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FOR FURTHER CORRESPONDENCE PLEASE SEE VOL. VII

RECORDS MANAGEMENT SECTION
May 24, 1971

Mr. Wilson Schmidt
Deputy Assistant Secretary for Research
U.S. Department of the Treasury
Room 5037
Main Treasury Building
15th and Pennsylvania Avenue N.W.
Washington, D.C.

Dear Mr. Schmidt:

Attached is a copy of the bibliography on development banks and development banking, about which we spoke this morning. I hope you find it useful.

As for the question you raised regarding interest rates and spreads, on loans to development banks, I hope the documents I referred to will give you the information you need.

If there is anything else I can do for you, or any questions you want to pursue, please do not hesitate to call.

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosure

cc Mr. Wieczorowski
Because the attached memorandum contains the handwritten concurrence of Mr. McNamara, Mr. Diamond requests that it be filed with the yellow copy of the memorandum already sent you.
TO: Mr. Robert S. McNamara
FROM: William Diamond
SUBJECT: Private Sector Orientation of Development Finance Companies

At our meeting on May 14, I mentioned to you my intention to propose a change in an aspect of the Bank's policy towards DFCs. At present, DFCs we finance (whether publicly or privately owned) must be devoted primarily to financing private enterprises; and we allow only a minor portion of a Bank loan to a DFC to be used for state enterprises. In my view, the time has come to reconsider this policy. Accordingly, on May 10, I sent a memorandum to Mr. Knapp (copied to you) in which I recommended a change. Since then, we have discussed drafts and Mr. Knapp has approved a revision of paragraphs 15 and 16 of OPM 2.64, as follows:

"15. Focus on Private Investment. In most member countries, the bulk of productive enterprise is undertaken privately, and DFCs are the only significant instruments through which the Bank can assist, on a broad front, the directly productive sectors of economic activity. Moreover, in many countries state enterprises have access to public capital and do not need assistance to the extent private enterprises do. Many DFCs establish for themselves from the outset a clear-cut policy which precludes the financing of enterprises in which the state holds a substantial interest, because they feel they might find it difficult to resist pressure to give favored treatment to public enterprises if they were prepared to finance them at all. For these reasons, the DFCs financed by the Bank are engaged primarily in financing private enterprises.

16. In some member countries, however, state enterprises are accorded an important role either generally or in particular lines of activity. In a few countries they even play a predominant role in the economy. Hence, the Bank is prepared to consider financing state enterprises through loans to DFCs, so long as DFCs finance such enterprises on the basis of the same sound financial and economic criteria as they would apply in their lending to private enterprises. The Bank will take special care to assure itself that this is the case."
In ordinary circumstances, we would simply issue a revision of OPM 2.64 to staff and Board. However, the particular subject which is the object of the foregoing change in policy was specifically called to the attention of the Board in your memorandum on "Policies of the World Bank Group towards Development Finance Companies" of November 1, 1968. And that memorandum to the Board makes a strong statement in defence of the private sector orientation of our DFC work. In this circumstance, we all thought that the revision of policy needed explicitly to be called to the attention of the Board.

We have discussed ways of doing this in the least conspicuous manner, and have concluded that it would be best to make the point in connection with a concrete operation which can be carried out only if the change of policy occurs. The first such case will almost certainly be the proposal for a loan to the Tanzania Investment Bank, on which subject we have had a dialogue for almost two years, first with the Government of Tanzania and then with Mr. Kahangi, after TIB was established. Given the situation in Tanzania, the bulk of TIB's business will be with public or quasi-public enterprises.

Accordingly, my suggestion has been, if you agree, the following: Next time a semi-monthly report to the Board refers to our plans with respect to TIB (and that is likely to happen within a few months, when we announce a mission), we will make a brief oral statement at the Board meeting when it appears on the agenda, to the effect that plans with respect to TIB have called our existing policy into question and we have concluded that it ought to be revised. Immediately thereafter, we would issue a revision of OPM 2.64.

In the meantime, we shall inform the Area Departments, the staff of this Department, and other interested parties in the Bank about the change in policy, by sending them copies of this memorandum.

WDiamond: lvo

cc: Messrs. Knapp (10)
      Broches
      Cope
      Gabriel
      Cancio
      Professional Staff, DFC
May 21, 1971

TO: Mr. Robert S. McNamara

FROM: William Diamond

SUBJECT: Private Sector Orientation of Development Finance Companies

At our meeting on May 4, I mentioned to you my intention to propose a change in an aspect of the Bank's policy towards DFCs. At present, DFCs we finance (whether publicly or privately owned) must be devoted primarily to financing private enterprises; and we allow only a minor portion of a Bank loan to a DFC to be used for state enterprises. In my view, the time has come to reconsider this policy. Accordingly, on May 10, I sent a memorandum to Mr. Knapp (copied to you) in which I recommended a change. Since then, we have discussed drafts and Mr. Knapp has approved a revision of paragraphs 15 and 16 of OPM 2.6b, as follows:

"15. Focus on Private Investment. In most member countries, the bulk of productive enterprise is undertaken privately, and DFCs are the only significant instruments through which the Bank can assist, on a broad front, the directly productive sectors of economic activity. Moreover, in many countries state enterprises have access to public capital and do not need assistance to the extent private enterprises do. Many DFCs establish for themselves from the outset a clear-cut policy which precludes the financing of enterprises in which the state holds a substantial interest, because they feel they might find it difficult to resist pressure to give favored treatment to public enterprises if they were prepared to finance them at all. For these reasons, the DFCs financed by the Bank are engaged primarily in financing private enterprises.

16. In some member countries, however, state enterprises are accorded an important role either generally or in particular lines of activity. In a few countries they even play a predominant role in the economy. Hence, the Bank is prepared to consider financing state enterprises through loans to DFCs, so long as DFCs finance such enterprises on the basis of the same sound financial and economic criteria as they would apply in their lending to private enterprises. The Bank will take special care to assure itself that this is the case."
In ordinary circumstances, we would simply issue a revision of OPM 2.64 to staff and Board. However, the particular subject which is the object of the foregoing change in policy was specifically called to the attention of the Board in your memorandum on "Policies of the World Bank Group towards Development Finance Companies" of November 1, 1968. And that memorandum to the Board makes a strong statement in defence of the private sector orientation of our DFC work. In this circumstance, we all thought that the revision of policy needed explicitly to be called to the attention of the Board.

We have discussed ways of doing this in the least conspicuous manner, and have concluded that it would be best to make the point in connection with a concrete operation which can be carried out only if the change of policy occurs. The first such case will almost certainly be the proposal for a loan to the Tanzania Investment Bank, on which subject we have had a dialogue for almost two years, first with the Government of Tanzania and then with Mr. Kahangi, after TIB was established. Given the situation in Tanzania, the bulk of TIB’s business will be with public or quasi-public enterprises.

Accordingly, my suggestion has been, if you agree, the following: Next time a semi-monthly report to the Board refers to our plans with respect to TIB (and that is likely to happen within a few months, when we announce a mission), we will make a brief oral statement at the Board meeting when it appears on the agenda, to the effect that plans with respect to TIB have called our existing policy into question and we have concluded that it ought to be revised. Immediately thereafter, we would issue a revision of OPM 2.64.

In the meantime, we shall inform the Area Departments, the staff of this Department, and other interested parties in the Bank about the change in policy, by sending them copies of this memorandum.

WDiamond: lvo

cc: Messrs. Knapp (10) Broches Cope Gabriel Cancio Professional Staff, DFC
Mr. Burke J. Knapp

William Diamond

Private Sector Orientation of DFCs

May 18, 1971

Mr. Cope has the following amendments to make to the second paragraph of my draft revision of OPM 2.64:

"16. In some member countries, however, state enterprises are accorded an important role either generally or in particular lines of activity. In a few countries they even play a predominant role in the economy. Whether their role is major or minor, the Bank is prepared to consider financing state enterprises through loans to DFCs, so long as DFCs finance such enterprises on the basis of the same sound financial and economic criteria as they would apply in their lending to private enterprises. The Bank will take special care to assure itself that this is the case."

This revision seems fine to me.

WDiamond: lvo

cc: Messrs. Broches
    Cope
    Mathew
    Gustafson
May 17, 1971

(Salutation):

I take pleasure in informing you that Mr. Douglas R. Gustafson has been named a second Deputy Director of the Development Finance Companies Department. His appointment will become effective June 1, 1971.

Sincerely yours,

Rodney Clayton
Administrative Officer
Development Finance Companies

Enclosure:
(Administrative Circular, dated May 13, 1971)

(Inside Address)

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Mr. Serge Guetta
Directeur General
Société Congolaise de Financement
du Développement
Boîte Postale 1148
Kinshasa 1
République Démocratique du Congo
May 17, 1971

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

Dear Khun Sommai:

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, for restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company/companies. We believe that such memoranda have been very useful in the past.

