial Credit and Investment Corporation Ltd., which you have kindly reviewed, filled in the blanks and suggested some corrections.

I am most grateful for your cooperation in this regard. In the light of your suggestions, we have now put the draft into final form. I take pleasure in enclosing five copies of the final version of the descriptive memorandum on PICIC.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Lethbridge (with a copy of the final version of the descriptive memorandum).

BHS:iner
July 10, 1970

Mr. Phiroze B. Madhora
Deputy General Manager
The Industrial Credit and Investment
Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

Dear Mr. Madhora:

Thank you for your two letters dated June 9 and June 24 regarding our draft descriptive memorandum on Industrial Credit and Investment Corporation of India Limited. Your June 9 letter apparently crossed my letter of June 17.

I am most grateful for your careful reviews of the draft and suggested changes. In the light of your suggestions, we have put the draft into final form. I take pleasure in enclosing two copies of the final version of the descriptive memorandum on ICICI.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the final version of the descriptive memorandum).
July 10, 1970

Mr. T. C. Pan
Executive Vice President
China Development Corporation
131 Nanking East Road, Sec. 5
Taipei 105, Taiwan
Republic of China

Dear Mr. Pan:

Thank you for your letter of June 23 and the draft descriptive memorandum on China Development Corporation which you have kindly reviewed, filled in the blanks and made a few corrections.

I am most grateful for your going through the draft carefully. I have now put it into final form. I take pleasure in enclosing two copies of the final version of the descriptive memorandum on CDC.

With best regards,

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Lethbridge (with a copy of the final version of the descriptive memorandum).

BHShin:er
July 9, 1970

Mr. B. H. Shin,
Development Finance Companies,
International Bank for Reconstruction
and Development,
1818 H Street N.W.
Washington D.C. 20433.

Dear Mr. Shin,

Thank you for your letter of June 30, 1970 received yesterday.

We have filled the blanks and amended slightly the draft memorandum on MIDF, which you enclosed, and look forward to receiving three copies of the completed memorandum.

We note that it would be utilised for restricted distribution to other development finance companies and other legitimate interests.

 Yours sincerely,

H.R.G. Leembruggen
General Manager
A. Establishment
FMO was established by act of Parliament in April 1970 and subsequently incorporated as a Limited Liability Company in July 1970.

B. Objects
The objects of FMO are to make a contribution towards the industrial and commercial development of developing countries in the interest of the economic and social advancement of these countries and in accordance with the development policies of the said countries.

C. Scope of activities
To attain the objects sub B., the FMO will:

a) Grant financial aid to or in behalf of natural persons or corporate bodies engaged in business or a profession or intending to engage in business or a profession in a developing country, in which business or profession Netherlands trade and industry has a substantial interest, such as by participating in equity capital, providing loans or making grants.

b) Participate in its own name but for the account and at the risk of the State in the capital of development banks or to grant loans to them.

c) Participate either for its own account and at its own risk or for account and at the risk of the State in the capital of institutions with aims identical or similar to those of the company, other than those referred to under b) or to grant loans to such institutions.

d) Manage and administer in its own name but for the account and at the risk of the State and other third parties rights and obligations resulting from:

1. agreements on the granting of financial aid already concluded by the State with Netherlands enterprises;

2. ownership of shares of the "Nederlandse Overzeese Financierings-Maatschappij N.V.", (Netherlands Overseas Finance Company Ltd.).

e) Act as intermediaries on behalf of the natural persons and corporate bodies referred to in a) for raising funds in international and domestic markets.

f) Do everything connected in the widest sense with the above.

D. Management
The FMO will be managed by a Managing Directorate under supervision of a Board of Directors.
E. Resources

Total resources at the disposal of and earmarked for the FMO comprise:

a) Share capital issued and fully paid up at the incorporation of the Company, about Guilders five million, of which 50% subscribed by the State and 50% by various Netherlands Companies, Organizations and individuals.

b) Financial assistance as and when required by FMO to be granted by the State, in various forms and manners, but within the relevant budgetary limits, to a total amount of Guilders twohundred and twentyfive million.

F. Business Policy

As stated above, the FMO may provide financial assistance in the form of participations in share capital, loans (with normal or special conditions in respect of interest and redemption) and grants.

The FMO will give this assistance if the project in which the money is to be invested is commercially sound and expected to benefit the economic and social development of the country concerned.

Grants and "soft" loans may be provided for absorbing initial losses on projects or for covering the cost of non-profitable investments that have to be made as part of a project that is regarded as intrinsically profitable.

In principle, investment projects that may be regarded as profitable (economically viable) qualify for financial assistance in the form of capital participations and loans with normal conditions in respect of interest and redemption.

Financial assistance by the FMO will always be of a supplementary nature and the following two criteria must always be met by a project to be acceptable for financing by the FMO:

1. the project must clearly contribute to the economic and social development (being highranking as such) of the host country and have the latter's approval of which evidence must be given in writing by the competent government authority;

2. financing should not be obtainable through normal commercial banking channels.

G. Project Committee

According to the articles of association, FMO's financing operations shall require the prior approval of a committee. This committee will consist of the chairman of the FMO's Board of Directors and six members, each of whom has a deputy.

Three members and their deputies will represent the State. The three other members and their deputies shall be appointed by the other shareholders.

All decisions made by the committee shall be unanimous.

The committee's composition and its procedures have been laid down in an agreement concluded between the State and the FMO. This agreement also contains general guidelines the committee will have to follow when approving or rejecting projects.
July 8, 1970.

Mr. B.H. Shin
Development Finance Companies
International Bank for Reconstruction
& Development
1818 H Street, N.W.
WASHINGTON D.C. 20433
U.S.A.

Dear Mr. Shin:

Thank you for your letter of July 2, 1970 and your new table on "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969" making it easy for us to compare DBS performance with those of the other development banks assisted by IBRD.

Sincerely yours,
THE DEVELOPMENT BANK OF SINGAPORE LTD.

(W.D. Wabnitz)
Executive Vice President

WDW:wml
Mr. B.H. Shin,
Development Finance Companies,
International Bank for Reconstruction
and Development,
1818 H Street N.W.
Washington D.C. 20433.

Dear Mr. Shin,

Thank you for the useful updated table on Comparative Operational Ratios of thirty Development Finance Companies, this time taken up to 1969.

We are very glad to receive this useful comparative data.

With kind regards,

Yours sincerely,

H.F. Leembruggen
General Manager.
July 7, 1970.

Mr. B.H. Shin,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
Washington D.C. 20433,
U.S.A.

Dear Mr. Shin:

Thank you for your letter of July 2, 1970 enclosing a copy of a Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969". I have gone through the figures in the table with interest.

We have noted the other contents of your letter under reply.

With best regards.

Yours sincerely,

(Said Ahmed)
Managing Director.
July 7, 1970

Mr. Rubens Vaz da Costa
President
Banco do Nordeste do Brasil
Fortaleza
Brazil

Dear Mr. Vaz da Costa:

On July 2, we sent you a table on "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969". As you notice in the table, unlike the other companies the performance of MB is illustrated for 1969 only. The reason was that we do not have sufficient raw material to cover 1967 and 1968.

However, when we redo a table - in fact, we intend to do so soon, we would like to cover MB's performance for the same three-year period as for the other companies. Thus I would like to ask for your cooperation once again. We would appreciate it very much if you could prepare the income statements for 1967 and 1968, as per format attached, as you did previously for 1969, and send them to us at your earliest convenience.

With best regards,

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosure

cc: Mr. Mirski

B. H. Shin:

er
July 8, 1970

Mr. B. H. Shin
Development Finance Companies
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, D. C. 20433
U. S. A.

Dear Mr. Shin:

Thank you very much for your letter of July 2, 1970 and copies of memorandum on Korea Development Finance Corporation. We appreciate your kindness in including our suggestions in the final copy.

With warm regards,

Sincerely yours,

C. H. Kim
President
TO: All Staff

FROM: William Diamond

SUBJECT: Projections and Lending Program

July 7, 1970

1. Henceforth, whenever a change in the lending program (amount or timing, or both) is proposed for a development finance company, I should like to have a statement showing:
   a. the company's own forecast of need;
   b. your assessment of the appropriate amount (for two years) and time (month and year) of the next loan.

Only thereafter will we approve, or disagree with, the proposal.

2. If your continuing review of a company's performance suggests a change in the lending program (amount or timing, or both), it is up to you to let me know at once, with your reason.

3. Please review each item in the FY 1971 and FY 1972 programs to see whether the amount and timing correspond with (a) the company's latest projections, and (b) your assessment. Let us have the conclusions of your revision by Friday, July 17.

cc: Messrs. Mathew
    Clayton
    Circulating Folder
    Staff Instruction File

WDiamond: jmb
July 6, 1970

Mr. P. Prabhailakshana
Asst. General Manager for Administration
for General Manager
The Industrial Finance Corporation
of Thailand
101 Naret Road
Bangkok 5, Thailand

Dear Mr. Prabhailakshana:

Thank you for your letter of June 4, enclosing the copy of our draft descriptive memorandum on Industrial Finance Corporation of Thailand which you have kindly reviewed and made necessary corrections.

In the light of your reviews and corrections, I have put the draft into final form. I take pleasure in sending you two copies of the final version of the descriptive memorandum on IFCT and sending eight copies by air-print separately.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Lethbridge (with a copy of the final version of the descriptive memorandum).

BHSin:er
July 6, 1970

Dr. W. D. Wabnitz
Executive Vice President
Development Bank of Singapore Ltd.
P. O. Box 1235
Singapore 1

Dear Dr. Wabnitz:

Thank you for your letter of June 8 and the copy of our draft descriptive memorandum on Development Bank of Singapore Ltd. which you have kindly reviewed, filled in the blanks and suggested some corrections.

In the light of your suggestions we have put the draft into final form. I would like to point out that in paragraph 27 of the final version of the memorandum we used the figures different from those suggested by you, for we adjusted the total assets excluding the contingent liabilities from both the debit and credit sides of the balance sheets.

I take pleasure in enclosing two copies of the final version of the descriptive memorandum on DBS.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the final version of the descriptive memorandum).

BHS:in:er
July 6, 1970

Mr. A. Gasem Kheradjou
Managing Director
Industrial and Mining Development Bank
of Iran
133 Shiraz Street
Tehran, Iran

Dear Mr. Kheradjou:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Industrial and Mining Development Bank of Iran. We would appreciate your reviewing it and returning by August 6, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 8, para 36 and page 9, para 38. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on IMDBI is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. E. Shin
Development Finance Companies

Enclosures

cc: Mr. Lethbridge (with a copy of the draft descriptive memorandum).
Medellín, Julio 6 de 1970

Señor
B. H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, D. C. 20433

Apreciado señor Shin:

Agradecemos a usted su comunicación del 2 de los correspondientes, con la cual se sirvió hacernos llegar la "Tabla Comparativa de Relaciones Operacionales de las Compañías Financieras de Desarrollo, 1967, 1968 y 1969", preparada con base en los estados financieros suministrados a esa entidad.

Obviamente, de acuerdo con lo que usted solicita, conservaremos ese material dentro de la natural confidencia.

Sin otro particular, somos sus atentos servidores y amigos,

Carlos Restrepo Dúmit,
Vicepresidente

CRD/ead.
July 6, 1970

Mr. M'hamed Bargach
President
Banque Nationale pour le Developpement
Economique
Boite Postale 407
Rabat, Morocco

Dear Mr. Bargach:

I take pleasure in enclosing a copy of a table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", which we have prepared about the operations of and financial results of the companies associated with the World Bank Group. This is the latest version of similar tables we prepared last year and the year before. Those companies have in the past considered these comparative data useful and I hope this latest version will be no less so.

You will notice that BNDE is missing from the table. The reason is that Mr. Benkirane did not give us permission to circulate BNDE's figures despite my request both in 1968 and 1969. He felt that comparisons were dangerous and misleading. My personal view is that comparisons are helpful, if judiciously considered; and the presidents of all the other development banks associated with us agreed and gave us permission to circulate the record of their performance.

I would like to ask you to reconsider this matter, for I am very anxious - as I always have been - to include BNDE. If you decide to permit us to do so, as I hope you will, I shall be very glad to revise the table to circulate a new one incorporating BNDE's record.

With best regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosure

cc: Mr. Pollan

BHS/WDiamondier
Mr. B.H. Shin,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street N.W.,
WASHINGTON D.C. 20433, U.S.A.

Dear Mr. Shin,

With further reference to our letter dated 14th June 1970 Ref. FG/SH/4985, we have pleasure in sending you herewith the amended Draft Memorandum. We have changed figures and wording in the following items:

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We shall send you the final figures in due course.
Mr. B.H. Shin,
Washington D.C. 20433, U.S.A.


We trust the amendments are clear and look forward to receiving the final publication, when ready.

Yours sincerely,

[Signature]
INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LTD.
July 2, 1970

I take pleasure in enclosing a copy of a Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969" which we have recently prepared on the basis of the financial statements you kindly made available to us.

This is an up-dated version of the similar table, a copy of which we circulated last October. It contains the operational performance in the three years of the thirty companies with which the World Bank Group is associated. The new table covering three years' performance makes intra-company comparison more meaningful. As for inter-company comparison, it is true that greatly differing conditions make strict comparison difficult but the figures are still revealing and interesting. I hope you will find it interesting and useful.

Needless to say, the Table is made available for your own use and that of your company only, and should not in any circumstances be circulated outside it.

With best regards,

Sincerely yours,

B. K. Shin
Development Finance Companies

Enclosure

cc: Division Chiefs

BHShin:MT/ST
Dear Dr. Copetes:

Dr. Ignacio Copetè Lizarralde
President
Corporacion Financiera Colombiana
Apartado Aereo 11843
Bogota, Colombia

Dear Dr. Ocampo:

Dr. Roberto Ocampo Mejia
President
Corporacion Financiera de Caldas
Apartado Aereo 460
Manizales, Colombia

Dear Dr. Gutierrez Gomez:

Dr. Jose Gutierrez Gomez
President
Corporacion Financiera Nacional
Apartado Aereo 1039
Medellin, Colombia

Dear Mr. Lassila:

Mr. Jaakko Lassila
General Manager
Teollistamisrahasto Oy - Industrialization Fund of Finland Ltd.
Lonnrotinkatu 13, V kru.
Helsinki, Finland

Dear Mr. Mehta:

Mr. S. S. Mehta
General Manager
The Industrial Credit and Investment Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

Dear Mr. Egeli:

Mr. Reaid Egeli
General Manager
Turkiye Sinai Kalkinma Bankasi A.S.
P. O. Box 17
Karakoy
Istanbul, Turkey
Dear Mr. Goudicas:

Mr. George Goudicas
General Manager
National Investment Bank for Industrial Development, S.A.
P.O. Box 643
6 Sophoclean Street
Athens, Greece

Dear Mr. Chang:

Mr. Felix Chang
President
China Development Corporation
131 Nanking East Road, Sec. 5
Taipei 105, Taiwan
Republic of China

Dear Mr. Daniyan:

Mr. Silas B. Daniyan
General Manager
Nigerian Industrial Development Bank Limited
M & K House
96/102 Broad Street
Lagos, Nigeria

Dear Mr. Diby:

Mr. Alphonse Diby
Managing Director
Banque Ivoirienne de Developpement Industriel
Boîte Postale 4470
Abidjan, Ivory Coast

Dear Mr. Kheradjou:

Mr. A. Gasem Kheradjou
Managing Director
Industrial and Mining Development Bank of Iran
133 Shiraz Street
Tehran, Iran

Dear Ato Tekalign:

Ato Tekalign Gedamu
Managing Director
Development Bank of Ethiopia
P. O. Box 1900
Addis Ababa, Ethiopia
Dear Khun Sommai:

Khun Sommai Hoontrakul
General Manager
The Industrial Finance Corporation
of Thailand
101 Naret Road
Bangkok 5, Thailand

Dear Mr. Marzo:

Sr. Don Jose Maria Marzo Churraca
Director General
Banco del Desarrollo Economico Espanol
Apartado de Correos 50460
Calle Fernando RC Santo 20
Madrid, Spain

Dear Mr. Jayme:

Mr. Vicente R. Jayme
Executive Vice President
Private Development Corporation
of the Philippines
Commercial Center
P. O. Box 757
Makati, Rizal - D 708
Philippines

Dear Mr. Ahmed:

Mr. Said Ahmed
Managing Director
Pakistan Industrial Credit and Investment Corporation Ltd.
P. O. Box 5080
Karachi 2, Pakistan

Dear Mr. Leembruggen:

Mr. H. F. G. Leembruggen
General Manager
Malaysian Industrial Development Finance Berhad
P. O. Box 2110
Kuala Lumpur, Malaysia
Dear Mr. Parker:

Mr. P. Clarence Parker, Jr.
President
The Liberian Bank for Industrial 
Development and Investment
100 Broad Street
P. O. Box 547
Monrovia, Liberia

Dear Dr. Neaman:

Dr. Avraham Neaman
Managing Director
Industrial Development Bank 
of Israel Limited
9 Ahad Haam Street
Shalom Mayer Tower
Tel Aviv, Israel

Dear Dr. Vallenilla:

Dr. Luis Vallenilla
President
C.A. Venezolana de Desarrollo
Apartado 62191
Caracas, Venezuela

Dear Dr. Teufenstein:

Dr. Wilhelm Teufenstein
Chairman, Board of Management
Oesterreichische Investitionskredit 
Aktiengesellschaft
Renngasse 10
1013 Wien
Vienna, Austria

Dear Mr. Belkhodja:

Mr. Moncef Belkhodja
President
Societe Nationale d’Investissement
68, Ave. Habib Bourguiba
Tunis, Tunisia

Dear Dr. Martinez Moriones:

Dr. Benjamin Martinez Moriones
President
Corporacion Financiera del Valle
Apartado Aereo 4902
Cali, Colombia
Dear Dr. Jaramillo:

Dr. Alvaro Jaramillo Vengoechea
President
Corporacion Financiera del Norte
Apartado Aereo 2747
Barranquilla, Colombia

Dear Mr. Loganathan:

Mr. C. Loganathan
General Manager and Director
Development Finance Corporation of Ceylon
42/1 Horton Place
P. O. Box 1397
Colombo 7, Ceylon

Dear Mr. Kim:

Mr. C. H. Kim
President
Korea Development Finance Corporation
12th Floor, Cho Heung Bank Building
14 Nandaemoon - Ro, 1 - Ka
Seoul, Korea

Dear Dr. Correa:

Dr. Jose Antonio Correa
President
Ecuadoriana de Desarrollo S.A.
Compania Financiera
P. O. Box 411
Quito, Ecuador
July 2, 1970

Mr. Serge Guetta
Directeur General
Societe Congolaise de Financement du Developpement
Boite Postale 1148
Kinshasa 1
Republique Democratique du Congo

Dear Mr. Guetta:

I take pleasure in enclosing a copy of a Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969" which we have recently prepared on the basis of the financial statements those companies kindly made available to us.

This is an up-dated version of the similar table, a copy of which Mr. Mathew sent you among others on June 5, 1970. It contains the operational performance in the three years of the thirty companies with which the World Bank Group is associated. The new table covering three years' performance makes intra-company comparison more meaningful. As for inter-company comparison, it is true that greatly differing conditions make strict comparison difficult but the figures are still revealing and interesting. I hope you will find it interesting and useful.

Needless to say, the Table is made available for your own use and that of your company only, and should not in any circumstances be circulated outside it.

With best regards,

Sincerely yours,

B. H. Shin
Development Finance Companies

Encl.

cc: Mr. Sekse
BHShin/mq
Dear Dr. Wabnitz:

I take pleasure in enclosing a copy of a Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969" which we have recently prepared on the basis of the financial statements you kindly made available to us.

This is an up-dated version of the similar table, a copy of which Mr. Diamond sent you among others on January 27, 1970. It contains the operational performance in the three years of the thirty companies with which the World Bank Group is associated. The new table covering three years' performance makes intra-company comparison more meaningful. As for inter-company comparison, it is true that greatly differing conditions make strict comparison difficult but the figures are still revealing and interesting. I hope you will find it interesting and useful.

Needless to say, the Table is made available for your own use and that of your company only, and should not in any circumstances be circulated outside it.

With best regards,

Sincerely yours,

B. H. Shin
Development Finance Companies

Encl.

cc: Mr. Gustafson

BHSin/mq
July 2, 1970

Mr. Z. Huq
Managing Director
Industrial Development Bank of Pakistan
Kandawala Building
P. O. Box 7300
Parachi 3, Pakistan

Dear Mr. Huq:

I take pleasure in enclosing a copy of a Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969" which we have recently prepared on the basis of the financial statements you kindly made available to us.

This is an up-dated version of the similar table, a copy of which Mr. Diamond sent you among others on February 19, 1970. It contains the operational performance in the three years of the thirty companies with which the World Bank Group is associated. The new table covering three years' performance makes intra-company comparison more meaningful. As for inter-company comparison, it is true that greatly differing conditions make strict comparison difficult but the figures are still revealing and interesting. I hope you will find it interesting and useful.

Needless to say, the Table is made available for your own use and that of your company only, and should not in any circumstances be circulated outside it.

With best regards,

Sincerely yours,

E. H. Shin
Development Finance Companies

Encl.

cc: Mr. Lethbridge

EHShin/mq
July 2, 1970

Mr. C. H. Kim  
President  
Korea Development Finance Corporation  
12th Floor, Cho Heung Bank Building  
14 Namdaamoon - Ro, 1 - Ka  
Seoul, Korea

Dear Mr. Kim:

Thank you very much for your letter of June 8 and the copy of our draft descriptive memorandum on Korea Development Finance Corporation, which you have kindly reviewed and suggested some corrections.

In the light of your suggestions, we have now put the draft into final form. I take pleasure in enclosing two copies of the final version of the descriptive memorandum on KDFC and am sending eight copies separately under air-print.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the final version of the descriptive memorandum).

BHS: Shin:er
July 2, 1970

Mr. H. C. Omo  
Assistant General Manager  
Nigerian Industrial Development Bank Limited  
M & K House  
96/102 Broad Street  
Lagos, Nigeria

Dear Mr. Omo:

Thank you very much for your letter of June 12 and the draft descriptive memorandum on Nigerian Industrial Development Bank Limited, which you have kindly reviewed and suggested corrections.

In the light of your suggestions I have revised the draft and put it into final form. As you requested, I am enclosing five copies of the final version of the descriptive memorandum on NIDB.

Sincerely yours,

B. H. Shin  
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the final version of the descriptive memorandum).
Mr. H. C. Omo

July 2, 1970

B. H. Shin

NIGERIA: NIDB Final Version of Descriptive memorandum

I have today sent five copies of a final version of the memorandum on NIDB to you at your home address. For your information, I am attaching a copy of the letter and a copy of the memorandum on NIDB.

Attachments

B. H. Shin
July 2, 1970

Gentlemen:

Thank you for your letter of June 23 on 1969 IVK's descriptive memorandum.

Paragraph 33 item one was corrected to 7.1 and 1.6 for gross income/average total assets and average spread, respectively, as you pointed out.

I am enclosing two copies of a corrected final version of the memorandum on IVK.

Sincerely yours,

B.H. Shin
Development Finance Companies

Oesterreichische Investitionskredit Aktiengesellschaft
Rennagasse 10
1013 Wien
Vienna, Austria

Enclosures

cc: Mr. Gustafson

BHShin:er
Semi-monthly Report on Material due from Division

Subject

1. Descriptive memorandum
   Five Colombian Financieras, CAVENDES, BNB and COFIEC
   Division: Mirski
   Due Since: April 30

cc: Mr. Mirski
June 30, 1970

Mr. G. Loganathan
General Manager and Director
Development Finance Corporation
of Ceylon
P. O. Box 1397
Third Floor - Hemas Building
York Street
Colombo, Ceylon

Dear Mr. Loganathan:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Development Finance Corporation of Ceylon. We would appreciate your reviewing it and returning by July 30, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 4, paras 18, 20; page 5, paras 21, 24 and page 6, para 28. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on DFCC is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the draft descriptive memorandum).
June 30, 1970

Mr. H. F. G. Leembruggen
General Manager
Malaysian Industrial Development
Finance Berhad
P. O. Box 2110
Kuala Lumpur, Malaysia

Dear Mr. Leembruggen:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Malaysian Industrial Development Finance Berhad. We would appreciate your reviewing it and returning by July 30, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 4, para 11; page 5, paras 20 & 21; page 6, para 27 and page 7, para 29. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on MIDF is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum).

BHShin:er
June 29, 1970

Mr. B. H. Shin
International Finance Corporation
Development Finance Companies
1818 H Street, N. W.
Washington, D. C. 20433
U. S. of America

Dear Mr. Shin,

This is to acknowledge receipt of your letter of May 12, 1970. We are enclosing herewith one copy of the draft memorandum on TSKB which we made some corrections and filled the blanks on the text.

We would appreciate if you send us three extra copies.

Yours sincerely,

TÜRKİYE SINAI KALKINMA BANKASI A.Ş.

Enclosure
June 28, 1970

Dear Sir,

This is to acknowledge receipt of your letter of May 15, 1970. We are enclosing here with one copy of the draft memorandum of the Committee which made some corrections and filled the blanks on the text. We would appreciate if you send us three extra copies.

Yours sincerely,

[Signature]

[Name]
Second Draft of Standard Development Finance Companies Loan Agreement

1. These are my observations on the draft of June 9. I am making my comments within the setting of the present policy on the development finance companies but I am flagging some questions of policy which I believe should be discussed within the Department before long.

2. I am following the sequence of the sections:

Section 1.02(k): We recently ran into the problem of the type of subsidiary we wanted to have covered by all the convenants of development finance companies entering into with us. I don't think the over-all umbrella should cover all subsidiaries as defined. In the case of NIDB, we exempted from the audit clause a company which by the operation of law -- in this case a court judgment -- was put under NIDB's majority ownership and control. As a matter of policy, we do at this stage not yet know precisely which subsidiaries we want to catch. I propose to write a note on this subject before I go on home leave.

Section 2.03(a): According to standard practice, an amortization schedule has to be agreed to whenever Bank loan funds are to be used for an equity investment made by a development finance company. I am often puzzled when reading this requirement because there is in fact no payment being made by the development finance company to the Bank in respect of the investment made with Bank loan funds. All that the agreed amortization schedule does is to serve as an aid for estimating or computing the composite amortization schedule applying to the Bank loan as a whole. Since the amortization schedule for the Bank loan is not all that precise either in

(i) reflecting all amortization schedules of subloans (and investments) made by development finance companies; and because

(ii) we know from practice that share investments with the Bank loan funds are occurring only sporadically,

I think we might give up our requirement for agreeing to an amortization schedule. This has an implication also under Section 2.09(a) and (b) as discussed there.

Section 2.03(c): As of today and after four years in this Department, I am still not clear how we operate the "90-day rule" as to
when a project is being received. Practice varies. When a borrower has been pressing us to start picking up investment projects as soon as possible, I have at least operated on the theory that the Bank cannot receive anything formally until a loan is signed because before that date there is nothing formal between the borrower and us. Am I in order? Or can a date of receipt only occur after the date of effectiveness? Or is the physical act of reception by the Bank good enough irrespective of the date of a loan agreement or its effectiveness?

Section 2.09(a) and (b):
Here the comments on the amortization of investment funds apply again. Particularly in Section (ii) of 2.09(b), there is lack of reality in the reference ..."reflecting amounts to be repaid on account of such investment". Nothing is being repaid to the Bank on this investment.

Section 3.07:
I made a comment on May 19 that the catch-all section obliging subsidiaries to perform all obligations under the loan agreement should also apply to existing subsidiaries. I believe there is some recognition of this suggestion in footnote ** in the June 9 draft. I think this matter could be easily resolved by adding after "of the Borrower" the words "owns and controls".

Section 4.03(a):
The definition of "debt" leaves out any reference to guarantees offered by a development finance company. I have seen this in other agreements. But this is the time to raise these possible lacuna and I am not sure whether subsection (b)(ii) takes care of it, if it exists.

Section 4.03(e):
Sub-item (ii) does not reflect our policy. I am repeating my comment made in my note of May 19: I believe that treatment in the borrowing base of a presumably subordinated advance obtained by a development finance company needs further spelling out. The present draft throws only those amounts of the subordinated advance into the borrowing base which is repayable by the development finance company after the date of the last maturity of the Bank Loan for which the Loan Agreement is concluded. When the present pattern was developed in 1967, it was clearly the intention to provide the development finance company with flexibility on this matter, namely, by giving the development finance company the discretion to adjust amortization schedules of its subloans or investments made with the proceeds of Bank funds so that the development finance company can -- up to a point -- decide itself on which payments would be made on the subordinated advance which would fall due after the last maturity of sub-loans or investments made with Bank funds. I believe therefore that the language of item (ii) of Section 4.03 of the new standard draft should read: "the amount of the advance under the first Government Agreement payable after the latest of the dates of all outstanding maturities of the
sub-loans, the schedules of amortization for investments, the loans made by the Borrower out of the proceeds of all other loans made by the Bank to the Borrower and the schedules of amortization for the investments made out of such proceeds. This formulation was used in Loan 660-MOR to BNDE.

Section 4.04:

I think we still are facing an ailment of the exchange risk section inasmuch as the obligation to protect itself from such risk also falls on the Borrower in respect of commitment charge payable to the Bank. What do we do if there is no possibility for a development finance company to insure itself against that risk through a third party, probably the respective Government? If we just acquiesce to covering that eventuality, then a development finance company borrower would also have good reason to ask us to acquiesce in something else we do not like.
Standard Form of Loan Agreement Between the Bank and DFUs

I have two comments on the draft agreement attached to Mr. Mathew's routing slip of June 11.

(i) The footnote on page 8 refers to the recent loan agreement with IDBI and poses the question: "Why should the borrower not have to repay if he has received a substantial consideration in kind?"

There may be a good case for requiring the borrower to prepay if he has received, for instance, land, buildings or other saleable property in discharge of the debt due to him. That was not the contingency, however, on which the corresponding clause in the IDBI agreement was based. The hypothetical situation the Bank considered in the negotiations with the Israelis was that in which the consideration for the discharge of the sub-borrower's debt to the borrower was a promise by a third party to discharge the sub-borrower's debt in cash over a period of years. In that situation it still seems to me appropriate that the borrower should not be required to prepay his loan from the Bank. That sort of situation can be taken care of ad hoc, however, under the words "Unless the Bank and the borrower shall otherwise agree."

(ii) On the original sub-section 7.02(d) I commented in my note of May 16: "I do not like this wording. If the section is intended to mean that it is the Bank's sole judgment that would determine whether an acquisition, etc. would adversely affect the conduct of the borrower's business, I think the section should say so. But I think it might give rise to charges that the Bank was being unnecessarily arbitrary. Why not require, instead, that the borrower shall not acquire a subsidiary without the prior consent of the Bank? If that were done, Section 3.07 might need to be amended." The wording of that sub-section remains unchanged in the latest draft, although it now appears as 7.02(c). I still think the wording is vague and unsatisfactory. Who is to judge whether a transaction "would adversely affect the conduct of the borrower's business?"
June 25, 1970

Mr. William C. Rhyne
Senior Economist
U.S. Department of Commerce
Room 5100
14th and E Streets, N.W
Washington, D.C. 20230

Dear Mr. Rhyne:

Enclosed you will find the documents I promised you. You understand, of course, that they are for your personal information only. Three of the items are "feasibility studies" and the fourth is the actual outline of a proposal for a new development bank.

I was interested to meet you and to talk about the proposed U.S. Development Bank. I hope that you will let me know if there is any other way in which I can be of help to you.

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosures:
DB-67 - The Congo
C-43 - Jamaica
DB-65 - Trinidad and Tobago
C-46 - Trinidad and Tobago

WDiamond:jmb
June 24, 1970

Dear Mr. Shin:

Please refer to your letter dated June 17, 1970 addressed to our General Manager regarding descriptive memorandum on ICICI.

The completed and reviewed copy of the memorandum has already been despatched to you on June 9, 1970 under our letter No. Stat./10277.

I enclose a copy of the letter along with the completed and reviewed memorandum on ICICI.

Yours sincerely,

Phiroze B. Medhora
Deputy General Manager

Enclosure:

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington D.C. 20433
U.S.A.
June 24, 1970

Industrial Development Bank of
Israel Limited
9 Ahad Haam Street
Shalom Mayer Tower
Tel Aviv, Israel

Gentlemen:

Thank you for your letter of June 3.4 regarding our draft descriptive memorandum on Industrial Development Bank of Israel Limited.

I have checked relevant figures in paragraph 32 of the draft and found them incorrect. The correct ones are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit before tax and provisions/average net worth</th>
<th>After tax income/year-end share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>17.8%</td>
<td>9.8%</td>
</tr>
<tr>
<td>1968</td>
<td>17.8%</td>
<td>12.2%</td>
</tr>
<tr>
<td>1969</td>
<td>19.3%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Incidentally, the figures for 1967 and 1968 correspond to those for your company in the Table, entitled "Comparative Operational Ratios of Development Finance Companies, 1967 and 1968", a copy of which I sent you last October, and the figures for 1969 will appear in our new table under a similar title, whose copy will be circulated to you shortly.

I am attaching for your perusal a work sheet indicating how we have arrived at these figures. Please do not hesitate to write to us if you have any comments on this computation.

With kind regards,

Sincerely yours,

B. H. Shin
Development Finance Companies

Attachment

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

BHShin:er
### Average Equity

<table>
<thead>
<tr>
<th>Year</th>
<th>1966</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-end Share Capital</td>
<td>338.84</td>
<td>360.61</td>
<td>374.97</td>
<td>379.22</td>
</tr>
<tr>
<td>Less: Ordinary B and Preference A shares</td>
<td>(187.90)</td>
<td>(188.40)</td>
<td>(188.40)</td>
<td>(187.40)</td>
</tr>
<tr>
<td>Adjusted Share Capital</td>
<td>150.94</td>
<td>171.21</td>
<td>186.57</td>
<td>191.82</td>
</tr>
<tr>
<td>Share Premium</td>
<td>6.12</td>
<td>6.50</td>
<td>7.19</td>
<td>7.51</td>
</tr>
<tr>
<td>General Reserve</td>
<td>11.50</td>
<td>13.50</td>
<td>16.00</td>
<td>18.50</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>1.04</td>
<td>0.52</td>
<td>0.54</td>
<td>3.91</td>
</tr>
<tr>
<td>Reserves in Linking Funds</td>
<td>30.10</td>
<td>32.14</td>
<td>29.29</td>
<td>28.27</td>
</tr>
<tr>
<td>Inner Reserve</td>
<td>4.20</td>
<td>2.50</td>
<td>7.00</td>
<td>-</td>
</tr>
<tr>
<td>Year-end Equity</td>
<td>024.20</td>
<td>226.67</td>
<td>246.59</td>
<td>250.01</td>
</tr>
<tr>
<td>Average equity, 1967</td>
<td>215.43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average equity, 1968</td>
<td>236.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average equity, 1969</td>
<td>248.30</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Adjusted Profit Before Tax and Provisions

<table>
<thead>
<tr>
<th>Year</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income before taxes</td>
<td>40.19</td>
<td>46.72</td>
<td>51.48</td>
</tr>
<tr>
<td>Less: Dividends on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary B shares</td>
<td>(4.05)</td>
<td>(4.05)</td>
<td>(4.05)</td>
</tr>
<tr>
<td>Preference A shares</td>
<td>(1.90)</td>
<td>(1.91)</td>
<td>(1.87)</td>
</tr>
<tr>
<td>Plus: Allowances for doubtful debts</td>
<td>2.65</td>
<td>1.30</td>
<td>1.38</td>
</tr>
<tr>
<td>Provision for diminution and adjustment in value of investments</td>
<td>1.51</td>
<td>-</td>
<td>0.97</td>
</tr>
<tr>
<td>Adjusted net income before tax and provision</td>
<td>38.40</td>
<td>42.06</td>
<td>47.91</td>
</tr>
</tbody>
</table>

### Adjusted Net Profits after Tax

<table>
<thead>
<tr>
<th>Year</th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profits after tax</td>
<td>22.69</td>
<td>28.62</td>
<td>25.08</td>
</tr>
<tr>
<td>Less: Dividends on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary B and Preference A shares</td>
<td>(5.95)</td>
<td>(5.96)</td>
<td>(5.92)</td>
</tr>
<tr>
<td>Adjusted net profits after tax</td>
<td>16.74</td>
<td>22.66</td>
<td>19.16</td>
</tr>
</tbody>
</table>

---

1/ Excluding portion relating to government-owned redeemable shares.