Enclosed are two copies of a memorandum on IFCT. We would appreciate it if you would kindly review and return by June 15, one copy to us with any corrections and comments you would care to make. Also, we would be grateful if you could fill in the blanks on page 5, paras 22 and 23, and page 6, paras 24 and 25. In reviewing the draft, which closely follows the content of the one approved by IFCT last year, please bear in mind our aim that it be a strictly factual description of the company without elements of evaluation.

We plan to send you two copies of this document when it is completed, and any extra copies you may desire.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

Enclosures

cc: Mr. Powell (with a copy of the draft descriptive memorandum)
Private Sector Orientation of DFCs

1. Since our meeting this afternoon, I have checked on policy and practice with respect to free limits affecting state enterprises financed by DFCs.

   a. With respect to the policy, neither the Operational Memorandum nor the memorandum of November 1968 to the Board refers to free limits in connection with the Bank's preference for private sector financing by DFCs. The standard form of loan contract, under the project definition says "the Project consists in the financing by the borrower of specific development projects through loans to and investments in private enterprises in ..." A footnote states that the text may be modified as needed, including provision for enterprises other than "private".

   b. As for practice, we have resisted requests to finance state enterprises, and have agreed only on the basis of specific justification. We have always, thus far, placed a limit on the proportion of the loan which may be used for state enterprises. Until recently, we required that every such project come to the Bank for prior approval. This covers Tunisia, Nigeria and Morocco up until the loan that has just gone to the Board. Our first departure from the practice involved the loan to ICC of Ireland, which was approved two weeks ago. The second case is the current EMDE loan to Morocco.

2. It seems we did not call these departures from practice to your attention. I'm sorry.

3. The following is a revised draft of the two paragraphs in OPM 2.6 that take account of our discussions in the office this afternoon.

"15. Focus on Private Investment. In most member countries, the bulk of productive enterprise is undertaken privately, and DFCs are the only significant instruments through which the Bank can assist, on a broad front, the directly productive sectors of economic activity. Moreover, in many countries state enterprises have access to public capital and do not need assistance to the extent private enterprises do. Many DFCs establish for themselves from the outset a clear-cut policy which precludes the financing of enterprises in which the state holds a substantial interest, because they feel they might find it difficult to resist pressure to give favored treatment to public enterprises if they were prepared to finance them at all. For these reasons, the DFCs financed by the Bank are engaged primarily in financing private enterprises.
16. In some member countries, however, state enterprises are accorded an important role in particular lines of activity, or even a dominating role in the economy. In such cases, the Bank is prepared to consider financing state enterprises through loans to DFCs, so long as such enterprises are financed on the basis of the same sound financial and economic criteria as would be applied in their lending to private enterprises. The Bank will take special care to assure itself that this is the case."
May 13, 1971

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:

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, for restricted distribution to other development finance companies and to other parties who have a legitimate interest in a particular company/companies. We believe that such memoranda have been very useful in the past.

Enclosed are two copies of a new memorandum on NIBID. We would appreciate it if you would kindly review and return by June 15, one copy to us with any corrections and comments you would care to make. Also, we would be grateful if you could fill in the blank on page 7, para 30 with the appropriate figure. In reviewing the draft, which follows closely the content of the one approved by you last year, please bear in mind our aim that it be a strictly factual description of NIBID without elements of evaluation.

We plan to send you two copies of this document when it is completed, and any extra copies you may desire.

Sincerely yours,

(V.S.L.)  
(Miss) V. San Lin  
Development Finance Companies

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

VSanLin:er
May 12, 1971

Dear Mr. Doodhmal:

Thank you so much for your letter of May 5, 1971 and the attached Annual Report for ICICI.

Yours sincerely,

(Miss) Valerie San Lin
Development Finance Companies

Mr. R. C. Doodhmal
Secretary & Chief Accountant
The Industrial Credit and Investment Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

cc: Mr. Pollan

V.S.L. VSanLin:er
May 12, 1971

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 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, for restricted distribution to other
development finance companies and to other parties who have a legiti-
mate interest in a particular company/companies. We believe that such
memoranda have served a very useful purpose in the past.

Enclosed are two copies of a new memorandum on PDCP. We would
appreciate it if you would kindly review and return by June 15, one
copy to us with any corrections and comments you would care to make.
Also, we would be grateful if you could fill in the blanks on page 5,
para 19. In reviewing the draft, which follows closely the content of
the one approved by you last year, please bear in mind our aim that it
be a strictly factual description of PDCP without elements of evaluation.

We plan to send you two copies of this memorandum when it is
completed, and any extra copies you may desire.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

Enclosures

cc: Mr. Powell (With a copy of the draft
draft descriptive memo.)

V.S.L. VSanLin:er
Stat. 5044

March 11, 1971

Dear Miss Lin:

Please refer to your letter dated February 9, 1971, addressed to our General Manager, regarding data for the table "Comparable Operational Ratios of Development Finance Companies".

As desired, I enclose the Income Statement of ICICI for the calendar year 1970 along with the Balance Sheet of ICICI as at the end of December 1970. Our Annual Report for the year ended December 31, 1970 is under print; I will send a copy of the Report in a few days' time.

Yours sincerely,

Phiroze B. Medhora
Deputy General Manager

Encl:

Miss Valerie San Lin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433
U.S.A.
1. The Bank's policy, as stated in Operational Policy Memorandum 2.64, is that the DFCs it finances must be devoted primarily to the financing of private enterprises. The Bank will allow a portion of a loan to a DFC to be used to finance state enterprises, but only a minor portion; and it expects that the main business of the DFC will continue to be financing private investment. Among the few cases in which we have been asked to allow the proceeds of a loan to be used for state enterprise, and in which we have agreed, are Tunisia (35%), Nigeria (25%), Ireland (15%) and Morocco (no fixed percentage, but specific justification in each case).

2. I think the time has come to reconsider this policy. In the first place, we are now faced with the prospect of dealing with DFCs in countries where public policy is to support state enterprise rather than private enterprise. (The immediate case in point is Tanzania.) I question the desirability of the Bank's pursuing a policy which would rule us out of DFCs in such countries. (Incidentally, a change in our policy in this regard would get us off the hook in Yugoslavia. There we have been talking about a line of credit to Yugoslav investment banks to be used for financing industrial enterprises; we got around the policy point by saying that, while Yugoslav enterprise may not be private, it is also not public.) A second factor is that, even in countries where private enterprise predominates there may be a strong element of productive state enterprise and the Bank could play a significant role in financing such enterprise through DFCs. Third, there is an element of irrationality about the Bank's willingness to finance both private and public DFCs and to finance state enterprises directly, and its unwillingness to allow a DFC to finance a state enterprise.

3. The rationale for our present policy has rested on three points. First, we say that in most of the Bank's member countries the bulk of productive enterprise is undertaken privately and DFCs are the only significant instruments through which the Bank can assist the productive private sectors of economic activity. That statement continues to be correct, but it does not logically demand the conclusion that the Bank ought not to finance, through a DFC, the productive sectors of enterprise in a member country if they happen to be owned by the State. Second, we note that in many countries public enterprises have better access to funds than do private enterprises. This is probably also true but does not lead inexorably to the conclusion that we should refuse or restrict DFC financing of public enterprises through a DFC, if they too need capital.
Third, we say that a DFC which mixes the financing of state and private enterprise is likely to be under continuing pressure to favor the former. This is also probably true in many cases but it is not always true; nor does it call for the conclusion that we should not allow or restrict the financing of state enterprises through a DFC.

4. One important consequence of our present policy is that the Bank misses the opportunity to exercise, through well-run DFCs, the kind of beneficial influence on the planning, construction and operation of state enterprises which we think we exercise through DFCs, on private enterprises.

5. On balance, I would recommend that we change the policy set forth in paragraphs 15 and 16 of OPM 2.64, without, however, abandoning our wish to support, wherever possible, private initiatives in the economies of our member countries. I suggest that we have no hesitancy in financing DFCs which deal mainly or exclusively with productive enterprise in the state sector (or in the non-private sector) where there is no alternative in the member country concerned. In member countries where the state and private sectors operate side-by-side, we should satisfy ourselves that financing public enterprise through DFCs would not place private enterprise at a significant disadvantage. In effect, we would seek assurance that the DFC (whether public or private) is making its investment decisions on the basis of sound, non-political criteria.