2/ See Profit and Loss Statements as Annex 2 attached to the Draft Descriptive Memorandum on IDBI.
### Adjusted profit before tax and provisions/average equity

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit Before Tax</th>
<th>Average Equity</th>
<th>Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>38.49/215.43</td>
<td></td>
<td>17.8%</td>
</tr>
<tr>
<td>1968</td>
<td>42.06/236.63</td>
<td></td>
<td>17.8%</td>
</tr>
<tr>
<td>1969</td>
<td>47.91/248.30</td>
<td></td>
<td>19.3%</td>
</tr>
</tbody>
</table>

### Adjusted net profit after tax/year-end adjusted share capital

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit After Tax</th>
<th>Share Capital</th>
<th>Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>16.74/171.21</td>
<td></td>
<td>9.8%</td>
</tr>
<tr>
<td>1968</td>
<td>22.66/186.57</td>
<td></td>
<td>12.2%</td>
</tr>
<tr>
<td>1969</td>
<td>19.16/191.82</td>
<td></td>
<td>10.0%</td>
</tr>
</tbody>
</table>
Gentlemen:

We confirm receipt of two copies of the final version of IVK’s descriptive memorandum 1969. In connection with paragraph 33 we would like to draw your attention, however, to item one (Gross income/Average total assets) which we corrected to 7.1 thus also influencing item four (Average spread) to 1.6.

Assuring you our further co-operation we remain

Sincerely yours,

[Signature]

ÖSTERREICHISCHE INVESTITIONS-KREDIT AKTIENGESELLSCHAFT

June 16, 1970

Sekr. Dr. L./Ky June 23, 1970
Ostarreichische Investitionsbank Aktiengesellschaft

Dear Mr. H. Shin,

Development Finance Companies
Investment Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

June 16, 1970

Enclosed is a copy of the final version of a memorandum which we hope to send you in the near future. Please let us know if you have any questions or comments.

Sincerely yours,

[Signature]
Mr. B. H. Shin
Development Finance Companies Dept.
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington D.C., 20433
U.S.A.

Dear Mr. Shin:

We are glad to receive your letter dated May 25, 1970 and the enclosures.

We have revised the draft memorandum carefully and filled in the blanks as instructed. A few corrections have been made accordingly and bringing all the figures up to December 31, 1969. A copy of your draft memorandum is returned herewith.

With best regards,

Sincerely yours,

T. C. Pan
Executive Vice President

Encl.: as stated
June 12, 1970

Mr. C. Akhras  
Chief  
Industrial Policies and  
Financing Section  
Nations Unies  
P. O. Box 707  
Vienna, Austria  

Dear Mr. Akhras:

I am replying to your letter of June 2 on the proposed workshop on industrial banking techniques. I am glad to know that UNIDO has taken the initiative in organizing such a program and that it has received enthusiastic response from several countries.

You have asked that we send you a staff member of this Department to teach a course on "Financial Appraisal of Industrial Projects". After consulting with Mr. K. S. Krishnaswamy, Director of the Bank's Economic Development Institute, I have come to the conclusion that it would be best if a staff member of EDI undertake this task. In order to enable EDI to specifically plan for the staff member's visit, it would be useful that you send Mr. Krishnaswamy, as soon as possible, the detailed program of the workshop and information on the participants selected. After receiving this information, he expects to inform you in due course of the name of the person designated.

I am happy that another opportunity for cooperation between UNIDO and the Bank family has arisen and that we are able to be of some help.

You have asked for some comments on the program. The planning of the workshop has progressed so far that I do not know whether any comments are appropriate now. However, I take some in the hope that in planning the next one you could take account of them.

I believe that a seminar of a month's duration, including also plant visits, could not cover in sufficient depth the range of subjects that you include in the program. Also, unless the participants were either the chief executives or their deputies, it is not very likely
that their immediate interest and competence would cover such a wide range of subjects. My own feeling is that seminars of this kind should concentrate on one or another important aspect. For example: (a) financial management; (b) project appraisal; and (c) disbursement and follow-up. Each of these is sufficiently important to devote a month or so to it and would then attract staff whose assignments are in each of these specific fields.

With best regards,

Yours sincerely,

[Signature]

William Nlemond
Director
Development Finance Companies

cc: Messrs. Fuchs
Krishnaswamy

PMathew: gwr
June 17, 1970

Mr. Resid Egeli
General Manager
Turkiye Sinai Kalkinma Bankasi A. S.
P. O. Box 17
Karakoy
Istanbul, Turkey

Dear Mr. Egeli:

I refer to my letter of May 12, 1970 in which I enclosed two copies of our draft descriptive memorandum on Turkiye Sinai Kalkinma Bankasi A. S. and asked you to review it and return one copy with whatever comments you may have by June 12, 1970.

Until now I have not received your reply in this regard. Though this letter may cross your reply in the meantime, may I call your attention to the matter.

I would appreciate greatly your earliest possible reply.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Gustafson

BHShin:er
June 17, 1970

Mr. Moncef Belkhodja
President
Societe Nationale D'Investissement
68, Ave. Habib Bourguiba
Tunis, Tunisia

Dear Mr. Belkhodja:

I refer to my letter of May 5, 1970 in which I enclosed two copies of our draft descriptive memorandum on Societe Nationale D'Investissement and asked you to review it and return one copy with whatever comments you may have by June 5, 1970.

Until now I have not received your reply in this regard. Though this letter may cross your reply in the meantime, may I call your attention to the matter.

I would appreciate greatly your earliest possible reply.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Pollan

BHShin:er
Madrid, June 17th, 1970

Mr. B.H. Shin
International Bank for Reconstruction and Development
Development Finance Companies
1818 H. Street, N.W.
WASHINGTON, D.C.

Dear Mr. Shin,

I have received your kind letter of June 11th and the two copies enclosed of the descriptive memorandum on Bandesco, for all which I thank you very much.

With best personal regards,

Yours sincerely,

[Signature]

Jose Maria Marzo Churruga
Madrid, June 17th, 1970

Mr. B.H. Shin
International Bank for Reconstruction
and Development
Development Finance Companies
1818 H Street, N.W.
Washington, D.C.

Dear Mr. Shin,

I have received your kind Letter of June 11th and the two copies enclosed of the descriptive memorandum on BANDECO, for which I thank you very much.

With best personal regards,

Yours sincerely,

[Signature]
June 16, 1970

Mr. A. Papantonakis &
Mr. N. Pantazopoulos
National Investment Bank for Industrial
   Development, S. A.
F. O. Box 643
6 Sophocleous Street
Athens, Greece

Gentlemen:

Thank you very much for your letter of May 28, enclosing a copy of our descriptive memorandum on National Investment Bank for Industrial Development, S. A., which you have kindly reviewed and corrected.

I am most grateful for the troubles you undertook in reviewing the draft. In the light of your comments, I have revised and put the draft into final form.

As you requested, I take pleasure in sending you five copies of the final version of the descriptive memorandum on NIBID.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the final version of the descriptive memorandum).

BHShin:er
Gentlemen,

Thank you very much for your letter of May 28. I enclose a copy of our draft of the loan for the Industrial Development Bank for Industrial Development (A.E.D.I.D.). I have had the opportunity to review the draft and am confident that it is acceptable.

As you requested, I am sending you a copy of the draft version of the loan agreement.

Sincerely yours,

E. H. Smith
Development Finance Committee

cc: Mr. Quatlan (with a copy of the final version)
June 16, 1970

Oesterreichische Investitionskredit
Aktiengesellschaft
Vorngasse 10
1013 Wien
Vienna, Austria

Gentlemen:

Thank you very much for your letter of May 29 enclosing a copy of our draft descriptive memorandum on Oesterreichische Investitionskredit Aktiengesellschaft, which you have kindly reviewed and made comments on.

I am most grateful for your careful reviews and suggested corrections. In the light of your comments I have revised and put the draft into final form.

I take pleasure in sending you two copies of the final version of the descriptive memorandum on IVK.

Sincerely yours,

[Signature]

E. R. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the final version of the descriptive memorandum).
Five Year Projections of the dfc's

1. You have asked when the dfc's of the division submitted to us their five year projections and whether they covered the period January 1, 1970 to December 31, 1974 as requested in your letters dated October 27, 1969. Also, whether they met the points raised in your requests.

2. We have received the five year projections of all the dfc's of the division. In your letters you suggested that they let us have the material by the end of November, 1969. Only one dfc, viz. CDC, complied with your suggestion. The projections were received as follows:
   - CDC: By their letter dated November 28, 1969
   - IFCT: By their letter dated February 12, 1970
   - IMDHI: By our mission to IMDHI during February-March 1970
   - PICIC: By our mission to PICIC during February-March 1970

The projections received cover the periods as requested and the points raised by you.
Mr. Ravi Gulhati (on return)  

B. H. Shin  

Semi-monthly Report on Material due from Division

<table>
<thead>
<tr>
<th>Subject</th>
<th>Division</th>
<th>Due Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Descriptive memorandum</td>
<td>Mirski</td>
<td>April 30</td>
</tr>
</tbody>
</table>

Five Colombian Financieras, CAVENDES, BNB and COPIEC

cc: Mr. Mirski  

BSHinu
June 15, 1970

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

Dear Mr. Shin:

We have reviewed the draft descriptive memorandum dated May 11, 1970 which you forwarded us for our comments. We are therefore pleased to return to you the necessary corrections which we have made.

Yours very truly,

[Signature]

P. Clarence Parker, Jr.
PRESIDENT

Enclosure
June 15, 1970

Dear Mr. Stein,

International Finance Corporation
1818 H Street, N.W.
Washington, D.C. 20523
U.S.A.

Dear Mr. Stein:

We have reviewed the draft descriptive memorandum dated May 11.

We have decided to forward our comments. We are therefore pleased to return to you the necessary corrections which we have made.

Yours very truly,

[Signature]

President

Enclosure
June 12, 1970

Mr. B.H. Shin,
Development Finance Companies,
International Bank for
Reconstruction & Development,
1818 H. Street N.W.,
Washington D.C. 20433,
U.S.A.

Dear Mr. Shin,

Please refer to your letter of May 20, 1970, enclosing your draft memorandum on PICIC.

We have reviewed the draft and made a few amendments on pages 2 - 7 and 9. The revised draft of the relevant pages is enclosed and we trust that this would meet with your approval.

We shall be grateful if you would kindly send us five (5) copies of the memorandum on PICIC when it is completed.

Yours sincerely,

[Signature]
(Abul Hasnat)
Manager, Operations.
June 15, 1970

Sir,

Please refer to your letter of May 20, 1970, enclosing your draft memorandum of PICIC.

We have reviewed the draft and made a few suggestions on pages 2 & 3. The revised draft of the relevant pages would meet with your approval.

We shall be grateful if you would kindly send us the copy of the memorandum of PICIC when it is completed.

Yours sincerely,

[Signature]

Airt'vat
Manager, Operations.

P.S. We have forwarded a copy of the memorandum of PICIC to Mr. 58. Shum.

[Address]

[City], [Country]
million, or Rs. 1,766.4 million. Of this, Rs. 1,067.8 million had been disbursed.

6. PICIC's total resources made available up to December 31, 1969, are summarized as follows:

<table>
<thead>
<tr>
<th>Resource</th>
<th>Made Available (in million rupees)</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Reserves</td>
<td>71.8</td>
<td>71.8</td>
</tr>
<tr>
<td>Government loans</td>
<td>80.0</td>
<td>79.5</td>
</tr>
<tr>
<td>IBRD</td>
<td>873.3</td>
<td>518.4</td>
</tr>
<tr>
<td>AID 1/</td>
<td>132.9</td>
<td>15.2</td>
</tr>
<tr>
<td>German credits</td>
<td>204.2</td>
<td>111.3</td>
</tr>
<tr>
<td>Japanese credits</td>
<td>114.6</td>
<td>65.8</td>
</tr>
<tr>
<td>U.K. credits</td>
<td>58.4</td>
<td>27.6</td>
</tr>
<tr>
<td>French credits</td>
<td>45.1</td>
<td>19.4</td>
</tr>
<tr>
<td>Polish credit</td>
<td>28.3</td>
<td>9.9</td>
</tr>
<tr>
<td>Czechoslovak credit</td>
<td>30.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Italian credits</td>
<td>91.0</td>
<td>32.4</td>
</tr>
<tr>
<td>U.S.S.R. credit</td>
<td>25.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Belgian credits</td>
<td>23.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Platt Bros' credit</td>
<td>19.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Danish credit</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>Dutch credit</td>
<td>15.2</td>
<td>-</td>
</tr>
<tr>
<td>Eximbank (USA) credit</td>
<td>71.4</td>
<td>-</td>
</tr>
<tr>
<td>A &amp; W Smith</td>
<td>18.6</td>
<td>-</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>42.9</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,998.5</strong></td>
<td><strong>1,022.8</strong></td>
</tr>
</tbody>
</table>

7. **Borrowing Limitation.** By agreement with the World Bank, PICIC is limited to incur indebtedness other than the amount of the subordinated Government loans payable after the date of the last outstanding maturity of Bank loans up to seven times its own equity plus the total subordinated amount. As of December 31, 1969, PICIC's outstanding indebtedness in terms of this agreement was 6.2 times its borrowing base.

**Organization**

8. **Ownership.** Of PICIC's 5 million issued shares, 60% are held in Pakistan, with the balance being held by foreign shareholders in USA, UK, West Germany, Japan, France and Italy, and by IFC, which has 4%. The Government is not a shareholder.

9. **Board of Directors.** The Board of PICIC has 21 members: the

---

1/ Includes rupee line of credit from US AID.
Managing Director, 12 directors representing Pakistani shareholders, 3 Government representatives and 5 directors representing foreign shareholders. Nomination to the three Government directorships belongs to the Central Government with the understanding that two of the three nominees should represent the East Pakistan and West Pakistan Provincial Governments. The Board usually meets four times a year.

10. Executive Committee. The Executive Committee consists of six members, and meets from eight to ten times a year. It has the same powers as the Board, except that it may approve loans and investments only up to Rs. 5 million.

11. Management. Mr. Said Ahmed, former Deputy Governor of the State Bank, succeeded Mr. N.M. Uquaili as Managing Director on July 25, 1966. He is assisted by three Deputy Managing Directors. Mr. K. Mushtaq Ilahi is the Deputy Managing Director at the Head Office while Mr. K.A. Rashid and Mr. Wahabuddin are Deputy Managing Directors at PICIC's Dacca and Lahore offices respectively.

12. Head Office and Branches. The head office in Karachi employs a staff of 201 persons of whom 81 are professionals. Under bilateral aid programs, two foreign technical experts are working with PICIC as advisors. There are branch offices at Dacca (East Pakistan) and Lahore (West Pakistan) which undertake detailed screening of applications and follow-up projects besides maintain a liaison with the respective provincial governments. In 1964, PICIC established a new office at Rawalpindi (which has now shifted to Islamabad) to maintain liaison with the Central Government. The number of staff at these branch offices is 57 of whom 24 are professionals.


14. Procedures. Applications for loans are given a preliminary screening in the Project Development & Statistics department, after which they are referred to the Project Appraisal Committee. The Managing Director is head of the Committee. Other members of the Committee are the Deputy Managing Director, department heads, foreign advisors and other senior staff. Based upon a preliminary assessment paper, the Committee decides whether PICIC should proceed to a full project appraisal. When the appraisal has been done, the full report is reviewed by the Project Appraisal Committee, whose members are invited to discuss fully all aspects of the project and its assessment. If a favorable decision is given by the Committee, the application is submitted to the Board or the Executive Committee, depending on the size of the loan. The End-Use Division takes over a project at the time a loan is sanctioned.
20. PICIC limits its financial assistance in any single transaction to not more than $4 million and its total outstanding commitment to any single enterprise to the equivalent of 25% of PICIC's net worth or $5 million whichever is the smaller. This meant as of December 1969, $5 million, or about 19.6% of PICIC's net worth.

21. Exchange Risk. PICIC does not assume the foreign exchange risk for any part or period of its foreign borrowings. The exchange risk is passed on to PICIC's borrowers. On foreign credits the Government relends to PICIC or guarantees repayment, the Government assumes the exchange risk for the unexpired period of the credits in question against a charge of 1/4% p.a. on the principal balance outstanding of the sub-loans given by PICIC. This charge has been raised to 1/2% on sub-loans given out of credits received by PICIC from December 1968 onwards. PICIC passes the charge to its borrowers. Exchange risk could arise in those cases where PICIC exercises options by actually converting into shares some part of a foreign exchange loan, but PICIC endeavors to minimize this risk by seeking conversions on dates on which debentures are due for repayment. As regards the latest IBRD loan with its amortization schedule fixed irrespective of actual collections from PICIC's borrowers, the Government assumes the exchange risk for the amount which PICIC cannot pass on to its borrowers.

Lending Activity

22. Summary. Up to December 31, 1969, PICIC had sanctioned, net of loans cancelled, 754 loans in local and foreign currencies with an aggregate value of Rs. 2,006.9 million. PICIC's annual rate of approvals during 1969 was almost the same as that for 1968.

<table>
<thead>
<tr>
<th>Loan Approval</th>
<th>(in million rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net of Cancellations</td>
</tr>
<tr>
<td>Loans approved</td>
<td>153.8</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>153.4</td>
</tr>
<tr>
<td>Rupee loans</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Disbursements made during 1965-69 are indicated below:

<table>
<thead>
<tr>
<th>Loan Disbursement</th>
<th>(in million rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total loans</td>
<td>141.3</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>140.9</td>
</tr>
<tr>
<td>Rupee loans</td>
<td>0.4</td>
</tr>
</tbody>
</table>
II. OPERATIONS

Operating Policies

15. On December 10, 1964, the Board of PICIC approved an Outline of Business Policies, the statement of which is given in Annex 1, based mainly on those practices and principles which had developed over the years.

16. Selection of the projects is made on economic, technical and financial criteria, within the industrial development plans of the Government as outlined in the Industrial Investment Schedule. Preference is now given to newcomers in industry and medium-sized businessmen. It is the intention that financial assistance will be dispersed as much as possible, both among owners of industries and among geographical areas, with preference to East Pakistan and the undeveloped areas in West Pakistan.

17. Loans are secured, but the merit of the project itself is the main determining factor in granting a loan. PICIC does not seek a controlling position in enterprises in which it has invested or to which it has lent. It endeavors to follow up and assist projects financed by it. There is no rigid policy on the percentage of the total cost of a project PICIC would normally finance. Fifty-fifty debt/equity financing is usual but actual financial structure/keeping in view the debt servicing ability of the individual projects. Permanent working capital requirements form part of the cost of a project and are covered by the financial plan. Short-term working capital requirements are not financed by PICIC.

18. Aggregate investments in equity should normally be restricted to the equivalent of PICIC's paid-in share capital and free reserves.

19. Size of Operations. From the start of its operations until 1961, PICIC's policy was to consider loans and investments from Rs. 100,000 upwards, although most loans were for more than Rs. 500,000. In 1961, the Government determined that the Industrial Development Bank of Pakistan would provide foreign currency loans up to Rs. 500,000 and rupee loans up to Rs. 1.5 million, and that PICIC would only consider loans above these limits. In March 1963, the line of demarcation between the two institutions was raised to Rs. 1.5 million for foreign currency loans and to Rs. 2.5 million for local currency loans. In April 1967, PICIC was permitted to make foreign exchange loans down to Rs. 1 million in East Pakistan, while IDBP was permitted to lend up to Rs. 2 million in the whole of Pakistan. Exceptions can be permitted for special reasons, such as expansion projects for enterprises which are already borrowers from the institution in question. A committee, consisting of the Director General of the Investment Promotion Bureau and the Managing Directors of IDBP and PICIC, supervises the demarcation.
PICIC's net loan portfolio stood at Rs 885.0 million as of December 31, 1969.

23. Rupee loans declined gradually over the years until 1965. Since 1966, PICIC has endeavored to increase its lending in local currency, in view of the current acute shortage of long-term rupee funds in the Pakistan capital market and substantial availabilities of local currency with PICIC consequent upon its having obtained a rupee line of credit of Rs 30 million from the US AID.

24. Interest Rates. The rate of interest that PICIC charges on foreign exchange loans is restricted by the Government to 81/2% per annum which gives a maximum margin of 2% above the respective borrowing rates, presently fixed by the Government at a minimum of 6/.%*. On rupee loans PICIC charges 9% or 3.5% above the central bank discount rate (now 5%), whichever is higher. For East Pakistan, however, PICIC has reduced its interest rate on rupee loans to 9% and on rupee debentures to 81/2%.

25. In addition to interest, PICIC's borrowers pay an appraisal fee of 1/2% of the loan amount, a commitment charge of 1% per annum (which PICIC may at its discretion raise to 2% per annum, if all conditions of effectiveness of the loan are not fulfilled within 6 months from the date of sanction in respect of West Pakistan and 9 months in respect of East Pakistan) on undisbursed amounts, and the foreign exchange risk charge in those cases mentioned above. The average commission for opening letters of credit is 5/8 of 1%.

26. Duration of Loans. PICIC does not normally extend loans for more than 15 years. Most of PICIC's loans now approved are repayable over 10 to 12 years.

27. Size of Loans. The average size of new loans sanctioned in 1968 and 1969 was equivalent to $ 873,000, compared with $ 693,000 in 1967, $ 783,000 in 1966 and $ 828,000 in 1965.

28. Geographical Location. PICIC has in recent years been devoting greater attention to the investment requirements of East Pakistan. Nearly 47% of loans sanctioned in 1968 were for East Pakistan, but the proportion dropped to 32% in 1969. Upto the end of 1969 PICIC financing in West Pakistan accounted for 68% of its total financing in the two wings.

29. Distribution of Loans by Industry. With respect to industrial diversification of loans sanctioned, 68% went to three agro-based industries: jute (19.3%), cotton textiles (29.5%) and sugar (14.6%). Engineering, chemicals, cement and glass, paper products and printing, and inland water transport and shipping each account for between 9% and 3% of the total amount of loans sanctioned by PICIC.

30. Options. Loans to existing enterprises with a paid-in capital of more than Rs 2.5 million or to new enterprises with a paid-in capital of Rs 2.5 - 5 million normally carry a right for PICIC to purchase shares in value equal to 20% of the original loan amount if a cash issue for shares is made during the subsistence of PICIC's loan.
31. In the case of new enterprises with a paid-in capital of Rs 5 million or more, PICIC obtains true convertible debentures, embodying the option to convert at par 20% of the original loan amount into new shares of the company.

32. Loans for Balancing and Modernization. Towards the end of 1964, the Government agreed to PICIC lowering its lending limit to Rs 250,000 ($52,500) for loans to finance imports or equipment needed for the balancing and modernization of existing plants. In early 1969 this limit was abolished altogether for export oriented industries.

Equity Investments

33. At December 31, 1969, PICIC's portfolio of investments totalled Rs 67.0 million. The portfolio had been acquired as follows:

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct investment</td>
<td>Rs 12.5 million</td>
</tr>
<tr>
<td>Underwriting</td>
<td>Rs 14.2 million</td>
</tr>
<tr>
<td>Exercise of share options</td>
<td>Rs 19.1 million</td>
</tr>
<tr>
<td>Purchase I</td>
<td>Rs 21.1 million</td>
</tr>
</tbody>
</table>

Total: Rs 66.9 million

I/ Indicate shares acquired as a means of temporary investment of surplus cash. Being a recognized Investment Company under the income tax law PICIC's dividend income is tax exempt.

34. As on December 31, 1969, PICIC had underwritten 52 issues aggregating Rs 79.7 million. In 1967 PICIC made underwriting commitments to 8 enterprises for an aggregate of Rs 6.2 million, in 1968, 7 issues for Rs 10.5 million and in 1969 24 issues for Rs 14.0 million. Of these commitments, PICIC had to take up Rs 2.0 million in 1967, Rs 3.7 million in 1968 and Rs 5.7 million in 1969.

Promotion and Joint Operations

35. Among the projects financed by PICIC are 29 joint operations related to 28 companies with various foreign investors, which resulted in the inflow of $23.0 million in foreign capital. Five of these projects are joint operations with the International Finance Corporation.

36. The rapid growth of industry in Pakistan in recent years is in large part due to expansion of large industrial ventures. PICIC has encouraged the establishment of many new industries, introducing more economic use of agricultural and industrial wastes and by-products. PICIC has been particularly active in investigating new fields for industrial investments, including surveys of such industries as cement, sugar and by-products, paper and newsprint, gypsum board, synthetic rubber, staple fiber, china clay and refractory products, jute products, engineering, sulphuric acid from gypsum, power tillers, sugar beet cultivation and rice milling.
Net earnings as % of:

1968    1969

Net worth (beg. of yr.)  22.8%  26.1%
Share capital (end of yr.)  35.2%  52.5%
Dividends paid  10.0%  10.5%
Earnings payout ratio  24.2%  19.7%

39. The growth of gross income was 24% in 1968 and 32% in 1969. Computed on the total average assets 1/ over the last two years, gross income represented 9.3% in 1968 and 10.1% in 1969. Included in gross income are capital gains from sale of investments, which were Rs 1.7 million in 1968 and Rs 5.4 million in 1969.

40. The average cost of funds to PICIC has been increasing over the years. The average rate of interest paid on rupee borrowings increased to 3.58% in 1969 (3.05% in 1968). PICIC pays 6.05% on average for its foreign exchange borrowings (5.79% in 1968). This gives it a spread of 2.68% on rupee and of 1.72% on foreign exchange borrowings. PICIC's spread is normally 2%.

41. Administrative expenses, which were Rs 5.03 million in 1969, increased by 27% from 1968. As a percentage of total assets these expenses amounted to 0.5% (0.6% in 1968).

42. The corporate income tax represents 45% of taxable income after a tax-free allocation of 10% of net profit to a special reserve. Dividend income is tax-free.

Dividends and Reserves

43. PICIC paid its initial dividend of 3.8% in its second year of operations. Dividends have increased steadily. In 1967 and 1968 a 10% dividend was declared, which was raised to 10.5% in 1969.

44. PICIC's reserves and unappropriated earnings are now about 144% of the share capital and 8.0% of the portfolio of loans and investments.

45. Reserves Policy. The reserve policy of PICIC is set out by Article 154 of the Articles of Association as follows:

   (1) Not less than 15% of net profits shall be set aside as a reserve;

   (2) Out of the profits remaining after this first allocation, a dividend not exceeding 7% on the outstanding share capital may be distributed;

   (3) Not less than 10% of the profits remaining after the distribution of this first dividend shall be set aside as a second allocation to reserves;

---

1/ The average between opening and closing total assets.
Mr B. H. Shin,
 Development Finance Companies,
 International Bank for
 Reconstruction and Development,
 1818 H Street, N.W.,
 Washington D.C. 20433,
 U.S.A.

Dear Mr Shin,

Please refer to your letter of May 7, 1970 addressed to Mr Daniyan.

As desired, we return herewith a copy of the draft memorandum on
NIDB after making the necessary amendments and corrections.

On completion of the memorandum, we would appreciate if you send us
five copies.

Yours sincerely,

H. C. Omo
Assistant General Manager
(Operations)
June 11, 1970

Sir Arthur Lewis
President, Caribbean Development Bank
Professor of Economics and
International Affairs
Woodrow Wilson School of Public
and International Affairs
Princeton University
Princeton, New Jersey

Dear Sir Arthur:

Mr. Gaud would very much like to see you when you are here next week and he has provisionally suggested 3 o'clock on the afternoon of Thursday, June 18, for a meeting with you. There is just a slight uncertainty about this because that morning's Board meeting might spill over till the afternoon, but this is not very likely.

If this time is convenient to you, you can take it as confirmed, subject to the slight uncertainty that I have mentioned. Otherwise, perhaps you would get in touch directly with Mr. Gaud's office (telephone 477-2281) and suggest an alternative.

Yours sincerely,

E. Peter Wright

E. Peter Wright
Deputy Director
Central America and Caribbean Department

cc: Mr. Gaud
EPWright/mpd
June 11, 1970

Mr. Alphonse Diby
Managing Director
Banque Ivoirienne de Developpement
Industriel
Boite Postale 4470
Abidjan, Ivory Coast

Dear Mr. Diby:

Thank you very much for your letter of May 26 enclosing the copy of our draft descriptive memorandum on Banque Ivoirienne de Developpement Industriel which you have kindly reviewed and commented on.

I am most grateful for your prompt cooperation. In the light of your comments we have revised the draft and put it into final form. I take pleasure in sending four copies of the final version of the descriptive memorandum on BIDI.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the final version of the descriptive memorandum).
June 11, 1970

Sr. Don Jose Maria Marzo Churraca
Director General
Banco del Desarrollo Economico Espanol
Apartado de Correos 50460
Calle Fernando EC Santo 20
Madrid, Spain

Dear Mr. Marzo:

Thank you very much for your letter of May 30 enclosing the copy of the draft descriptive memorandum on Banco del Desarrollo Economico Espanol which you have kindly reviewed and made necessary corrections.

I am most grateful for the trouble you undertook in reviewing the draft. In the light of your corrections and suggestions we have put the draft into final form.

I take pleasure in enclosing two copies of the final version of the descriptive memorandum on BANDESCO.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the final version of the descriptive memorandum).

BHS:shiner
June 11, 1970

Mr. Vicente R. Jayme
Executive Vice President
Private Development Corporation of the Philippines
Commercial Center
P. O. Box 757
Makati, Rizal - D 708
Philippines

Dear Mr. Jayme:

Thank you very much for your letter of May 28 enclosing the copy of the draft descriptive memorandum on Private Development Corporation of the Philippines, which you have kindly reviewed and filled in the blanks.

I am most grateful for your prompt reply. In the light of your comments and fill-ins, I have put the draft into final form.

I take pleasure in enclosing two copies of the final version of the descriptive memorandum on PDCP.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the final version of the descriptive memorandum).

BHSin:er
June 10, 1970

Mr. H. C. Lang  
The Treasury  
Departmental Building  
Stout St.  
Wellington, New Zealand

Dear Mr. Lang:

Thank you for your letter of May 27 to Bill Diamond, who is at present abroad.

We are pleased to learn of the progress in the drafting of proposals for the Development Finance Corporation. You mention that the present proposals are in line with the suggestions in Mr. Diamond's report; they would be of much interest to us. Will it be possible for you to send us these draft proposals, for study here? We feel that there would be considerable mutual benefit in an exchange of views on the proposals at an early stage.

With kind regards,

Yours sincerely,

AK Bose

Amal K. Bose  
Development Finance Companies

AKBose/1b

c: Mr. Young (Alt. E.D.)
Cleared with and cc: Sir John Riddell  
cc: Mr. Sandberg
June 20, 1970

Mr. H. C. Lane
The Treasury
Department of
Supply &
Omnipotence, New Zealand

Dear Mr. Lane:

Thank you for your letter of May 26 to HFT Ballantyne.

We are pleased to learn of the progress in the development of the present programme into the future programme to which the present programme will be related. The Minister's interest is now as great an interest to the HFT as his interest to the Prime Minister. We hope that you will be able to participate in the development of the programme in an early stage.

With kind regards,

Yours sincerely,

A. H. Keys
Acting HFT Commissioner

Development Finance Commissioner

[Signature]

RECEIVED
27 July 1970

[Stamp: Prime Minister]

[Stamp: Cabinet]

[Stamp: Cabinet]
Mr. Neil J. Paterson  

P. M. Mathew  

ADELA - Reports  

June 10, 1970  

We have handed over to your office the stencils of the ADELA appraisal report. The "Conclusions" reflect our assumption that satisfactory understandings have been reached with ADELA on all questions mentioned in the Report. The Report needs to be checked again before issue for this purpose, as also for the interest rate which we have assumed to be 9%.  

I also gave Mr. Chansugam our further contribution to the President's Report based on changes that were proposed in the terms of the deal since the draft of that Report was first sent to you.
DATE AND TIME OF CABLE: JUNE 10, 1970 0918

LOG NO.: ITT7/10

TO: INTRAFRAD

FROM: MAKATI, PHILS

TEXT:

5 MATHIEW

PLEASE TRANSMIT TWO HUNDRED DOLLARS.

FOR RECORD STAUFFENBERG

ARRIVED THIRD.

FOR TAKARAMURA

BEST WISHES HOME LEAVE REGARDS

POWELL

NO FAMILY NOTIFICATION NECESSARY FOR MR. STAUFFENBERG

vea
June 9, 1970

Dear Mr. Shin:

Please refer to your letter dated April 21, 1970 addressed to our General Manager regarding a new draft memorandum on ICICI.

I enclose the completed and reviewed copy of this memorandum wherein a few amendments have been made. In particular, paragraph 2 on page 1 differs substantially from that in the draft memorandum. It may be noted that the counterpart rupee funds of Rs 18 million advanced by IDBI to ICICI against the U.K. credit of £1 million is not taken as a source of rupee finance and is excluded from the IDBI loans of Rs 105 million; instead, in resources credit is taken for the corresponding U.K. line of credit. In other places, amendments have been indicated by an asterisk. A copy of the draft memorandum has also been enclosed for your reference.

Yours sincerely,

Phiroze B. Medhora
Deputy General Manager

Enclosures:

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction
& Development
1818 H Street, N.W.
Washington D.C. 20433
U. S. A.
June 2, 1970

Dear Sir,

Please refer to your letter dated April 21, 1970 addressed to our General Manager regarding a new draft memorandum on ICICI.

I enclose the complete and revised copy of the memorandum written a few memoranda have been made. In particular, I would like to draw your attention to the draft memorandum.

I may be noted that the counterpart of the letter of credit of $1 million by ICICI to ICICI of the U.K. is not taken as a source of advice, but as a supplementary to the draft memorandum.

A copy of the counterpart of the draft memorandum has also been enclosed for your reference.

Yours sincerely,

[Signature]

[Position or Department]

Enclosures:

M. R. H. Spin
Development Finance Commissioner
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

[Address]
June 8, 1970.

Mr. B.H. Shin
International Bank for Reconstruction and Development
1818 H Street, N.W.
WASHINGTON D.C. 20433
U.S.A.

Dear Mr. Shin:

Referring to your letter dated May 11 and our interim reply of May 18, I am returning attached copy of your draft memo on DBS incorporating suggested amendments. We do not want to give the impression of correcting your paper but feel that inserting our comments and relevant figures into your text is the most convenient way of replying to your request for a review of the draft. I trust that our comments are self-explanatory. Regarding our Balance Sheet and Profit and Loss Accounts I should like to state that we have substituted the audited figures for the preliminary data used in your draft.

Should you have any further questions regarding our proposed amendments, please do not hesitate to let us know. For record purposes, we should like to confirm our previous agreement to your restricted distribution of the memo on DBS to other development finance companies and other parties who have a legitimate interest in DBS. We would appreciate receiving a copy of your final document.

Sincerely yours,

THE DEVELOPMENT BANK OF SINGAPORE LTD.

(W.D. Wabnitz)
Executive Vice President
June 8, 1970

Dear Mr. Shin

I am writing to you as a request for cooperation in connection with the preparation of a document for submission to the Development Bank of Singapore Limited. I refer to your letter of May 18, 1970, and enclose a copy of the proposal accompanying it. I am writing to inform you that the Development Bank of Singapore Limited is preparing a document for submission to the Development Bank of Singapore Limited.

Enclosed is a copy of the proposal accompanying your letter of May 18, 1970.

Sincerely yours,

The Development Bank of Singapore Limited

[Signature]

Executive Vice President

[Date: June 8, 1970]

[Date: June 8, 1970]
June 8, 1970

Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C. 20433
U. S. A.

Dear Mr. Shin:

Thank you for your letter of May 15, together with enclosed two copies of draft memorandum on KDFC. We appreciate your suggestion to reflect our corrections and comments in your final memorandum.

In reviewing the memorandum, we found that it was well designed highlighting KDFC operations factually. In response to your desire for corrections and comments, may we suggest several corrections and the updating of figures as follows?

1) With reference to paragraph 4, KDFC share capital was increased to W1,485 million in last March as a result of 10% stock dividend.

2) With reference to paragraph 6 (iii), the term of Caterpillar Loan is 7 years including a 1 year grace period.