6. If you agree with this change in policy, paragraphs 15 and 16 of O.P.M. 2.64 would be revised as follows. As you see, the amendments are minimal:

"15. Focus on Private Investment. In most member countries, the bulk of productive enterprise is undertaken privately and DFCs are the only significant instruments through which the Bank can assist, on a broad front, the directly productive private sectors of economic activity. Thus the DFCs financed by the Bank are engaged primarily in financing private enterprises. In many countries, public enterprises have access to public capital and do not need assistance to the extent private enterprises do. Moreover, experience suggests that a DFC, even a private one, which combines investment in the private sector with the financing of state enterprises, finds it difficult to resist pressure for more favored treatment for public enterprises. Many DFCs, recognizing this fact, establish for themselves, from the outset, a clearcut policy which precludes the financing of enterprises in which the states hold a substantial interest.

16. In some member countries, however, the financing of state enterprises is a matter of priority and a DFC can serve an important purpose by assisting them. Sometimes, they such-business can help assure the profitability of a DFC which would otherwise have insufficient demand for its capital and services. The Bank is therefore ready to lend to a DFC which finances state enterprises,
and-to-allow-part-of-the-proceeds-of-a-Bank-loan-to-be-used for-such-enterprises; so long as this business is conducted on sound lines the-main-business-of-the-DFC-continues to-be-financing-private-investment. In all cases where a DFC finances state enterprises, exclusively or at the same time that it finances private sector enterprises, the Bank will exercise particular care to assure itself that decisions are taken on sound financial and economic criteria.

7. May I call attention to the distinction sometimes made between "economic growth" and "development". The project criteria we have tried to develop in DFCs are primarily financial and economic, placing the main emphasis on the maximisation of income growth, rather than on such aspects of "development" as employment, equity and the like. The policy orientation of government-owned DFCs and state-owned productive enterprises may be different. I understand that consideration may be given to whether, and to what extent, a loss of efficiency in Bank-financed projects (or sub-projects) can be tolerated in order to further objectives considered worthwhile by member countries. If the Bank ever reaches a conclusion on this issue, it may be desirable to reconsider the criteria we expect DFCs to apply. But for the time being, the policy stated in the previous paragraph is meant to continue to place primary stress on income growth, and to consider such growth a sine qua non for an investment.

cc: Mr. McNamara
     Mr. Cope
     WDiamond/emb
Mr. Robert S. McNamara

William Diamond

Private Sector Orientation of DFCs

May 10, 1971

1. Attached is a copy of a memo I have just sent to Mr. Knapp on the foregoing subject, along lines we discussed last Tuesday.

Attachment.

WD/smb
Mr. J. Burke Knapp

William Diamond

Private Sector Orientation of DFCs

May 10, 1971

1. The Bank's policy, as stated in Operational Policy Memorandum 2.6k, is that the DFCs it finances must be devoted primarily to the financing of private enterprises. The Bank will allow a portion of a loan to a DFC to be used to finance state enterprises, but only a minor portion; and it expects that the main business of the DFC will continue to be financing private investment. Among the few cases in which we have been asked to allow the proceeds of a loan to be used for state enterprise, and in which we have agreed, are Tunisia (35%), Nigeria (20%), Ireland (15%) and Morocco (no fixed percentage, but specific justification in each case).

2. I think the time has come to reconsider this policy. In the first place, we are now faced with the prospect of dealing with DFCs in countries where public policy is to support state enterprise rather than private enterprise. (The immediate case in point is Tanzania.) I question the desirability of the Bank's pursuing a policy which would rule us out of DFCs in such countries. (Incidentally, a change in our policy in this regard would get us off the hook in Yugoslavia. There we have been talking about a line of credit to Yugoslav investment banks to be used for financing industrial enterprises; we got around the policy point by saying that, while Yugoslav enterprise may not be private, it is also not public.) A second factor is that, even in countries where private enterprise predominates there may be a strong element of productive state enterprise and the Bank could play a significant role in financing such enterprises through DFCs. Third, there is an element of irrationality about the Bank's willingness to finance both private and public DFCs and to finance state enterprises directly, and its unwillingness to allow a DFC to finance a state enterprise.

3. The rationale for our present policy has rested on three points. First, we say that in most of the Bank's member countries the bulk of productive enterprise is undertaken privately and DFCs are the only significant instruments through which the Bank can assist the productive private sectors of economic activity. That statement continues to be correct, but it does not logically demand the conclusion that the Bank ought not to finance, through a DFC, the productive sectors of enterprise in a member country if they happen to be owned by the State. Second, we note that in many countries public enterprises have better access to funds than do private enterprises. This is probably also true but does not lead inexorably to the conclusion that we should refuse or restrict DFC financing of public enterprises through a DFC, if they too need capital.
Third, we say that a DFC which mixes the financing of state and private enterprise is likely to be under continuing pressure to favor the former. This is also probably true in many cases but it is not always true; nor does it call for the conclusion that we should not allow or restrict the financing of state enterprises through a DFC.

1. One important consequence of our present policy is that the Bank misses the opportunity to exercise, through well-run DFCs, the kind of beneficial influence on the planning, construction and operation of state enterprises which we think we exercise through DFCs, on private enterprises.

5. On balance, I would recommend that we change the policy set forth in paragraphs 15 and 16 of OPM 2.64, without, however, abandoning our wish to support, wherever possible, private initiatives in the economies of our member countries. I suggest that we have no hesitancy in financing DFCs which deal mainly or exclusively with productive enterprise in the state sector (or in the non-private sector) where there is no alternative in the member country concerned. In member countries where the state and private sectors operate side-by-side, we should satisfy ourselves that financing public enterprise through DFCs would not place private enterprise at a significant disadvantage. In effect, we would seek assurance that the DFC (whether public or private) is making its investment decisions on the basis of sound, non-political criteria.

6. If you agree with this change in policy, paragraphs 15 and 16 of O.P.M. 2.64 would be revised as follows. As you see, the amendments are minimal:

15. Focus on Private Investment. In most member countries, the bulk of productive enterprise is undertaken privately and DFCs are the only significant instruments through which the Bank can assist, on a broad front, the directly productive private sectors of economic activity. Thus the DFCs financed by the Bank are engaged primarily in financing private enterprises. In many countries, public enterprises have access to public capital and do not need assistance to the extent private enterprises do. Moreover, experience suggests that a DFC, even a private one, which combines investment in the private sector with the financing of state enterprises, finds it difficult to resist pressure for more favored treatment for public enterprises. Many DFCs, recognizing this fact, establish for themselves, from the outset, a clear policy which precludes the financing of enterprises in which the states hold a substantial interest.

16. In some member countries, however, the financing of state enterprises is a matter of priority and a DFC can serve an important purpose by assisting them. Sometimes, too, such business can help assure the profitability of a DFC, which would otherwise have insufficient demand for its capital and services. The Bank is therefore ready to lend to a DFC which finances state enterprises,
end-to-end—part-of-the-proceeds-of—a-Bank-loan-to-be-used for-such-enterprises, so long as this business is conducted on sound lines and the main business of the Bank continues to be financing private investment. In all cases where a Bank finances state enterprises, exclusively or at the same time that it finances private sector enterprises, the Bank will exercise particular care to assure itself that decisions are taken on sound financial and economic criteria.

7. May I call attention to the distinction sometimes made between "economic growth" and "development". The project criteria we have tried to develop in DFIs are primarily financial and economic, placing the main emphasis on the maximisation of income growth, rather than on such aspects of "development" as employment, equity and the like. The policy orientation of government-owned DFIs and state-owned productive enterprises may be different. I understand that consideration may be given to whether, and to what extent, a loss of efficiency in Bank-financed projects (or sub-projects) can be tolerated in order to further objectives considered worthwhile by member countries. If the Bank ever reaches a conclusion on this issue, it may be desirable to reconsider the criteria we expect DFIs to apply. But for the time being, the policy stated in the previous paragraph is meant to continue to place primary stress on income growth, and to consider such growth a sine qua non for an investment.

cc: Mr. McNamara
     Mr. Cope
     WDiamond/emb
Mr. Aron Broches
William Diamond

DFCs: Private Sector Orientation

May 12, 1971

Mr. Knapp has asked me to send you a copy of the attached memorandum I have written to him, and to ask you to come to a meeting in his office at 2:30 p.m. on Monday, May 17.

He has also asked Mr. Cope and me to join him.

Attachment (memo of May 10, 1971 "Private Sector Orientation of DFCs")

cc Mr. Knapp
Mr. Cope
Mr. Mathew

WDiamond:us
Mr. Burke J. Knapp
William Diamond

Private Sector Orientation of DFCs

May 17, 1971

1. Since our meeting this afternoon, I have checked on policy and practice with respect to free limits affecting state enterprises financed by DFCs.

a. With respect to the policy, neither the Operational Memorandum nor the memorandum of November 1968 to the Board refers to free limits in connection with the Bank's preference for private sector financing by DFCs. The standard form of loan contract, under the project definition says "the Project consists in the financing by the borrower of specific development projects through loans to and investments in private enterprises in ..." A footnote states that the text may be modified as needed, including provision for enterprises other than "private".

b. As for practice, we have resisted requests to finance state enterprises, and have agreed only on the basis of specific justification. We have always, thus far, placed a limit on the proportion of the loan which may be used for state enterprises. Until recently, we required that every such project come to the Bank for prior approval. This covers Tunisia, Nigeria and Morocco up until the loan that has just gone to the Board. Our first departure from the practice involved the loan to ICC of Ireland, which was approved two weeks ago. The second case is the current IDBE loan to Morocco.

2. It seems we did not call these departures from practice to your attention. I'm sorry.

3. The following is a revised draft of the two paragraphs in CPM 2.6h, taking account of our discussions in your office this afternoon.

"Focus on Private Investment. In most member countries, the bulk of productive enterprise is undertaken privately, and DFCs are the only significant instruments through which the Bank can assist, on a broad front, the directly productive sectors of economic activity. Moreover, in many countries state enterprises have access to public capital and do not need assistance to the extent private enterprises do. Many DFCs establish for themselves from the outset a clear-cut policy which precludes the financing of enterprises in which the state holds a substantial interest, because they feel they might find it difficult to resist pressure to give favored treatment to public enterprises if they were prepared to finance them at all. For these reasons, the DFCs financed by the Bank are engaged primarily in financing private enterprises."
16. In some member countries, however, state enterprises are accorded an important role in particular lines of activity. While the Bank is prepared to consider financing state enterprises through loans to EECs, so long as such enterprises are financed on a world-wide-and-applied-for-their-lending-to-waste-enterprises basis, the Bank will take special care to assure itself that this is in no way a support of the enterprises concerned. It is such enterprises that concern us here.

and economic and industrial
May 5, 1971

Dear Miss Lin:


Yours sincerely,

R.C. Doodhmal
Secretary & Chief Accountant

Encl: Security & Chief Accountant

Miss Valerie San Lin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington D.C. 20433
U.S.A.
May 6, 1971

Dear Miss Lin:


Yours sincerely,

[Signature]

R.C. Decamini
Secretary and Chief Accountant

Mae Veleite, Jr.
Development Finance Corporation
International Bank for Reconstruction
and Development
1818 H Street, NW
Washington DC 20538
U.S.A.

SECTION
COMMUNICATIONS
1971 MAY 11 AMT: 30
RECEIVED
May 3, 1971

Mr. J. L. Perera
Accountant
Development Finance Corporation
of Ceylon
42/1 Horton Place
P. O. Box 1397
Colombo 7, Ceylon

Dear Mr. Perera:

This is to acknowledge the receipt of your letter of April 23, 1971 and the attached financial statements for DFCC.

Thank you so much for your cooperation. I would be grateful if you could send us your Annual Report as soon as it is printed.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

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

V.S.L. V San Lin: er
May 3, 1971

Dr. Luis Ayora  
Gerente General  
Comision de Valores - Corporacion Financiera Nacional  
Apartado No. 2653  
Quito, Ecuador

Dear Dr. Ayora:

You will recall that amongst the package of documents we sent you last February, there was a table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", which indicated in terms of a number of ratios the financial performance of each of the development finance companies associated with the World Bank Group.

We are now preparing a new table which reflects the performance of our companies in 1968, 1969 and 1970 and plan to include CFN's statistics in this new table as duly authorized by you in your letter to Mr. Diamond of March 22, 1971. Thus, to facilitate our analysis, I would be extremely grateful if you could provide us with CFN's income statements for the fiscal years ending June 30, 1968, 1969 and 1970 on the attached forms, following the format as closely as possible.

Thanking you in anticipation.

Sincerely yours,

(Miss) Valerie San Lin  
Development Finance Companies

Attachments  
cc: Mr. Acevedo
April 30, 1971

Mr. J. Burke Knapp

Board Meeting Discussion

1. I called on Mr. Rinnocy Kan today to discuss with him the question he raised at the Board meeting last Tuesday concerning the division of labour between IFC and the Bank for financing development banks. I told him about our policy and the rationale for it, and showed him the relevant sections of the Operational Policy Memorandum 2.64. It appears that the question of the line between the two institutions was, in his mind, mixed up with the question of the Bank's being a lender of last resort; he felt that if IFC invested in a private development bank, that development bank should be able to borrow in the market. We discussed the constraints on such borrowing from private sources abroad and the Bank's efforts to push development banks to diversify the sources of their capital. I think, at the end, he had a better picture of the problems and of our policies in this regard.

2. I also called on Mr. Wiszczorowski because of several points he had made in the KDPC discussion. First, as regards competitive bidding, I acknowledged that we had slipped in not referring to this matter in the KDPC appraisal. We planned to do it in all cases in the future. As for KDPC, its practices in this respect are good.

3. Second, he had suggested that all dFC appraisals discuss the social impact of the dFC's work and I asked for a precise statement of what he would like to see. He suggested that we deal with such matters as employment effects (which we could often do), size of enterprises financed (which we always do), whether projects are new or expansions (which we always do), and pollution (I). I said I would try to devise an appropriate format to use in a fairly standard way.

4. Finally I referred to his statement that this would be the last loan to KDPC and to your answer to him. He said he had been instructed to make that comment and, indeed, had watered down the statement given him.

cc: Messrs. Mathew/Gulhati
WDiamond/amb
DATE AND TIME OF CABLE: APRIL 30, 1971

LOG NO.: ITT TELEX VIA FUND / 30

TO: DIAMOND INTBAFRAD

FROM: RIO DE JANEIRO

TEXT:

I HAVE BEEN ELECTED PRESIDENT OF ANBID THE BRAZILIAN INVESTMENT BANKERS ASSOCIATION FOR THE PERIOD 1971 - 1972. I SHALL ATTEND INTABANC MEETING LIMA PERU ARRIVING ON MAY SEVEN EVENING HOTEL SAVOY. REGARDS

CASIMIRO RIBEIRO FINACRED - RIO

ACTION COPY: MR. DIAMOND

INFORMATION COPY:

DECODED BY:

SAH
<table>
<thead>
<tr>
<th>ROUTING</th>
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<tr>
<td>ACTION: ECK, TERENCE</td>
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<td>INFORM.: ECK, TERENCE</td>
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<td>DECODE: ECK</td>
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<tr>
<th>COMMUNICATIONS</th>
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<tbody>
<tr>
<td>APR 30 11:59 AM 1971</td>
</tr>
</tbody>
</table>

Please cut the communications section.
Letter No. 35

April 29, 1971

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

Dear Mr. Guetta:

Please allow me to flag your attention to our letter to you of March 15, 1971 in which we asked you to review and return a copy of the enclosed draft descriptive memorandum on SOCOFIDE by April 15. As of today, we have not yet received it and would greatly appreciate your cooperation on this matter.

Thanking you in anticipation.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

Enclosure

cc: Mr. Sekse

VSanLin:er
April 29, 1971

Mr. Pertti Tuomala
Managing Director
Teollistamisrahasto Oy - Industrialization
Fund of Finland Ltd.
Louaretinkatu 13, V krs.
Helsinki, Finland

Dear Mr. Tuomala:

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, 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 IFF. We would appreciate your reviewing it and returning by May 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 5, para 22 and page 6, paras 24, 25 and 26. In reviewing the draft please bear in mind our aim that it be a strictly factual description of IFF 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 and any extra copies you may desire.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

Enclosures

cc: Mr. Gustafson (with a copy of the draft descriptive memorandum)
April 29, 1971

Crédit Immobilier et Hôtelier
159, avenue Hassan II
Casablanca
Morocco

Gentlemen:

I would like to acknowledge with thanks receipt of Mr. Lazrak's letter of April 20 to Mr. Diamond authorizing us to include CIH in the group of financial institutions associated with us and about which we compute operational ratios for restricted circulation among the companies themselves. Your authorization is most helpful.

Sincerely yours,

Khalil Nougaim
Development Finance Companies

cc: Miss San Lin

KNougaim: maf
Our Ref: INE/IBRD/GEN

23rd April, 1971.

Miss Valerie San Lin,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
Washington D.C. 20433,
U.S.A.

Dear Madam,

Further to Mr. Loganathan's letter of
21st February, 1971 and your reply of 26th February,
1971 we send you herewith the following:

1) Balance Sheet at 31st March, 1971
2) Statement of Profit & Loss for the
year ended 31st March, 1971
3) Detailed Schedule of Income and
Expenditure.

The Audit of the above Accounts have not
yet been finalised.

Kindly acknowledge receipt.

Yours faithfully,

J.L. Perera
ACCOUNTANT

Encl:
JLP/bj.
DEVELOPMENT FINANCE CORPORATION OF CEYLON

10A OIPA, K.M. 51, AL COLOMBO.