3) With reference to paragraph 7, AID Loan presently amounts to $3 million as a result of deobligation of $2 million which took place in last April, and Caterpillar Loan amounts to $5 million, thus bringing total foreign currency resources to $33 million.
June 8, 1970

Mr. B. H. Shin
Development Finance Corporation
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin:

Thank you for your letter of May 12, together with the enclosed two copies of draft memorandum on KFC. We appreciate your suggestion to reflect our corrections and comments in your final memorandum.

In reviewing the memorandum, we found that it was well designed, the comments and recommendations are constructive. In response to your general remarks for corrections and comments, we suggest several corrections and the updating of figures as follows:

1) With reference to paragraph 1, KFC share capital was increased to W8, 485 million in last March as a result of several issues of shares and bonds.

2) With reference to paragraph 2, the term of the loan of W25 million to South Korea's CARTERIL, as financial resources, is to be transferred to the loan of the same amount to the People's Republic of China.

2) With reference to paragraph 3, the loan of W23 million to the People's Republic of China, as well as the amount of W23 million which took place in last April, is to be transferred to the loan of W23 million as a result of foreign currency resources to W33 million.

Sincerely yours,

[Signature]
4) With reference to paragraph 12, the Korean Reconstruction Bank has changed its name to the Korea Development Bank.

5) With reference to paragraph 17, the commitment fee differs between the First and Second IBRD Loan; namely, 3/4 of 1\% for the subloans under First IBRD Loan and 1\% for those under the Second IBRD Loan.

In addition to the above suggestions, we made several corrections on the Balance Sheet (Annex II), which you will note in the enclosed copy of the draft memorandum.

Please send us 10 copies of the memorandum when it is finally completed, for our own use.

With warm regards,

Sincerely yours,

[Signature]

C. H. Kim
President
Mr. B. H. Shin
International Bank for Reconstruction and Development
1818 H Street, N.W.,
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin:

In compliance with the request contained in your letter addressed to our General Manager, Mr. Kraisri Nimmanahaeminda, dated May 21, 1970, we have pleasure in returning herewith, duly corrected, one copy of the draft memorandum on IFCT.

It will be appreciated if you will be so kind as to forward to us 10 extra copies of the memorandum when it is completed.

Yours sincerely,

P. Prabhailakshana
Asst. General Manager for Administration
for General Manager

Enclosure:
Dear Prof. Friedman:

Many thanks for your kind letter dated 22.5.1970. I was glad to learn of the initial steps being taken in respect of the proposed institute.

With thanks, I remain,

Sincerely yours,

A. El-Naggar

Prof. Dr. Irving S. Friedman
The Economic Adviser to the President
International Bank for Reconstruction and Development
Washington, D.C. 20433, U.S.A.
Mr. Neil Orloff  
Vice-Director-General  
June 3, 1970  

Tax Advantages to Development Finance Companies  

Attached are the following papers:  

1. an excerpt of the transcript from the Board Meeting on May 28, 1970, concerning Mr. Molinara's request for a "brief technical note on the comparison of the Congolese tax exemptions with those of other significant countries in the world";  

2. a note I have prepared on the Board discussion, May 28, concerning SCOPE;  

3. my memorandum to files of April 1, 1970 concerning various advantages granted to SCOPE;  

4. a table of long lend prepared by me on certain advantages granted to Development Finance Companies.  

As you will note, Mr. Molinara asked Mr. Tejeune to assume responsibility for preparing the "brief technical note". I have agreed with Mr. Tejeune's department that we will assist them in putting together the necessary information. Attached is a tentative outline of the kind of information I imagine would be required; however, this has not yet been discussed with Mr. Mathew or Mr. Tejeune's department.  

I would ask you to kindly take on this assignment, collect all information required, and put it together in summary form together with, separately, any comments or tentative conclusions, you may wish to make. Please consult on this with Mr. Lethbridge, Mr. Mathew, and Mr. de Lusignan.  

A draft should be ready by the end of this week-end.  

cc: Mr. Mathew  
Mr. Lethbridge  
Mr. de Lusignan  
Mr. Shin  
\[Signature\]  

P.S. Please see, in particular, Mr. Shin's Special Study No. 1 on Taxation.
June 2, 1970

Industrial and Mining Development
Bank of Iran
133 Shiraz Street
Tehran, Iran

Gentlemen:

Thank you very much for your letter of May 21, 1970 enclosing copies of the balance sheet and income statement of Industrial and Mining Development Bank of Iran for the last two fiscal years together with income statement prepared per our format.

The information you sent is adequate to compute the operational ratios of IMDBI, and as soon as a table on the operational ratios of the development finance companies associated with the Bank Group is put out, I will send you a copy.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Southall (with a copy of the incoming)

B. H. Shin:er
Mr. Ravi Gulhati

B. H. Shin

Semi-monthly Report on Material due from Division

June 2, 1970

<table>
<thead>
<tr>
<th>Subject</th>
<th>Division</th>
<th>Due Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive memorandum Five Colombian Financieras, CAVENDES, BNB and COFIEC</td>
<td>Mirski</td>
<td>April 30</td>
</tr>
<tr>
<td></td>
<td>Southall</td>
<td>May 31</td>
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<tr>
<td></td>
<td>Gustafson</td>
<td>May 31</td>
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<tr>
<td></td>
<td>Powell</td>
<td>May 31</td>
</tr>
</tbody>
</table>

cc: Division Chiefs

BHShin:er
Dear Mr. Diamond,

I mentioned to you during our last meeting in Paris that UNIDO is organizing a workshop on industrial banking techniques. The date of this workshop has now been fixed for 2 November 1970 and will last until 30 November 1970.

We have received quite an enthusiastic response from developing countries to attend this programme, but due to limited resources and also because this is our first programme, we shall limit the number of participants to about twelve.

The topics of the programme are enumerated on paragraph 5 of the annexed Aide-Mémoire. I should appreciate receiving your comments on and cooperation in the implementation of this programme.

We believe that an important item on the curriculum is the "Financial Appraisal of Industrial Projects". We know that the World Bank has elaborated very useful methods in this field and we should appreciate it very much if an expert from your Department could lecture on this subject. The subject could be developed over a period of two to three days and would include lectures and case presentation. Participants themselves are expected to develop how such financial appraisal of industrial projects is made in their own particular development banks. The task of the expert would therefore be to comment on the methods presented by the participants. This

Mr. W. Diamond
Director
Development Finance Companies
Department
International Bank for Reconstruction and Development
1818 H Street N.W.
Washington DC 20433
U.S.A.
The topic of "Financial Appraisal of Industrial Projects" will be presented in the middle of November and therefore the expert should be available at about that period.

Yours sincerely,

C. Akhras  
Chief  
Industrial Policies and Financing Section
June 2, 1970

Ravi Gulhati

Processing of Appraisal Reports on DFC Sub-projects

I have had a discussion with Mr. Joshi on the basis of his memorandum dated June 1, 1970 on the above subject. We agreed that despite all the reservations expressed in the memo, it would still be useful to extract relevant information from appraisal reports. Mr. Joshi agreed to draw up a standard questionnaire designed to identify items for which information should be recorded systematically. We agreed that the list should be modest in terms of size and sophistication.

Similarly, I have had a discussion with Mrs. Hughes on the basis of Miss Keough's memo on the same subject. An attempt will be made by the Economics of Industrialization Division to construct a standard questionnaire on subjects of interest to them.

I also mentioned to Mr. Joshi a problem we have encountered in making meaningful comparisons of lending rates charged by DFCs associated with the World Bank. Mr. Joshi agreed to write a paper which would attempt to estimate the real lending rate charged by DFCs, taking into account the following factors:

a) the rate of price inflation

b) the incidence of the foreign exchange risk

c) the treatment of interest payments for purposes of income taxation.

c.c. Messrs. Please
   Joshi
   Mathew
   Mrs. Hughes
   Miss Keough

R.Gulhati/plm
TO: Mr. Andrew M. Kamapck

FROM: Stanley Please

DATE: June 1, 1970

SUBJECT: Communal Savings and Development Banks

1. Dr. Ahmad El-Naggar requests the World Bank to associate itself as one of the sponsors of an institute he is proposing to establish in Germany for promoting savings and social and economic changes in the rural areas of developing countries. In doing so he has raised again the question of the relationship which the Bank should develop with organizations concerned with small savings mobilization. - CUNA International, National Association of Mutual Savings Banks, etc. Mr. Diamond addressed himself to this general question in his memorandum to Mr. McNamara dated March 13, 1970. I commented on this memorandum in my memorandum to Mr. Stevenson (copy to you) dated March 31, 1970. There are, in effect, three aspects of this matter: (i) evaluating the role of these institutions in general or in individual countries, (ii) developing guidelines for Bank policy towards the institutions and (iii) assigning operational responsibility within the Bank for executing policy.

2. Dr. Ahmad El-Naggar's experience in the Nile Delta with "profit sharing" banking institutions provides an interesting example of a type of financial institution which is similar to the German Raiffeisen Kassen and US credit unions and which has been developed to meet the needs of the developing countries. The main emphasis in this development appears to be the adaptation of the banking practices to the needs and religious beliefs of the local people. Professor Ready's paper on the details of the operations of the scheme highlights the dominant role played by the personal touch provided by Dr. El-Naggar and his colleagues, and the missionary zeal with which they carried it out. This experience suggests that the development of new types of financial institutions will have to come from local people and preferably with the support of the authorities. The success of his experiment seems to be largely due to the confidence that he and his colleagues created through continuous touch with the local people which brought about a change in their mental outlook.

3. Thus the organizational and institutional problems at the local level are most important and in this context the role of the proposed institute in Germany is not clear. Presumably the idea is to use this experiment as a "model" for other developing countries. The proposal is, in fact, too vague at this stage to enable it to be given any serious consideration.

cc: Mr. Joshi

SPlease:mds
June 1, 1970

My dear Dr. El-Naggar:

This is a follow up of my letter of May 22.

I have now consulted with my other colleagues. Although we agree that your proposed institution could be quite valuable, it would not be possible for the Bank to be one of the sponsors.

I do hope you succeed in your efforts.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Dr. Ahmad El-Naggar
53, Bonn-Bad Godasberg
Goethestr. 75, Germany
Mr. Ravi Gulhati

June 1, 1970

Madhusudan Joshi

The Pattern of Industrial Finance from the "Project Reports" received by the Development Finance Companies Department.

1. The idea of further processing of these project reports for quantitative information on industrial finance and other aspects of industrial development is extremely important and deserves more detailed scrutiny. I, therefore, feel hesitant to offer comments based on a cursory review of certain parts of few of these reports.

2. To anticipate the substance of the rest of this memorandum, the existing information in its present form seems to be inadequate for any generalizations on the problem of industrial finance. However, the value of such an exercise in future, even for a limited purpose, would be enhanced by obtaining information in a standardized form on a continuous basis.

3. My basic apprehension is about the generalizations that we could possibly make on the structure of industrial finance in developing countries on the basis of information about the applicants to the development banks in these countries. The ideal approach of collecting data from a large number of industrial enterprises on a regular basis, such as that followed in the Reserve Bank of India studies on financing of Indian joint-stock companies, is ruled out here. If the idea is to make use of the available data, one would have to be very cautious in making any generalizations about the wider problems of industrial finance. On a priori basis, the conclusions derived from analyzing such data might not be applicable to the whole industrial sector. If, for example, many of the applicants are coming from the well established industrialists, the picture might be quite different. To that extent, the value of this exercise for understanding of the general problems of industrial finance in developing countries would not only be limited but might also be misleading.

4. My observations, on the basis of a quick look at the ten project reports, indicate a wide difference in 'Project A' and 'Project B' reports. The former have a much wider and detailed coverage, whereas the latter generally seem to present a very brief information. If the Project A reports amount to 175 and 191 in 1968 and 1969 respectively; as quoted in your memo, their number per development bank might be, on an average basis, not more than ten. If the Project B reports, which I learn are much more in number, are to be utilized for further analysis, I found the coverage inadequate for this purpose. If we have to utilize only the actual figures we will have to exclude the newly establishing firms, in which case only future projections could be found. The problems with the existing firms are mainly of two types: (a) in some cases sources of funds for the 'project' are presented, but not for the 'firm'; (b) quite often, only the broad categories of financing are shown, such as, 'current liabilities', 'long term loans', etc.
5. Even in case of 'Project A' reports, inadequacies with respect to (b) above might be the main problem. For example, classification such as, "short-term borrowings", "other current liabilities" and "long-term debt" does not tell us about the individual sources of funds. What we could get seems to be only the broad classification, such as, share capital and retained earnings, long-term loans, and short-term loans. Since the data have been prepared and presented for different purposes, here again the emphasis seems to be on projections for future although actual figures for a year or two are also given.

6. Finally, what would be more important for the analysis, even of these select industrial enterprises, would be the information on each individual source of funds, its maturity and its cost to the enterprise. If it is decided to make further analysis from these project reports, it might be essential to introduce these elements in a fairly standardised form in the information system. It is also necessary to have this information on a continuous basis.

cc: Mr. Please
    Mrs. Hughes

[Signature]
Madrid, May 30th., 1970

Mr. B.H. Shin
International Bank for Reconstruction and Development
Development Finance Companies
1818 H. Street, N.W.
WASHINGTON, D.C. 20433

Dear Mr. Shin,

I am sending you enclosed herewith a copy of the new draft memorandum on Bandesco in which we have made the necessary corrections.

With best personal regards,

Yours sincerely,

[Signature]

Jose Maria Marzo Churrúca
Madrid, May 30th, 1970

Mr. B. N. Sinha
International Bank for Reconstruction
and Development
Development Finance Corporation
1818 H. Street N.W.
Washington, D.C. 20433

Dear Mr. Sinha,

I am sending you enclosed herewith a copy of the new draft memorandum on IADESCO in which we have made the necessary corrections.

With best personal regards,

Yours sincerely,

[Signature]

RECEIVED
1970 Jun 4 R M10:20
Dear Mr. Shin:

In response to your letter of May 20, we have reviewed the descriptive memorandum on Österreichische Investitionskredit Aktiengesellschaft prepared by your staff. We have checked all passages and filled in the blanks on pages 5 and 6. On pages 2, 3 and 7 one misprint each is marked with "x". Corrections were necessary in paragraphs 13, 14, 22 (Disbursements), 23, 29, 33, 35 and in Annex 2 (Liabilities). In paragraph 33 we revised the figures according to calculation principles which we included in last year's updating.

We enclose the corrected draft and ask you to send us two copies of the completed memorandum. If you need further information, please, let us know.

Sincerely yours,

ÖSTERREICHSHE INVESTITIONSKREDIT AKTIENGESELLSCHAFT

Encl.
May 20, 1970

Mr.
B. H. Spin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Spin:

In response to your letter of May 50, we have
reviewed the descriptive memorandum on General
Technical Investigate-American
Company.

Prepared by your staff, we have checked all
paragraphs and figures in the report and found no
errors. We have only a few suggestions for
improvement. We attach enclosed
the figures and graphs to this letter.

We endorse the concept and ask you to send
us two copies of the complete memorandum. If you
need further information, please let us know.

Sincerely yours,

OSTRREICHSCHE INVESTITIONSKREDIT AKTIENGESELLSCHAFT

[Signature]

[Signature]
May 28, 1970

Mr. Warren C. Baum
Associate Director, Projects
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Baum:

Thank you very much for the reports which you have sent me. My staff and I will study them with care.

With best wishes,

Yours sincerely,

W. Arthur Lewis

WAL/dr
Dear Mr. Bevin,

Thank you very much for the report, which you have sent me. I will study them with care.

Yours sincerely,

Mr. Artzner
Mr. B. H. Shin
Mr. Ngoc Dinh

KOREA: Establishing Industrial Enterprises

May 26, 1970

1. No license or permit is required to establish an industrial enterprise in Korea. Government licensing is required only in a few prescribed cases, such as ginseng plants, tobacco plants, salterns, mining, private railroads and textiles. 1/

2. The Foreign Capital Inducement Law makes available a range of incentives (including notably the exemption of corporate tax for up to 8 years) for approved foreign investments. To qualify for these benefits, foreign investments have to be approved by the Minister of the Economic Planning Board.

TNDinh/ib

cc: Messrs. Kruske/Kalim
Krishna
Farrar

1/ It is not clear to us why textiles, a manufacturing industry, is included here; this will be verified with KDFC, which has provided this information.
May 28, 1970

Mr. Hans Wyss
Central America and Caribbean Department
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Wyss:

Thank you for sending me the Caribbean reports. We will guard them carefully.

Yours sincerely,

W. Arthur Lewis
May 28, 1970

Mr. John W. Weeks
Central America and Caribbean Department
International Bank for Reconstruction and
Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Weeks:

Thank you for sending me the Caribbean report.

We will study from carefully.

Yours sincerely,

[Signature]

W. Arthur Lewis
Mr. B. H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C. 20433
U. S. A.

Dear Mr. Shin:

We are returning a copy of the descriptive memorandum on PDCP which you sent us with your letter of May 7, 1970. We have penciled in our corrections and we have filled in the blanks on pages 4 and 5. We have stapled a sheet containing the "Distribution of PDCP's Long-Term Portfolio" on page 5 in lieu of the figures contained in the original draft.

We have found this memorandum not only on PDCP but also on the other development finance companies very useful in the appraisal of our work.

We look forward therefore to receiving copies of these memoranda.

Sincerely yours,

VICENTE R. JAYME
Executive Vice President

LVS:cms
encl.
PRIVATE DEVELOPMENT CORPORATION
OF THE PHILIPPINES

PCDC Building, Ayala Avenue
Manila, Philippine

May 28, 1930

Mr. H. Spin
Development Finance Company
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Spin:

We are returning a copy of the descriptive memorandum

on PCDC which you sent us with your letter of May 1, 1930.

We have been in our offices and we have filled in the

figures on pages 1 and 2. We have started a sheet containing the

distribution of PCDC's Loan-Term Portfolio on page 5 in lieu

of the figures contained in the original draft.

We have found this memorandum not only on PCDC but
also on the other development finance companies very useful in

the suppression of our work.

We look forward therefore to receiving copies of these

memoranda.

Sincerely yours,

Vicente R. Maye
Executive Vice President

Received

LVS: cam

12/4/1930
Mr. Mohamed Nassim Kochman

P.M. Mathew

Status of Operations

May 27, 1970

In reply to your memorandum of May 7, the attached notes summarize the position in the countries you mentioned.
Attachment 1
May 27, 1970

RWANDA/CAR/CHAD

We have not been requested so far to consider the possibility of a DFC operation in these countries and have no plans for action at this time. CAR and CHAD have COCE-assisted national development banks financing mainly small agriculture and housing, while apparently Rwanda has no development bank.
A mission in May 1969 reviewed the Somali Development Bank (SDB), following which the Bank proposed a reorganization of SDB which would make it suitable for a Bank loan (although no imminent needs for funds could be seen). Along with the proposal was an offer that the Bank would help carry it out, and help find staff for SDB. (Informal contacts with the UNDP indicated that a UNDP-program for this could be worked out.) Despite a reminder, we have received no substantive reply to the proposal, and must assume that it has been rejected.
After the Government's decision to transform a commercial bank, the Union Sénégalaise de Banque (USB) into a combined commercial/industrial development bank, a mission reviewed the USB as well as the Banque Nationale de Développement du Sénégal (BNDS), the country's national development bank in January/February last. Our review of the mission's findings have not been completed, and it is too early to say whether a reorganization of USB would result in a financial intermediary suitable for receiving financing from the Bank Group. The low level of interest rates in Senegal appears to constitute a major obstacle to Bank Group financing of industry through such a financial intermediary.
Dear Mr. Diamond,

I am referring to my previous letter concerning the action envisaged as a follow-up of the first meeting of Industrial Development Banks held in Paris from 16 to 19 March.

We are attaching to this letter notes on:

1) preparation of the 2nd Meeting of Industrial Development Banks;
2) the establishment of a grouping of Industrial Development Banks or Bankers to devise cooperative arrangements among them on a continuous basis;
3) exchange of information and experience between Industrial Financing Institutions.

These notes were prepared in order to elicit the views of the Committee concerning the above-mentioned topics. We would very much appreciate your suggestions, and comments concerning the three items.

After having obtained your views, we intend to send these three notes, and the respective questionnaires to Industrial Development Financing Institutions to obtain their suggestions.

As soon as we have received their answers, we will collate them and submit the finding for your consideration.

A meeting of the Committee will then be convened in Vienna tentatively in October 1970 to discuss the organisation of the 2nd meeting of Development Banks.

Any comments and suggestions that you may have regarding the enclosed notes will be highly appreciated.

Sincerely yours,

C. Akhras
Chief
Industrial Policies and Financing Section

Mr. William Diamond
Director
Development Finance Companies
Intern. Bank for Reconstruction and Development
1818 H Street, N.W.
Washington D.C. 20433
USA
Economic appraisal of DFC Projects

1. In your memorandum of May 15, 1970 you have set guidelines to clarify and to the extent possible standardize, a method to agree with development finance companies for their undertaking and our review of economic cost/benefit analysis of projects. You may wish to have my reactions to your memorandum.

2. However useful it is to supplement financial appraisals by an attempt to calculate effective rates of protection, my view is that their calculation does not go to the heart of the problem. Effective rates of protection are no more than subsidiary indicators or warning lights, leaving the main question still open, mainly how to measure the economic benefits and costs resulting to society from the undertaking of a project.

3. Net social benefits or losses cannot be measured by effective rates of protection but by rates of return on the capital invested. What we therefore need is a method to quantify the project’s rate of return to society in order to compare it with the financial rate that measures the firm’s profitability. Only in this way can we evaluate whether the net benefit accruing to the enterprise that carries out the project is substantially higher, lower or similar to the net benefit accruing to Society. In other words, whether the private profit is or is not achieved at the expense of unduly high social costs.

4. I suggest that economic merits of projects be based on the calculation of rates of return at world market prices as explained by Ian Little, and seconded by Bela Balassa for projects submitted to the Bank. Little’s method 1/, besides containing all the relevant information necessary to calculate effective rates of protection under whatever method proposed by the vast literature on the subject, has the merit of avoiding such insurmountable issues like agreeing with each development finance company on the appropriate shadow exchange rate.

cc: Mrs. Hughes
    Mr. Mirski

C. Sanchez-Marco/ma

---

May 27, 1970

Mr. B. H. Shin  
Development Finance Companies  
International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington, D. C. 20433  
U. S. A.

Dear Mr. Shin:

Thank you for your letter of May 11, 1970 in which you enclosed draft of a descriptive memorandum on the Liberian Bank for Industrial Development and Investment with a request that we return it to you by June 12, 1970. We shall endeavour to have our comments forwarded to you by this date.

Yours very truly,

P. Clarence Parker, Jr.  
PRESIDENT
May 27, 1950

Mr. H. Smith
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

U.S.A.

Dear Mr. Smith:

Thank you for your letter of May 11, 1950 in which you enclosed a
photocopy of a document concerning the financial support for
development and reconstruction. We are pleased to have
received it in our office. We shall endeavor to have
our comments forwarded to you by this date.

Yours very truly,

P. Claxton Parker, Jr.
President

The Louisiana Bank for Industrial Development and Investment
27 May 1970

Mr W. Diamond,
Director,
Development Finance Companies,
I.B.R.D.,
1818H Street N.W.,
WASHINGTON, D.C.,
U.S.A.

Dear Bill,

Thank you for your letter of 8 May.

The latest position regarding the Development Finance Corporation is that a sub-committee of the Corporation's Board has drafted proposals designed to give the Corporation a new look. I understand that the proposals are very much in line with suggestions made in your report.

These will have to go to the full Board for acceptance of the policy changes involved, after which it will be necessary to organise amendments to the Development Finance Corporation Act to enable the proposals to be put into effect.

At this stage it is not possible to say when all of this will be completed. However I am confident that it will be done during this session of Parliament and I will let you know how we progress.

With kind regards.

Yours sincerely,

(H.G. Lang)
27 May 1970

Mr. W. Dismond,
Director,
Development Finance Companies
1870 Street N.W.
Washington, D.C.
U.S.A.

Dear Mr. Dismond,

Thank you for your letter of 8 May.

The interest position regarding the Development Finance Corporation is that a sub-committee of the Corporation's Board has granted proposals designed to give the Corporation a new look. I understand that the proposals are very much in line with suggestions made in your letter.

These will have to do to the full Board for acceptance or the policy changes involved after which it will be necessary to organise the management of the Development Finance Corporation to ensure the proposals be put into effect.

At this stage it is not possible to say when all of these will be completed. However, I am confident that if I will be given time this session of Parliament and I will let you know my progress.

With kind regards,

Your sincerely,

[Signature]

[Stamp: Received 1970 Jul 1]
May 27, 1970

Mr. Ossian Antson &
Mr. John Nordman
Teollistamisrahasto Oy - Industrialization
Fund of Finland Ltd.
Lonnrotinkatu 13, V krs.
Helsinki, Finland

Gentlemen:

Thank you very much for your letter of May 19
enclosing the draft copy of our descriptive memorandum
on Teollistamisrahasto Oy - Industrialization Fund of
Finland Ltd. which you have kindly reviewed.

I am most grateful for your comments and filling
in the blanks in the draft. In the light of your comments
I have revised and put the draft into final form.

As you requested, I am enclosing three copies of
the final version of the memorandum on IFF.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the final version
of the descriptive memorandum).

BHS/HH:er
May 26, 1970

Mr. Gilles J. Tészé
Crédit Lyonnais
50 Rockefeller Plaza
New York
N.Y. 10020

Dear Mr. Tészé:

In the absence of Mr. Diamond who is away from Washington I acknowledge with thanks your kind letter to him of May 21, 1970. I thank you also for the attachment to your letter showing the breakdown of equity owned by banks of Arab countries in Crédit Lyonnais' affiliate, Union de Banques Arabes et Françaises.

Sincerely yours,

P.M. Mathew
Deputy Director
Development Finance Companies
Abidjan, le 26 Mai 1970

Mr. B.H. Shin
International Bank for Reconstruction and Development
1818 H. Street
WASHINGTON D.C. 20433
(U.S.A.)

Dear Mr. Shin,

In answer to your letter of April 28, 1970, please find enclosed a corrected copy of the Draft Memorandum you have drawn up, concerning our Bank and which we have amended in order to bring it up to date with our records as of September 30, 1969.

We would appreciate receiving two extra copies of this useful document when it is issued.

Sincerely yours

A. DIBY
Managing Director
Adjournment

Mr. B. M. Green
International Bank for Reconstruction
and Development
1918 16th Street
Washington D.C. 20433
U.S.A.

Dear Mr. Green,

In answer to your letter of April 26, 1930, please find enclosed a corrected copy of the Draft Memorandum you have drawn up concerning our Bank and which we have amended in order to print it in our cadre with our records as of September 30, 1930. We would appreciate receiving two extra copies of the revised document when it is issued.

Sincerely yours,

[Signature]

Manager, Director

Received

1930 June 4 at 9:46
Mr. Robert McNamara
President, International Bank
for Reconstruction and Development
Washington, D.C. 20433

Dear Mr. McNamara:

In accordance with previous correspondence I spent May 12-14 in various departments of the Bank. This exercise was most profitable, and I am grateful to have had the opportunity. Your officers are most kind.

I refer now to the suggestion in my letter of March 24 that the World Bank might use the Caribbean Development Bank as a conduit for I.D.A. lending to the smaller Caribbean territories which are not themselves members of the World Bank.

In a sense this is roughly the same as asking that the World Bank treat the Caribbean Development Bank as the development bank for those particular territories, on the same footing as the other 20 or so development banks which your Mr. Diamond is already helping. The situation is that Jamaica has a development Bank, to which the World Bank will make a loan; and Trinidad is on the verge of establishing a development bank, with a promise of assistance from the World Bank. The other Caribbean territories are too small to establish their own development banks, and will use the Caribbean Development Bank for this function. It would, therefore, almost be anomalous if the World Bank supported the development banks of Jamaica and Trinidad, but refused to support the Caribbean Development Bank's development banking functions in the rest of the Caribbean.

I would welcome the opportunity of discussing this with you before leaving to take up residence in the West Indies on June 30. Any day after June 7 would suit me. I shall telephone your office at the end of this week to find a time convenient to you.

With best wishes,

Yours sincerely,

W. Arthur Lewis
President, Caribbean Development Bank
Cher Monsieur Shin,

J'ai l'honneur d'accuser réception de votre lettre en date du 20 Mai 1970 par laquelle vous avez bien voulu me transmettre quatre exemplaires du memorandum BNDE dans sa forme définitive.

Je vous en remercie, et vous prie d'agréer, Cher Monsieur Shin, l'expression de mes sentiments distingués.

Le Directeur Général

Mohamed BENKIRANE
Monsieur R.H. Shin
Development Finance Companies
118 H St. NW
WASHINGTON DC 20523 (USA)

[Signature]

Le Directeur Général

[Signature]

Monsieur R.H. Shin

[Signature]

 RECEIVED

1370 May 29 PM 1:01

 Re: Expression of interest in public utilities

[Stamp]
May 25, 1970

Mr. Felix Chang
President
China Development Corporation
131 Nanking East Road, Sec. 5
Taipei 105, Taiwan
Republic of China

Dear Mr. Chang:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on China Development Corporation. We would appreciate your reviewing it and returning by June 25 one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 6, paras 17, 18, 21, 22 and page 9, para 29. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on CDC is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Southall (with a copy of the draft descriptive memorandum).

BHS:er
May 22, 1970

My dear Dr. El-Naggar:

I must first begin by apologizing for not having met you on Tuesday morning as we agreed. I asked the Conference Secretariat to contact you and they promised to do so. I am sorry that this was not done. I hope it was not too much of an inconvenience.

I have read your letter and am taking the liberty of circulating it to others of my colleagues.

As to the Bank interesting itself as one of the sponsors of the proposed institute, I would like to consult with others of my colleagues concerned in such matters and then write further to you.

Sincerely yours,

Irving S. Friedman
The Economic Adviser to the President

Dr. Ahmad El-Naggar
53, Bonn-Bad Godesberg
Goethestr. 75
Germany
OFFICE MEMORANDUM

TO: Messrs. Demuth and Kamarck
FROM: Irving S. Friedman
DATE: May 22, 1970
SUBJECT: Communal Savings and Development Banks

Your comments on the suggestion received from Dr. El-Naggar would be appreciated.

I believe this kind of grass-roots savings institution is very valuable. Indonesia, before independence, has a similar vehicle for small savings of the peasants. I don't know when I should stop of we sponsored one or another aspect of development. So I think we must decline his imitation.
May 21, 1970

Khun Kraisri Nimmanahasminda
General Manager
The Industrial Finance Corporation
of Thailand
101 Naret Road
Bangkok 5, Thailand

Dear Khun Kraisri:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on the Industrial Finance Corporation of Thailand. We would appreciate your reviewing it and returning by June 22, one copy to us with any corrections and comments you would care to make. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on IFCT is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Southall (with a copy of the draft descriptive memorandum).

BHShin:er
OUTGOING WIRE

TO:  EXTECOMEXE
     PARIS
     FRANCE

DATE:  MAY 21, 1970
CLASS OF SERVICE:  LT

COUNTRY:  FRANCE

TEXT:

ATTENTION MR GUY RAOUL DUVAL
THANKS URLET MAY 15 WITH SUBSCRIPTIONS SOCOFIDE STOP
AMOUNT FIFTY PERCENT INITIALLY PAYABLE STATED AS 43,750 ZAIRES
INSTEAD OF CORRECT 21,875 ZAIRES STOP DO YOU AGREE TO OUR CORRECTING
THIS QUESTION
REGARDS

SEKSE
INTRAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

EINAR SEKSE
DEPARTMENT FINANCE COMPANIES

CLEARANCES AND COPY DISTRIBUTION:

FOR USE BY COMMUNICATIONS SECTION

ORIGINAL (FILE COPY)

(IMPORTANT: See Secretaries Guide for preparing form)
OUTGOING WIRE

DATE: MAY 31, 1970

TO: EXTRANOME, PARIS, FRANCE

ATTENTION Mr. MANUEL

TRANSMITTED MAY 15 WITH INSTRUCTION: SEND COPY AS A.750 TIMES INSTEAD OF COPY OF CONCEPT OF 21.750 TIMES

This is urgent that requires

Upon delivery please advise

NOT TO BE TRANSMITTED

AUTHORIZED BY: NAME

COMMUNICATIONS

DO NOT COPY

ORIGINAL
OUTGOING WIRE

TO: JAMES BARTLEY
RESBANKAUS
SYDNEY
(AUSTRALIA)

COUNTRY: ASRLA

CLASS OF SERVICE: LT

DATE: MAY 21, 1970

TEXT:

ARRIVING SYDNEY WEDNESDAY JUNE THIRD BY PA 812 FROM DJAKARTA AND STAYING WENTWORTH UNTIL THURSDAY NIGHT STOP LOOK FORWARD SEEING YOU STOP PLEASE TELL KEEP REGARDS

BILL DIAMOND

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME: William Diamond, Director
DEPT.: DPC/IBRD

CLEARANCES AND COPY DISTRIBUTION:

SIGNATURE: (Signature of individual authorized to approve)

REFERENCE:

ORIGINAL (File Copy)

Checked for Dispatch:
OUTGOING WIRE

DATE: MAY 27, 1970

TO: JAMES PATRICK

RE: UNAID

SYDNEY (AUSTRALIA)

CLASS OF SERVICE: Y

COUNTRY: TEXT

CAPITAL:

TEXT:

ARRIVING SYDNEY WEDNESDAY JUNE 3RD BY 8:45 PM FROM DALLAS AND STAYING WENTWORTH UNTIL THURSDAY NIGHT STOP TOOK FORWARD SENDING YOU STOP PLEASE TELL KEITH RIDDLE

BILL DIAMOND

NOT TO BE TRANSMITTED

AUTHORIZED BY: COMMUNICATIONS

DEPT: 21 PF 1790

RECEIVED

DISTRIBUTED
Mr. B. H. Shin  
Development Finance Companies  
International Bank for Reconstruction and Development  
1818 H Street N.W. Washington D.C. 20433  
U.S.A.

Dear Mr. Shin,

We enclose herewith the information asked for in your letter of February 26, 1970 together with copies of year-end balance sheet and income statements.

Yours faithfully,

[Signature]

INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN
Mr. B. H. Shin
Development Finance Committee
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

Date: May 21, 1970

Dear Mr. Shin,

We enclose herewith the information seeking to
your letter of February 26, 1970, together with copies of
year-end balance sheet and income statement.

Yours faithfully,

[Signature]

[Title]

Industrial and Mining Development
Bank of Iran
INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN

Statement of Profit and Loss and Appropriations

For the year ended March 31, 1970

INCOME STATEMENT FORM

<table>
<thead>
<tr>
<th>Income</th>
<th>Amount ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans</td>
<td>545,802</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments</td>
<td>9,826</td>
</tr>
<tr>
<td>3. Income on Equity Investments</td>
<td>21,341</td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee fees and letters of Credit fees</td>
<td></td>
</tr>
<tr>
<td>5. Income from Subsidiary Company</td>
<td>7,411</td>
</tr>
<tr>
<td>6. Other</td>
<td>584,380</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Amount ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest and Other Charges on Term Debt</td>
<td>258,829</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-term Debt</td>
<td></td>
</tr>
<tr>
<td>3. Write-offs from Loans and Investments</td>
<td></td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td>55,000</td>
</tr>
<tr>
<td>5. Other Financial Expenses</td>
<td>4,288</td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td></td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>54,139</td>
</tr>
<tr>
<td>b. Other Administrative Expenses</td>
<td>29,211</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>401,497</td>
</tr>
</tbody>
</table>

Net Profit before Taxes                     | 182,913      |
Provision for Income Tax                    | 16,480       |
Net Profit                                  | 166,433      |
Undistributed profit B/F from last year     | 2,138        |
Appropriation of net profit:                | 163,571      |

Transfer to General (Legal) and Other Free Reserves | 5,242 |
Transfer to Reserves for Losses on Loans and Investments | 115,200 |
Provision of Dividends                      | 2,129        |
Unappropriated Surplus                      | 168,571      |

1/ Income denotes not only interest but also commitment charges, study fees and all other fees and charges made on term loans and debentures.
4. Consisting of dividends received on equity investments and capital gains before tax from sales of equity investments.