234 April, 1971

Dear Sirs,

Further to Mr. Leicester's letter of

13th February, 1971, regarding your inquiry of 14th February,

I am writing to you herewith the following:

1) Balance Sheet as at March 1971

2) Statement of Profit & Loss for the

year ended 31st March 1971

3) Detailed Statement of Income and

Expenses.

The Audit of the above accounts have not

yet been Finalised.

Kindly acknowledge receipt.

[Signature]

J. P. Peters
ACCOUNTANT

[Handwritten note: "Date: 9/12/71"]
Monsieur William DIAMOND
Director Development Finance Companies
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H. Street, N. W.
WASHINGTON
DC, 20, 433 - USA

Monsieur le Directeur,

Par lettre du 29 Mars vous avez bien voulu nous faire parvenir une très intéressante documentation relative à divers établissements financiers associés à la Banque Mondiale.

Vous nous demandez également notre accord pour inclure dans des tableaux comparatifs en préparation, des informations concernant le Crédit Immobilier et Hôtelier.

Nous avons l'honneur de vous faire savoir que nous ne voyons pas d'objection à la publication de ces informations.

Veuillez agréer, Monsieur le Directeur, l'expression de nos sentiments distingués.

LE DIRECTEUR GENERAL,
Mohamed LAZRAK.
April 19, 1971

Dear Mr. Ahmed:

This is to acknowledge with thanks the receipt of your letter of April 6, 1971 and the attached income statement and audited financial statements for PICIC.

With best regards,

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

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

cc: Mr. Lethbridge
Mr. P. M. Mathew,
Deputy Director,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N. W.,
Washington, D. C. 20433,
U. S. A.

Dear Mr. Mathew,

As requested, I have made arrangements to despatch to you 20 copies of our Bank journal containing your paper. I assume by the time you receive this packet you would have already received the five copies that were sent to you earlier. Please continue to keep in touch with me and should you plan to write another paper, I will be happy to publish it in our Bank's review. Incidentally, I gave Mr. Geoff Leembruggen a good number of the last issue for distribution among his senior staff.

Warmest regards and all good wishes.

Yours very sincerely,

V. KANAPATHY
Mr. H. Matthew
Deputy Director
Development Finance Committee
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

Dear Mr. Matthew,

I have made arrangements to have you sign the cheques for the amount of $30,000.

As requested, I have made arrangements to have you receive the document containing the instructions for the cheques. I was informed that you would receive a copy of these instructions.

I hope that this letter finds you well and that all is progressing according to plan.

Yours very sincerely,

[Signature]

V. Kanapathy

[Date: 4th April 1972]
April 13, 1971

Dear Mr. Montoya:

Thank you very much for your letter of March 30, 1971 and the attached Balance Sheet and Income Statement for Corporacion Financiera Nacional. Your cooperation is greatly appreciated. I would be extremely grateful if you could send us a copy of your Audit Report as soon as it is ready.

With warm regards,

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

Mr. Gustavo Montoya Toro
Gerente de Planeacion
Corporacion Financiera Nacional
Apartado Aereo 1039
Medellin, Colombia

cc: Mr. Acevedo (with a copy of the incoming)
April 13, 1971

Dear Mr. Kanapathy:

This is to acknowledge with thanks the receipt of the five copies of the UMBC Economic Review containing my article which you mentioned in your letter of March 31, 1971.

With best regards,

Sincerely yours,

P. M. Mathew
Deputy Director
Development Finance Companies

Mr. V. Kanapathy
United Malayan Banking Corp., Bhd.
P. O. Box 2006
42 Jalan Mountbatten
Kuala Lumpur, Malaysia

V.SanLin:er
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
Development Finance Companies
1818 H Street N.W.
Washington D.C. 20433
U.S.A.

Gentlemen,

In reply to your letter of February 9th, 1971 re: Comparative Operational Ratios of Development Finance Companies, we are pleased to enclose herewith NIBID's unaudited balance sheet as at December 31, 1970 and the 1970 income statement on the basis of your form.

Yours faithfully,

NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT S.A.

A. Papantonakis N. Pantazopoulos

Encl.
### Income Statement Form

<table>
<thead>
<tr>
<th>Income</th>
<th>Amount (K'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans</td>
<td>121.552</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments</td>
<td>8.817</td>
</tr>
<tr>
<td>3. Income on Equity Investments</td>
<td>7.428</td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee fees and Letters of Credit fees</td>
<td>701</td>
</tr>
<tr>
<td>5. Income from Subsidiary Company</td>
<td>1.108</td>
</tr>
<tr>
<td>6. Other</td>
<td></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>139.606</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Amount (K'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest and Other Charges on Term Debt</td>
<td>70.655</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-term Debt</td>
<td>0</td>
</tr>
<tr>
<td>3. Write-offs from Loans and Investments</td>
<td>0</td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td>22.319</td>
</tr>
<tr>
<td>5. Other Financial Expenses</td>
<td>8.203</td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td>115.545</td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>5.639</td>
</tr>
<tr>
<td>b. Other Administrative Expenses</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>115.545</strong></td>
</tr>
</tbody>
</table>

**Net Profit before Taxes** | 24.061 |
**Provision for Income Tax** | 0 |
**Net Profit** | 24.061 |

**Appropriation of net profit:**
- **Transfer to General (Legal) and other Free Reserves** | 4.812 |
- **Transfer to Reserves for Losses on Loans and Investments** | 0 |
- **Transfer to Special Reserve re: Capital gains** | 3.793 |
- **Provision of Dividends - Directors' fees** | 15.468 (12) |
- **Unappropriated Surplus** | 24.061 |

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**NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT S.A.**

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**ANNEX**
Monsieur Mohamed Benkirane  
Directeur Général Adjoint  
Banque Marocaine pour le Commerce  
et l'Industrie  
26, Place Mohamed V  
Casablanca, Maroc  

Cher Ami,

Toutes sortes de difficultés m'ont empêché de vous joindre et de répondre à votre précédente lettre, y compris lors d'un coup de téléphone que je vous avais adressé de Madrid le 13 mars dernier et qui n'a pu vous joindre.

Je me prépare à rendre de nouveau visite au Maroc et ne manquerai pas de vous faire signe à mon arrivée. Jacques Coudol qui sera là avant moi, à partir du 14 avril, pour une nouvelle mission au CIH se mettra certainement en rapport avec vous pour que nous puissions vous rencontrer à votre convenance.

Je me réjouis vivement de cette perspective et vous prie de joindre votre épouse à mon meilleur et amical souvenir.

Hans Pollan  
Development Finance Companies  

J·COUDOL·maf
April 6, 1971

Miss Valerie San Lin,
Development Finance Companies,
1818 H Street, N.W.,
Washington, D.C. 20433,
U.S.A.

Dear Miss Lin,

In continuation of my letter No. OD-268/455/71 of February 16, 1971, I am enclosing a copy of our audited financial statements for the year ended December 31, 1970, incorporating the appropriations approved by our Board of Directors together with summarized income statement as per the proforma attached with your letter of February 9, 1971.

I am sorry that I could not send these accounts to you earlier as our Board of Directors' meeting, which was scheduled to be held on March 18, 1971, had to be postponed till March 31, 1971.

With kind regards,

Yours sincerely,

( SADU AHMED )
MANAGING DIRECTOR
No. OD-268-455/71

April 6, 1971

Miss Valerie San Lin,
Development Finance Companies,
1818 H Street, N.W.,
Washington, D.C. 20433,
U.S.A.

Dear Miss Lin,

In continuation of my letter No. OD-268/257/71 of February 16, 1971, I am enclosing a copy of our audited financial statements for the year ended December 31, 1970, incorporating the appropriations approved by our Board of Directors together with summarized income statement as per the proforma attached with your letter of February 9, 1971.

I am sorry that I could not send these accounts to you earlier as our Board of Directors' meeting, which was scheduled to be held on March 18, 1971, had to be postponed till March 31, 1971.

With kind regards,

Yours sincerely,

(Signed) Ahmed
MANAGING DIRECTOR
March 31, 1971

Dear Mr. Paes:

Thank you so much for your letter of March 22, 1971 and the attached annual report.

With warm regards,

Sincerely yours,

Y.S.C.

(Miss) Valerie San Lin
Development Finance Companies

Mr. Raul Paes Calle
Technical Department Manager
Ecuatoriana de Desarrollo S.A.
Compania Financiera
P. O. Box 411
Quito, Ecuador

cc: Mr. Acevedo

VSanLin:er
Corporación Financiera Nacional  
Medellín, Colombia  
March 30, 1971

Miss Valerie San Lin  
Development Finance Companies  
IBRD  
Washington, D.C. 

Ref.: 0723

Dear Miss San Lin:

In reply to your request, we are pleased to inform you as follows:

1. Copy of Balance Sheet and Statement of Income and Expenditure at December 31, 1970, in accordance with the presentation used for internal purposes.