5. Consisting of dividends and other income including interest received from a subsidiary company.

6. All other income, e.g. gains from sales of property and general banking service charges not relating to lending operations, etc.

7. Including commitment charges and other charges directly relating to debt. Also including amortisation of financial expenses incurred on the issue of bonds and debentures.

8. Including interest paid on deposits.

9. Other financial expenses not directly relating to the incurring of debt.

10. Including consultation fees, lawyers' fees, depreciation of fixed assets, amortization of establishment costs, etc.

---

2/ Terms Loans (or Debt) means Loans (or Debt) maturing more than one year from the date of contract.

3/ Intermediate Investments are taken to mean short-term or temporary investments, including deposits, designed to utilize idle funds, e.g. Government securities and highly marketable private bonds and debentures. Compulsory investments in Government bonds are also included in this category for the sake of convenience.
To the Shareholders of the
Industrial and Mining Development Bank of Iran

As the Inspectors designated respectively by the Class A and B shareholders at the last Annual General Assembly of your Bank, pursuant to the Statutes of the Bank and to Article 62 of the Commercial Law, it is our duty to report to the shareholders on the general situation of the Bank and on the financial statements presented by the Directors.

We are familiar with the operations of your Bank for the year ended 20th March 1970, having been kept informed by the Directors throughout the year. In addition, as required by law, the books and records of the Bank have been open for inspection by us.

We have examined the tenth Annual Report of the Bank for the year 1348, including the Balance Sheet and Statement of profit and Loss and Appropriations, certified by professionally qualified independent auditors, covering the above year and approved by the Board of Directors at its meeting of 3rd May 1970 and are pleased to report that in our opinion the tenth Annual Report fairly and accurately describes the operations of the Bank and that the financial statements accurately set forth the situation of the Bank, for the year in question.

In view of the foregoing, it is our recommendation that the General Assembly of shareholders approve the tenth Annual Report and Financial Statements as submitted, and ratify all actions of the Directors taken up to and including March 20th, 1970.

Teheran 10th May, 1970

Inspectors

Ebrahim Khaje-Nouri,
Class A Appointee

A.A. den Hartog,
Class B Appointee
TO THE BOARD OF DIRECTORS

Industrial and Mining Development Bank of Iran
Report of the Auditors

We have examined the attached balance sheet of the Industrial and Mining Development Bank of Iran at 20th March 1970 and the related statement of profit and loss and appropriations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet, and statement of profit and loss and appropriations, and notes, present fairly the financial position of the Bank at 20th March 1970 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Tehran 10th May 1970

Coopers & Lybrand
Chartered Accountants
## Indusry and Mining

**Balance Sheet as at 20th March 1970**

<table>
<thead>
<tr>
<th>Shares Capital (Note 1)</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>787,924 Class A Shares of Rls. 1,000 fully paid</td>
<td>787,924,000</td>
<td>769,875,000</td>
</tr>
<tr>
<td>172,076 Class B Shares of Rls. 1,000 fully paid</td>
<td>172,076,000</td>
<td>190,125,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reserves</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>105,000,000</td>
<td>79,000,000</td>
</tr>
<tr>
<td>General and Other (Note 2)</td>
<td>152,000,000</td>
<td>125,650,000</td>
</tr>
<tr>
<td>Undistributed Profits</td>
<td>2,129,219</td>
<td>2,136,643</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity of Shareholders (Note 3)</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Bank of Iran</td>
<td>600,000,000</td>
<td>600,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans (Notes 4 to 7)</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>3,063,651,736</td>
<td>2,403,082,729</td>
</tr>
<tr>
<td>U.S. Agency for International Development</td>
<td>132,692,172</td>
<td>150,742,778</td>
</tr>
<tr>
<td>Plan Organization</td>
<td>1,200,000,000</td>
<td>750,000,000</td>
</tr>
<tr>
<td>Plan Organization (through Central Bank of Iran)</td>
<td>200,000,000</td>
<td>200,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Liabilities and Provisions</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>sundary provisions and accounts payable</td>
<td>359,305,433</td>
<td>193,125,624</td>
</tr>
<tr>
<td>Current Taxation</td>
<td>16,480,266</td>
<td>13,175,374</td>
</tr>
<tr>
<td>overdraft with Central Bank of Iran (Note 8)</td>
<td>339,856,603</td>
<td>20,500,322</td>
</tr>
<tr>
<td>Temporary advances from Foreign Banks</td>
<td>1,969,370</td>
<td>27,746,510</td>
</tr>
<tr>
<td>Advance from Managed Funds (Note 9)</td>
<td>836,442,339</td>
<td>1,149,573,836</td>
</tr>
<tr>
<td>Provision for proposed dividend</td>
<td>115,200,000</td>
<td>96,000,000</td>
</tr>
<tr>
<td></td>
<td>1,671,253,541</td>
<td>1,500,121,666</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities for Managed Funds (Notes 9 to 11)</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Loans</td>
<td>2,235,783,405</td>
<td>2,157,203,405</td>
</tr>
<tr>
<td>For investments</td>
<td>1,260,992,000</td>
<td>1,119,788,082</td>
</tr>
<tr>
<td></td>
<td>3,504,775,405</td>
<td>3,277,071,487</td>
</tr>
<tr>
<td></td>
<td>11,591,502,073</td>
<td>10,047,807,303</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
**DEVELOPMENT BANK OF IRAN**
**20th March 1970**

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND SHORT TERM INVESTMENTS</td>
<td>Rls.</td>
<td>Rls.</td>
</tr>
<tr>
<td>準去REceived INTEREST, FEES RECEIVABLE, DEBTORS AND PREPAID EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOANS AND EQUITY INVESTMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOANS (Notes 12 and 13)</td>
<td>6,372,005,999</td>
<td>5,257,307,406</td>
</tr>
<tr>
<td>Equity investments (Note 14)</td>
<td>956,657,600</td>
<td>662,744,000</td>
</tr>
<tr>
<td>FIXED ASSETS (Note 15)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost less accumulated depreciation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movable</td>
<td>580,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Immovable</td>
<td>61,623,040</td>
<td>66,035,362</td>
</tr>
</tbody>
</table>

### MANAGED FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>20th March 1970</th>
<th>20th March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances</td>
<td>1,027,977,900</td>
<td>1,619,627,662</td>
</tr>
<tr>
<td>Plan Organization equity investments</td>
<td>838,355,166</td>
<td>507,869,969</td>
</tr>
<tr>
<td>Funds to be invested (Note 9.)</td>
<td>838,442,339</td>
<td>1,149,573,336</td>
</tr>
</tbody>
</table>

### For the Board of Directors

[Signature]
Managing Director

[Signature]
Treasurer
## INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN

**Statement of Profit and Loss and Appropriation**

for the year ended 20th March 1970

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest, commitment and service charges on loans</td>
<td>516,460,874</td>
<td>405,187,163</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency fees</td>
<td>29,341,148</td>
<td>26,003,345</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>9,825,977</td>
<td>10,660,402</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from equity investments</td>
<td>21,341,052</td>
<td>19,840,031</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>7,410,814</td>
<td>5,891,383</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>584,379,865</td>
<td>467,582,324</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Less Interest and commitment charges payable</strong></td>
<td>258,820,909</td>
<td>187,106,378</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Interest and other charged earned</strong></td>
<td>325,558,956</td>
<td>280,475,946</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and allowances</td>
<td>54,139,084</td>
<td>51,687,179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>19,621,939</td>
<td>17,279,486</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>9,583,695</td>
<td>7,490,518</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>83,349,718</td>
<td>76,457,183</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PROVISIONS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to provision for contingencies</td>
<td>4,203,096</td>
<td>6,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to provision for losses on loans</td>
<td>55,000,000</td>
<td>45,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation for the year</td>
<td>16,558,848</td>
<td>13,175,374</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total provisions</strong></td>
<td>75,846,844</td>
<td>64,175,374</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses and provisions</td>
<td>159,206,662</td>
<td>140,632,557</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td>166,354,294</td>
<td>139,843,389</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undistributed profit brought forward from last year</td>
<td>2,138,643</td>
<td>12,295,254</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit available for appropriation</td>
<td>168,492,937</td>
<td>152,138,643</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>APPROPRIATIONS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to reserves:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve</td>
<td>26,000,000</td>
<td>23,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General reserve</td>
<td>25,242,300</td>
<td>31,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed dividend (Gross of 12%)</td>
<td>115,200,000</td>
<td>96,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Undistributed profit carried forward</strong></td>
<td>2,050,637</td>
<td>2,138,643</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>168,492,937</td>
<td>152,138,643</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

Issued Share Capital
1. The movements on the issued share capital during the year were as follows:

<table>
<thead>
<tr>
<th>Class A Shares</th>
<th>Class B Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Rials</td>
<td>Rials</td>
</tr>
<tr>
<td>769,875</td>
<td>190,125</td>
</tr>
<tr>
<td>769,875,000</td>
<td>190,125,000</td>
</tr>
<tr>
<td>737,924</td>
<td>172,076</td>
</tr>
<tr>
<td>737,924,000</td>
<td>172,076,000</td>
</tr>
</tbody>
</table>

Balance at 20th March 1969
Sale of B Class Shares to Iranian purchasers
Balance at 20th March 1970

Under the Bank's Articles of Association, the A Shares must be held by Iranian nationals and the B Shares by foreign nationals. The B Shares may be sold to Iranian nationals provided they are converted to A Shares on transfer. Both classes of shares rank pari passu in all respects.

General and Other Reserves
2. The movements on the general and other reserves during the year were as follows:

<table>
<thead>
<tr>
<th>General Reserve</th>
<th>Investment Reserve</th>
<th>Share Premium</th>
<th>Total Rials</th>
</tr>
</thead>
<tbody>
<tr>
<td>106,306,173</td>
<td>17,698,547</td>
<td>1,645,280</td>
<td>125,650,000</td>
</tr>
<tr>
<td>122,200</td>
<td>985,500</td>
<td>25,242,300</td>
<td>152,000,000</td>
</tr>
<tr>
<td>25,242,300</td>
<td>131,548,473</td>
<td>18,634,047</td>
<td>152,000,000</td>
</tr>
</tbody>
</table>

The investment reserve and share premium above are regarded as not being available for distribution to shareholders by way of dividend.

Advance from Central Bank of Iran
3. The advance from the Central Bank of Iran which is free of interest, is repayable in fifteen equal annual instalments commencing 12th October 1975. Under the terms of the Special Law of 10th May 1959 applicable to this advance, it ranks pari passu with the Bank's share capital in the event of liquidation.
4. Details of the loans to the Bank are as follows:

<table>
<thead>
<tr>
<th>Lender</th>
<th>Available Credit</th>
<th>Used Credit</th>
<th>Rates of Interest per annum</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>Rls. 7,890,000,000</td>
<td>Rls. 3,063,651,736</td>
<td>5% - 6%</td>
<td>1964-1986</td>
</tr>
<tr>
<td>U.S. Agency for International Development</td>
<td></td>
<td></td>
<td>(Note 5)</td>
<td></td>
</tr>
<tr>
<td>Plan Organization (through Central Bank of Iran)</td>
<td></td>
<td></td>
<td>1984-2000</td>
<td></td>
</tr>
<tr>
<td>Plan Organization (see note 6 below)</td>
<td>2,500,000,000</td>
<td>1,200,000,000</td>
<td>4</td>
<td>1980-2000</td>
</tr>
</tbody>
</table>

5. The rates of interest paid are established in the case of earlier loan agreements at the time funds are committed for approved projects; the rate currently being paid on such commitments is 6% per annum. In the case of one recently negotiated loan agreement for $40 million the rate is fixed at 6 1/4% per annum. In addition a commitment fee of 7% per annum is charged on the unutilized portion of the credit.

6. Plan Organization loan facilities not yet utilized will be made available to the Bank as follows:

   - Rls. 450,000,000 in 1970
   - Rls. 450,000,000 in 1971
   - Rls. 400,000,000 in 1972

   The terms of the loan were renegotiated during the year extending the repayment periods to those listed in note 4 above. This loan together will the loan of Rls. 200,000,000 through the Central Bank of Iran is subordinated to all other loans.

7. The loan from Plan Organization through the Central Bank of Iran together with further Rls. 920 million advanced by Central Bank of Iran for managed funds advanced on behalf of Plan Organization are secured by promissory notes accepted by the Bank and guaranteed by Plan Organization. Both the Rls. 200 million above and the Rls. 920 million of managed funds are repayable to the Central Bank of Iran by 1973 out of funds to be made available by Plan Organization. Thereafter the loans will be repayable to Plan Organization on the same terms and conditions as set out in notes 4 and 11 respectively.
Overdraft with Central Bank of Iran

8. The Bank has overdraft facilities with the Central Bank of Iran both in rials and foreign currencies. Rial facilities are utilized in making loans to customers. Foreign currency advances are utilized for temporary payments to correspondent banks, and are repaid when funds are received from the International Bank for Reconstruction and Development through the correspondent banks. The rate of interest payable on rial overdrafts varies from 5% to 8% per annum in accordance with agreements concluded with the Central Bank of Iran. The rate of interest payable on foreign currencies varies according to the currency, being $\frac{1}{4}$ times the deposit rate of the Central Bank of Iran with the bank of the country concerned.

Managed Funds

9. Details of the funds administered by the Bank under the terms of agency agreements with the Government of Iran (covering funds from both Bank Melli Iran and Industrial Credit Bank) and with Plan Organization are as follows:

<table>
<thead>
<tr>
<th>Source</th>
<th>Funds Received Rls.</th>
<th>Funds Utilised Rls.</th>
<th>Funds to be Invested Rls.</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Credit Bank</td>
<td>582,925,437</td>
<td>542,619,708</td>
<td>40,305,729</td>
<td>1978-1984</td>
</tr>
<tr>
<td>Plan Organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For loans</td>
<td>950,000,000</td>
<td>665,557,764</td>
<td>284,442,236</td>
<td>Note 11</td>
</tr>
<tr>
<td>For equity investments</td>
<td>1,268,992,000</td>
<td>838,355,166</td>
<td>430,636,834</td>
<td>Note 11</td>
</tr>
<tr>
<td></td>
<td>3,504,775,405</td>
<td>2,666,333,066</td>
<td>833,442,339</td>
<td></td>
</tr>
</tbody>
</table>

10. The terms of the advances from Bank Melli Iran and Industrial Credit Bank were renegotiated during the year extending the repayment periods to those listed in note 9 above.

11. Terms of repayment of the managed funds from Plan Organization are as follows:

Funds for loans - Rls. 250,000,000 commencing fifteen years after the date of receipt of the loan funds, as and when the Bank receives payment from the borrowers,
- Rls. 700,000,000 after the end of twenty years from the receipt of the loan funds in one lump sum amount.
Funds for equity investments—When the investment is sold, Rls. 920,000,000 of the above funds (Rls. 600,000,000 for loans and Rls. 320,000,000 for equity investments) has been financed by the Central Bank of Iran on the terms and conditions mentioned in Note 7 above.

**Loan Granted**

12. All loans granted by the Bank are secured by mortgages and/or guarantees. The loans are stated after deducting a provision of Rls. 233 million made against possible future losses; the comparable provision at 20th March 1969 was Rls. 178 million. The amount provided during the year has been computed at a fixed percentage of income. This basis is consistent with that used in previous years.

**Loans Committed**

13. The Bank has a commitment of approximately Rls. 2,778 million for the unutilized portion of approved loans. Of this figure, Rls. 166 million forms the commitment under the managed funds.

**Equity Investments**

14. Equity investments are stated at cost. Included under this heading are three investments, at a total cost of Rls. 192,763,100, which are marketable on the Tehran Stock Exchange; the remaining investments are not quoted. All dealings in the quoted shares have been at prices in excess of cost.

**Fixed Assets**

15. Fixed assets have been depreciated as follows:—

- Movable, including motor vehicles — 33 1/3% per annum
- Landed property — 10% per annum

Movables costing less than Rls. 100,000 are written off in the year of purchase.

**Contingent Liabilities**

16. There are contingent liabilities of Rls. 350 million in respect of the uncalled portion of equity investments not paid in full.

**Foreign Currency**

17. The Bank's foreign currency assets and liabilities have been converted into Rials at the approximate selling rates of exchange in force at the beginning of the financial year. No adjustment has been made to these rates to give effect to the
revision which took place to the selling rates in October 1969 since the majority of the borrowings of the bank are repayable at the same rates as the bank will receive from its customers. The rates used, compared with current official selling rates for the major currencies involved, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Rates Used</th>
<th>Current Official Selling Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. $ 1</td>
<td>75</td>
<td>76.50</td>
</tr>
<tr>
<td>£ 1 Sterling</td>
<td>180</td>
<td>183.95</td>
</tr>
<tr>
<td>DM. 1</td>
<td>18.75</td>
<td>20.39</td>
</tr>
</tbody>
</table>
To the Shareholders of the
Industrial and Mining Development Bank of Iran

As the Inspectors designated respectively by the Class A and B shareholders at the last Annual General Assembly of your Bank, pursuant to the Statutes of the Bank and to Article 62 of the Commercial Law, it is our duty to report to the shareholders on the general situation of the Bank and on the financial statements presented by the Directors.

We are familiar with the operations of your Bank for the year ended 20th March 1970, having been kept informed by the Directors throughout the year. In addition, as required by law, the books and records of the Bank have been open for inspection by us.

We have examined the tenth Annual Report of the Bank for the year 1348, including the Balance Sheet and Statement of profit and Loss and Appropriations, certified by professionally qualified independent auditors, covering the above year and approved by the Board of Directors at its meeting of 3rd May 1970 and are pleased to report that in our opinion the tenth Annual Report fairly and accurately describes the operations of the Bank and that the financial statements accurately set forth the situation of the Bank, for the year in question.

In view of the foregoing, it is our recommendation that the General Assembly of shareholders approve the tenth Annual Report and Financial Statements as submitted, and ratify all actions of the Directors taken up to and including March 20th, 1970.

Teheran 10th May, 1970

Inspectors

Ebrahim Khaje-Nouri,
Class A Appointee

A.A. den Hartog,
Class B Appointee
TO THE BOARD OF DIRECTORS

Industrial and Mining Development Bank of Iran

Report of the Auditors

We have examined the attached balance sheet of the Industrial and Mining Development Bank of Iran at 20th March 1970 and the related statement of profit and loss and appropriations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet, and statement of profit and loss and appropriations, and notes, present fairly the financial position of the Bank at 20th March 1970 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Teheran 10th May 1970

Coopers & Lybrand
Chartered Accountants
Issued Share Capital

1. The movements on the issued share capital during the year were as follows:

<table>
<thead>
<tr>
<th>Class A Shares</th>
<th>Class B Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Rials</td>
</tr>
<tr>
<td>Balance at 20th March 1969</td>
<td>769,875</td>
</tr>
<tr>
<td>Sale of B Class Shares to Iranian purchasers</td>
<td>13,049</td>
</tr>
<tr>
<td>Balance at 20th March 1970</td>
<td>787,924</td>
</tr>
</tbody>
</table>

Under the Bank's Articles of Association, the A Shares must be held by Iranian nationals and the B Shares by foreign nationals. The B Shares may be sold to Iranian nationals provided they are converted to A Shares on transfer. Both classes of shares rank pari passu in all respects.

General and Other Reserves

2. The movements on the general and other reserves during the year were as follows:

<table>
<thead>
<tr>
<th>General Reserve</th>
<th>Investment Reserve</th>
<th>Share Premium</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 20th March 1969</td>
<td>106,306,173</td>
<td>17,698,547</td>
<td>1,645,280</td>
</tr>
<tr>
<td>Premiums arising on sales of rights shares in the company not taken up by the shareholders</td>
<td>-</td>
<td>-</td>
<td>122,200</td>
</tr>
<tr>
<td>Profits on sale of equity investments</td>
<td>-</td>
<td>985,500</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from profit and loss account</td>
<td>25,242,300</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>131,543,473</td>
<td>18,684,047</td>
<td>1,767,480</td>
</tr>
</tbody>
</table>

The investment reserve and share premium above are regarded as not being available for distribution to shareholders by way of dividend.

Advance from Central Bank of Iran

3. The advance from the Central Bank of Iran which is free of interest, is repayable in fifteen equal annual instalments commencing 12th October 1975. Under the terms of the Special Law of 10th May 1959 applicable to this advance, it ranks pari passu with the Bank's share capital in the event of liquidation.
Loans

4. Details of the loans to the Bank are as follows:

<table>
<thead>
<tr>
<th>Lender</th>
<th>Credit Available</th>
<th>Amount of Credit Used</th>
<th>Rates of Interest per annum</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>Rls. 7,890,000,000</td>
<td>Rls. 3,063,651,736</td>
<td>5%</td>
<td>1964-1986</td>
</tr>
<tr>
<td>U.S. Agency for International Development</td>
<td></td>
<td></td>
<td>(Note 5)</td>
<td></td>
</tr>
<tr>
<td>Plan Organization (see note 6 below)</td>
<td></td>
<td></td>
<td>5%</td>
<td>1963-1975</td>
</tr>
<tr>
<td>Plan Organization (through Central Bank of Iran)</td>
<td>Rls. 2,500,000,000</td>
<td>1,200,000,000</td>
<td>4%</td>
<td>1984-2000</td>
</tr>
<tr>
<td></td>
<td>Rls. 10,522,692,172</td>
<td>200,000,000</td>
<td>4%</td>
<td>1970-1973</td>
</tr>
</tbody>
</table>

5. The rates of interest paid are established in the case of earlier loan agreements at the time funds are committed for approved projects; the rate currently being paid on such commitments is 6\% per annum. In the case of one recently negotiated loan agreement for $40 million the rate is fixed at 6\% per annum. In addition a commitment fee of 3\% per annum is charged on the unutilized portion of the credit.

6. Plan Organization loan facilities not yet utilized will be made available to the Bank as follows:

- Rls. 450,000,000 in 1970
- Rls. 450,000,000 in 1971
- Rls. 400,000,000 in 1972

The terms of the loan were renegotiated during the year extending the repayment periods to those listed in note 4 above. This loan together with the loan of Rls. 200,000,000 through the Central Bank of Iran is subordinated to all other loans.

7. The loan from Plan Organization through the Central Bank of Iran together with a further Rls. 920 million advanced by Central Bank of Iran for managed funds advanced on behalf of Plan Organization are secured by promissory notes accepted by the Bank and guaranteed by Plan Organization. Both the Rls. 200 million above and the Rls. 920 million of managed funds are repayable to the Central Bank of Iran by 1973 out of funds to be made available by Plan Organization. Thereafter the loans will be repayable to Plan Organization on the same terms and conditions as set out in notes 4 and 11 respectively.
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<td></td>
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<td>Note 11</td>
</tr>
<tr>
<td></td>
<td>3,504,775,405</td>
<td>2,666,333,066</td>
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<td></td>
</tr>
</tbody>
</table>

10. The terms of the advances from Bank Melli Iran and Industrial Credit Bank were renegotiated during the year extending the repayment periods to those listed in note 9 above.

11. Terms of repayment of the managed funds from Plan Organization are as follows:

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<th>Rls. 250,000,000 commencing fifteen years after the date of receipt of the loan funds, as and when the Bank receives payment from the borrowers.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Rls. 700,000,000 after the end of twenty years from the receipt of the loan funds in one lump sum amount.</td>
</tr>
</tbody>
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Funds for equity investments—When the investment is sold. Rls. 920,000,000 of the above funds (Rls. 600,000,000 for loans and Rls. 320,000,000 for equity investments) has been financed by the Central Bank of Iran on the terms and conditions mentioned in Note 7 above.

**Loan Granted**

12. All loans granted by the Bank are secured by mortgages and/or guarantees. The loans are stated after deducting a provision of Rls. 233 million made against possible future losses; the comparable provision at 20th March 1969 was Rls. 178 million. The amount provided during the year has been computed at a fixed percentage of income. This basis is consistent with that used in previous years.

**Loans Committed**

13. The Bank has a commitment of approximately Rls. 2,778 million for the unutilized portion of approved loans. Of this figure, Rls. 166 million forms the commitment under the managed funds.

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- Landed property — 10% per annum

Movables costing less than Rls. 100,000 are written off in the year of purchase.

**Contingent Liabilities**

16. There are contingent liabilities of Rls. 350 million in respect of the uncalled portion of equity investments not paid in full.

**Foreign Currency**

17. The Bank’s foreign currency assets and liabilities have been converted into Rials at the approximate selling rates of exchange in force at the beginning of the financial year. No adjustment has been made to these rates to give effect to the
revision which took place to the selling rates in October 1969 since the majority of the borrowings of the bank are repayable at the same rates as the bank will receive from its customers. The rates used, compared with current official selling rates for the major currencies involved, are as follows:

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<tr>
<th>Currency</th>
<th>Rates Used</th>
<th>Current Official Selling Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. $1</td>
<td>75</td>
<td>76.50</td>
</tr>
<tr>
<td>£1 Sterling</td>
<td>180</td>
<td>183.95</td>
</tr>
<tr>
<td>DM. 1</td>
<td>18.75</td>
<td>20.89</td>
</tr>
</tbody>
</table>
May 21

Mr. Cope:

1. You will remember our mentioning to you some problems arising out of present practice relating to the use of pro-forma amortization schedules. Attached is a proposal to deal with it and Controllers (Mr. Gabriel) finds it ok.

2. Also attached is a memo on present practice of increase by the Controllers in authorized amounts of sub-projects.

3. I shall appreciate your comments.

P. M. Mathew
TO: Mr. William Diamond
FROM: P. M. Mathew
SUBJECT: Revision of pro-forma amortization schedules of DFC loans

1. Even though the Loan Agreement provided for amendment of the pro-forma schedule "from time to time" in order to make it conform as nearly as possible to the actual situation, the present practice is to wait till the loan is wholly disbursed before making a full revision. However, in advance of each amortization date, the maturity falling due on that date is adjusted to reflect the Borrower's estimate of what it should be if it were to conform substantially to the amortizations on his sub-loans. This works well in practice and probably is not being seriously abused by clients.

2. However, it puts the Bank in the embarrassing position of (a) having told Borrowers (informally) that the amortizations contained in the Loan Agreement will not be acted upon, (b) not knowing what is due to the Bank on a certain date, and having to depend on the Borrower to tell us what it is; and (c) not assuring that the changes made in the schedule each six months make it conform substantially to the composite of the sub-loan amortizations (the change in the next maturity makes that alone conform, if the Borrower chooses to be correct, but not the rest of the amortizations).

3. The following changes in procedure are suggested:
   (a) The amortization included in the loan document be treated substantively as such until it is fully revised. For this purpose, better care should be exercised by the DFC Department to assure that the estimates which form the basis of that amortization are realistically made.
(b) The amortization schedule be normally changed at the Bank's initiative twice: once when the loan is fully committed, and again when the loan is fully disbursed. On both occasions, the revisions should be based on actual commitments and/or disbursements, as the case may be. The Bank should examine the evidence presented by the dfc.

(c) If collection by the Bank on the basis of the accepted schedule (except when revised for the last time after full disbursement) involves the client in a hardship (eg: payments to the Bank considerably in excess of actual collections because of cancellations of principal amounts, exchange risk in holding excess collections not yet due for repayment to have the right to the Bank), the Borrower should/request full revision supported with evidence, and the Bank should revise after examining the evidence.

4. If this change in procedure is agreed to:
   (a) no change is needed in loan documents;
   (b) it would be desirable to tell dfcs in advance what we intend to do; and
   (c) the change should be introduced in all cases, at the time of the next payment date, provided it is not too near (under 4 months.)

cc: Mr. Cope (for clearance)
(b) Normally, the amortization schedule be changed only at the initiative of the borrower who would have the right, say, two months before any amortization payment date, to present a statement to the Bank based on borrower's repayments to him to ask for a modification of the amortization schedule. The Bank would normally accept this statement, transferring the difference between the amount of the original amortization schedule and the amount proposed by the borrower to the next amortization payment. If the borrower makes no request for a change, the amount in the original amortization schedule, as amended by any changes previously proposed by the borrower and accepted by the Bank, would be the operative amount.

4. This procedure seems to involve the minimum amount of work for the Bank and puts the onus for proposing changes on the borrower, but requires evidence to be produced by the borrower to justify the proposal, and reserves the decision to the Bank.

5. Some changes in loan documents would be required.
(b) Normally, the amortization schedule be changed only at the initiative of the borrower who would have the right, say, two months before any amortization payment date, to present a statement to the Bank based on borrower's repayments to him to ask for a modification of the amortization schedule. The Bank would normally accept this statement, transferring the difference between the amount of the original amortization schedule and the amount proposed by the borrower to the next amortization payment. If the borrower makes no request for a change, the amount in the original amortization schedule, as amended by any changes previously proposed by the borrower and accepted by the Bank, would be the operative amount.

4. (c) This procedure seems to involve the minimum amount of work for the Bank and puts the onus for proposing changes on the borrower, but requires evidence to be produced by the borrower to justify the proposal; and reserves the decision to the Bank.

5. Some changes in loan documents would be required.
May 20, 1970

Mr. Mohamed Benkirane
Director General
Banque Nationale pour le Developpement
Economique
Buite Postale 407
Rabat, Morocco

Dear Mr. Benkirane:

I wish to acknowledge with thanks receipt of your letter of May 6, enclosing the draft copy of our descriptive memorandum on BNDE which you have kindly reviewed.

I am most grateful for your filling in the blanks in the draft memorandum and revising the financial figures for 1969 in it. In the light of the fill-ins and revisions, I have put the draft into final form.

As you requested, I am enclosing four copies of a final version of the memorandum on BNDE.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the final version of the descriptive memorandum).

BHS:shin
May 20, 1970

Mr. George Gondicas
General Manager
National Investment Bank for Industrial Development, S. A.
P. O. Box 643
6 Sophocleous Street
Athens, Greece

Dear Mr. Gondicas:

Thank you very much for your letter of May 11, enclosing NIBID's balance sheet as at December 31, 1969, profit and loss statement for 1969 and income statement for the year as per our format.

We will proceed to compute the operational ratios of your bank for 1969 on the basis of the data received. As soon as we put out a table on the operational ratios of the development finance companies with which the Bank Group is associated, we will send you a copy.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Gustafson (with a copy of the incoming).

BHShin:er
May 20, 1970

Dr. Wilhelm Teufenstein
Chairman, Board of Management
Oesterreichische Investitionskredit
Aktiengesellschaft
Rennagasse 10
1013 Wien
Vienna, Austria

Dear Dr. Teufenstein:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Oesterreichische Investitionskredit Aktiengesellschaft. We would appreciate your reviewing it and returning by June 21, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on pages 5 and 6, paras 22, 29 and 32. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on IVK is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum).

BHShin:er
Mr. J. Burke Knapp

William Diamond

May 20, 1970

Distribution of Board Paper to Development Finance Companies

1. Do you have any objection to my sending to each of our development banks a copy of Mr. McNamara's paper to the Board on interest rates and quasi-equity? I think we ought to do so so that each company is explicitly aware of our viewpoint on both these important issues which affect them very intimately.

2. Attached is a copy of the paper so that you can refresh your recollection.

Attachment

WDiamond:jmb
May 20, 1970

Mr. Said Ahmed
Managing Director
Pakistan Industrial Credit and Investment Corporation Ltd.
P. O. Box 5080
Karachi 2, Pakistan

Dear Mr. Ahmed:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Pakistan Industrial Credit and Investment Corporation Ltd. We would appreciate your reviewing it and returning by June 21, one copy to us with any corrections and comments you would care to make. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on PICIC is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Southall (with a copy of the draft descriptive memorandum).

B. H. Shin:er
May 19, 1970

Mr. Einar Sekse
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street N. W.
WASHINGTON D. C.

Dear Mr. Sekse,

Thank you for your letter dated May 11, 1970.

We return duly signed two copies of the Agreement between Majority Shareholders.

Kindest regards,

BANCA NAZIONALE DEL LAVORO
Direzione Generale

Encl.

cc: Mr. Sense / Mr. Steelbridge

Mr. Janaza
Dear Mr. [Name],

Thank you for your letter dated May 17, 1976. We regret to inform you that we have been unable to locate two copies of the agreement between [Company A] and [Company B].

Kindly replace.

[Signature]

[Company Name]

[Date]
Mr. B.H. Shin
Development Finance Companies
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C., 20433
U.S.A.

Dear Mr. Shin:

We refer to your letter to Mr. Lassila of April 24, 1970 enclosing a new draft memorandum on our company. We have now reviewed the draft and return herewith one copy to you, together with a separate list of suggested corrections and completions.

When this memorandum is completed, we would be grateful if you could send us three copies of it.

Yours sincerely,

TEOLLISTAMISRAHASTO OY - INDUSTRIALIZATION FUND OF FINLAND LTD.

[Signatures]

Encls.
Dear Mr. Shin,

We refer to your letter of April 24, 1970. We have received a new draft memorandum of our company. We have reviewed the draft and request your comments and suggestions. You can cooperate with a special letter of unsolicited corroboration and corrections. When this memorandum is completed, we would be grateful if you could send us three copies of it.

Yours sincerely,

[Signature]

[Company]

[Date]
Comments and Corrections
(Numbers refer to paragraphs in the draft)

3. The reserves as of the end of 1969, Fmk 3,447,000, include the unappropriated profits. Allowing for the appropriation of this profit the reserves would amount to Fmk 2,167,000.

4. The grace period of debenture No. II is 30 years.

6. A third long-term loan of Fmk 10 million at 6½% interest was granted by the shareholding institutions in 1967. Repayment will be made in 5 equal instalments in 1980-1984. This loan was entirely withdrawn in 1969.

7. Fmk 227,500 was outstanding of the insurance company loan on December 31, 1969.

9. The turnover limit has been raised to Fmk 15 million and the limitation on the number of employees abolished. Instead, a new clause has been inserted generally excluding enterprises whose exports during the last fiscal year before the loan was made exceeded 40% of total turnover.

12. At present, the Board of Administration consists of 19 members.

15. The present staff numbers 32; 19 professionals and 13 non-professionals.

17. Suggested rewording, second sentence: As a rule it will not consider assisting wholly-owned subsidiaries of large companies, but it would consider assisting foreign-owned enterprises.

19. Procedures: Appraisals. The following rewording is suggested: After preliminary discussion with the General Manager or one of the assistant managers prospective borrowers submit a formal application, including detailed information on forms provided by IFF.

22. The 12 equity investments total Fmk 2,670,000 ($636,000 equivalent).

The table on approvals and disbursements contains a number of minor discrepancies. We enclose our latest corrected figures in the attached annex.
24. The average final maturity of the loans extended up to the end of 1969 was 10.5 years (weighted by amounts, 11.1 years). Average in 1969 10.1 years (10.8 years). Of total amount committed about 91% has a term of 10 years or more; about 7% has a term of 14-15 years.

25. Size Distribution. In 1969, loans of less than Fmk 300,000 accounted for only 7% of the total approvals (by amount). The corresponding proportion for the cumulative loan approvals up to December 31, 1969, was 13%.

34. The maximum of the accrued provisions is 6% of the total loans outstanding.

36. The dividend for 1969 was 7%.

May 19, 1970 JN
# Annex 6

**Trollistamisrahasto Oy - Industrialization Fund of Finland Ltd.**

**Summary of Operations as of December 31, 1969**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
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<tbody>
<tr>
<td>Number</td>
<td></td>
<td>203</td>
<td>158</td>
<td>323</td>
<td>193</td>
<td>131</td>
<td>152</td>
<td>151</td>
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<tr>
<td>Amount</td>
<td></td>
<td>58,912</td>
<td>50,610</td>
<td>99,938</td>
<td>53,477</td>
<td>75,141</td>
<td>130,673</td>
<td>138,492</td>
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</table>

**Approvals (net of cancellations)**

<table>
<thead>
<tr>
<th>Loans:</th>
<th>Number</th>
<th>14</th>
<th>105</th>
<th>101</th>
<th>89</th>
<th>84</th>
<th>81</th>
<th>99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic funds</td>
<td>2,885</td>
<td>18,700</td>
<td>20,186</td>
<td>16,260</td>
<td>22,084</td>
<td>78,630</td>
<td>47,347</td>
<td></td>
</tr>
<tr>
<td>First Bank Loan</td>
<td>4,895</td>
<td>16,420</td>
<td>691</td>
<td>400</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Second Bank Loan</td>
<td>-</td>
<td>-</td>
<td>15,873</td>
<td>13,304</td>
<td>18,068</td>
<td>2,880</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Third Bank Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,710</td>
<td>47,348</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,780</td>
<td>35,120</td>
<td>36,750</td>
<td>29,964</td>
<td>40,252</td>
<td>91,220</td>
<td>94,695</td>
<td></td>
</tr>
</tbody>
</table>

**Equity Participation:**

| Number | - | 1 | 2 | - | 4 | - | 5 |
| Amount | - | 100 | 88 | - | 682 | - | 585 |
| Domestic funds | - | - | 72 | - | 558 | - | - |
| Second Bank Loan | - | - | - | - | - | - | - |
| Third Bank Loan | - | 100 | 160 | - | 1,240 | - | 1,170 |
| Total | 7,780 | 35,220 | 36,910 | 29,964 | 41,492 | 91,220 | 95,865 |

**Disbursements**

| Domestic funds | - | 13,888 | 13,781 | 18,134 | 17,446 | 36,290 | 73,728 |
| First Bank Loan | - | 7,064 | 11,043 | 3,895 | 247 | 331 | - |
| Second Bank Loan | - | - | 4,480 | 12,992 | 11,343 | 14,840 | 6,073 |
| Third Bank Loan | - | - | - | - | - | - | 21,111 |
| Total | - | 20,952 | 29,304 | 35,021 | 29,036 | 51,461 | 100,912 |

March 18, 1970

JN/pmnn
Mr. Andrew Kamark

May 18, 1970

Ravi Gulhati

Effective Rates of Protection

This memorandum is to request assistance from the Economics Department in connection with the calculation of effective rates of protection for projects in the manufacturing sector. As you know, the IFC has recently started to calculate rates of effective protection enjoyed by projects they expect to finance, in line with Mr. McNamara's statement to the IFC Board. The Industrial Projects Development Department is also engaged in such analysis. The Development Finance Companies Department has instituted certain arrangements with some development finance companies along these lines. It is expected that such arrangements will apply to more and more companies as time goes by.

I enclose a memorandum addressed to Division Chiefs of our Department which outlines a basis for such calculations.

The attached memo points out that an important problem in this context is the estimation of international prices for project outputs and inputs. Experience so far has demonstrated that many difficulties arise in obtaining appropriate international prices. At least three kinds of problems can be identified:

a) Sharp fluctuations in international prices. For example, there has taken place recently a large increase in steel prices and a large fall in fertilizer prices. A view has to be formulated about what the future holds in store so that the international price adopted, in the context of project analysis, is well considered and takes into account the supply and demand situation as it is likely to develop.

b) There are many situations in which c.i.f. import prices remain far below prices prevailing in the domestic markets of exporting countries. In such cases, it will be necessary to decide whether the differential between domestic and export prices is likely to persist or represents a transitory phenomenon.

c) Occasionally, there are big differences between c.i.f. import prices in a particular country, depending on the source of import. Here again, the project authority has to decide as to which import price represents most appropriately the international price.

The Economics Department has long been engaged in the analysis and projections of world market prices for primary commodities. The question arises whether the time has come to extend this work to international prices for manufactured goods. In the first instance it will be necessary to draw up a list of standardized manufactured articles which are of most concern to developing countries. Some of these will be closely related to primary commodities which are already a subject of analysis by the Trade Policy and Export Projections Division. In other cases, the manufactured items will be relatively new in the sense that they have not been studied systematically by the Economics Department. When Mr. Ken Bohr visited Washington recently, I talked with him about the possibility of taking up these items for regular analysis in the Economics and Industrialization Division.
In my judgment, these are good reasons why this work should be the responsibility of the Economics Department. The alternative is for each project authority to do its own homework but this would be obviously wasteful and it would open the gates to the use of inconsistent assumptions.

Assuming that action is taken to start this work, it will be sometime before results begin to flow in any operational sense. However, it seems to me that appropriate measures should be taken now so that the Bank is in a position to assist project authorities whether in Washington or abroad in carrying out the analysis of proposed investments. If you should want to talk about this subject further, please let me know. I would be grateful if you kept me informed about what steps you propose to take in response to this request.

cc: Mr. Stevenson
Mrs. Hughes
Mr. Bacon
Chief Economists
Messrs. Chakravarty
Kalamov
Lipkowitz
Balassa
Baldwin
Diamond
Hathow

Rhulhati/plu
Mr. Ravi Guhati

B. H. Shia

Semi-monthly Report on Material due from Division

<table>
<thead>
<tr>
<th>Subject</th>
<th>Division</th>
<th>Due Since</th>
</tr>
</thead>
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<tr>
<td>1. Descriptive memorandum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Five Colombian Financieras,</td>
<td>Mirski</td>
<td>April 30</td>
</tr>
<tr>
<td>CAVENDES, BNB and COFIEC</td>
<td></td>
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<td>CDC</td>
<td>Southall</td>
<td>April 30</td>
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<tr>
<td>2. Procedures for obtaining investment license</td>
<td></td>
<td>March 1968</td>
</tr>
<tr>
<td>Korea</td>
<td>Powell</td>
<td></td>
</tr>
</tbody>
</table>

Mr. Powell sent a letter to KDFC asking for information on the subject. The reply has not yet been received.

cc: Division Chiefs

B HShimer
OFFICE MEMORANDUM

TO: Division Chiefs
FROM: Ravi Gulhati

DATE: May 15, 1970

SUBJECT: Economic Appraisal of DFC Projects

1. Discussions with DFCs in Turkey, Greece and Morocco have led to agreements regarding methods for economic appraisal of sub-projects. Similar discussions are likely to take place in the near future with DFCs in India, Pakistan, Iran as well as other countries. This memo is designed to clarify certain points and to outline a generalized approach on this subject.

2. The first point to emphasize is that economic appraisal starts where technical and financial appraisal ends. It is impossible to carry out any economic appraisal worth the name without a satisfactory assessment of the engineering and financial aspects. Therefore, the discussion should begin by focusing on details of project appraisal presently conducted by a DFC. An analysis by the Division of methods and procedures used in appraisal reports submitted in the recent past in connection with sub-projects financed by the Bank should provide a basis for this discussion. In this way it will be possible to agree on improvements in technique within the scope of project appraisal as presently understood by a DFC. For example, many DFCs do not presently use discounted cash flow methods to calculate financial rates of return. Other weaknesses may emerge, such as estimation of depreciation, the assessment of demand and the estimation of future prices of inputs and outputs. Refinements of this kind are frequently important per se and also because they will provide a better basis for economic appraisal.

3. What goes under the heading of "economic appraisal" involves adjustments in financial accounts of the following kinds;

   (a) different treatment of taxes and subsidies

   (b) the use of shadow prices instead of market prices to value labor, capital and foreign exchange

   (c) the evaluation of external economies and diseconomies that are not recorded in financial accounts

4. Needless to say, full economic appraisal is a large undertaking which requires a lot of data, a lot of skill, a lot of time and an intimate understanding not only of the project but also of its relationships with the sector and the total economy. Finally, economic appraisal cannot be divorced from policy objectives and the rate at which one objective can be traded against another.

5. DFCs are seldom in a position to conduct full-dress economic appraisal. Indeed it is doubtful whether there are many operational entities (World Bank Projects Departments, Planning Commissions and the like) who can regularly undertake this task. However, a DFC can and should supplement present procedures by undertaking those elements of economic appraisal which will correct glaring distortions in financial analysis introduced by the environment in which it operates.
6. Financial analysis becomes very unreliable as a guide to project selection where the cost-price structure is distorted by overvalued exchange rates, quantitative import restrictions and complicated tariff regimes. In this situation, it is of importance to supplement financial appraisal by an attempt to calculate effective rates of protection. The point is not that protection is a bad policy per se but rather that without such a calculation it is difficult to appreciate the real incidence of policy on the project in hand. How much protection is justified in any particular case is an important issue but one which arises only after a determination has been made about what is the extent of protection.

7. There is no standardized way of measuring protection. What we have agreed with TSKB (Turkey) is known as the Bruno method with adaptations suggested by Mr. Walstedt. Meanwhile, the IFC and the Industrialization Projects Department have agreed on a format which is linked with the names of Bela Balassa and Corden. While either method has its own problems and advantages, my judgment is that we should recommend the latter approach to DFCs.

8. The main steps in the calculation of effective protection are listed in the attachment. If the underlying rationale is not clear, I will be glad to help. The definitions of terms used are clear in theory but they will require translation into the specifics of particular economies, taking account of the distinctive characteristics of national exchange rate, tariff, tax and trade regimes. The task of country adaptation is of the utmost importance. The general format will not acquire operationality till the terminology is dressed up in institutional clothes. This country adaptation is the responsibility of Divisions with such help as they can muster from Area Department economists and the Economics of Industrialization Division of the Economics Department.

9. The calculation described in the attachment is based on the prevailing exchange rate. Where multiple exchange rates exist, the calculation of "value added in a free trade situation" will have to use a single shadow exchange rate. It will then be necessary to agree on such a rate with the DFC, strictly for accounting purposes.

10. In all other cases, the DFC should be asked to carry out the calculation at the prevailing exchange rate. In countries where the local currency is overvalued, the resulting rates of effective protection will appear to be on the high side. We can, ourselves, recalculate these rates using a more appropriate exchange coefficient. No additional information is required for such an exercise.

11. Another adjustment we may have to make in Washington concerns the shadow rate of return on capital, (more frequently called the opportunity cost of capital). If effective protection appears on the high side, even after allowance is made for an appropriate exchange rate, we can recalculate on the assumption that the rate of return on capital (fixed and working) is equal to the opportunity cost of capital. This implies adjusting the sales price (3a) downward and a corresponding sealing down of domestic value-added (4d). Again, this recalculation requires no additional information other than what is typically included in appraisal reports.
12. The calculation proposed in the attachment does not deduct depreciation from sales price to arrive at value-added. This is because such a deduction would not change the result too much; the same amount would have to be deducted from item 4d as well as 5c. If however, the recalculation suggested in para 11 is attempted, it will be necessary to deal with depreciation before estimating the domestic sales price consistent with the opportunity cost of capital.

13. The important problem in calculating protection rates will be to obtain appropriate estimates of international prices on a c.i.f. basis for project outputs and inputs. Responsibility for this rests primarily on DFCs but the Economics Department of the Bank should equip itself to play a supporting role. I hope to make a request along these lines to Mr. Kamarck.

14. The calculation proposed in the attachment makes no mention of internal transport charges. In cases where the main market for project output is near the production site but the international port is far away, it is inappropriate to compare sales price (ex factory) with import price c.i.f. Special procedures will have to be devised in such a situation. Information would be required on internal transport charges both from the project site and the port to the main market area.

15. The proposed calculation should be carried out for the project as well as the firm; the two will differ in the case of expansion schemes.

c.c. Messrs. Diamond
    Mathew
    Mrs. H. Hughes

RGulhati/plm
Format for Estimates of Protection

1. **Nominal Tariff Rates** (including miscellaneous taxes and charges) (ad-valorem basis)
   a. On major products of project
   b. On major inputs used in project

2. **Estimated Selling Price of Import Competing with Project Output**
   a. c.i.f. price in U.S. dollars
   b. c.i.f. price in local currency at prevailing exchange rate
   c. Tariffs and other handling charges (local currency)
   d. Domestic sales price \((b + c)\)

3. **Rate of Nominal Protection**
   a. Sales price ex factory (exclusive of indirect taxes) assumed by project report (this may differ from 2d)
   b. Rate of Protection (Nominal) \(\frac{3a}{2b} - 1\)

4. **Domestic Value Added** (local currency)
   a. Imported inputs valued at prices paid by project (including tariffs, etc.)
   b. Domestically purchased traded inputs valued at prices paid by project
   c. Non-traded inputs (utilities) at prices paid by project
   d. Domestic Value Added \(= (3a - 4a - 4b - 4c)\)

5. **Value Added in A Free Trade Situation** (local currency at prevailing exchange rate)
   a. Imported inputs at c.i.f. prices (excluding taxes and subsidies)
   b. Domestically purchased traded inputs at c.i.f. prices
   c. Value Added in Free Trade Situation \((2b - 5a - 5b - 4c)\)

6. **Rate of Effective Protection**
   a. \(\frac{5a}{5c} - 1\)

7. **Indirect taxes on Finished Product**
May 15, 1970

Mrs. Helen Hughes

Ravi Gulhati

Attached Memorandum

You will recall our conversation regarding the format for estimating protection suitable for development finance companies. I enclose a revised version of the format as well as an explanatory note. As I want to be quite sure that we see eye to eye on this subject, I would be grateful for any comments you may wish to make on both the text and the attached format.

After our conversation, I decided not to introduce depreciation in the format on the grounds that the final result would not be much affected either way. However, a reference is made to depreciation in paragraph 12.

Also please note the point made about a situation in which there are multiple exchange rates. In these cases it will be necessary to use a shadow exchange rate.

As it is necessary to finalize this approach in short order on account of negotiations with DFUs that are currently taking place, I would appreciate your reaction first thing on Monday.

R.Gulhati/plm
May 15, 1970

Mr. William Diamond
Einar Sekse
Africa

I am attaching, with reference to your memo of March 9, four copies of a position statement on dfc activities in Africa July 1968-April 1970.

Esekse: smb
May 15, 1970

Mr. C. H. Kim
President
Korea Development Finance Corporation
12th floor, Cho Heung Bank Building
14 Namdaemoon-Ro, 1-Ka
Seoul, Korea

Dear Mr. Kim:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Korea Development Finance Corporation. We would appreciate your reviewing it and returning by June 15, one copy to us with any corrections and comments you would care to make. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on KDFC is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the draft descriptive memorandum).

B.H.Shin:er
Economic Appraisal of DFC Projects

1. Discussions with DFCs in Turkey, Greece and Morocco have led to agreements regarding methods for economic appraisal of sub-projects. Similar discussions are likely to take place in the near future with DFCs in India, Pakistan, Iran as well as other countries. This memo is designed to clarify certain points and to outline a generalized approach on this subject.

2. The first point to emphasize is that economic appraisal starts where technical and financial appraisal ends. It is impossible to carry out any economic appraisal worth the name without a satisfactory assessment of the engineering and financial aspects. Therefore, the discussion should begin by focusing on details of project appraisal presently conducted by a DFC. An analysis by the Division of methods and procedures used in appraisal reports submitted in the recent past in connection with sub-projects financed by the Bank should provide a basis for this discussion. In this way it will be possible to agree on improvements in technique within the scope of project appraisal as presently understood by a DFC. For example, many DFCs do not presently use discounted cash flow methods to calculate financial rates of return. Other weaknesses may emerge, such as estimation of depreciation, the assessment of demand and the estimation of future prices of inputs and outputs. Refinements of this kind are frequently important people and also because they will provide a better basis for economic appraisal.

3. What goes under the heading of "economic appraisal" involves adjustments in financial accounts of the following kinds:

   (a) different treatment of taxes and subsidies

   (b) the use of shadow prices instead of market prices to value labor, capital and foreign exchange

   (c) the evaluation of external economies and diseconomies that are not recorded in financial accounts

4. Needless to say, full economic appraisal is a large undertaking which requires a lot of data, a lot of skill, a lot of time and an intimate understanding not only of the project but also of its relationships with the sector and the total economy. Finally, economic appraisal cannot be divorced from policy objectives and the rate at which one objective can be traded against another.

5. DFCs are seldom in a position to conduct full-dress economic appraisal. Indeed it is doubtful whether there are many operational entities (World Bank Projects Departments, Planning Commissions and the like) who can regularly undertake this task. However, a DFC can and should supplement present procedures by undertaking those elements of economic appraisal which will correct glaring distortions in financial analysis introduced by the environment in which it operates.
6. Financial analysis becomes very unreliable as a guide to project selection where the cost-price structure is distorted by overvalued exchange rates, quantitative import restrictions and complicated tariff regimes. In this situation, it is of importance to supplement financial appraisal by an attempt to calculate effective rates of protection. The point is not that protection is a bad policy per se but rather that without such a calculation it is difficult to appreciate the real incidence of policy on the project in hand. How much protection is justified in any particular case is an important issue but one which arises only after a determination has been made about what is the extent of protection.

7. There is no standardized way of measuring protection. What we have agreed with TSKB (Turkey) is known as the Bruno method with adaptations suggested by Mr. Walstede; Meanwhile, the IFC and the Industrialization Projects Department have agreed on a format which is linked with the names of Bela Balassa and Gorden. While either method has its own problems and advantages, my judgment is that we should recommend the latter approach to DFCs.

8. The main steps in the calculation of effective protection are listed in the attachment. If the underlying rationale is not clear, I will be glad to help. The definitions of terms used are clear in theory but they will require translation into the specifics of particular economies, taking account of the distinctive characteristics of national exchange rate, tariff, tax and trade regimes. The task of country adaptation is of the utmost importance. The general format will not acquire operationality till the terminology is dressed up in institutional clothes. This country adaptation is the responsibility of Divisions with such help as they can muster from Area Department economists and the Economics of Industrialization Division of the Economics Department.

9. The calculation described in the attachment is based on the prevailing exchange rate. Where multiple exchange rates exist, the calculation of "value added in a free trade situation" will have to use a single shadow exchange rate. It will then be necessary to agree on such a rate with the DFC, strictly for accounting purposes.

10. In all other cases, the DFC should be asked to carry out the calculation at the prevailing exchange rate. In countries where the local currency is overvalued, the resulting rates of effective protection will appear to be on the high side. We can, ourselves, recalculate these rates using a more appropriate exchange coefficient. No additional information is required for such an exercise.

11. Another adjustment we may have to make in Washington concerns the shadow rate of return on capital, (more frequently called the opportunity cost of capital). If effective protection appears on the high side, even after allowance is made for an appropriate exchange rate, we can recalculate on the assumption that the rate of return on capital (fixed and working) is equal to the opportunity cost of capital. This implies adjusting the sales price (3a) downward and a corresponding scaling down of domestic value-added (4d). Again, this recalculation requires no additional information other than what is typically included in appraisal reports.
12. The calculation proposed in the attachment does not deduct depreciation from sales price to arrive at value-added. This is because such a deduction would not change the result too much; the same amount would have to be deducted from item 4d as well as 5c. If however, the recalculation suggested in para 11 is attempted, it will be necessary to deal with depreciation before estimating the domestic sales price consistent with the opportunity cost of capital.

13. The important problem in calculating protection rates will be to obtain appropriate estimates of international prices on a c.i.f. basis for project outputs and inputs. Responsibility for this rests primarily on DFUs but the Economics Department of the Bank should equip itself to play a supporting role. I hope to make a request along these lines to Mr. Kamarek.

14. The calculation proposed in the attachment makes no mention of internal transport charges. In cases where the main market for project output is near the production site but the international port is far away, it is inappropriate to compare sales price (ex factory) with import price c.i.f. Special procedures will have to be devised in such a situation. Information would be required on internal transport charges both from the project site and the port to the main market area.

15. The proposed calculation should be carried out for the project as well as the firm; the two will differ in the case of expansion schemes.

c.c. Messrs. Diamond
Mathew
Mrs. H. Hughes

RGulhati/plm
Format for Estimates of Protection

1. **Nominal Tariff Rates** (including miscellaneous taxes and charges) (ad-valorem basis)
   a. On major products of project
   b. On major inputs used in project

2. **Estimated Selling Price of Import Competing with Project Output**
   a. c.i.f. price in U.S. dollars
   b. c.i.f. price in local currency at prevailing exchange rate
   c. Tariffs and other handling charges (local currency)
   d. Domestic sales price (b + c)

3. **Rate of Nominal Protection**
   a. Sales price ex factory (exclusive of indirect taxes) assumed by project report (this may differ from 2d)
   b. Rate of Protection (Nominal) \( \frac{3a}{2b} - 1 \)

4. **Domestic Value Added** (local currency)
   a. Imported inputs valued at prices paid by project (including tariffs, etc.)
   b. Domestically purchased traded inputs valued at prices paid by project
   c. Non-traded inputs (utilities) at prices paid by project
   d. Domestic Value Added = \( 3a - 4a - 4b - 4c \)

5. **Value Added in A Free Trade Situation** (local currency at prevailing exchange rate)
   a. Imported inputs at c.i.f. prices (excluding taxes and subsidies)
   b. Domestically purchased traded inputs at c.i.f. prices
   c. Value Added in Free Trade Situation = \( 2b - 5a - 5b - 4c \)

6. **Rate of Effective Protection**
   a. \( \frac{5d}{5c} - 1 \)

7. **Indirect taxes on Finished Product**
Dear Prof. Friedman:

I was glad to have had the opportunity of meeting you on 4.5.1970, though shortly, at the recent SID’s Conference in Cologne. As agreed, I along with Dr. Mullick, waited for you at 9 o’clock the next day but after a while we were informed by the Conference’s sectt. that you had already left for Frankfurt/Main to meet Dr. Winfried Guth. In your absence I then approached your colleague Mr. John L. Maddux and explained to him briefly about the Communal Savings and Development Banks which I founded at my own initiative in the Nile Delta. The main attraction in this type of banking institution is the sharing of profit rather than charging or payment of interest, as is the practice with banks all over the world. I founded the first office of the above Bank in June 1961 and by the time I left the institution (May 1967) it had grown into 11 main branches and 19 sub-branches spread in Cairo(1), surrounding area of Cairo(1) and the others in the Nile Delta. The time that I left the Bank the number of savers had grown to about half a million. My banking institutions proved beyond doubt that even a small farmer and handicrafts-man can also save. In addition, the bank’s finance participating operations encouraged a large number of small and medium sized entrepreneurs to invest funds in productive lines of production or services. In many areas where my bank provided the necessary finance to selected entrepreneurs, a whole set of new ventures had sprung up. Bank’s participation included a whole list of 14 industries, particularly among them the labour intensive ones, such as weaving, food processing, furniture manufacturing, shoe making, packing and bookbinding. Through Bank’s active participation in developmental activities, it soon became possible to persuade a large section of the rural population to take up productive activities. Our bank-branches also made some contribution in persuading their clients to follow various methods and practices of family planning. By resorting to banking practices suited to the needs and religious beliefs of the local people, the above Bank served
as an agent of social change in the areas of its operations.

In order to avoid too many technical details in this letter, I have allowed myself of sending you under separate cover a photocopy of an article published in the International Development Review in 1967. The author, Prof. R.K. Reddy, prepared the above article during his assignment as Ford Foundation adviser in the United Arab Republic in 1966. I am glad to inform you that Prof. Reddy is now director of the International Institute of Behavioral Science, 1201-16th Street, N.W., Washington, D.C. 20036 Tel.: (202) 223-9400.

As mentioned earlier, I left the above Bank in May 1967 and took up Professorship in economics at the University of Umurman in Sudan. At the same time I was also adviser to the Central Bank of Sudan in Khartoum. After serving for almost 2 years, I got a post-doctoral research scholarship from Germany's Alexander von Humboldt Foundation and came over here in May 1969. For the past few months I am now busy in the establishment of an Institute devoted to the promotion of savings and development of economic enterprises on the lines of my experience in the Nile Delta. A group of German professors are also helping me to establish the institute in Germany. Together with Prof. Rittershausen from Cologne, I have now applied to the German Ministry of Economic Cooperation for necessary financial assistance. The proposal is at present at the stage of negotiations. Apart from German professors, a number of developing countries, among them, Pakistan, Afghanistan, Chile, Mexico, Jordan and Kuwait have also shown their interest.

Considering the World Bank's new expansion programme and its aim to play a greater role in the development of the Third World, I wonder if your Bank would be interested to associate itself as one of the sponsors of the proposed Institute.

Should you require clarification or further details on one or more aspects of the proposal, kindly do write to me. Besides Dr. R.K. Reddy will also be too glad to furnish you with the necessary information. A copy of this letter is being sent to Dr. Reddy.

With thanks, I remain,

Yours sincerely,
(Dr. Ahmad El-Naggar)
The Egyptian Municipal Savings Banks Project

R. K. READY
The Ford Foundation

"The key to an accelerated growth of the under-developed areas of the world lies in bringing about fundamental changes in both the mental outlook and the technical knowledge and skill of their peasant populations." (Nicholas Kalder, Essays on Economic Stability and Growth, 1960)

Dr. Ahmed El Naggar of Cairo, Egypt, takes a charge like this seriously, and demonstrates it in a remarkable experiment in social change that he is pioneering in peasant towns and villages in the heart of the Nile Delta. The target of the experiment is fundamental attitudes of the villagers toward saving and investment, their needs to achieve, trust in formal economic institutions, and skills for collaborative effort in small industry developments—a large order. The goal is to begin industrialization of the Egyptian villages without state interference—and this in the land of the oldest agricultural peasantry and the oldest state bureaucracy in the world.

The instrument for change is an ingenious savings banks project. The project has borrowed ideas from the origins of savings banks in Germany over a century ago, but it has sought also to be original and inventive to fit Arab traditions and spiritual heritage. From the German experience came seven postulates, all to be met, for establishing saving centers in the villages.

1. The saving center must be set on a town or village basis.
2. Psychological commitments to the saving idea can only be achieved by investing the saving deposits in the local area from which they come.
3. The saving center should be fully decentralized within the framework of the local administrative system.
4. The members of the saving center must be subjected to an intensive training which can only be carried out in special saving center schools.
5. The communal saving center should be supported by the guarantee of the local authority, which can exercise influence through the composition of its administration; but the saving center should have the power to take completely independent decisions.
6. A saving center should carry its responsibility to overcome economic and social problems within the local area from the standpoint of the maximum common good; but the main tasks are to collect savings and promote thrift, and to offer every possible credit assistance to the local inhabitants, especially in small and medium undertakings, whether they be agricultural, industrial, or commercial.
7. The establishment of a saving center should not be dictated from the top, but must be from the bottom; this means that the wish and desire and initiative should come out of the pure conviction of the local inhabitants.!

GETTING STARTED

With these premises, Dr. El Naggar established the first savings bank in the town of Mit Ghamr, population 40,000 and the center of a province of another 200,000 people in 53 villages along the Damietta Branch of the Nile about half-way from Cairo to the sea. There Dr. El Naggar and twenty associates, carefully chosen and indoctrinated for the assignment, lived for a year and a half, during which they talked personally with every adult male inhabitant, most of the women, and many of the children. At first they said little about savings, banking, or other plans they had on their minds, but as the villagers inquired about their purposes they shared their ideas. They stressed the present poverty and misery of the fellahin and discussed how savings could help them.

R. K. READY is currently on a Ford Foundation assignment as project specialist in administrative studies at the Universidad del Valle in Cali, Colombia. A native of Kansas, he obtained his B.A. from the University of Kansas and the M.B.A. and D.C.S. degrees from Harvard. Prior to his present assignment, he served as program specialist in management development at the National Institute of Management Development, Cairo, and as a professor in the University of Western Ontario.
as individuals, as families, and as villages. They emphasized that the banks should not be commercial or government banks but the villagers' own community banks. They promised that there would be nothing compulsory about the system of savings, that the villagers would have control over the actions of their banks, and that savings would be loaned for reinvestment in the local area.

As Dr. El Naggar and his group gained acceptance, they stated their case increasingly directly and publicly. They interested the teachers and students of one high school in producing skits, songs, and plays that they could perform in the villages to publicize the virtues of saving. In several villages, this group of performers entered with much fan-fare in the evenings, gathered an audience of nearly all the people in the village, and presented their show of one to two hours—almost like Chatauqua in my memory—with its repeated message: for savers life improves, for all others misery. After the bank opened in Mit Ghamr, individual savings boxes were placed prominently in coffee houses and other popular gathering places to catch impulses of the moment to save, even as little as one or one-half piaster. They put posters showing simple saving messages around the town and villages. And daily Dr. El Naggar and the twenty continued their talks person to person from morning to evening.

Every night the twenty-one gathered in their three rented rooms and discussed the day's events. With whom had they met? What had they learned? How could they improve their plans? What should they do tomorrow and the next days? These were standard agenda items for the nightly discussions.

The Mit Ghamr bank opened on July 25, 1963, in one small rented room and with 1,000 savings depositors. This bank, which three years later had nearly 60,000 depositors, is the prototype for all other banking experiments in the project.

THE BANKING OPERATIONS

The general model is a community bank based on intimate contact and mutual trust between the villagers and the bank employees. In this model, Dr. El Naggar saw no place for set rates of interest in the traditional banking practice of developed countries, and he refers to his scheme as an interest-less banking system. He built his reasons from traditional proscriptions in orthodox Islam against usury, and from a conviction that other motives were the ones to stress: "such as safety for the sums deposited, the feeling of being settled and secure in the present and future, and the ease and nice way with which the bank deals with the saver."2

Dr. El Naggar recognized that the fellahin had always saved, so they clearly had needs for savings; but they had traditionally saved in ways not useful to the economy in which they lived: only as hoarded savings, then spent on a wedding or a funeral or other uneconomic consumption. He also recognized that the fellahin had frequently borrowed, but usually on a personal basis and under circumstances in which lender exploited borrower: again ways not helpful to the economic development of the village. The purpose of a village bank, therefore, was to teach people how to save and borrow in ways useful to the economic improvement of the community.

As currently developed, the Mit Ghamr Savings Bank and its successors operate through three kinds of savings deposits and two forms of loan arrangements. In addition the bank makes selected direct investments in local industrial and other projects.

Deposits may be to: (a) Savings Accounts—five piasters minimum deposit, withdrawn on demand, non-interest yielding; (b) a Social Service Fund—charitable gifts held by the bank, funds used as disaster insurance for savings depositors; (c) Investment Accounts—one pound minimum deposit, withdrawn yearly only, yielding depositor a share in bank profits according to size and term of the deposit. The savings accounts are designed "so that the vast majority of the popular base may have the opportunity to cooperate with the bank and get accustomed to free and regular savings,... [and] so that the saver may be sure of a complete elasticity in meeting his requirements unconditionally." The social service fund is to make "things easy for those who wish to perform the religious obligation of Zakat" or to spend their money on charitable causes in the right way." It is available as an aid to all savings depositors who meet financial crises as a result of sudden accidents "and to those rightly entitled to the Zakat." Finally, the investment accounts are for "individuals who wish to increase their savings and look for spheres of profit and investment." The three accounts together are to provide saving alternatives within traditional and religious norms and practices.

The bank generally offers loans to no one who has not been a depositor for at least six months, and then all requests for loans are studied carefully. To date, approximately 60% of all requests for loans have been rejected, although in each rejection the bank tries to assure the client that a more favorable view may be taken of his request or other requests sometime in the future, and that in the meantime the full counsel of the bank is open to help him improve his savings efforts and plan his future funds needs.

Loans are two kinds: (a) Non-Investment Loans, with principal only repayable, funds loaned usually for subsistence uses by savings depositors—e.g., for a farmer whose livelihood depends on replacing a horse that has died, the bank will, if he is a savings depositor, loan him the money to buy another horse, the farmer being obliged...
to repay only the sum borrowed at his convenience without interest or service charges; (b) Investment Loans, for investment depositors only, with principal repayable plus a share of the profits realized from the loan-supported investment during the life of the loan, the amount of the profit share discussed individually with each borrower—e.g., a small textile weaver, who is an investment depositor, borrows money for raw material purchases, and during the outstanding life of the loan he pays the bank a share of the total profits from his weaving operation. Profit shares paid the bank range from 10% to 30%, depending on estimates of the borrowers' resources for paying, the modal share being near 25% to 30%.

To date the bank has not had one loan not repaid in good time. Dr. El Naggar attributes this record to the community pressures built into the operations of the banks. By continually emphasizing that the banks belong to the people, and by building representation by the local people into bank management, the project creates a climate for the people to exercise their own social controls over anyone who tries to cheat or harm the banks.

In all instances of investment loans, the bank gives technical assistance to the borrower in improving his business operations. Sometimes the assistance is purchasing and supplying the raw materials, especially when the bank can do this for several borrowers. In one village, for instance, in which many men are engaged in making bamboo baskets, the bank has purchased the bamboo for all of them as a loan and a service. In another instance, several shoemakers had loans with the bank. The bank helped them to consolidate their operations in one location, assisted them in pooling their raw material purchases, advised them on layout problems, and suggested better ways of marketing their output. The bank generally prefers to give as wide a range of technical services to borrowers as possible.

As the Mit Ghamr Savings Bank has grown, funds have accumulated for the bank to make some direct investments of its own. An example is a brick factory, built to show what could be done in developing small industry from local resources. In this instance, provision was made to transfer ownership gradually to the factory manager, a man with considerable know-how of brick manufacture but who lacked the capital and risk-taking incentive to invest in the factory himself. In other instances, direct investments came from unusual purchase opportunities or from pleas from villagers to save an enterprise. An example of the latter is a private school that was about to close its doors until the bank bought it and hired a staff to continue its operations.

**STAFF AND EXPANSION**

Dr. El Naggar recruited the original staff of twenty for the savings banks project in August, 1962. The Mit Ghamr Savings Bank opened in July, 1963, and in August, 1964, moved into a new building of its own, constructed on land donated by the Governorate. The bank then had two branches in surrounding villages, a structure—main bank in the principal town of a province with satellite branches in the surrounding villages—that has become standard for the banking operations. In 1965, the project expanded in several directions: four more branches were added to the Mit Ghamr Bank; four new banks were opened in four other provinces of the Governorate; the new banks added four new branches; the number of savings depositors in all banks increased from 25,000 to 125,000 and the number of investment depositors from 1,000 to 4,000; total deposits in all accounts increased from L.E. 60,000 to L.E. 260,000, and direct investments in enterprises from none to L.E. 30,000. Staffs increased from 25 to 200.

All staffs, including the original twenty, have been recruited, selected, and trained in a similar way: recruited by advertisements in the newspapers; selected first by completing a battery of personality, intelligence, general knowledge, and personal history questionnaires, and finally by intensive interviews; and trained on and off the job from 3 to 9 months. Of all people selected and trained for the project, only 5 have resigned to date.

Dr. El Naggar and the twenty original associates see their responsibilities as being: seeking and appraising requests for new savings banks; advising and directly assisting the establishment of new banks; recruiting, selecting, and training bank staffs; advising banks' boards of directors; advising on loans; providing technical assistance in business operations for all investment borrowers; conducting analytical and statistical studies of all operations of the project; maintaining relations with the central and local governments; and generally aiding community development wherever they have savings banks. As rapidly as local residents can be trained, the directions and operations of each bank are turned over to a local board of directors and to the local employees. The Mit Ghamr Savings Bank is today nearly fully self-sufficient with its own resources for running the activities of the bank. As this has occurred Dr. El Naggar and his associates have been gradually stepping back and turning their energies to helping other banks get established in other towns and villages.

**EVALUATING THE PROJECT**

It is easy to become enthusiastic about the Savings Banks Project. The project shows how important indigenous participation and creative planning are to getting development started. It builds on what Chester Bowles calls "the underprivileged masses whose hopes and fears, satisfactions and frustrations, are the key not only to political stability but to the developmental process..."
itself." Many of the people around Mit Ghamr refer to Dr. El Naggar almost reverently, and there is no question that he has caught the fancy, and the fantasies, of the people.

Success now breeds success in the project. The usual indicators of economic success, like increases in number of depositors, increases in size of deposits, increases in banks' assets and profits, increases in requests for more savings banks, and other like measures, all tell an impressive story. The lines on all the graphs are rising and at a steep slope.

The principal problems for Dr. El Naggar and his associates are handling requests for new banks, assessing problems of investment opportunities and small industry possibilities in the villages, and dealing with an increasing number of government officials who are showing interest in the project. The decisions they make on these expansion problems can ultimately over-rule all other evaluation matters.

The new banks issue is both politically and inter-personally "loaded." When a Governor offers L.E. 1,000,000 for the project to establish savings banks right away in his Governorate (as one Governor did), that is hard to turn down. (Dr. El Naggar did turn it down.) The same happens when good friends and depositors make requests to help them establish new banks. (Dr. El Naggar was not able to turn down one of those requests, and for a bank in the heart of Cairo at that.) The issue is also related to the project's dependence on one of the ministries of the central government for funds. Because the project has been a special experiment outside the main stream of government policy, even though financially supported to date by the government to an amount of L.E. 300,000, it has not been debated and placed publicly in the administrative framework. This Dr. El Naggar very much wanted for the project's origins; but it is not a protection he can enjoy as his efforts show continuing success.