Interpretation will be easier if it is borne in mind that up to 1969 we had two accounting years: one from January 1 to June 30 and the other from July 1 to December 31. Because of this, the figures for profits shown under Liabilities in 1969 correspond solely to the second half of the year, whereas those for the first half were distributed as increases to the reserves and as dividends.

Notwithstanding this, to facilitate analysis, the balances shown on the Statement of Income and Expenditure are those accumulated for the whole of 1969 and 1970.

2. The "Income Statement Form" you sent us calls for the following explanations:

(i) we have added the heading "6-a Income on letter of credit financing and other loans (maturing at less than one year)," which does not appear on your form and which corresponds to the heading "Expenses 2 - Interest and Other Charges on Short-term Debt."

(ii) A note has been added explaining the contents of heading "6-b Other Non-Administrative Expenses".

3. We have not sent the audited balance sheet because our external auditors have not yet submitted their report, and today was the deadline you had set for sending in the form.

Yours truly,

(s) Gustavo Montoya Toro  
Planning Manager

Enclosure: as stated
Marzo 30 de 1970

Miss Valerie San Lin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, D. C. 20433

Muy apreciada Miss Valerie:

En respuesta a la solicitud hecha por Ud. nos permitimos enviar la siguiente información:

10. **Copia del Balance y Estado de Rentas y Gastos en diciembre 31/70** de acuerdo con la presentación utilizada para fines internos.

Para su debida interpretación, debe tenerse presente que hasta el año de 1969 la Corporación tenía dos ejercicios contables anuales: uno del 1o. de enero al 30 de junio y otro del 1o. de julio al 31 de diciembre. Por esta razón las cifras de utilidades que aparecen en el Pasivo en 1969 corresponden únicamente al 2o. semestre, ya que las del 1er. semestre fueron distribuidas en incrementos de las reservas y dividendos.

A pesar de lo anterior, para facilitar el análisis, los saldos mostrados en el Estado de Rentas y Gastos son los acumulados para la totalidad de 1969 y 1970.

20. **"Income Statement Form"**, en el formulario enviado por Ud. Este requiere las siguientes aclaraciones:

i) Hemos agregado el renglón "6-a Income on letter of credit financing and other loans (maturing less than one year)"", que no figura en su formulario y que es correlativo con el renglón "Expenses 2-Interest and Other Charges on Short-term Debt".
ii) Se ha puesto una nota aclaratoria del contenido del renglón "6-b Other non-Administrative Expenses".

30. No enviamos el balance auditado, por no haber presentado su informe nuestros auditores externos, hoy 30 de marzo, fecha por usted indicada para remitir el formulario.

Atentamente,

[Signature]
Gustavo Montoya Toro
Gerente de Planeación

Incl.: lo anunciado
March 29, 1971

Mr. Mohamed Lazrak
Director General
Credit Immobilier et Hotelier
159 Avenue Hassan II
Casablanca, Morocco

Dear Mr. Lazrak:

You will recall that this Department sent you last October a table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", which indicated in terms of a number of ratios the financial performance of each of the development finance companies associated with the World Bank Group. (Enclosed is a copy of it.) Many companies have expressed their warm appreciation of the usefulness of these statistics.

We are now preparing a new table which reflects the performance of our companies in 1968, 1969 and 1970, for the use of our staff and for restricted circulation amongst the companies associated with us. We shall this time include CIH in the tabulation for the first time. I am sure you will have no objection to our doing so. But I want nevertheless to call the matter to your attention and I would appreciate hearing from you.

With warm regards,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosure

cc: Mr. Pollan
March 25, 1971

The Role of Development Research in the World Bank

Mr. Chenery would welcome your comments on the attached paper. It is likely that a meeting of the Economic Committee on the paper will be scheduled after Mr. Chenery's return on April 9.

J. Chaffey
Secretary
Economic Committee

Attachment

Secretary's Department

Distribution:
Members of the Economic Committee
March 23, 1971

Mr. V. Kanapathy
United Malayan Banking Corp., Bhd.
P.O. Box 2006
42, Jalan Mountbatten
Kuala Lumpur, Malaysia

Dear Mr. Kanapathy:

Many thanks for your letter of February 10 and the attached copy of the Tenth Anniversary Special Issue of UMBC Economic Review. I regret the delay in acknowledging them. I was abroad for most of February and the early part of March.

I wonder if it would be possible for you to arrange for me to receive 100 reprints of my article "Development Finance Companies: An Appraisal". In case there is any cost involved, we shall be happy to bear them.

Thanking you in advance.

Yours sincerely,

P. M. Mathew
Deputy Director
Development Finance Companies

cc: w/cc of Article: Mr. Blinkhorn
cc: Miss San Lin

PMMathew:mbj
March 23, 1971

Gentlemen:

Thank you so much for your letter of March 15, 1971 and the attached income statement and balance sheet for IVK.

With best regards,

Sincerely yours,

V. S. L.

(Miss) Valerie San Lin
Development Finance Companies

Oesterreichische Investitionskredit
Aktiengesellschaft
Renngasse 10
1013 Wien
Vienna, Austria

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

VSanLin:er
OUTGOING WIRE

TO: BOOK OF FOUR
SEE SEPARATE SHEET ATTACHED FOR NAMES AND ADDRESSES

COUNTRY:

TEXT:
Cable No.:

PATerson comma Wiese and eye plan reception in your honor and in the honor of the other presidents of financieras comma Thursday evening April 1 stop Hope you agree best wishes

DIAMOND

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME William Diamond
DEPT. Director Development Finance Companies
SIGNATURE [Signature]
REFERENCE: WDiamond:jmb

CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Paterson Wiese Acevedo

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)
OUTGOING WIRE

DATE: March 22, 1971

TO:

COUNTRY:

TEXT:

NAME:

DATE: March 22, 1971

NOTE TO BE TRANSMITTED

Authorization by: (Signature)
IGNACIO COPETE-LIZARRALDE  
PRESIDENT  
COFINANCIERA  
BOGOTA  
(COLOMBIA)  

ALVARO JARAMILLO VENGOECHEA  
PRESIDENT  
COFINORTE  
BARRANQUILLA  
(COLOMBIA)  

BENJAMIN MARTINEZ MORIONES  
PRESIDENT  
FINANCIERA  
CALI  
(COLOMBIA)  

JOSE GUTIERREZ GOMEZ  
PRESIDENT  
FINANCIERA  
MEDELLIN  
(COLOMBIA)
Disbursements to Development Finance Companies

Attached are various memoranda and minutes of meetings of the Executive Directors on policies and disbursement procedures covering Development Finance Companies.

The Controller's Department wishes to continue its present practice of requiring complete documentation from the Development Finance Companies for loan disbursements and the Development Finance Companies Department is interested in liberalizing the procedures and have loan disbursements made by the Bank to the more sophisticated Development Finance Companies on the basis of certifications.

During the audit of Bank loans I briefly looked into this area and found that the Board had approved inter alia in part the principle of the disbursement of funds based upon a certification. The President's Memorandum (R-68-20h, dated November 1, 1968) provides in Section III, paragraph g, sub-paragraph b, as follows:

"Disbursements would take place upon submission of documents or upon certification that payment has been made for specified goods for specific projects."

Action of the Board approved this Section of the President's Memorandum on November 12, 1968 (SM-68-39, IFD/68-13).

The Disbursement Division believes that documentation should be required from Development Finance Companies in order to control the propriety and integrity of loan disbursements made by the Bank. They feel that without proper documentation, it is possible for funds from the Bank to go to non-member countries by the purchase of materials and supplies in those countries and the source of supply would not be known. It is further believed that the Development Finance Companies themselves could become lax and not require the necessary documentation from their borrowers as developed with the Industrialisation Fund of Finland. The attached memorandum from Mr. Gavin to Mr. Verheyen, dated August 11, 1970, illustrates the difficulties that were found in the administration of the Company's disbursement procedures. Some applications for disbursements were not supported by purchase contracts, invoices, payment certificates or evidence of shipment; some invoices did not cover the period for which the loan disbursement was made; one payment was made against a letter from the sub-borrower with a Cash Flow Statement and no other documentation.
Although there is considerable work in the Disbursement Division in processing withdrawal applications with the required documentation from Development Finance Companies, the Bank is in a position to exercise control over the use of Bank funds. The Bank would lose this position under the certification system.

In my conversation with Mr. Diamond he indicated that the difficulties encountered in the Industrialization Fund of Finland were of an unusual nature and that the Company in its operations could not be compared with a company that was well run such as PICIC in Pakistan or compared with other sophisticated companies.

It is very difficult to judge which system should be used in the Bank. The Bank protects itself by requiring and reviewing adequate documentation for Bank loans. If the Bank were to disburse funds based on the Development Finance Company's certification, it shifts the burden for reviewing the documentation of the sub-borrower to the Borrower and while it would reduce the workload in the Disbursement Division, it could eventually lead to many problems if the Borrowers became lax in their administration of sub-borrowers' projects.