The existence of this combined banking and community development experiment outside the regular policy-making and administrative processes of the Egyptian government is indeed a critical ingredient in both its success and problems. Dr. El Naggar did start with the personal support and protection of one high official near the top of the Revolutionary leadership, and through that official he had a general order from the President to proceed with an experiment in enlisting savings in the villages. None of this was very public, and Dr. El Naggar also moved very quickly and independently on his own once he had an assurance of support from the one high official. Dr. El Naggar was also careful to keep himself and his project out of any public limelight as long as he could. He attributes much of his success to the fact that he kept his project clearly dissociated from the government bureau-

...
TO: INTFRAD
FROM: CURACAO

DATE AND TIME OF CABLE: MAY 12, 1970 1451
LOG NO.: ITT 3/13

TEXT:

YOUR MRS. BOMSTEIN ADVISED US TO CONTACT MR. WILLIAM DIAMOND REGARDING DEVELOPMENT COMPANIES. OUR MANAGER ADHOC PIET VANDERENHOVEN ARRIVES WASHINGTON MAY 19 STAYING HOTEL WASHINGTON. WOULD VERY MUCH APPRECIATE YOUR MEETING HIM 20 AND 21 KINDLY CONFIRM IF AGREABLE

NORMAN CHUMACERIRO PRESIDENT ADHOC BOARD DIRECTORS CURACAO
DEVELOPMENT CORPORATION CABLE ADDRESS MADUROSONS CURACAO

NOTE: SENDER HAS PROVIDED $4.32 PREPAID REPLY. PLEASE QUOTE UNDER CLASS OF SERVICE WHEN REPLYING

JAO
May 12, 1970

Mr. Resid Egeli  
General Manager  
Turkiye Sina Kalkinma Bankasi A.S.  
P. O. Box 17  
Karakoy  
Istanbul, Turkey

Dear Mr. Egeli:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Turkiye Sina Kalkinma Bankasi A. S. We would appreciate your reviewing it and returning by June 12, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 4, para 6; page 6, para 12 and page 7, para 19. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on TSBK is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin  
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum)
Analysis of Project Information

The Development Finance Companies Department receives a large number of project reports from DFCS in all parts of the world. These reports provide the basis for releasing portions of World Bank loans. After scrutiny and approval, these project reports are filed either in the seven divisions of the Department or in the central files. It seems to me that further processing of these reports can provide quantitative information about different aspects of industrial development and the flow of funds which might prove valuable.

The traffic of these project reports is considerable. For example, in fiscal year 1968, this Department received 175 projects from DFCS and in the following year, the number had climbed to 193. Altogether, there are approximately 1,000 projects on the files of this Department.

It seems to me that there are several potential users of this data, assuming that a system could be set up to record this information in meaningful fashion. Our Department would benefit greatly from project data cross-classified by type of industrial product and country. Such information would add a new dimension to the appraisal process. Both the "Economics of the Industrialization Division" and the "Domestic Finance of Developing Countries Division" of the Economics Department could make use of this information in their studies. The Area Department economist and the writer of sector reports may also benefit by this information.

To illustrate, it would be possible to get a fair idea of the pattern of industrial finance through this data. The contribution of long-term lending agencies in developing countries, the role of commercial banks, the importance of foreign direct investment or suppliers credits as well as the extent to which projects sponsors were putting up finance in the form of new equity or retained profits could be measured. This body of information would provide a point of departure for such studies as were underway.

Another possible pay-off would be in terms of analysis of project cost. The foreign exchange component of manufacturing investments could be measured. The composition of capital-formation (machinery, construction, land, permanent increase in working capital) could be ascertained.

Apart from this, it should be possible to measure other operational features of the industrial process such as capital cost per unit of capacity and capital cost per unit of employment. Unfortunately, project
reports seldom provide all the information necessary for calculating rates of effective protection. However, in some cases these documents report local and comparable international prices which may prove useful.

We should consider the establishment of a working party to take a look at representative project reports and to draw up a list of items that need to be culled from project reports. Once this list is ready, and specifications and definitions are clear, it will be necessary to carry out a few trial runs so as to check the feasibility of the scheme. Perhaps, the working party should include somebody familiar with the requirements of data processing and computerization.

c.c. Mr. Diamond
Mr. Mathew

Adjunct/m jm
May 11, 1970

Dr. W. D. Wabnitz
Executive Vice President
Development Bank of Singapore Ltd.
P. O. Box 1235
Singapore 1

Dear Dr. Wabnitz:

Since 1965, we have been preparing each year the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past. Since your Bank has joined in the family of these companies, we would like to prepare a similar memorandum on Development Bank of Singapore Ltd. and use it for such restricted distribution as we do for the rest of the companies. We would appreciate giving us your approval on our doing so.

Enclosed are two copies of a new draft memorandum on Development Bank of Singapore Ltd. We would appreciate your reviewing it and returning by June 12, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on pages 6 and 7, paras 19 and 21. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation.

When this memorandum on DBS is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum).
May 11, 1970

Mr. P. Clarence Parker, Jr.
President
The Liberian Bank for Industrial Development and Investment
100 Broad Street
P.O. Box 547
Monrovia, Liberia

Dear Mr. Parker:

As did previously, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on the Liberian Bank for Industrial Development and Investment. We would appreciate your reviewing it and returning by June 12, one copy to us with any corrections and comments you would care to make. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you previously.

When this memorandum is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the draft descriptive memorandum).

BHS: Shiner
OFFICE MEMORANDUM

TO: Mr. William Diamond

FROM: M. N. Kochman

DATE: May 7, 1970

SUBJECT: Status of operations

I would appreciate very much having a detailed memo on DFC operations and future prospects in Somalia, Rwanda, CAR, Chad and Senegal.

I would be grateful to you if I could have that memo around June 5th.
May 7, 1970

Mr. Silas B. Daniyan
General Manager
Nigerian Industrial Development Bank
Limited
M & K House
96/102 Broad Street
Lagos, Nigeria

Dear Mr. Daniyan:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Nigerian Industrial Development Bank Limited. We would appreciate your reviewing it and returning by June 7, one copy to us with any corrections and comments you would care to make. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on MIDEB is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the draft descriptive memorandum).

B.H. Shin:er
OUTGOING WIRE

TO:  MEDHORA
     CREDCORP
     BOMBAY
     COUNTRY: INDIA

DATE:  MAY 7, 1970
CLASS OF SERVICE: IT

TEXT:
Cable No.:

ALPHA

ICICI training for Mister Kasozi presently at EDI stop please let me know the position to enable me to discuss matter with Kasozi.

BETA

REMTEL 5TH please indicate in addition to requested data on IBRD loan 515, IN Balances available for effective contractual commitments under both KfW and INUK loans to ICICI stop also indicate total Rupee commitments since beginning 1970 and total Rupee business now under consideration with appropriate breakdown.

GAMMA

Withdrawal data date extension for Sixth loan granted upto June 30, 1971.

REGARDS

S. S. Mehta

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME: Hans Pollan
DEPT: Development Finance Companies
SIGNATURE:

CLEARANCES AND COPY DISTRIBUTION:

S/Mehta/HPollan:1gs

For Use By Communications Section

Original (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)
OUTGOING WIRE

DATE MAX 17 JOO
CLASS OF
IN SERVICE

I HEREBY APPOINT MR. JAMES DAVIS TO THE POSITION OF HEAD OF THE ADMINISTRATION DEPARTMENT EFFECTIVE JULY 1, 1970.

I enclose the necessary documentation for Mr. Davis's appointment and request that it be forwarded to the appropriate offices. I would appreciate your cooperation in ensuring a smooth transition.

Sincerely,

[Signature]

June 30, 1970

8th Floor

NOT TO BE TRANSMITTED

AUTHORIZED BY

[Signature]
May 7, 1970

Mr. Vicente R. Jayme  
Executive Vice President  
Private Development Corporation  
of the Philippines  
Commercial Center  
P. O. Box 757  
Makati, Rizal - D 708  
Philippines  

Dear Mr. Jayme:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Private Development Corporation of the Philippines. We would appreciate your reviewing it and returning by June 7, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 4, para 17 and page 5, para 19. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on PDCP is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin  
Development Finance Companies  

Enclosures  

cc: Mr. Powell (with a copy of the draft descriptive memorandum).
RABAT, LE 6 Mai 1970

Monsieur B. H. SHIN
Département des C. F. D.
B. I. R. D.
1.818 H. Street NW
WASHINGTON DC. 20.433 (USA)

Cher Monsieur Shin,

Je vous prie de bien vouloir trouver en annexe copie complétée du mémorandum sur la B. N. D. E.

Au tirage définitif, je vous serais reconnaissant de prévoir 4 exemplaires pour notre Banque.

Avec mes remerciements, veuillez agréer, Cher Monsieur Shin, l'expression de mes sentiments distingués.

Le Directeur Général

Mohamed BENKIRANE

PJ -
C'est Monsieur Ehr "
Le versez-il de presse vouloir trouver en s'enseigne copier
comme en montrant en ce B.N.D.E.

An laboratoire, je vous serais reconnaissante de
prévoir & exécuter pour notre bannisse.

Avant mes remonter venus s'asseoir, je
Monseigneur Emile, l'expression de mes sentiments, émotions.

Le Directeur Général
Monsieur Hénin.

RECEIVED
12 JUIN 1958 AM 8:58
SECTION
COMMUNICATIONS
Mr. J. Burke Knapp

William Diamond

IFC and Development Banks

May 6, 1970

Attached are copies of two memoranda I have recently sent to Mr. Gaud about IFC loans to development finance companies. They may interest you for their bearing on Bank loans to such borrowers.

a. Memo of April 12 regarding ADELA. ADELA is hardly a standard dfe, so this will be of no operational significance to the Bank. Mr. Gaud okayed my proposals, and so did the President.

b. Memo of May 5 regarding CAVERDES. That company comes closer to the typical case. I have recommended straying from our typical procedures -- but not beyond the precedent the Bank itself established in the case of the Industrialization Fund of Finland. You may have a view on this.

Attachments

cc Mr. Gaud
Mr. Mirski
WDiamond:us
May 5, 1970

Mr. Moncef Belkhodja
President
Societe Nationale D'Investissement
68, Ave. Habib Bourguiba
Tunis, Tunisia

Dear Mr. Belkhodja:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Societe Nationale D'Investissement. We would appreciate your reviewing it and returning by June 5, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 3, para 10; page 6, para 21 and Annex 3. We would also like to call your particular attention to page 3, paragraph 12 for revision if necessary. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on SNI is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the draft descriptive memorandum).

BHS: er
May 4, 1970

Mr. Davidson Sommers
Senior Vice President and General Counsel
Equitable Life Assurance Society
1285 Avenue of the Americas
New York, N. Y. 10019

Dear Dave:

I promised to send you the material you asked for the day we talked, last Thursday, but one part of it proved more difficult than I expected.

There is, unfortunately, no definitive list of development finance companies; indeed, most lists are not comparable with each other because they start from different definitions. The best I could do in the circumstances was to send you "A Global Directory of Development Finance Institutions in Developing Countries", published by OECD in 1967. While it is out of date, it is also the most comprehensive list in existence. As it is quite heavy, I am sending it to you under separate cover.

Enclosed herewith is an up-to-date list of development finance companies with which the World Bank Group is associated. By "associated", I mean companies to which the World Bank Group has provided, or is providing, finance.

Finally, I enclose IFC's latest policy statement, which I mentioned on the telephone.

Some other questions might occur to you as you look through this material. If so, please do not hesitate to call. Let us get together on your next visit to Washington.

With best regards.

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosures

WDiamond:us
Mr. B. H. Shin
Development Finance Companies
International Bank For Reconstruction
and Development
1818 H. Street, N. W.,
Washington, D. C. 20433, U. S. A.

Dear Mr. Shin:

Thank you for sending us a reprint of the article "International Accounting- Designing an International Companies Act" contained in the Winter 1969 edition of The Price Waterhouse Review. I have passed on the article, which I found informative and interesting, to our staff.

Very truly yours,

VITO R. JAYME
Executive Vice President

VSB/tbl
PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES

CITC Building, Ayala Avenue
Makati, Metro Manila, Philippines

April 30, 1970

Mr. R. H. Shin
Development Finance Corporation
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

Dear Mr. Shin:

Thank you for sending us a report on the article "International Accounting-Designing an International Companies Act" contained in the Winter 1969 edition of the Price Waterhouse Review. I have pressed on the article, which I found informative and interesting, to our staff.

Very truly yours,

Vicente R. Jayme
Executive Vice President

VSBPA

RECEIVED

1st Month of April 1970

12:00 A.M.
April 29, 1970

Kreditanstalt für Wiederaufbau
Palmengartenstrasse 5 - 9
6 Frankfurt-am-Main
Germany

Attn: Messrs. Neßner and Angerer

Gentlemen:

Thank you for your letter of April 23 which enclosed KfW's report on "Development Bank Financing" for the month of March.

Yours sincerely,

[Signature]

P. M. Mathew
Deputy Director
Development Finance Companies
April 28, 1970

Mr. Alphonse Diby
Managing Director
Banque Ivoirienne de
Developpement Industriel
Boîte Postale 4470
Abidjan, Ivory Coast

Dear Mr. Diby:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Banque Ivoirienne de Developpement Industriel. We would appreciate your reviewing it and returning by May 28, one copy to us with any corrections and comments you would care to make. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on BIDI is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. M. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the draft descriptive memorandum).

BMShin:er
April 28, 1970

Mr. George Gondicas
General Manager
National Investment Bank for
Industrial Development, S.A.
P. O. Box 643
6 Sophoclesous Street
Athens, Greece

Dear Mr. Gondicas:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on National Investment Bank for Industrial Development, S. A. We would appreciate your reviewing it and returning by May 28, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blank on page 3, para 1h. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on NIBID is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum).
April 28, 1970

Mr. J. L. Perera  
Accountant  
Development Finance Corporation of Ceylon  
P. O. Box 1397  
Third Floor - Hemas Building  
York Street  
Colombo, Ceylon

Dear Mr. Perera:

Thank you for your letter of April 23 enclosing one copy each of your balance sheets as of March 31, 1969 and 1970 and the profit and loss statements for 1968/69 and 1969/70.

I am grateful for your sending the material on the basis of which we will proceed to compute the operational ratios of DFCC. In the meantime when the accounts are audited, I would appreciate your sending us the audited statements.

Sincerely yours,

B. H. Shin  
Development Finance Companies

cc: Mr. Powell (with a copy of the incoming).
April 28, 1970

Sr. Don Jose Maria Marzo Churruga
Director General
Banco del Desarrollo Economico Espanol
Apartado de Correos 5060
Calle Fernando EC Santo 20
Madrid, Spain

Dear Mr. Marzo:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Banco del Desarrollo Economico Espanol. We would appreciate your reviewing it and returning by May 28, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 4, para 20, Annex 2, page 1, and Annex 3 on distribution of net earnings into various reserves. We would also like to ask you to check particularly with page 4 paras 17 and 18 about the correctness. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on BANDESCO is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum).

B.H.Shin:er
Mr. Robert S. McNamara

William Diamond

April 28, 1970

Briefs

Attached, in preparation for your trip to the Far East, are briefs on:

a. the Korea Development Finance Corporation;
b. the China Development Corporation;
c. the Capital Market in Taiwan.

Attachments

cc Messrs. Goodman
Powell
Southall

WDiamond:us
Mr. J. Burke Knapp
William Diamond

April 20, 1970

Commitment Charge to DFC's under IDA Credits

Re our conversation yesterday:

Our policy has been to charge exactly as though there were a direct Bank loan, so that the government gets the full benefit of IDA's concessional terms.

Since our new commitment charge policy came into effect in August 1968, we have had only one IDA credit to a DFC. That one was to INEP. No concession was granted, because it is a going company. It was required to pay 3/4% to the government from 60 days after the date of the Agreement.

The next IDA credit to a DFC is to SOCOFIDE. It is a new company, so we are giving the conventional concessional treatment, as reflected in the Notice to the Board. I do not know why this should be any more controversial than giving the government the benefit of the concessional interest rate.

 WDiamond: us
April 27, 1970

Mr. W. SyCip
Sycip, Gorres, Velayo & Company
P.O. Box 589
Manila, Philippines

Dear Wash:

Thank you very much for your note of April 17 and for the brochure on China, which arrived simultaneously. It is an interesting and useful document.

Yes, please do send us more copies, say 5.

With best regards.

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc Mr. Southall (with copy of incoming ltr.)
Background material on certain Development Finance Companies

I am sending you herewith the following documents:

JBB - Agricultural Credit Project--Contribution to Pre-appraisal Report

Jamaica - Development Finance Corporation
Eighth Annual Report, 1966
Development Finance Corporation
Seventh Annual Report, 1965

Some Thoughts on Development Strategy
For the Next Decade, 1969

Appraisal of Compania Anonima Venezolana de Desarrollo (CAVENDES), April 1970, Preliminary Draft

Appraisal of the Industrial and Mining Development Bank of Iran (IMDBI), April 1970, Preliminary Draft

Appraisal of Five Finance Companies in Colombia, May 1969

Appraisal of Development Bank of Singapore Ltd., December 1969

Appraisal of Turkiye Sinai Kalkinma Bankasi A.S. February 1969

Report on Follow-Up Visit to the Industrial Credit and Investment Corporation of India, October 1969

Follow-Up Review of Malaysian Industrial Development Finance Berhad (MIDF), February 1970

I have also attached the addresses of Messrs. Clarke and Stoker of the Jamaica Development Bank.

Attachments
HPollan: jb
c.c. Mr. Diamond
**Record Removal Notice**

**File Title**
Development Banks - General - 1969 / 1971 Correspondence - Volume 4

**Barcode No.**
1547531

<table>
<thead>
<tr>
<th>Document Date</th>
<th>Document Type</th>
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<tbody>
<tr>
<td>27 April, 1970</td>
<td>Letter</td>
</tr>
</tbody>
</table>

**Correspondents / Participants**
To: Mr. William Diamond, Director  
From: J. E. Nordin

**Subject / Title**
Launching of Development Finance Company "DFC"

**Exception(s)**
Information Provided by Member Countries or Third Parties in Confidence

**Additional Comments**

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

**Withdrawn by**
Chandra Kumar  
**Date**  
28-Jan-15

Archives 1 (August 2014)
Mr. B.H. Shin  
Development Finance Companies  
International Bank for  
Reconstruction & Development  
1818 H Street, N.W.  
Washington, D.C. 20433

Dear Mr. Shin:

We have received with thanks a reprint from the Winter 1969 edition of The Price Waterhouse Review, entitled "International Accounting - Designing an International Companies Act" by Theodore L. Wilkinson, which you kindly sent to us as per your letter dated April 17, 1970.

The reprint will be useful to our staff for study and for reference purposes.

Sincerely yours,

P. Prabhailakshana  
Asst. General Manager for Administration  
for General Manager

PP:ps
April 27, 1970

Mr. B. H. Spill
Development Finance Companies
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Spill:

We have received with thanks a report from

The report will be useful to our study for

Sincerely Yours,

[Signature]

P.P. Prepalakaran
Act. General Manager for Administration
for General Manager

[Stamp: Received]

[Stamp: 1970 May 1 pm 1:40]
Mr. B.H. Shin  
Development Finance Companies  
International Bank for Reconstruction & Development  
1818 H Street, N.W.  
Washington D.C. 20433  
U.S.A.

Dear Mr. Shin:

Thank you for your letter dated April 17, 1970 and its enclosure which I have read with interest.

Referring to my letter of March 10, 1970, I should like to inform you that the DBS accounts will be approved by our Board on April 28, 1970. In conformity with our loan agreement with IBRD and your specific request, I shall send over a copy immediately thereafter.

Sincerely yours,

THE DEVELOPMENT BANK OF SINGAPORE LTD.

(W.D. Wabnitz)  
Executive Vice President
April 25, 1970

Mr. H. Shin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Shin:

Thank you for your letter dated April 18, 1970

I have enclosed, which I hope you will find of interest.

Referring to my letter of March 10, 1970

I wish to inform you that the DBS accounts will be
approved by our Board on April 25th, 1970, in conformity
with our loan agreement with IBD and your specific request.

I shall send you a copy immediately thereafter.

Sincerely yours,

THE DEVELOPMENT BANK OF SINGAPORE LTD.

[Signature]

Executive Vice President
In reply to your memorandum of April 15, the attached notes summarize the position in the countries you mentioned.
DATE AND TIME OF CABLE: APRIL 24, 1970 1719
LOG NO.: WU 23 / 24
TO: DIAMOND INTERAFRAD
FROM: LAGOS

TEXT:

REQUEST OF APRIL 16 CONCERNING AHMAD'S EMOLUMENTS. CENTRAL BANK INSTRUCTED TO CREDIT IBRD ACCOUNT B SUM OF THREE THOUSAND THREE HUNDRED AND NINETEEN POUNDS ON APRIL 6. REGARDS.

DANIYAN
April 24, 1970

Mr. Jaakko Lassila
General Manager
Teollistamisrahasto Oy - Industrialization
Fund of Finland Ltd.
Lonnrotinkatu 13, V krs.
Helsinki, Finland

Dear Mr. Lassila:

As we did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on Teollistamisrahasto Oy - Industrialisation Fund of Finland Ltd. We would appreciate your reviewing it and returning by May 21, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blanks on page 6, para 24; and page 8, para 36. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on IFF is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum).
Bogotá, D.E., Abril 24 de 1.970

Mr. B. H. SHIN
Development Finance Company
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Shin:

In the absence of Dr. Copete, I acknowledge receipt of your letter dated April 17th, and of the report entitled "The Price Waterhouse Review" which you kindly sent us.

Thanking you for this remittance, I remain,

Sincerely yours,

Assistance to the President
Dear Mr. Shin:

In the presence of Dr. Copete I acknowledge receipt of your letter dated April 11th, and of the report entitled "The Price Waterhouse Review" which you kindly sent us.

Thanking you for this remittance I remain

Sincerely yours,

[Signature]

Received

[Firm Name]
Assistant to the President

1970 April 29 RHH 900:57
DATE AND TIME OF CABLE: APRIL 24, 1970 1500

LOG NO.: WU 18 / 24

TO: SEKSE INTEFARAD

FROM: KARAKOY

TEXT:

BACKGROUND MATERIAL RECEIVED. ASKED PERSONNEL OFFICER TO MAKE HOTEL RESERVATION FOR MAY 9 AT DUPONT PLAZA. REGARDS.

ALAGOZ
Madrid, 24th April 1970

Mr. B. H. Shin
International Bank for Reconstruction and Development
Development Finance Companies
1818 H. Street, N.W.
WASHINGTON, D.C. 20433

Dear Mr. Shin,

I acknowledge receipt of your letter of the 17th inst. and thank you very much for it and for the reprint of The Price Waterhouse Review that you have been so kind to send me.

With best personal regards,

Yours sincerely,

Jose Maria Marzo Churruga
March 4th, April 1970

Mr. H. Shin
International Bank for Reconstruction
and Development Finance Companies
18th H. Street N.W.
Washington, D.C. 20433

Dear Mr. Shin,

I acknowledge receipt of your letter of the 14th.

I acknowledge receipt of your letter of the 14th and thank you very much for it and for the report of the Price Waterhouse Review that you have been so kind to send me.

With best personal regards,

Yours sincerely,

[Signature]
Gentlemen,

Please find enclosed copy of our statistical survey concerning our Development Bank Financing as of March 31, 1970.

Yours faithfully,

KREDITANSTALT FÜR WIEDERAUFBAU

[Signatures]

(Meißner)  (Dr. Angerer)

Encl.
Mr. William Diemond
Director
Frederick Fluette, Chairman
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

Gentlemen,

Please find enclosed copy of our secretariat's comments on the Development Bank's financing as of March 31, 1970.

Yours faithfully,

Kreditanstalt für Wiederaufbau

[Signatures]

[Received] 1970 APR 28 AM:11:15
**Record Removal Notice**

**File Title**
Development Banks - General - 1969 / 1971 Correspondence - Volume 4

**Barcode No.**
1547531

**Document Date**
31 March, 1970

**Document Type**
Chart / Table / Diagram

**Correspondents / Participants**

**Subject / Title**
Capital Aid Loans: Status of Development Bank Financing as of March 31, 1970

**Exception(s)**
Information Provided by Member Countries or Third Parties in Confidence

**Additional Comments**

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

**Withdrawn by**
Chandra Kumar

**Date**
28-Jan-15
DEVELOPMENT FINANCE CORPORATION OF CEYLON
3RD FLOOR, HEMAS BUILDING, YORK STREET,
P. O. BOX 1397, COLOMBO

23rd April, 1970.

Mr. E.H. Shin,
Development Finance Companies,
International Bank for Reconstruction
and Development,
1818 H STREET, N.W.,
WASHINGTON D.C. 20433,
U.S.A.

Dear Mr. Shin,

Further to our letter of 12th March, 1970 in reply to your letter of 26th February, 1970, addressed to Mr. C. Loganathan, we now send you herewith the following:

3. Detailed Income and Expenditure Statement.

The above are subject to audit.

With kind regards,

Sincerely yours,

J.L. PERERA
ACCOUNTANT

Encl:
JLP/bj.
DEVELOPMENT FINANCE CORPORATION OF CEYLON

39\4, March 1970

[Handwritten text follows, but not legible enough to transcribe accurately.]
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<tr>
<th></th>
<th>Year to</th>
<th>Year to</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March, 1970</td>
<td>31 March, 1969</td>
</tr>
<tr>
<td>Interest on Loans and Investments, Gross Dividends and other Income</td>
<td>Rs. 3,549,360</td>
<td>Rs. 2,425,762</td>
</tr>
<tr>
<td>less Reserves for Investments and Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Bank Interest</td>
<td>Rs. 528,284</td>
<td>Rs. 207,015</td>
</tr>
<tr>
<td>IBRD Loan Interest</td>
<td>Rs. 394,733</td>
<td>Rs. 9,354</td>
</tr>
<tr>
<td>IBRD Commitment Charge</td>
<td>Rs. 260,413</td>
<td>Rs. 89,025</td>
</tr>
<tr>
<td></td>
<td>Rs. 2,365,930</td>
<td>Rs. 2,120,318</td>
</tr>
<tr>
<td>Less Administration &amp; other expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors Fees</td>
<td>Rs. 745,771</td>
<td>Rs. 521,155</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>Rs. 14,751</td>
<td>Rs. 14,933</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Rs. 16,000</td>
<td>Rs. 16,000</td>
</tr>
<tr>
<td></td>
<td>Rs. 32,460</td>
<td>Rs. 808,924</td>
</tr>
<tr>
<td></td>
<td>Rs. 1,557,006</td>
<td>Rs. 1,548,230</td>
</tr>
<tr>
<td>Less Provision for Taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET PROFIT</td>
<td>Rs. 717,000</td>
<td>Rs. 664,000</td>
</tr>
<tr>
<td>Add Surplus from last year</td>
<td>Rs. 160,069</td>
<td>Rs. 159,840</td>
</tr>
<tr>
<td></td>
<td>Rs. 1,000,075</td>
<td>Rs. 1,044,070</td>
</tr>
<tr>
<td>Transfer to General Reserve</td>
<td>Rs. 180,000</td>
<td>Rs. 235,000</td>
</tr>
<tr>
<td>Transfer to Special Reserve</td>
<td>Rs. 170,000</td>
<td>Rs. 180,000</td>
</tr>
<tr>
<td>Proposed Final Dividend - 8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rs. 640,000</td>
<td>Rs. 884,001</td>
</tr>
<tr>
<td>Less Tax at 33 1/3% on non-dividend income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>tax deducted at source on dividend income</td>
<td>Rs. 77,822</td>
<td>Rs. 58,873</td>
</tr>
<tr>
<td>6% additional (non-residents)</td>
<td>Rs. 14,660</td>
<td>Rs. 151,252</td>
</tr>
<tr>
<td></td>
<td>Rs. 488,645</td>
<td>Rs. 469,001</td>
</tr>
<tr>
<td></td>
<td>Rs. 838,645</td>
<td>Rs. 161,430</td>
</tr>
<tr>
<td></td>
<td>Rs. 160,069</td>
<td>Rs. 160,069</td>
</tr>
</tbody>
</table>

JLP/bi.
### Balance Sheet at 31 March 1970

#### Capital

<table>
<thead>
<tr>
<th>Description</th>
<th>31 March 1970</th>
<th>31 March 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized</td>
<td></td>
<td></td>
</tr>
<tr>
<td>240,000 shares of $100 each</td>
<td>24,000,000</td>
<td>24,000,000</td>
</tr>
<tr>
<td>Issued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80,000 shares of $100 each</td>
<td>8,000,000</td>
<td>8,000,000</td>
</tr>
</tbody>
</table>

#### Reserves

- **General:** 1,300,000
- **Special:** 1,365,000
- **Profit & Loss A/c Surplus:**
  - 161,430
  - 2,826,430
  - 160,069
  - 2,473,069
  - 10,826,430
  - 10,475,069

#### Investment Free Loan from Government of Ceylon

- 16,000,000

#### Central Bank of Ceylon

- Refinance Loans (Secured): 18,698,117
- Bank of Ceylon Loan (assumed): 2,000,000

#### IBRD Line of Credit: U.S. $4 million

- (Rs 23.8 million guaranteed by Govt. of Ceylon - amount withdrawn)
  - 11,057,057
  - 1,644,230

#### Current Liabilities

- Provision for Taxation: 654,265
- Sundry Creditors: 850,495
- Bank overdraft (secured): 1,333,581
- Proposed net dividend: 488,658
  - 3,326,986
  - 469,001
  - 2,551,166
  - 61,908,990
  - 40,423,319

#### Current Assets

- **Loans & deposits:** 38,081
- **Accrued income:** 342,457
- **Fixed deposits at bank:** 670,625
- **Bank & cash balances:** 670,625

#### Advances to Staff (secured)

- **Housing:** 80,500
- **Others:** 22,011

#### Fixed Assets

- **Land (Freehold):** 748,120
- **Motorcars, Furniture & fittings, at cost:** 254,811

#### Special Reserve Fund Investments

- Ceylon Government securities at cost (Market value Rs 491,725)
  - 524,375

#### Special Reserve

- **Fixed Deposits at Bank:** 670,625
- **Bank & cash balances:** 670,625

#### Proposed net dividend

- 488,645
  - 3,326,986
  - 469,001
  - 2,551,166
  - 61,908,990
  - 40,423,319

#### Fixed Liabilities

- Provision for Taxation: 654,265
- Sundry Creditors: 850,495
- Bank overdraft (secured): 1,333,581
- Proposed net dividend: 488,658
  - 3,326,986
  - 469,001
  - 2,551,166
  - 61,908,990
  - 40,423,319

### Note:

At 31 March 1970 commitments in respect of loans and share investments approved amounted to Rs 28.1 million (Rs 19.2 million at 31 March 1969).
### INCOME AND EXPENDITURE

#### SCHEDULE I

<table>
<thead>
<tr>
<th>Description</th>
<th>1969/70</th>
<th>1968/69</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Interest - Rupee</td>
<td>2,213,996</td>
<td>1,650,696</td>
</tr>
<tr>
<td>Foreign Currency</td>
<td>518,710</td>
<td>14,624</td>
</tr>
<tr>
<td>Interest on Government Securities</td>
<td>15,750</td>
<td>15,750</td>
</tr>
<tr>
<td>Dividends (gross)</td>
<td>406,533</td>
<td>479,752</td>
</tr>
<tr>
<td>Interest on Fixed Deposits</td>
<td>61,533</td>
<td>85,087</td>
</tr>
<tr>
<td>Directors' Fees</td>
<td>6,313</td>
<td>9,053</td>
</tr>
<tr>
<td>Refinance Charges</td>
<td>10,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Loan Appraisal Charges</td>
<td>246,040</td>
<td>195,975</td>
</tr>
<tr>
<td>Commitment Charges on Foreign Currency Loans</td>
<td>105,832</td>
<td>63,048</td>
</tr>
<tr>
<td>Profit on Sale of Motor Vehicle</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit on Sale of Shares</td>
<td>21,586</td>
<td>3,199</td>
</tr>
<tr>
<td>Interest on Staff Loans</td>
<td>5,984</td>
<td>48</td>
</tr>
<tr>
<td>Transfer Fees</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Other Income</td>
<td>12,301</td>
<td>8,419</td>
</tr>
</tbody>
</table>

#### LESS:

<table>
<thead>
<tr>
<th>Description</th>
<th>1969/70</th>
<th>1968/69</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Ceylon Interest</td>
<td>6,148</td>
<td>5,057</td>
</tr>
<tr>
<td>Central Bank of Ceylon Interest</td>
<td>522,136</td>
<td>201,958</td>
</tr>
<tr>
<td>IBRD Commitment Charge</td>
<td>260,413</td>
<td>89,075</td>
</tr>
<tr>
<td>IBRD Interest</td>
<td>394,733</td>
<td>254,305</td>
</tr>
</tbody>
</table>

#### LESS EXPENDITURE:

<table>
<thead>
<tr>
<th>Description</th>
<th>1969/70</th>
<th>1968/69</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>447,150</td>
<td>327,633</td>
</tr>
<tr>
<td>Provident Fund</td>
<td>37,742</td>
<td>35,326</td>
</tr>
<tr>
<td>Rent</td>
<td>60,164</td>
<td>26,857</td>
</tr>
<tr>
<td>Stationery</td>
<td>21,727</td>
<td>8,147</td>
</tr>
<tr>
<td>Telephone</td>
<td>15,439</td>
<td>8,509</td>
</tr>
<tr>
<td>Postage &amp; Telegrams</td>
<td>7,761</td>
<td>3,823</td>
</tr>
<tr>
<td>Electricity</td>
<td>6,392</td>
<td>2,157</td>
</tr>
<tr>
<td>General Expenses</td>
<td>49,047</td>
<td>39,748</td>
</tr>
<tr>
<td>Entertainment Expenses</td>
<td>13,701</td>
<td>7,679</td>
</tr>
<tr>
<td>Staff Medical Expenses</td>
<td>6,486</td>
<td>5,396</td>
</tr>
<tr>
<td>Travelling</td>
<td>11,513</td>
<td>7,102</td>
</tr>
<tr>
<td>Repairs to Car</td>
<td>2,977</td>
<td>1,078</td>
</tr>
<tr>
<td>Foreign Currency Loan Expenses</td>
<td>-</td>
<td>981</td>
</tr>
<tr>
<td>Advertising</td>
<td>14,524</td>
<td>3,444</td>
</tr>
<tr>
<td>Stamp Fees on Refinance Loans</td>
<td>640</td>
<td>336</td>
</tr>
<tr>
<td>Legal Expenses</td>
<td>1,384</td>
<td>29,127</td>
</tr>
</tbody>
</table>
ANNEXURE I

1969/70 1968/69
Rs. Rs. Rs. Rs.