I personally feel that even sophisticated companies can fail to exercise proper control over the use of borrowed funds and until a policy decision or understanding is made as to what degree the Bank wishes to exercise control over the use of Bank funds, I recommend that the Bank continue its present practice of requiring documentation from Development Finance Companies.

JAB/vrc

atts.
March 22, 1971

Miss Valerie San Lin
Development Finance Companies
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
1818 H Street
N.W. Washington D.C. 20433
U.S.A.

Dear Miss San Lin:

Your letter of February 9, 1971 addressed to Dr. Correa has been referred to me.

In accordance with your requirement I am attaching herewith a copy of our audited report for 1970.

I hope that the attached document will meet your requirements to prepare the "Comparative Operational Ratios of Development Finance Companies", in case you may need additional information please do not hesitate to call on us.

Very truly yours,

COFIEC

Raúl Páez Calle
Technical Department Manager

Encl.
OUTGOING WIRE

TO: ROBERT HERDOIZA
MANUBANK
DETROIT
COUNTRY: (MICHIGAN)

DATE: MARCH 22, 1971
CLASS OF SERVICE: Telex 023-415 235284

TEXT:
LOOKING FORWARD MEETING YOU THURSDAY MORNING AND
HAVING YOU AT LUNCH THAT DAY
REGARDS

DIAMOND

ORIGINAL (File Copy)
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

AUTHORIZED BY: Wm. Diamond, Director, DFC/IBRD
DEPT.

CLEARANCES AND COPY DISTRIBUTION:
cc Mr Acevedo
WDiamond:us

For Use By Communications Section

Checked for Dispatch:
TO: ROBERT HERDIAZ
MANUFACTURER
DETROIT (MICHIGAN)

Date: March 22, 1971

Looking forward meeting you Thursday morning and
having you at lunch that day.

DIAMOND
TO: GERRIT VENEMA  
WFBIC  
NEW YORK  
COUNTRY: (NEW YORK)  

DATE: MARCH 22, 1971  
CLASS OF SERVICE: TELEX 12-6993  

TEXT:  
LOOKING FORWARD MEETING YOU THURSDAY MORNING  
AND HAVING YOU AT LUNCH THAT DAY REGARDS  

DIAMOND  

NOT TO BE TRANSMITTED  

AUTHORIZED BY: William Diamond, Director, DPC/IBRD  
DEPT.  
SIGNATURE (Signature of Individual Authorized to Approve)  
REFERENCE:  

CLEARANCES AND COPY DISTRIBUTION: cc Mr. Acevedo  
WDiamond/us  

FOR USE BY COMMUNICATIONS SECTION  
CHECKED FOR DISPATCH: [Signature]
Mr. William Diamond  
Director  
Development Finance Companies  
International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433 / USA

Dear Bill,

Thank you very much for your letter dated March 16, 1971, and the kind words you found about the change in my duties. The development bank department is not existent any more, but - on the other hand - we have established a permanent working group for development bank financing which does not shine up in our organigram. This working group, headed by myself and consisting of Mr. Meissner as my alternate, Mr. Moritz and Mr. Beck as permanent members and of other collaborators managing development bank loans on a case to case basis, is responsible for all general questions in our field. Therefore, our exchange of views on general issues as well as our exchange of statistics can continue as before. On the other hand, cases which only relate to specific loans shall be dealt within the three regional head departments. In regard to our regular reports, there will be a small change in so far as the monthly reports will only quarterly contain the full information, whereas the two months in between will be covered in an abbreviated manner, leaving out the items "amount sanctioned" and "number of sub-loans".

I am sure that you can imagine what such an organizational change means in terms of additional work and problems. The worst is over, but there remain still many problems to be solved.
Mr. William Dibona
Director
Development Finance Company
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433 USA

Dear Bill,

Thank you very much for your letter dated March 6, 1971.

The kind words you found about the change in my duties are greatly appreciated. The development bank department is not existing any more, but on the other hand, we have established a permanent working group for development bank financing which does not shine up in our organization. Mr. Weiser and Mr. Peck as being the main members and all other collaborators managing development bank assign as before on a case to case basis, as responsible for all general issues as well as our exchange of activities can continue as before. On the other hand, the working group only relate to specific issues which are dealt within the three regions. The role of the working group will be covered in an appropriate manner, leaving out the items "mount sanitation and support of up-lines and services."

I am sure that you can imagine what such an organization change means to terms of work and procedures. The more is over, the more remain stiff many proposals to be revised.
Getting familiar with all the old and new loans in my regions is a very interesting, but sometimes tiresome task. In order to get through with my Latin-American customers I believe it necessary to pick up some Spanish. For this purpose I am going to Madrid during the whole of May together with Lisa, and I hope that after 35 weekly hours of training we shall at least be able to order a meal when necessary.

The formal invitation for the Copenhagen meeting has reached me too, and I am also looking forward with pleasure to seeing you there.

Many thanks and kindest regards,

Yours sincerely,
March 18, 1971

Dear Mr. Nule:

This is to acknowledge the receipt of your letter dated March 10, 1971 and the attached income statement and balance sheet for Corporacion Financiera del Norte. Thank you so much for your cooperation.

With best regards,

Sincerely yours,

V.S.L.

(Miss) Valerie San Lin
Development Finance Companies

Mr. Guido Nule Amin
Departamento Economico
Director
Corporacion Financiera del Norte
Apartado Aereo 2747
Barranquilla, Colombia

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

VSanLin:er
March 17, 1971

Dear Mr. Diby:

This is to acknowledge the receipt of your letter dated March 5, 1971 together with the attached income statement, balance sheet and audit report for BIDI. Thank you so much for your cooperation.

With best regards,

Sincerely yours,

V.S.L.

(Miss) Valerie San Lin
Development Finance Companies

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

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

VSanLin:er
OUTGOING WIRE

TO: LAZRAT
CREDIT HOTEL
CASABLANCA

DATE: MARCH 17, 1971

COUNTRY: MOROCCO

TEXT: VOUS REMERCIER PREVISIONS CINQ ANS RECUES CE JOUR

Cable No. INTBIAFA

AUTHORIZED BY: Mr. Jacques Coudol

DEPT. Development Finance Companies

SIGNATURE (Signature of Individual Authorized to Approve)

REFERENCE JCoudol:maf

CLEARANCES AND COPY DISTRIBUTION:

C.c.a Mr. McCall
Mr. T. Jones
Mr. Petretti
Mr. Boscoe

For Use By Communications Section

Original (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: W

NOT TO BE TRANSMITTED
OUTGOING WIRE

DATE: MARCH 17, 1971

TO: FAX

SUBJECT: DELIVER ANCILLARY

OUTPOST:

COUNTRY: MOROCCO

TEXT: Veuillez prendre provisions under request of your

CONDOUR

NOT TO BE TRANSMITTED

AUTHORIZED BY: Mr. JACOBOU CONDOUR

SIGNATURE: Development Finance Committee

REFERENCE: JACOBOU XE1

ORIGINAL (the Copy)
Information on Development Finance Companies in Western Africa

1. This is in answer to your request of March 8 to Mr. Sekse for a short list of useful development financing institutions in the countries of Western Africa, especially Ghana and the Francophone countries, to be communicated to the World Council of Churches.

2. In West Africa, South of Sahara, the World Bank Group is already associated with, and has detailed information on, the following dfc's:

   Banque Ivoirienne de Développement Industriel (BIDI), Abidjan, Ivory Coast;
   Liberian Bank for Industrial Development and Investment (LBIDI), Monrovia, Liberia;
   Nigerian Industrial Development Bank Limited (NIDB), Lagos, Nigeria.

3. These three institutions play a useful developmental role, in varying degrees of efficiency. BIDI is a middle-size development bank, reasonably efficient. It underwent a change in management last year, the German General Manager being replaced by an Ivorian. LBIDI has a low level of activity and is at present hampered by problems of management and staff. It is expected to improve in the coming years. NIDB has been able to withstand the difficulties occasioned by the Civil War. It is under pressure, as it should be, to increase the share of Nigerian industrial enterprises in the economy. It has prospects of increased activity.

4. Banque Nationale de Développement du Sénégal, Dakar, Senegal, (BNDS), which is a recipient of a World Bank Group agricultural loan/credit, suffers for the moment from a number of organizational problems. The Government has decided to transfer part of its activity in the industrial field to a commercial bank, Union Sénégalaise de Banque, Dakar.

5. The National Development Bank (NDB), Freetown, Sierra-Leone was established in 1963 as a public majority company to provide technical and financial assistance to industrial enterprises. End 1970 its commitments were still small (less than $1 million), and it seems that it was suffering from staff shortages. NDB has received financial and technical assistance from the African Development Bank.