Training Expenses 1,070
Foreign Travel Expenses 45,500 11,812
Loss on Exchange 496
Technical Costs and Research Expenses 2,000 2,000

745,713 521,155

Directors' Fees 14,751 14,933
Audit Fees 16,000 16,000
Depreciation 808,924 20,000 572,088

Net Profit before Taxation - 1,557,066 1,548,230

JLP/BJ.
TO: WILLI ENGEL
KREDITANSTALT
frankfurt-am-MAIN

DATE: APRIL 21, 1970

CLASS OF SERVICE: LT

COUNTRY: (GERMANY)

TEXT:

I CABLED ROHNPFELDER FOLLOWING ON APRIL FOURTEEN QUOTE CAN YOU VISIT US AT OUR EXPENSE FOR TWO DAYS OR SO SOMETIME NEXT WEEK OR WEEK AFTER TO DISCUSS FUTURE ASSIGNMENTS QUESTION IF SO I WILL MAKE ARRANGEMENTS TO SEND YOU ROUNDTIP TICKET IMMEDIATELY STOP BEST WISHES UNQUOTE HAVE HAD NO REPLY STOP PLEASE CHECK REGARDS

DIAMOND

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME: Mr. William Diamond
DEPT: Development Finance Companies
SIGNATURE: (Signature of Individual Authorized to Approve)

CLEARANCES AND COPY DISTRIBUTION:

ORIGINAL (File Copy) (IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:
OUTGOING WIRE

DATE
APRIL 27, 1970

TO:

WMT. WILLIAM DE CARNAC
International Finance Corporation

CLASS OF

Country:
GERMANY

SERVICE

TexT

Copy No:

I CAME TO MONTEREY FOR A MEETING ON APRIL FOURTEEN TO CLOTE CAN YOU

VIST US AT OUR EXHIBITION FOR TWO DAYS OR SO SOMETIME NEXT WEEK

OR WEEK THERE TO DISCUSS FUTURE ACQUISTHES OF THE OR IS IT A

WILL MAKE ARRANGEMENTS TO SEND YOU PROTOTYPE Tickets IMMEDIATELY

SHEP MUST MAIL IT US AT YOUR HOUSE YOU HAVE NO INTEREST TO MAIL ME THE

RECEIPT

NAME

DIRECTOR

INSTITUTIONAL FINANCE CORPORATION

SIGNATURE

DIAMOND

NOT TO BE TRANSMITTED

AUTHORIZED BY

NAME

DIRECTOR

INSTITUTIONAL FINANCE CORPORATION

SIGNATURE

DIAMOND
TO: GERHARD ROHNFELDER  
NUERNBERGER STRASSE 9  
855 MUNCHEN/FR. WEST GERMANY

DATE: APRIL 21, 1970

CLASS OF SERVICE: LT

COUNTRY:

TEXT:

HAVE HAD NO REPLY MYCAB APRIL FOURTEEN  
CAN YOU VISIT US AT OUR EXPENSE FOR TWO DAYS OR  
SO SOMETIME NEXT WEEK OR WEEK AFTER TO DISCUSS FUTURE ASSIGNMENTS QUESTION IF SO I WILL MAKE ARRANGEMENTS TO SEND YOU ROUNDTrip TICKET IMMEDIATELY STOP BEST WISHES UNQUOTE

DIAMOND

NOT TO BE TRANSMITTED

AUTHORIZED BY:

William Diamond, Director

DEPT.

DPC/BRD

SIGNATURE (Signature of Individual Authorized to Approve):

CLEARANCES AND COPY DISTRIBUTION:

WDiamond:US

For Use By Communications Section

CHECKED FOR DISPATCH:

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)
OYTGOING WIRE

DATE: APRIL 21, 1970

TO: COUNTRY: TEXT: DIAIO MD

HAVE YOU NO REAL MY CARDS AND PULL MY CARDS.

CAN YOU VISIT US AT OUR EXHIBITION FOR TWO DAYS OR

SO SOMEONE WHAT OF ME NOW TO DISCUSS FUTURE

ASSOCIATIONS ON MARCH 80 I WILL MAKE ARRANGEMENTS TO

SEND YOU ROUNDTRIP TICKET IMMEDIATELY STOP BEST WISHES

INCLUD

DIAMOND

NOT TO BE TRANSMITTED

AUTHORIZED BY: WILFRED DORSEY

COMMUNICATIONS

1970 7 O.P. 1970

FOR USE IN COMMUNICATIONS

ORIGINAL (file Copy)
April 21, 1970

Mr. Mohamed Benkirane
Director General
Banque Nationale pour le
Développement Économique
Boîte Postale 407
Rabat, Morocco

Dear Mr. Benkirane:

As did last year, we are going to update the series
of memoranda describing the development finance companies with
which the World Bank Group is associated in order to use it for
a restricted distribution to other development finance companies
and to other parties who have a legitimate interest in a particu-
lar company. We believe that such memoranda have served a very
useful purpose in the past.

Enclosed are two copies of a new draft memorandum on
Banque Nationale pour le Développement Économique. We would
appreciate your reviewing it and returning by May 21, one copy to
us with any corrections and comments you would care to make. We
would also be grateful if you could fill in the blanks on page 7,
para 29; page 8, paras 37, 38 and 39; and annexes 2 and 3, pages
1 and 2. We have used provisional figures in the financial state-
ments for 1969. Would you please replace them by the final figures
if you can. In reviewing the draft please bear in mind our aim
that it be a strictly factual description without elements of
evaluation. The draft follows closely the content of the memo-
randum approved by you last year.

When this memorandum on BNDE is completed, we will send
you two copies of it. If you would like to have extra copies,
please let us know how many.

Sincerely yours,

B. N. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the draft
descriptive memorandum)

BNShin:er
April 3, 1945

Mr. Nomon Proctor
Director General
Section of Indian Home
Development Finance Committee

Dear Mr. Proctor:

As a first step, we are going to update the series
of reports concerning the development finances committee
and make them available to the public through a
weekly release of a digest of the reports. A digest of the
sections of the report that are of interest to the public
will be prepared and released on a regular basis.

We believe this will help in making the reports
more accessible to the general public.

Yours sincerely,

[Signature]

Development Finance Committee
April 21, 1970

Mr. S. S. Mehta
General Manager
The Industrial Credit and Investment
Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

Dear Mr. Mehta:

As did last year, we are going to update the series of memoranda describing the development finance companies with which the World Bank Group is associated in order to use it for a restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company. We believe that such memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new draft memorandum on the Industrial Credit and Investment Corporation of India Limited. We would appreciate your reviewing it and returning by May 21, one copy to us with any corrections and comments you would care to make. We would also be grateful if you could fill in the blank on page 6, paragraph 22. In reviewing the draft please bear in mind our aim that it be a strictly factual description without elements of evaluation. The draft follows closely the content of the memorandum approved by you last year.

When this memorandum on ICICI is completed, we will send you two copies of it. If you would like to have extra copies, please let us know how many.

Sincerely yours,

B. H. Shin
Development Finance Companies

Enclosures

cc: Mr. Pollan (with a copy of the draft descriptive memorandum)
Dear Mr. Manager:

I am writing to request an update on the status of our project. The Development Finance Cooperative of Iowa Limited has been actively engaged in the development of various projects, and we are in need of additional resources to continue our work.

The cooperative has recognized the importance of investing in these projects, and we are seeking funds to support our efforts. We are confident that with additional resources, we can achieve our goals and make a positive impact on the community.

Please let me know if you are interested in supporting our initiatives. We would be happy to discuss the potential opportunities and the benefits of your involvement.

Sincerely,

[Signature]

E. H. Smith
Development Finance Cooperative

RECEIVED

[Stamp]

Kloosterman

[Stamp]

[Stamp]
<table>
<thead>
<tr>
<th>Name</th>
<th>Code</th>
<th>Name</th>
<th>Code</th>
<th>Name</th>
<th>Code</th>
<th>Name</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Aldewereld</td>
<td>A1226</td>
<td>Mr. Hoffman</td>
<td>D1123</td>
<td>Mr. Alter</td>
<td>A837</td>
<td>Mr. Kamarck</td>
<td>D529</td>
</tr>
<tr>
<td>Mr. Baum</td>
<td>C303</td>
<td>Mr. Knapp</td>
<td>A1230</td>
<td>Mr. Benjenk</td>
<td>A712</td>
<td>Mr. Lejeune</td>
<td>C502</td>
</tr>
<tr>
<td>Mr. Broches</td>
<td>A813</td>
<td>Mr. McNamara</td>
<td>A1230</td>
<td>Mr. Cargill</td>
<td>A613</td>
<td>Mr. Mendels</td>
<td>A1219</td>
</tr>
<tr>
<td>Mr. Chadenet</td>
<td>C303</td>
<td>Mr. Nurick</td>
<td>A802</td>
<td>Mr. Chaufournier</td>
<td>C702</td>
<td>Sir Denis Rickett</td>
<td>A1230</td>
</tr>
<tr>
<td>Mr. Cheek</td>
<td>C702</td>
<td>Mr. Ripman</td>
<td>D1029</td>
<td>Mr. Wm. Clark</td>
<td>D928</td>
<td>Mr. Rotberg</td>
<td>D827</td>
</tr>
<tr>
<td>Mr. Cope</td>
<td>A1214</td>
<td>Mr. Stevenson</td>
<td>D532</td>
<td>Mr. Demuth</td>
<td>D1128</td>
<td>Mr. Twining</td>
<td>D1032</td>
</tr>
<tr>
<td>Mr. Diamond</td>
<td>C913</td>
<td>Mr. Votaw</td>
<td>A613</td>
<td>Mr. El Emary</td>
<td>A1143</td>
<td>Mr. Wiese</td>
<td>A837</td>
</tr>
<tr>
<td>Mr. Fontein</td>
<td>C602</td>
<td>Mr. Williams</td>
<td>C502</td>
<td>Mr. Fowler</td>
<td>A1219</td>
<td>Mr. Wright</td>
<td>A1136</td>
</tr>
<tr>
<td>Mr. Friedman</td>
<td>A1221</td>
<td></td>
<td></td>
<td>Mr. Goodman</td>
<td>C602</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Graves</td>
<td>D1122</td>
<td></td>
<td></td>
<td>Mr. Gutierrez</td>
<td>A1136</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Hartwich</td>
<td>A712</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The attachment should be in your box.

From: Communications Section, Room C219, Extension 2023.
April 17, 1970

Mr. William Diamond
International Bank for Reconstruction & Development
1818 H Street
Washington D. C.
U. S. A.

Dear Bill:

We are sending to you under separate cover a brochure prepared by our Taiwan office entitled "Doing Business in Taiwan." If you have any questions on this publication, please do not hesitate to get in touch with our Taipei office at:

SyCip, Gorres, Velayo, Soong & Co.
(T. N. Soong & Co.)
Central Reinsurance Building, 7th Floor
53 Nanking East Road, Section 2
P. O. Box 1539
Taipei, Taiwan

Tel. Nos.: 51-30-25 to 27

Partners: Mr. T. N. Soong
Mr. Vivencio Perez

Please let us know if you need additional copies of the brochure, and we shall be glad to send these to you.

Sincerely,

Best regards,

W. SYCIP
Mr. William Disney
International Bank for Reconstruction
1818 H Street
Washington D. C.
U. S. A.

Dear Bill:

We are writing to you under separate cover a procedure
prepared by our Tainan office entitled "Don't Business in Tainan"
If you have any questions on this publication, please do not feel
free to get in touch with our Tainan office at
SyCIP, Cortez, Velayo, Sonoy & Co.
(T. N. Soung & Co.)
Central Reinsurance Building, 7th Floor
33 Narcissus East Road, Section 5
P. O. Box 1529
Taipei, Taiwan

Tel. Nos.: 51-30-25 to 27

Partners: Mr. T. N. Soung
Mr. Vincenzo Perner

Please let us know if you need additional copies of the
procedure and we shall be glad to send these to you.

Sincerely,

[Signature]

RECEIVED
Mr. SyCIP
1970 APR 24 AM 9:19

CIVIC CORRESPONDENCES
Mr. S. Brugada
Mr. Diamond

Development Banks

April 16, 1970

Attached are copies of the three books which we have published over the years on the subject of development banks. I hope you find them interesting and useful.

WDiamond:ma
Nelson Schaenen has just taken on a new assignment which may be of interest to IFC. BAFT, the Bankers Association for Foreign Trade, has been concerned for some time about the fact that American exporters can find medium- and long-term financing only from the Export-Import Bank. They have therefore established a new company called the Private Export Funding Corporation (PEFCO) which will provide such medium- and long-term financing. The founders have asked Shaenen to head it up and he has agreed to become its Chairman and Chief Executive Officer until it is on its feet and operating. He expects to be able simultaneously, but on a reduced scale, to continue some of his other activities. (He would not be able to take on any special additional assignments, for instance from us, for at least six months.)

PEFCO came into existence last week. He will send us a brochure and other descriptive material soon. Its temporary quarters are with Sherman and Sterling at 53 Wall Street. His telephone number is 483-1000, extension 259 or 250.

Attached are the banks which have become the founding shareholders of PEFCO. Schaenen said he expects some Japanese banks to join soon, and European ones in due course. The shareholders are not limited to American institutions but the company would finance only American imports.
March 31, 1970

PEFCO

Banks which have indicated interest in principle in becoming Founding Shareholders of PEFCO

American National Bank and Trust Company of Chicago
Bank of America National Trust and Savings Association
Bank of California
Bank of New York
Bankers Trust Company
Brown Brothers Harriman & Co.
* Central National Bank of Cleveland
Chase Manhattan Bank (N.A.)
Chemical Bank
City National Bank of Detroit
The Connecticut Bank & Trust Company
Continental Illinois National Bank & Trust Company of Chicago
Equitable Trust Company (Baltimore)
First National Bank of Chicago
First National Bank of St. Paul
First National City Bank
* First Western Bank & Trust Co.
First Wisconsin National Bank
The Fort Worth National Bank
Franklin National Bank
Girard Trust Bank
Harris Trust and Savings Bank
Hartford National Bank and Trust Company
Houston National Bank
Irving Trust Company
LaSalle National Bank
Manufacturers Hanover Trust Company
Marine Midland Grace Trust Company
Mercantile Trust Company
The Merchants National Bank of Mobile
Morgan Guaranty Trust Company of New York
National Bank of Commerce (Memphis)
National Bank of Commerce of New Orleans
The National Bank of Commerce of Seattle
National Bank of North America
The Northern Trust Company
The Pacific National Bank of Seattle
Peoples National Bank of Washington
Pittsburgh National Bank
Provident National Bank
Republic National Bank of Dallas
The Riggs National Bank of Washington
Security Pacific National Bank
Society National Bank of Cleveland
Southern California First National Bank
Sterling National Bank
United California Bank
United States National Bank of Oregon
Wells Fargo Bank

* Interest in principle not yet confirmed by execution of letter of intent or remittance of check equal to 5% of initial subscription price.
April 16, 1970

Mr. William S. Gaud

William Diamond

Nelson Schaenen has just taken on a new assignment which may be of interest to IFC. EAFT, the Bankers Association for Foreign Trade, has been concerned for some time about the fact that American exporters can find medium- and long-term financing only from the Export-Import Bank. They have therefore established a new company called the Private Export Funding Corporation (PEFCO) which will provide such medium- and long-term financing. The founders have asked Schaenen to head it up and he has agreed to become its Chairman and Chief Executive Officer until it is on its feet and operating. He expects to be able simultaneously, but on a reduced scale, to continue some of his other activities. (He would not be able to take on any special additional assignments, for instance from us, for at least six months.)

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Attachment

cc: Messrs. Paterson
    Hassan

WDiamond sma
March 31, 1970

PEFCO

Banks which have indicated interest in principle in becoming Founding Shareholders of PEFCO

American National Bank and Trust Company of Chicago
Bank of America National Trust and Savings Association
Bank of California
Bank of New York
Bankers Trust Company
Brown Brothers Harriman & Co.
* Central National Bank of Cleveland
  Chase Manhattan Bank (N.A.)
  Chemical Bank
  City National Bank of Detroit
  The Connecticut Bank & Trust Company
  Continental Illinois National Bank & Trust Company of Chicago
  Equitable Trust Company (Baltimore)
  First National Bank of Chicago
  First National Bank of St. Paul
  First National City Bank
* First Western Bank & Trust Co.
  First Wisconsin National Bank
  The Fort Worth National Bank
  Franklin National Bank
  Girard Trust Bank
  Harris Trust and Savings Bank
  Hartford National Bank and Trust Company
  Houston National Bank
  Irving Trust Company
  LaSalle National Bank
  Manufacturers Hanover Trust Company
  Marine Midland Grace Trust Company
  Mercantile Trust Company
  The Merchants National Bank of Mobile
  Morgan Guaranty Trust Company of New York
  National Bank of Commerce (Memphis)
  National Bank of Commerce of New Orleans
  The National Bank of Commerce of Seattle
  National Bank of North America
  The Northern Trust Company
  The Pacific National Bank of Seattle
  Peoples National Bank of Washington
  Pittsburgh National Bank
  Provident National Bank
  Republic National Bank of Dallas
  The Riggs National Bank of Washington
  Security Pacific National Bank
  Society National Bank of Cleveland
  Southern California First National Bank
  Sterling National Bank
  United California Bank
  United States National Bank of Oregon
  Wells Fargo Bank

* Interest in principle not yet confirmed by execution of letter of intent or remittance of check equal to 5% of initial subscription price.
OUTGOING WIRE

TO: EDOUARD MAMEU (ARRIVING APRIL 7)  DATE: APRIL 6, 1970

HILTEL  CLASS OF  LT  WU
BRUSSELS  SERVICE:  
COUNTRY:  (BELGIUM)  

TEXT:  

WOULD APPRECIATE CABLED ADVICE ON RESULTS OF YOUR EFFORTS REGARDING
BELGIAN SHAREHOLDERS STOP HOPE YOU CAN HAVE DINNER WITH US THURSDAY
NIGHT APRIL SIXTEEN STOP PLEASE CONFIRM REGARDS

DIAMOND

INTEFRAI

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME  William Diamond
      Director
      Development Finance Companies

DEPT.  

SIGNATURE  

REFERENCE:  #Diamond:jmb

CLEARANCES AND COPY DISTRIBUTION:  
cc: Mr. Sekse

ORIGINAL (File Copy)  

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:  

Mr. William Diamond

April 6, 1970

Ravi Gulhati

Reporting on Financial Institutions to Mr. McNamara

Mr. Francis Colaco of the Programming and Budgeting Department mentioned to me sometime ago that Mr. McNamara had requested a flow of information about financial organizations in the development field. There is an agreed format for the assembly of important statistical information about each financial institution that is submitted for the President's information. So far it has not been possible to include private financial organizations in these submissions. At his request, I have sent Mr. Colaco a copy of the back-to-office report of the mission which recently visited ADELA. Mr. Colaco expects to excerpt certain basic statistics from this report and include them in the Programming and Budgeting Department's submission to Mr. McNamara.

We agreed that Mr. Colaco will consult the authors of the ADELA report before finalising his submission.

Mr. Colaco has also been in touch with Mr. Powell regarding information about FICA.

c.c. Messrs. Mathew Acevedo Milsson Sanchez-Marco Powell

R.Gulhati/plm
April 7, 1970

Mr. Amare Felleke
Controller
Development Bank of Ethiopia
P. O. Box 1900
Addis Ababa, Ethiopia

Dear Mr. Felleke:

I wish to thank you for your letter of March 31 together with a copy each of the balance sheet of DBE as at December 31, 1969 and of the income statement for 1969 prepared under our format.

We will proceed to compute the operational ratios of DBE on the basis of the data received. In the meanwhile, I would appreciate very much if you could send us a copy of your 1969 Annual Report or report on audited accounts when it becomes available.

Thank you again for your cooperation.

Sincerely yours,

[Signature]

B. H. Shin
Development Finance Companies

cc: Mr. Sekse (with a copy of the incoming).
April 7, 1970

Mr. Carlos Rodriguez-Pastor  
Vice President  
Wells Fargo Bank  
National Association  
1464 California Street  
San Francisco, California 94120

Dear Mr. Rodriguez-Pastor:

Thanks a lot for your note of April 2.

I am glad you were able to meet Mr. Duviesart.

Please feel free to look in on us whenever you are in this part of the country.

With best wishes,

Sincerely yours,

William Diamond  
Director  
Development Finance Companies

WDiamond: jmb
Señores:
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
Development Finance Companies
1818 H. Street, N.W.
20433, U. S. A.

Att.: Sr. B.H. Shin

Apreciados Señores:

Adjunto a la presente les estamos adjuntando el Balance de la Corporación a Diciembre 31 de 1.969 que olvidamos adjuntar en carta de Abril 7 de 1.970 distinguída con el No. 06987.

Atentamente,

[Signature]

CORPORACION FINANCIERA DE CALDAS

Anexo: lo anunciado

JBS/avh.-
Corporacion Financeira de Caldas

April 26, 1948

Sor. Garcia, D. V.

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

Dear Sir,

I am writing to request your assistance in the reconstruction of the Corporation de Caldas. We are in need of financial support to help us achieve our goal of increasing production and improving the living standards of our employees.

Enclosed is a detailed report outlining the current situation and the proposed plans for the future. We believe that with your support, we can make significant progress in the short term.

Thank you for considering our request.

Yours sincerely,

[Signature]

[Name]

[Position]

[Letterhead]

[Logo]
### CORPORACION FINANCIERA DE CALDAS BALANCE EN DICIEMBRE 31/69

#### ACTIVO

<table>
<thead>
<tr>
<th>Disponibilidades inmediatas</th>
<th>Diciembre 31/69</th>
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<td>Caja y Bancos del país</td>
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<td>Bancos del país a la vista o a término</td>
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<td>Bancos del país</td>
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<th>Inversiones en valores</th>
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<td>Forzosas</td>
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<td>Voluntarias</td>
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<td>Descontables en B. República</td>
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<td>Suministros con Fondos del Banco Mundial</td>
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<td>Descontados B. Rep. Fondo Financiero Industrial</td>
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<th>Deudores Varios</th>
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<td>Otros Deudores</td>
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<th>Edificio, Muebles, Enseres y Vehículos Neto.</th>
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<td>Cargos Diferidos</td>
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<th>Ajuste de Cambios</th>
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<tr>
<td>Total Activo</td>
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<tr>
<th>CUENTAS DE ORDEN</th>
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<tbody>
<tr>
<td>Total Activo</td>
<td>558,564,990.55</td>
</tr>
</tbody>
</table>

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**EL PRESIDENTE**

**ROBERTO OCAMPO MEJIA**
## CORPORAÇON FINANCIERA DE CALDAS BALANCE EN DICIEMBRE 31/69

### PASIVO

<table>
<thead>
<tr>
<th>Diciembre 31/69</th>
<th>Pasivo Diciembre 31/69</th>
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<tr>
<td><strong>Exigibilidades antes de 30 días</strong></td>
<td><strong>En Moneda Legal</strong></td>
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<td>Acreedores Varios 268,688,09</td>
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<td>Créditos utilizados por pagar 122,863,01</td>
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<td>Inversiones por pagar 21,936,00 13,863,448,39</td>
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<td><strong>En M/Extranjera (R./M.L)</strong></td>
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<td>Financ.par acep.y/o avances 5,127,444,45</td>
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<td>Acreedores Varios 292,220,03 5,419,664,48</td>
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<td><strong>Exigibilidades después de 30 días M/L.</strong></td>
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<td>Inversiones por pagar 2,830,992,00</td>
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<td>Obligaciones en mutuo 20,276,678,18 28,187,617,99</td>
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<td><strong>En Moneda Extranjera (R/M/L.)</strong></td>
<td><strong>Depósitos a término y otros 26,602,253,95</strong></td>
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<td>Depósitos especiales B. Rep. 4,998,000,00</td>
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<td>Bonos en circulación 73,731,072,78</td>
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<td>Préstamos Banco República 44,216,06</td>
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<td>Préstamos B. Rep. Financ. A.I.D. 16,146,731,00</td>
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<td></td>
<td>Préstamos B. Rep. Fdos. FIP en M.E. 39,028,438,01</td>
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<td></td>
<td>Préstamos Banco Mundial 587,835,58</td>
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<td>Préstamos Fondo Financiero Industrial 2,043,684,34</td>
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<td>Provisiones 11,519,255,18</td>
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<td>Pasivos Diferidos 46,629,606,70</td>
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<td>Responsabilidad por Avales y Garantías Sub total 310,996,551,49</td>
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<td><strong>Capital:</strong> Autorizado 200,000,000,00</td>
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<td>Acciones por suscribir 110,352,600,00</td>
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<td>Pagado 89,273,550,00 89,647,400,00</td>
</tr>
<tr>
<td></td>
<td><strong>Reservas:</strong> Legal 2,608,259,49</td>
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<td></td>
<td>General de Cartera 13,886,493,57</td>
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<tr>
<td></td>
<td>Fomento Económico 1,180,066,71</td>
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<tr>
<td></td>
<td>Otras Voluntarias 729,426,99 18,404,246,76</td>
</tr>
<tr>
<td></td>
<td><strong>Superávit:</strong> Revaluación de Valores Mobiliarios 12,999,755,74</td>
</tr>
<tr>
<td></td>
<td><strong>Déficit:</strong> En valores Mobiliarios 10,356,048,08 2,643,707,66</td>
</tr>
<tr>
<td></td>
<td><strong>Ajuste de Cambios:</strong> Pérdidas y Ganancias Total Activo 430,607,801,33 558,564,990,55</td>
</tr>
</tbody>
</table>

### CUENTAS DE ORDEN POR CONTRA
April 9, 1970

Mr. G. R. Aithnard
Banque Africaine de Developpement
BP. 1387
Abidjan
Côte d'Ivoire

Dear Mr. Aithnard:

During the UNIDO meeting in Paris last month, you requested that I send you a copy of our Development Finance Company Department's organization and staff list and also a sample questionnaire used by us to gather information about a development finance company prior to our sending a mission to appraise it. I take pleasure in enclosing these two documents. As you will appreciate, questionnaires cannot be standard or uniform, but must take into account both the information which we already have on the development finance company and particular characteristics of the company in question. The attached questionnaire is one which was used some time ago by an appraisal mission of ours.

I very much enjoyed the opportunity to meet and talk with you in Paris.

With best regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosures
To: Mr. B.H. Shin  
Development Finance Companies  
IBRD, Washington D.C.  

Corporación Financiera Nacional  
Apartado Aereo 1039  
Medellín, Colombia  

March 31, 1970  No. 822

Dear Mr. Shin:

In reply to the request made in your letter to our President, Dr. Gutiérrez Gómez, we are sending you the following information:

1. A copy of the Balance Sheet and Statement of Income and Expenditure as at December 31, 1969 in the form used for internal purposes.

For proper interpretation of these documents it should be borne in mind that up to 1969 the Corporación split the accounting year into two separate periods, one running from January 1 to June 30 and the other from July 1 to December 31. For this reason the figures for profits under Liabilities relate to the second period only, since the profits for the first half-year were used to increase the reserves and for dividends.

However, in order to facilitate analysis, the balances shown in the Statement of Income and Expenditure are the cumulative balances for 1969 as a whole.

2. Income Statement Form, provided by you. This requires the following clarifications:

i) We have added the heading: "6a. Income on letter of credit financing and other loans (maturing in less than one year)", which is not included on your form and which ties up with the heading: "Expenses 2 - Interest and Other Charges on Short-term Debt".

ii) We have appended an explanatory note to the data provided under "6b. Other Administrative Expenses".

iii) We have added a heading: "6c. Other non-Administrative Expenses".

iv) To clarify the section " Appropriation of net profit" we attach copy of the distribution of profits for the first and second half-years. In the letter, it was necessary to make some transfers from the Reserve at the Disposal of the Board of Directors in order to be able to appropriate dividends up to December 1970. This had to be done because of a change in the Statutes to the effect that
each year will comprise only one accounting period as from 1970.

3. We are not sending the audited balance sheet, since our outside auditors have not yet submitted their report and you requested that the form be returned by today, March 31.

Yours very truly,

sgd.: Gustavo Montoya Toro
Planning Manager

Encl.: As stated
April 10, 1970

Mr. Hugo Restrepo Ramirez
Vicepresidente
Corporacion Financiera del Valle
Apartado Aereo 1902
Cali, Colombia

Dear Mr. Restrepo:

I wish to acknowledge with thanks receipt of your letter of March 31 enclosing a copy of the annual report for the year ended December 31, 1969 that you presented to your shareholders meeting and a copy of the income statements prepared per our format.

I am most grateful for your kind cooperation. On the basis of the material received, we will proceed to compute the operational ratios of your company. We will send you a copy of a table containing operational ratios of development finance companies associated with the World Bank Group when it is put out.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Mirski (with a copy of the incoming).
April 10, 1970

Mr. Gustavo Montoya Toro
Gerente de Planeacion
Corporacion Financiera Nacional
Apartado Aereo 1039
Medellin, Colombia

Dear Mr. Montoya:

Thank you very much for your letter of March 31
enclosing one copy each of the balance sheet of Nacional as
of December 31, 1969 and of the income statements arranged
per our format.

I am most grateful for your explanatory notes as
to the income statement which are found very useful. On the
basis of the data received we will proceed to compute the
operational ratios of Nacional. In the meantime, I would
appreciate your sending me a copy of the audit report whenever it becomes available.

Thank you again for your kind cooperation in this
regard.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Mirski (with a copy of the
    incoming).

BHShin:er
April 10, 1970

Mr. A. Dipy
Managing Director
Banque Ivoirienne de Developpement
Industriel
Boite Postale 4470
Abidjan, Ivory Coast

Dear Mr. Dipy:

I wish to thank you for your letter of April 1, enclosing a copy each of the balance sheet of BIDI as at September 30, 1969 and of the income statement prepared under our format.

I am most grateful for making these data available to me. On the basis of these data we will proceed to compute the operational ratios of BIDI.

I note that the balance sheet is provisional and will treat it as such. When it becomes final I would appreciate your sending me a copy.

Thank you again for your kind cooperation.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Pollan (with a copy of the incoming).
April 10, 1970

Mr. Z. Huq
Managing Director
Industrial Development Bank of Pakistan
Kandawala Building
P. O. Box 7300
Karachi, S., Pakistan

Dear Mr. Huq:

Thank you very much for your letter of March 31 enclosing your income statements arranged per our format, for the last three fiscal years.

I am most grateful for your taking the trouble of preparing the statements. On the basis of the data received, we will proceed to compute the operational ratios of IDBP. When operational ratios of all other development finance companies associated with us are computed and put out in a table, I will be glad to send you a copy.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Southall (with a copy of the incoming).

BHShin:er
Señor
B. H. Shin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, D.C. 20433
U. S. A.

Estimado Sr. Shin:

Adjunto estamos enviándole los siguientes ejemplares relativos a nuestros Estados Financieros:

2. "Supplementary Information - Dec. 31 - 1969".

Muy atentamente,

Jacques Vera M.
Gerente General

Anexos
JVM/mcr.
To: Mr. Shin

Subject: Project No. 100

I am pleased to inform you that the new facility for projects in the field of education and cultural development is now operational. The facility is located at 123 Main Street, New York, and is equipped with state-of-the-art technology.

I am enclosing a copy of the project report for your perusal. The report details the scope of the project, its objectives, and the expected outcomes.

I look forward to hearing from you soon.

Best regards,

[Signature]

Asst. Sec.
April 13, 1970

Mr. J. D. Wolfensohn
J. Henry Schroder Wagg & Company Limited
120 Cheapside
London, E.C.2., England

Dear Mr. Wolfensohn:

I have seen Lord Airlie's letter to Mr. Ahmed of March 26.

That letter was a very sensible one which, as you may know, has resulted in the fact that Mr. Ahmed has withdrawn his recommendation for the establishment of a mutual fund. You and your colleagues must have been very persuasive.

I am very grateful for the work which Schroder Wagg has done. I am sure that it has led Mr. Ahmed to a wise decision, and I hope he will be able to come up with alternatives which will commend themselves to all concerned.

Many thanks for your help.

With best personal regards.

Sincerely yours,

William Diamond
Director

cc Mr. Cherif Hassan
Mr. Southall

WDiamond:us
April 13, 1940

Mr. J. D. Wolterspoon
Head of Export Branch of Company Limited
150 Grosvenor Street
London, W.C. 1, England

Dear Mr. Wolterspoon:

I have seen Lord Zipple's letter to Mr. Amad
of March 26.

That letter was a very sensible one which
you may know have resulted in the fact that Mr. Amad
has withdrawn his recommendation for the establishment
of a Unit Trust. You say your colleagues must have
been very sensible.

I am very grateful for the work which Sobot
have done. I am sure that it will help me to
make a wise decision. I hope you will be able to come up
with suggestions which will commend themselves to all
concerned.

Many thanks for your help.

With best personal regards,

Sincerely yours,

William D. Monroy
Director
Development Finance Companies

cc. Mr. Cretel, Hessen
Mr. Souleif

RECEIVED

1970 Apr 14 PM 3:19

M. J. Spoon, Western Canada

Coomunications Section
OUTGOING WIRE

TO: 52283 ADELA CH

COUNTRY: SWITZERLAND

TEXT: THANKS YOURS 13TH

OUTGOING WIRE TO:

ZURICH

DATE: APRIL 13, 1970

CLASS OF SERVICE: TELEX

TEXT: THANKS YOURS 13TH

Cable No.: RPIT6

SURPLUS

<table>
<thead>
<tr>
<th>ACTUAL</th>
<th>APPROPRIATION</th>
<th>CALCULATED</th>
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</thead>
<tbody>
<tr>
<td>JUNE 30</td>
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<td>DEC. 31</td>
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<tr>
<td>230,000</td>
<td>150,000</td>
<td>380,000</td>
</tr>
<tr>
<td>1,770,000</td>
<td>228,917</td>
<td>1,998,917</td>
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<tr>
<td>2,393,717</td>
<td>(2,393,717)</td>
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<tr>
<td></td>
<td>2,014,800</td>
<td>3,935,544</td>
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<td></td>
<td>4,393,717</td>
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SURPLUS PER DEC. 31/69 STATEMENT

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45,000</td>
</tr>
</tbody>
</table>

PLEASE EXPLAIN

LEGAL RESERVE

RETAINTED EARNINGS

UNAPPROPRIATED EARNINGS

DIVIDENDS

PROFIT JUL/DEC. 1969

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JUNE 30</td>
<td>DEC. 31</td>
</tr>
<tr>
<td>2,000,000</td>
<td>210,000</td>
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</table>

RESULTING REERVE DEC. 31, 1969

<table>
<thead>
<tr>
<th>RESERVE PER DEC. 31/69 STATEMENT</th>
<th>DIFFERENCE</th>
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</thead>
<tbody>
<tr>
<td>2,210,000</td>
<td>30,000</td>
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</tbody>
</table>

PLEASE EXPLAIN

RESERVE FOR LOSSES JUNE 30, 1969

PROVISION FROM JULY/DEC. 1969 INCOME

RESULTING REERVE DEC. 31, 1969

<table>
<thead>
<tr>
<th>PAYING BANK NAME AND AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>HANS NILSSON</td>
</tr>
</tbody>
</table>

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME: Hans Nilsson

DEPT: Development Finance Companies

SIGNATURE: (Signature of individual authorized to approve)

ORIGINAL (File Copy)

[IMPORTANT: See Secretaries Guide for preparing form]
### OUTGNG WIRE

#### DATE
APRIL 13, 1970

#### CLASS OR SERVICE
TEXAS

#### SURPLUS SUMMARY

<table>
<thead>
<tr>
<th>ORIG.</th>
<th>APPROPRIATION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>750,000</td>
<td>925,000</td>
<td>1,675,000</td>
</tr>
<tr>
<td>395,000</td>
<td>525,000</td>
<td>920,000</td>
</tr>
<tr>
<td>500,000</td>
<td>1,000,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>500,000</td>
<td>750,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>500,000</td>
<td>750,000</td>
<td>1,250,000</td>
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<td>500,000</td>
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<td>1,250,000</td>
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<tr>
<td>500,000</td>
<td>750,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>500,000</td>
<td>750,000</td>
<td>1,250,000</td>
</tr>
</tbody>
</table>

#### INSTRUCTIONS
Please explain

- Reserve for losses June 30, 1970
- Provision from July 1, 1970
- Reserve per Dec. 31, 1970 Statement
- Reserve for Dec. 31, 1970 Statement

#### NOT TO BE TRANSMITTED
CLEARANCES AND COPY DISTRIBUTION

### COMMUNICATIONS

AK 13 03 PH 1970

NAME: Rape Holland

DEPT. Development Finance Department

SIGNATURES OF AUTHORIZED PERSONS IN CHARGE:

DISPATCHED

ASSISTANT (If any)
Messrs. Gustafson, Nirski, Powell, 
Sekse and Southall 
Mr. Pollan

April 1h, 1970

Revision of Amortisation Schedules of Bank Loans to Development Finance Companies

1. This follows on yesterday's conversation in Mr. Diamond's office. I am attaching a draft letter prepared by the Controllers Department requesting that ICICI, under Loan 41h-IN, suggest to us the amount payable to the IBRD on a nearby loan maturity date "based on the aggregate of the amounts maturing under loans for the projects approved by you". This draft letter also suggests that a complete revision of the Amortization Schedule for Loan 41h-IN be postponed until a later date.

2. Loan 41h-IN is since January 1, 1970 no longer available for commitment to Investment Projects. I believe therefore that it would indeed be prepared to revise Loan 41h-IN's amortization schedule to really bring it in line with the mandate in every provision in a bank loan agreement concluded with a NFC that regulates the amortization schedule; language to that effect as you know is that the amortization schedule should "conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans and investments in respect of which withdrawals from the Loan Account shall have been approved or authorised ..........

3. I mentioned my opinion to Mr. Perch and also at yesterday's meeting in Mr. Diamond's office. I did this because I had heard from Mr. Perch that while agreeing to the principle of the timeliness of revising the amortization schedule when a bank loan to a NFC is fully committed to Investment Projects, there may be a convenience for the Controllers Department if that final revision took place at a later date, for instance after disbursements were over. The reason for the convenience is the frequencies of cancellation requests that the bank may still be getting after full commitment of the Loan and while disbursements were still going on.

4. I do not know what the situation is within the Department. Can you please let me know whether you agree with the position I took as indicated in Paragraph 2; whether you see any reason not to take that position; whether there is a real convenience in waiting till disbursements are over; or any other position you may have on this subject. Also let me know what the actual practice has been in recent past, at least when you were confronted with a similar situation.

5. This is not intended to argue a case but only to help establish a uniform practice for revising amortization schedules. Once your reactions are in we shall put the attached draft into final form - on an agreed basis.

cc. Messrs. Diamond, Perch and Miss Cardash

HPollan:ns
Attachment
April 15, 1970

Dr. Roberto Ocampo Mejia  
President  
Corporacion Financiera de Caldas  
Apartado Aereo 460  
Manizales, Colombia

Dear Dr. Ocampo:

Thank you very much for your two letters dated April 13 enclosing a copy of the income statement of Caldas for 1969 arranged per our format and April 14 enclosing a copy of the balance sheet as at December 31, 1969.

I am most grateful for your cooperation in sending these to us. On the basis of the data received we will proceed to compute the operational ratios of Caldas. In the meantime I would appreciate your sending us a copy of the audit report whenever it becomes available.

With kind regards,

Sincerely yours,

B. H. Shin  
Development Finance Companies

cc: Mr. Mirski (with a copy of the incoming).
April 16, 1970

Mr. Jacques Vera M.
Gerente General
C. A. Venezolana de Desarrollo
Apartado 62191
Caracas, Venezuela

Dear Mr. Vera:

I wish to thank you for your letter of April 10 enclosing one copy each of the Price Waterhouse report and financial statements of CAVENDES as of December 31, 1969 and the supplementary information.

I am most grateful for your sending us the information on the basis of which we will proceed to compute the operational ratios of CAVENDES. When a table containing the operational ratios of the development finance companies with which the Bank Group is associated is put out, I will send you a copy.

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Mirski (with a copy of the incoming).
Mr. Peter W. Bocock

B. H. Shin

Information on New Clients for Bank's DFC Loan Projects

Mr. Diamond asked me to pass on to you information on new clients for Bank's DFC loan projects. I am sending you the information attached.

Attachment

BBShin:er
FROM: The Secretary

April 8, 1970

Interest Rates Charged by Development Finance Companies and Terms of Government Loans to such Companies

Attached hereto is a memorandum on the interest rates charged by Development Finance Companies and on the terms of Government loans to such companies.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC
1. At several Board meetings questions have been raised by Executive Directors regarding the interest rates charged by development finance companies (DFCs) to their borrowers.1/ On one such occasion, the wisdom of interest-free government loans to DFCs was also questioned.2/ These two issues were discussed briefly in the President's Memorandum on "Policies of the World Bank Group Towards Development Finance Companies," R68-204, November 1, 1968. The purpose of this paper is to discuss these problems in more detail and to explain the principles which now guide the Bank when considering loans and credits to DFCs.

Background

2. The Bank's major objective in promoting and financing DFCs is "to help build effective investment institutions which can channel domestic savings and external capital into productive private enterprises, thus contributing to the growth of the private sector and to the development of the capital market and through them to the economic development of member countries" (p. 2, R68-204). Since most DFCs exist in countries where institutions to provide long-term finance are non-existent or primitive, the Bank has given a major emphasis to institution-building efforts. The appraisal of a proposal to lend to a DFC has therefore centered primarily on the institution itself (its policies, activities, management and financial conditions) rather than on the ultimate uses to which the Bank's funds are put (i.e., the economic activities which those funds finance).

3. Many of the 31 DFCs the Bank has financed have become important parts of the financial systems of the countries they serve. The Bank Group's commitment of funds to them is large — it now exceeds $1 billion 3/— and considerable increases are foreseen, both in the number of institutions receiving financing and in the amount. The Bank Group's work on DFCs has thus become a significant part of its contribution to the industrial development of its member countries. The Bank's appraisals of DFCs will therefore in the future attempt to place greater stress than before on their economic contribution in addition to their financial soundness.

4. The economic merit of a DFC's operations cannot be appraised in isolation from the soundness of the framework of industrial and private investment policies pursued by the government of the country concerned.

2/ July 15, 1969
3/ As of March 31, 1970, $945 million for the Bank, $60 million for IDA and $24 million for IFC.
There are limits beyond which a DFC cannot go in counteracting the ill-effects of government policies without undermining its position as a financial institution. As the Bank's knowledge of the industrial sector of individual countries improves (through the greater attention which that sector will receive from general economic and sectoral missions), the Bank will be able to use the occasion of DFC loans to review those policies and, where appropriate, to seek to modify them. In evaluating the work of the DFCs themselves, the Bank will continue to place principal emphasis on their financial performance, with due regard to conditions in the countries concerned. However, it will attach increasing importance to the degree to which the DFCs are contributing to the execution of policies agreed with governments. In particular, it will examine whether DFCs are doing all they can to mobilize resources and whether their choice of investments contributes to the goals of agreed policy.

**Interest Rates Charged by DFCs**

5. The question of interest rates charged by DFCs needs to be viewed in the wider context mentioned above.

6. Both the economic and financial aspects of the DFC's lending rate are of major concern to a DFC. The lending rate should bear a reasonable relationship to the real cost of capital in the country concerned and to the prevailing interest rate structure. When the lending rate is too low, allocation of resources will not take place in the most economic manner and a DFC's capital might be used to finance uneconomic projects. The institution must also be able to cover its costs and provide satisfactory provisions for losses, and should be able to make a profit beyond this, if it is to succeed in raising capital from private sources. As the President noted in his memorandum of November 1, 1968, the Bank's aim is not only to develop sound productive enterprise, but also "to develop the capital market by building a strong financial institution capable of an autonomous financial life. That company must therefore be capable, by virtue of its financial position and earnings prospects, of attracting new capital" (p. 6). This cannot be achieved if the DFC "is a device, as governments sometimes wish them to be, for making loans at concessional rates" (p. 6).

7. Interest rates charged by the DFCs associated with the Bank vary from 7% to 22%, with most of them falling between 8% and 10%. (See attached Table.) Among the 26 companies where the Bank has been active in DFC operations, only 10 have lending rates above 10% (including 5 in Colombia) and only 2 lend foreign exchange at rates higher than 10%. Yet the cost of capital in many developing countries is considerably above 10% and the rate of inflation is often substantial. The principal influence in forcing DFCs to adopt low rates has been governments. The Bank therefore often tries to encourage governments to permit an increase in the interest rates which DFCs may charge. Such action should not, of course, be taken in isolation from other factors which determine interest rate policies in a country. It should always be reviewed within the context of the Bank's economic work in the country concerned.
8. While the Bank generally would argue that a DFC should have a single lending rate, DFCs sometimes charge different lending rates depending on the source of funds used. Unfortunately, many of those providing finance to DFCs (particularly governments and foreign aid agencies) seek to fix rather rigidly the spread allowed on relending rates and DFCs thus are often required to establish multiple rates against their own better judgments. The Bank calls attention to the irrationality of this practice. In respect to loans from the same source, DFCs generally apply a single rate for all borrowers, without regard to the risks of the particular case. Although this may not conform to normal commercial practice, the decision not to distinguish between borrowers is understandable, given the nature of DFCs. Whether governmental or private, they generally have some government capital and privileges, their affairs are closely watched and they generally have the character of "institutions affected by public interest." In the circumstances, there is danger that discrimination between risks will be misinterpreted simply as discrimination. The Bank has not pressed DFCs on this point.

9. The spread on funds loaned to DFCs by the Bank Group varies from 1.5 to 4.5%, with most spreads falling in the 2 to 3% range. As understandings are reached with governments and with DFCs to raise the latter's lending rates to desirable levels, the question of the appropriate spread on the use of Bank funds will be examined. When, as is now the case, the Bank's lending rate clearly has a concessionary element, it may be desirable to consider raising the cost of Bank money to the DFC by encouraging or requiring the government concerned to charge an appropriate guarantee fee, or by lending to the government in the first instance and having it relend to the DFC at a higher interest rate.

10. Such a modification in Bank policy would provide more flexibility in our approach to DFC lending. As Bank-supported institutions gain strength and acceptance in the financial market of the country, a status which a few of them have already achieved, they will increasingly be expected to undertake a more active role in mobilizing domestic resources for development. The Bank's present lending rate is much below the interest rate level necessary to attract private savings in the form of debentures or bonds in most developing countries. An increase in the effective cost of Bank money to DFCs would reduce or eliminate a disincentive to their resort to domestic sources of funds.

11. When the capital obtained and reloaned by the DFC is in the form of foreign exchange, it carries with it an exchange risk. That risk carries a price, of which account must be taken in considering the cost of the capital to the ultimate borrower.

12. DFC appraisals are being more closely related to the Bank's general economic work. Interest rates have always been a subject of discussion in appraisal reports. In future, however, the interest rate policy of the DFC will be examined with particular care. In examining a loan or credit to a DFC, the Appraisal Report will include:
(a) an economic and financial analysis of the adequacy of interest rate levels on DFC loans to sub-borrowers (specifying increases or adjustments in the rate level which the government and the DFC management would have to agree on); and

(b) a judgment on the suitability of the Bank's lending rate in the particular case and a recommendation regarding the action to be, where appropriate, taken to increase the effective cost of Bank funds to the DFC.

Provision of Cheap or "Free" Capital by Government

13. Until June 1968, the Bank would not lend to DFCs which were controlled by governments.1/ The Development Bank of Ethiopia was the only exception; governments or governmental institutions sometimes had a minority position among the shareholders, but in most cases all the shareholders (except IFC) were private. The creation of a wholly new privately controlled company, however, requires that its financial prospects be good enough -- eventually, if not immediately -- to attract private investors. It has never been easy to attract private investors into a DFC, for the prospective returns were generally unattractive in relation to alternative investment opportunities. Generally, therefore, government subsidy was considered essential to induce private investors to subscribe to the share capital of a DFC.

14. A low-cost (often interest-free) loan has been found to be a convenient form of subsidy. It was also found valuable for this loan to be at long-term and subordinated to the DFC's other debt and sometimes even to its share capital. Such a loan served several purposes:

(a) It provided a subsidy. It lowered the average cost of capital and increased the average spread on borrowed funds, thereby enhancing profitability, assuring a better return to the shareholder and better debt-service coverage to the creditor. Moreover, since it provided substantial cash at low cost, which could be profitably placed pending investment, it assured immediate income, encouraged the company to start immediately building an adequate staff, and permitted an early beginning to the accumulation of reserves.

(b) It served as quasi-equity. Because it was accepted by conventional lenders (and the Bank) as part of the base for borrowing, it made it possible to increase the leverage on share capital. Moreover, if subordinated

1/ See the President's Memorandum R68-99 of June 11, 1968, discussed by the Executive Directors on June 25, 1968.
not only to other debt but to share capital as well (which was often the case), it protected the shareholders and encouraged the DFC to be more venturesome than might otherwise have been the case.

15. It was sometimes proposed that the government could make available some of the foregoing advantages by providing subsidies through annual budgetary allocations. Such an arrangement, however, would have exposed the DFC each year to the uncertainties of budget-making and parliamentary approval. The cheap long-term subordinated loan was intended to involve such exposure only once. However, support from the government in other ways has sometimes been considered acceptable, often together with a cheap long-term subordinated loan. Examples of such additional support are tax concessions on income or capital gains, protection against competition from governmental credit institutions, guarantees for Bank loans (even though other private enterprises were not able to obtain them), protection against foreign exchange risk, and special rediscounting facilities from the central bank.

16. Thus quasi-equity was expected to help establish a viable company, under private control, with a minimum of government intervention in day-to-day decision-making. Of the 26 DFCs to which Bank loans or IDA credits have so far been made, all but two (the first two, in 1951) either had quasi-equity before the Bank made a loan or had operated satisfactorily for several years before the first loan or credit was made. IFC has pursued the same policy; in only two exceptional cases (Banco del Desarrollo Economico Espanol and C.A. Venezolana de Desarrollo) did it invest in a new DFC which did not have quasi-equity.

17. Cheap, long-term, subordinated capital had the desired effect on investors, on creditors and on DFCs themselves. But it aroused continuing criticism. Moreover, despite the apparently once-for-all exposure to governmental processes in obtaining quasi-equity, its existence has in some cases been a continuing invitation or excuse for intervention from both politicians and bureaucrats. And the presence of low-cost capital (and the hope of getting more of it in future) may in some cases have deprived a DFC of the discipline of raising capital on market terms and may thus have diminished its potential role as a mobilizer of private savings. Certainly performance in this regard has not matched expectations, a matter to which the Bank is giving particular attention. Experience has also shown that not all the characteristics of quasi-equity are equally important to the various parties concerned, or to the company itself. Accordingly, the President concluded in his memorandum of November 1, 1968, and the Executive Directors agreed on November 12, that the Bank should not insist in all cases on direct government financial assistance on quasi-equity terms, and that it should do so only when that seemed essential to induce private investors to subscribe to share capital and to provide an adequate basis for borrowing. In short, the concessions requested from government should be the minimum necessary to achieve the foregoing objectives.
18. In future DFC operations, low-cost or subordinated government loans will be deemed appropriate only at the time when a new financial institution is being established, but not as a necessary feature in all such cases. Beyond this initial period, further injections of cheap or subordinated capital will be carefully scrutinized for their justification and will not be supported by the Bank unless essential to obtain the objectives of the DFC. Instead, the continued existence of low profitability will be the signal for a general re-assessment of the extent to which the interest rate and other charges for the DFC's capital and services reflect the cost of capital in the country and the prevailing interest rate structure.

Development Finance Companies Department,
April 8, 1970
## TABLE

Interest Rates Currently Charged by Development Finance Companies and Spreads Earned on Use of Bank/IDA Resources

<table>
<thead>
<tr>
<th>Use of Bank/IDA Resources</th>
<th>Current Interest Rates</th>
<th>Spread</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Interest Rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria - IVK</td>
<td>8%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Brazil - BNB</td>
<td>14 - 22 on local currency loans</td>
<td>7 - 9% on foreign currency loans</td>
<td>9% 2% 2%</td>
</tr>
<tr>
<td>Ceylon - DFCC</td>
<td>9% on local currency loans 10 - 10% on foreign currency loans</td>
<td>10 - 10% 3% - 4</td>
<td></td>
</tr>
<tr>
<td>China - CDC</td>
<td>13.32 on local currency loans</td>
<td>9 on foreign currency loans</td>
<td>9 2</td>
</tr>
<tr>
<td>Colombia - Caldas</td>
<td>8 - 18 (depending on sources of funds)</td>
<td>18 3</td>
<td></td>
</tr>
<tr>
<td>Colombiana</td>
<td>Do</td>
<td>18 3</td>
<td></td>
</tr>
<tr>
<td>Nacional</td>
<td>Do</td>
<td>18 3</td>
<td></td>
</tr>
<tr>
<td>Norte</td>
<td>Do</td>
<td>18 3</td>
<td></td>
</tr>
<tr>
<td>Valle</td>
<td>Do</td>
<td>18 3</td>
<td></td>
</tr>
<tr>
<td>Ethiopia - DBE</td>
<td>7 - 8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finland - IFF</td>
<td>8%</td>
<td>8% 2% 2</td>
<td></td>
</tr>
<tr>
<td>Greece - NIBID</td>
<td>8%</td>
<td>8% 1%</td>
<td></td>
</tr>
</tbody>
</table>

The interest rate shown includes 8% for the exchange risk plus 0.5% for administrative costs, payable to the central bank. However, ultimate borrowers have the option to assume the risk without the 8% fee.

Last Bank loan, granted in 1962, now fully disbursed.

Last Bank loan, granted in 1961, now fully disbursed.
<table>
<thead>
<tr>
<th>Country</th>
<th>Bank/IDA Resources</th>
<th>Current Interest Rates</th>
<th>Use of Bank/IDA Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>India -</td>
<td><strong>ICICI</strong></td>
<td>8% on local currency loans</td>
<td><strong>Spread</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>8% on foreign currency loans</td>
<td>1%</td>
</tr>
<tr>
<td>Iran -</td>
<td><strong>IMDBI</strong></td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Israel -</td>
<td><strong>IDBI</strong></td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Korea -</td>
<td><strong>KDFC</strong></td>
<td>20 on local currency loans</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 on foreign currency loans</td>
<td>3%</td>
</tr>
<tr>
<td>Malaysia-</td>
<td><strong>MIDF</strong></td>
<td>6% - 10%</td>
<td>1% - 3%</td>
</tr>
<tr>
<td>Morocco -</td>
<td><strong>BNDE</strong></td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Nigeria -</td>
<td><strong>NIDB</strong></td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Pakistan-</td>
<td><strong>PICIC</strong></td>
<td>9% on local currency loans</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7% - 5% on foreign currency loans</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td><strong>IDBP</strong></td>
<td>8% - 9% on local currency loans</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8% on foreign currency loans</td>
<td>1%</td>
</tr>
<tr>
<td>Philippines -</td>
<td><strong>PDOP</strong></td>
<td>11%</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Remarks:**
- BNDE's lending rate is 7%.
- The Government reimburses BNDE for interest paid on borrowed funds above 5%.
- BNDE thus receives a spread of 2%.
<table>
<thead>
<tr>
<th>Country</th>
<th>Bank</th>
<th>Current Interest Rates</th>
<th>Use of Bank/IDA Resources</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>DBS</td>
<td>7 - 9</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Thailand</td>
<td>IFCT</td>
<td>9½ on local currency loans</td>
<td>8 3/5 on foreign currency loans</td>
<td>Bank loan, granted in 1964 and now fully disbursed.</td>
</tr>
<tr>
<td>Tunisia</td>
<td>SNI</td>
<td>8½</td>
<td>8½</td>
<td>1½</td>
</tr>
<tr>
<td>Turkey</td>
<td>TSKB</td>
<td>8 on local currency loans</td>
<td>9 on foreign currency loans</td>
<td>9</td>
</tr>
</tbody>
</table>

Development Finance Companies Department
April 8, 1970
April 3, 1970

Dr. Willi F. L. Engel  
Hay Adams Hotel  
800 - 16th Street, N. W.  
Washington, D.C.

Dear Willi:

Welcome to Washington.

We are looking forward to seeing you Wednesday, April 8. Enclosed is a list of meetings which we have arranged for you with the Division Chiefs. They are short. But the afternoon is free, so that you can stretch into the afternoon any discussions you want to pursue in detail. An office will be at your disposal for the meetings.

We shall have luncheon at 1:00 p.m. Mr. Jaeckel and others will be there.

Call me, if you wish, when you arrive. You can reach me at the office on 477-2601, and at home on 333-1863.

Best wishes,

Sincerely yours,

William Diamond  
Director  
Development Finance Companies

Enclosure

cc Dr. Jaeckel (Alt. ED)

Mr. Mathew  
DFC Division Chiefs

WDiamond: us
April 8, 1970

Division Chiefs

DEVELOPMENT FINANCE COMPANIES

Situations of Mutual Interest: KfW and IBRD

<table>
<thead>
<tr>
<th>Time</th>
<th>Division</th>
<th>Country and Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:30 a.m.</td>
<td>Mr. Mirski</td>
<td>Colombia - Financieras</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ecuador - CFN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brazil - BNB</td>
</tr>
<tr>
<td>10:15 a.m.</td>
<td>Mr. Nilsson</td>
<td>Colombia - Financieras</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ecuador - CFN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brazil - BNB</td>
</tr>
<tr>
<td>10:45 a.m.</td>
<td>Mr. Powell</td>
<td>Liberia - LBIDIDI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Indonesia - BAPINDO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ceylon - DFCC</td>
</tr>
<tr>
<td>11:15 a.m.</td>
<td>Mr. Southall</td>
<td>Pakistan - PICIC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thailand - IFCT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Iran - IMDBI</td>
</tr>
<tr>
<td>1:45 a.m.</td>
<td>Mr. Gustafson</td>
<td>Turkey - TSKB</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Singapore - DBS</td>
</tr>
<tr>
<td>12:15 p.m.</td>
<td>Mr. Sekse</td>
<td>Cameroon - BCD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ethiopia - DBE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ghana - NIB</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kenya - ICDC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Madagascar - BNM</td>
</tr>
<tr>
<td>1:00 p.m.</td>
<td>Lunch with Mr. Diamond</td>
<td></td>
</tr>
</tbody>
</table>

Lunch with Mr. Diamond
April 2, 1970

Mr. William Diamond
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Mr. Diamond:

It was very nice to see you in Washington last month, when I stopped for a couple of days en route to Europe. You were most thoughtful to suggest that I call on Philippe Duvieusart in Luxembourg, with whom I had a pleasant meeting indeed.

You well know how highly we value our relationship with the World Bank Group, and we certainly hope to strengthen it further.

I look forward to seeing you again soon and with kindest personal regards remain,

Sincerely yours,

CRP:pm

CRP:pm
Mr. William Gilmore

Information Office for Economic Development

1811 E Streeet, N.W.

Washington, D.C. 20006

Dear Mr. Gilmore:

It were with a view to see you in Washington last month when I was working on a couple of ideas that I came to Bonifer. I was fortunate to suggest that I call on Mr. William Gilmore to discuss these ideas. We had a pleasant meeting today.

I hope to see you shortly to further our discussions. I look forward to meeting you again soon and with pleasure.

Sincerely yours,

[Signature]
April 1, 1970

Mr. Lim Sean Teck
Manager
Finance & Administration Division
Development Bank of Singapore Ltd.
P. O. Box 1235
Singapore 1

Dear Mr. Lim:

I wish to acknowledge with thanks receipt of your letter of March 26 enclosing a copy of the unaudited balance sheet of DBS as at December 31, 1969 and a copy of the income statement prepared under our format.

I am most grateful for your prompt response by sending the information. We will work on the operational ratios of DBS in 1969. In the meanwhile I would appreciate your sending us a copy of the audit report when it becomes available.

Thank you again for your prompt cooperation,

Sincerely yours,

B. H. Shin
Development Finance Companies

cc: Mr. Gustafson (with a copy of the incoming).

EHShinn:er
Mr. B. H. Shin  
Development Finance Companies  
International Bank for Reconstruction and Development  
1818 H Street, N.W.  
WASHINGTON, D.C. 20433  
U.S.A.

Dear Mr. Shin,

We refer to your letter of February 26, 1970 concerning the new 1969 "Comparative Operational Ratios of Development Finance Companies".

Please find enclosed the form which was attached thereto, duly completed, as well as a copy of our Balance Sheet (Provisional) as of September 30, 1969, end of our fiscal year.

We look forward to your new issue of this Table, which we found extremely interesting and useful. Please do not hesitate to call on us should you need any further information for its preparation.

Sincerely yours,

Banque Ivoirienne de Développement Industriel

A. DIBY  
Managing Director

Encs. 2
## INCOME STATEMENT FORM

<table>
<thead>
<tr>
<th>Income</th>
<th>Amount ('000) F.CFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans (^1/2)</td>
<td>130,754</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments (^3/)</td>
<td>21,203</td>
</tr>
<tr>
<td>3. Income on Equity Investments (^4/)</td>
<td></td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee fees and Letters of Credit fees</td>
<td></td>
</tr>
<tr>
<td>5. Income from Subsidiary Company (^5/)</td>
<td></td>
</tr>
<tr>
<td>6. Other (^6/)</td>
<td>30,293</td>
</tr>
</tbody>
</table>

**Total Income**

182,160

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Amount ('000) F.CFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest and Other Charges (^7/) on Term Debt (^8/)</td>
<td>11,096</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-term Debt (^9/)</td>
<td></td>
</tr>
<tr>
<td>3. Write-offs from Loans and Investments</td>
<td></td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td>4,585</td>
</tr>
<tr>
<td>5. Other Financial Expenses (^10/)</td>
<td></td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td></td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>1,073</td>
</tr>
<tr>
<td>b. Other Administrative Expenses (^10/)</td>
<td></td>
</tr>
</tbody>
</table>

**Total Expenses**

94,886

Net Profit before Taxes

87,274

Provision for Income Tax

Net Profit

87,274

Appropriation of net profit:

- Transfer to General (Legal) and other Free Reserves: 52,274
- Transfer to Reserves for Losses on Loans and Investments
- Provision of Dividends
- Unappropriated Surplus

\(^1/\) Income denotes not only interest but also commitment charges, study fees and all other fees and charges made on term loans and debentures.

\(^2/\) Term Loans (or Debt) means Loans (or Debt) maturing more than one year from the date of contract.

\(^3/\) Intermediate Investments are taken to mean short-term or temporary investments, including deposits, designed to utilize idle funds, e.g. Government securities and highly marketable private bonds and debentures. Compulsory investments in Government bonds are also included in this category for the sake of convenience.
4/ Consisting of dividends received on equity investments and capital gains before tax from sales of equity investments.

5/ Consisting of dividends and other income including interest received from a subsidiary company.

6/ All other income, e.g., gains from sales of property and general banking service charges not relating to lending operations, etc.

7/ Including commitment charges and other charges directly relating to debt. Also including amortization of financial expenses incurred on the issue of bonds and debentures.

8/ Including interest paid on deposits.

9/ Other financial expenses not directly relating to the incurring of debt.

10/ Including consultation fees, lawyers' fees, depreciation of fixed assets, amortization of establishment costs, etc.
BANQUE IVOIRIENNE DE DEVELOPPEMENT INDUSTRIEL
B.P. 4470 - ABIDJAN - COTE D'IVOIRE

2ème BILAN PROVISOIRE AU 30 SEPTEMBRE 1969

Le 6 Novembre 1969

JV/SM
# Bilan provisoire

## Actif

<table>
<thead>
<tr>
<th>DISPONIBILITÉS</th>
<th>Francs CFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caisse</td>
<td>38,693</td>
</tr>
<tr>
<td>Banque Centrale</td>
<td>418,983</td>
</tr>
<tr>
<td>Banques et Chèques Postaux</td>
<td>269,429,761</td>
</tr>
<tr>
<td>TOTAL</td>
<td>269,887,437</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPTES D'ORDRE ET DIVERS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Débiteurs divers</td>
<td>2,213,706</td>
</tr>
<tr>
<td>Intérêts et commissions à recevoir</td>
<td>39,056,037</td>
</tr>
<tr>
<td>Charges payées d'avance</td>
<td>484,485</td>
</tr>
<tr>
<td>TOTAL</td>
<td>41,753,228</td>
</tr>
</tbody>
</table>

| CREDITS À MOYEN TERME                   |            |
| CREDITS À LONG TERME                    |            |
| TITRES DE PARTICIPATION                | 125,765,000|
| - Dépréciation                          | 9,533,200  |
| VALEURS IMMOBILISÉES                   |            |
| Immeubles                               | 17,081,390 |
| - Amortissement                         | 3,977,710  |
| Matériel et mobilier                    | 12,228,975 |
| - Amortissement                         | 7,971,622  |
| Agencement                              | 10,445,806 |
| - Amortissement                         | 8,673,197  |
| TOTAL                                  | 19,133,532 |

| AUTRES VALEURS IMMOBILISÉES             | 4,533,134  |
| Certificats FNI                         | 9,709,885  |

| TOTAL ACTIF                             | 3,062,656,438|

HORS

<table>
<thead>
<tr>
<th>Engagements</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>sur crédits à moyen terme</td>
<td>234,154,500</td>
</tr>
<tr>
<td>sur crédits à long terme</td>
<td>917,164,055</td>
</tr>
<tr>
<td>sur emprunts étrangers (A.I.D.)</td>
<td>625,342,736</td>
</tr>
<tr>
<td>sur crédits confirmés (A.I.D.)</td>
<td>15,451,354</td>
</tr>
<tr>
<td>sur documents envoyés (A.I.D.)</td>
<td>27,614,138</td>
</tr>
<tr>
<td>TOTAL</td>
<td>686,618,228</td>
</tr>
</tbody>
</table>

Pour mémoire

| A.I.D. solde à utiliser                 | 692,848,483 |
| K.F.W. solde à utiliser                 | 556,114,442 |
### AU 30 SEPTEMBRE 1989

<table>
<thead>
<tr>
<th>Passif</th>
<th>Francs CFA</th>
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</thead>
<tbody>
<tr>
<td><strong>COMPTES D'ORDRE ET DIVERS</strong></td>
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<tr>
<td>Créditeurs divers</td>
<td>11,746,599</td>
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<tr>
<td>Etat</td>
<td>9,842,386</td>
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<td>Dividendes à payer</td>
<td>17,147,600</td>
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<tr>
<td>Intérêts et agios sur crédits</td>
<td>3,354,718</td>
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<tr>
<td>Intérêts et agios comptabilisés d'avance</td>
<td>13,622,628</td>
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<tr>
<td>Charges à payer</td>
<td>3,534,723</td>
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<tr>
<td><strong>EFFETS REESCOMPTES</strong></td>
<td>58,648,954</td>
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<tr>
<td><strong>EMPRUNTS A LONG TERME</strong></td>
<td>253,052,500</td>
</tr>
<tr>
<td>Gouvernement de Côte d'Ivoire</td>
<td>1,250,000,000</td>
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<tr>
<td>A.I.D.</td>
<td>457,791,190</td>
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<tr>
<td>Kreditanstalt Für Wiederaufbau</td>
<td>179,738,000</td>
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<tr>
<td><strong>PROVISIONS</strong></td>
<td>1,887,529,190</td>
</tr>
<tr>
<td>Pour créances douteuses</td>
<td>1,065,000</td>
</tr>
<tr>
<td>Pour créances litigieuses</td>
<td>1,620,000</td>
</tr>
<tr>
<td>Pour risques généraux</td>
<td>1,900,000</td>
</tr>
<tr>
<td><strong>FONDS PROPRES</strong></td>
<td>4,585,000</td>
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<tr>
<td>Réserve pour certificats FNI mobilisés</td>
<td>1,191,000</td>
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<tr>
<td>Réserve FNI</td>
<td>9,704,859</td>
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<td>Réserve spéciale</td>
<td>9,224,085</td>
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<tr>
<td>Réserve extraordinaire</td>
<td>46,479,368</td>
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<tr>
<td>Réserve légale</td>
<td>4,942,845</td>
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<tr>
<td>Capital</td>
<td>700,000,000</td>
</tr>
<tr>
<td><strong>RESULTAT DE L'EXERCICE</strong></td>
<td>771,566,167</td>
</tr>
<tr>
<td></td>
<td>87,274,627</td>
</tr>
<tr>
<td><strong>TOTAL PASSIF</strong></td>
<td>3,062,656,438</td>
</tr>
</tbody>
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### BILAN

Crédits engagés

- sur crédits à moyen terme: 234,154,500
- sur crédits à long terme: 917,164,095

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<thead>
<tr>
<th></th>
<th>1,151,318,655</th>
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<tbody>
<tr>
<td>sur emprunts étrangers (A.I.D)</td>
<td>625,342,736</td>
</tr>
<tr>
<td>sur crédits confirmés (A.I.D)</td>
<td>15,451,354</td>
</tr>
<tr>
<td>sur documents envoyés (A.I.D)</td>
<td>227,624,138</td>
</tr>
</tbody>
</table>

|                  | 563,613,228  |
### COMPTE D'EXPLOITATION

<table>
<thead>
<tr>
<th>Débit</th>
<th>Francs CFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frais de personnel</td>
<td>48,331,952</td>
</tr>
<tr>
<td>Travaux, fournitures et services extérieurs</td>
<td>7,374,763</td>
</tr>
<tr>
<td>Transports et déplacements</td>
<td>1,120,926</td>
</tr>
<tr>
<td>Frais de gestion</td>
<td>6,793,917</td>
</tr>
<tr>
<td>Frais financiers</td>
<td>11,006,520</td>
</tr>
<tr>
<td>Frais divers</td>
<td>206,255</td>
</tr>
<tr>
<td>Assistance à l'entreprise ivoirienne</td>
<td>504,825</td>
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<tr>
<td>Dotation aux amortissements</td>
<td>4,665,229</td>
</tr>
<tr>
<td>Dotation aux provisions</td>
<td>4,585,000</td>
</tr>
<tr>
<td>Résultat de l'exercice</td>
<td>96,118,997</td>
</tr>
<tr>
<td>TOTAL DEBIT</td>
<td>181,308,384</td>
</tr>
</tbody>
</table>

### COMPTE DE PERTES ET AU 30

<table>
<thead>
<tr>
<th>Débit</th>
<th>Francs CFA</th>
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</thead>
<tbody>
<tr>
<td>Prélèvement F.N.I.</td>
<td>9,697,180</td>
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<tr>
<td>Résultat net</td>
<td>87,274,827</td>
</tr>
<tr>
<td>TOTAL DEBIT</td>
<td>96,971,807</td>
</tr>
<tr>
<td>Crédit</td>
<td>Francs CFA</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Intérêts sur crédits</td>
<td>114,994,653</td>
</tr>
<tr>
<td>Commissions d'engagement sur crédits</td>
<td>15,759,806</td>
</tr>
<tr>
<td>Intérêts sur comptes bancaires</td>
<td>21,202,677</td>
</tr>
<tr>
<td>Autres produits financiers</td>
<td>25,607,400</td>
</tr>
<tr>
<td>Produits accessoires</td>
<td>3,743,848</td>
</tr>
<tr>
<td><strong>TOTAL CREDIT</strong></td>
<td><strong>181,308,384</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crédit</th>
<th>Francs CFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Résultat de l'exercice</td>
<td>96,118,997</td>
</tr>
<tr>
<td>Plus value sur réalisation d'immobilisation</td>
<td>618,584</td>
</tr>
<tr>
<td>Pertes et profits exceptionnels</td>
<td>234,226</td>
</tr>
<tr>
<td><strong>TOTAL CREDIT</strong></td>
<td><strong>96,971,807</strong></td>
</tr>
</tbody>
</table>
April 1, 1970

Mr. R. C. Hannan  
General Manager  
Development Finance Corporation  
of New Zealand  
Phoenix House  
125 Featherston Street  
Wellington, N. Z.  

Dear Mr. Hannan:

Thank you for your letter of March 23 and for the Annual Report and Lending Policy Booklet enclosed with it.

I am very glad to know that the pace of DFC's operations is picking up. I should appreciate a line from you from time to time to let me know of DFC's further progress.

I, too, remember our meeting with pleasure and I hope it will not be too long before I or someone else from this department on my behalf pays DFC another visit. Please remember me to Mr. Greenberg when you next see him.

With best personal regards,

Sincerely yours,

William Diamond  
Director  
Development Finance Companies

cc: Messrs. Bengt Sandberg  
Jadvhir Parmar
April 7, 1970

Mr. C. Newman
General Manager
Development Finance Corporation
of New Zealand
P.O. Box 3606
Wellington

Dear Mr. Newman,

Thank you for your letter of March 23 and for the Annual Report and Financial Report enclosed with it.

I am very glad to know that the pace of work's operations is picking up. I should appreciate a line from you soon to give me some information of the income from these operations, and I hope it will not be too long before I receive an invoice for the accommodation on the report that we enclosed earlier. Please remember me to Mr. Greenbank when you next see him.

With best personal regards,

Sincerely yours,

William Drummond
Director
Development Finance Corporation

RECEIVED

W. Porterfield
Chairman
Petre, Ganelby & Partners
1970 APR-2 PM12:17

COMMUNICATIONS
<table>
<thead>
<tr>
<th>Subject</th>
<th>Material Due From Division</th>
<th>Due Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Procedures for obtaining investment licenses</td>
<td>Powell</td>
</tr>
<tr>
<td>a) Korea</td>
<td>Powell</td>
<td></td>
</tr>
</tbody>
</table>

Mr. Powell sent a letter to KDFC asking for information on the subject.

cc: Mr. Powell