6. Mauritania has one small, multi-purpose and government-controlled development finance institution, Banque Mauritanienne de Développement (BMD), Nouakchott, which finances mainly housing and industry. BMD lacks staff and good projects to finance.

7. There are small multi-purpose government-controlled development banks in:

   Dahomey (Banque Dahoméenne de Développement, Cotonou);
   Niger (Banque de Développement de la République du Niger, Niamey);
   Mali (Banque de Développement du Mali, Bamako);
   Togo (Banque Togolaise de Développement, Lomé);
   Upper-Volta (Banque Nationale de Développement de Haute-Volta, Ouagadougou).

We have little information on these institutions, which are too small for Bank Group financing.
8. Ghana has an industrial development institution, the National Investment Bank (NIB) in Accra. It seems that this institution is not at present lacking foreign credits. Accordingly it has not yet required Bank financial assistance, and we have little information on it.

9. Guinea has no industrial development bank.

ANespoulos-Neuville: jd
March 15, 1971

Dear Dr. Martinez Moriones:

This is to acknowledge with thanks the receipt of your letter dated March 9, 1971 and the attached income statement. Your cooperation is greatly appreciated.

With best regards,

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

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

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

VSanLin:er
Mr. Ladislaus von Hoffmann

William Diamond

March 15, 1971

Development Finance Companies

We spoke of the issue, what's a 'DFC'? 

In Macdonald's draft on "Introducing IFC", which gave rise to our discussion, the figure on DFCs on page 12 includes IICY and excludes COFITOUR!

Macdonald didn't invent the definition or the consequent figure. He got them from Sison. Sison got them from the Controller. The Controller is following the practice he started in October, to which I called attention in my memo of October 23 to Mr. Gaud. Nothing has happened since then!

Let's try to straighten this out.

cc Mr. Mathew
WDiamond:us
March 15, 1971

Gentlemen:

Thank you so much for your letter dated March 7, and the attached financial statements for the year ended December 31, 1970. Your cooperation is greatly appreciated.

With best regards,

Sincerely yours,

V.S.L.

(Miss) Valerie San Lin
Development Finance Companies

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

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

%SanLin:er
March 15, 1971

Dear Dr. Diamond:

I just wanted to send you a short note to thank you for your assistance in arranging our visit with the World Bank group last Monday. We found the comments of you and your colleagues most helpful, and both Ken and I are appreciative of the time you spent with us.

With best personal regards to you and your wife,

Sincerely yours,

Laurence W. Berger
Assistant Treasurer

Dr. William Diamond, Director
Development Finance Companies
International Bank for Reconstruction and Development
19th and H. Street
Washington, D.C. 20433
W Hip. I" luml

Dear Mr. Dabney:

I have received your recent note to this effect. I am...
Christopher Lethbridge

Amortization Schedules - Your note of March 10, 1971

1. IDBI (Israel) and DFCC (Ceylon) have expressed their agreement to our proposal concerning amortization schedules.

2. We have no reply from IMDRI (Iran) and PICIC (Pakistan) and are, therefore, sending them a reminder.

ELoeschnner:ivo
Cher Monsieur,

Suite à nos discussions avec Monsieur COUDOL lors de son dernier passage à Casablanca, nous avons l'honneur de vous adresser ci-joint les états financiers prévisionnels pour les cinq années 1971-1975.

Nous constatons que tous les ratios prévus dans l'accord de prêt seront respectés dans la période considérée.

Nous restons bien entendu à votre disposition pour vous fournir les compléments d'information nécessaires à l'étude de ces documents.

Nous espérons recevoir vos appréciations au cours de la mission d'Avril que nous attendons avec beaucoup d'intérêt.

Veuillez agréer, Cher Monsieur, l'assurance de notre considération distinguée.

LE DIRECTEUR GENERAL,
Mohamed LAZRAK.
March 11, 1971

Mr. A. Durrani  
Joint Executive Vice-President  
Habib Bank Limited  
40 Wall Street  
New York, N.Y. 10005

Dear Mr. Durrani:

Thank you for your letter of March 4.

Please do come when you can. You will be welcome. If you call before you come, we can fix a time -- and, I hope, a meal.

Is Mrs. Durrani with you?

No. Iqbaluddin Ahmad is not yet here. I don't expect him until June. Thanks for passing on Shakir Durrani's regards. Please convey mine to him.

With all good wishes.

Sincerely yours,

William Diamond  
Director  
Development Finance Companies

cc Mr. Lethbridge (with copy incoming ltr.)

WDiamond:us
Marzo 10 de 1971

Señores
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
Att: Miss Valerie San Lin
Washington, D. C.

Estimados señores:

En atención a su carta de Febrero 9 de 1971 nos permitimos adjuntar nuestro Balance General con su Estados de Perdidas y Ganancias y la información adicional solicitada.

Atentamente,

GUIDO NOLE AMIN
Departamento Económico
Director

arv.
CORPORACION FINANCIERA DEL NORTE
BARRANQUILLA - COLOMBIA

NOTICE

Memos 10 to 1071

02-000740

Senator
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
AfC: Mining, Metals and Green Line
Washington, D.C.

Estimado señor en,

El presente es un extracto del 9 de 1971 con permiso de la junta,

para informarle acerca del Fondo de Desarrollo Económico de la República
y de la información adicional solicitados.

Atentamente,

CUSTODIO MORE
Director
Departamento Comercial

SECTION
COMMUNICATIONS
1971 WHM 16 FNL: 14

Received

1971 - 000740
## ANNEX

### 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>34,819.5</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments</td>
<td>126,55</td>
</tr>
<tr>
<td>3. Income on Equity Investments</td>
<td>827.1</td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee fees and Letters of Credit fees</td>
<td>3,190.6</td>
</tr>
<tr>
<td>5. Income from Subsidiary Company</td>
<td>303.3</td>
</tr>
<tr>
<td>6. Other</td>
<td></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>39,267.1</strong></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>19,184.3</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-Term Debt</td>
<td>1,989.3</td>
</tr>
<tr>
<td>3. Write-offs from Loan and Investments</td>
<td></td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td></td>
</tr>
<tr>
<td>5. Other Financial Expenses</td>
<td></td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td></td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>3,149.7</td>
</tr>
<tr>
<td>b. Other Administrative Expenses</td>
<td>2,807.3</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>27,130.6</strong></td>
</tr>
</tbody>
</table>

Net Profit before Taxes: 12,136.5  
Provision for Income Tax: 3,909.6  
Net Profit: 8,226.9  

Appropriation of net profit:  
Transfer to General (Legal) and other Free Reserves: 2,656.7  
Transfer to Reserves for Losses on Loans and Investments:  
Provision of Dividends: 5,570.2  
Unappropriated Surplus:  

FORMA - 004
March 9, 1971

Messrs. Ossian Antson &
John Nordman
Teollistamisrahasto Oy - Industrialization
Fund of Finland Ltd.
Lonnrotinkatu 13, V krs.
Helsinki, Finland

Dear Messrs. Antson and Nordman:

Thank you so much for your letter of February 25, 1971
and IFF's draft audit report for 1970 which you so kindly enclosed.

With best regards,

Sincerely yours,

V.S.C.
(Miss) Valerie San Lin
Development Finance Companies

cc: Mr. Gustafson
VSanLin:er
Cali, marzo 9 de 1.971

Miss VALERIE SAN LIN
Development Finance Companies
International Bank for Reconstruction and
Development
1818 H Street, N. W.
Washington D. C. 20433
U. S. A.

Apreciada Miss San Lin:

Adjunto a la presente encontrará la información solicitada en su carta de febrero 9 de 1.971. Gustosamente le suministraré cualquier información adicional que le sea de interés.

Sin particulares para más, me suscribo.

Atentamente,

BENJAMIN MARTINEZ MORIONES
Presidente
Ms. Valerie S. Lin
Development Finance Corporation
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Ms. Lin:

I am pleased to announce that I will be taking on a new role in the development of international financial policies. In this capacity, I will be responsible for overseeing the implementation of innovative strategies to address global economic challenges.

Please forward any information you may have on this matter to my attention.

Sincerely,

[Signature]

Benjamin Martinz Morales
President

SECTION
COMMUNICATIONS
1971 Mr. 13 P.M. 3:22

RECEIVED
## Income Statement Form

### Income

<table>
<thead>
<tr>
<th>Income</th>
<th>Amount ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans</td>
<td>57.388</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments</td>
<td>-0-</td>
</tr>
<tr>
<td>3. Income on Equity Investments</td>
<td>3.623</td>
</tr>
<tr>
<td>4. Underwriting Commissions, Guarantee fees and Letters of Credit fees</td>
<td>17.593</td>
</tr>
<tr>
<td>5. Income from Subsidiary Company</td>
<td>-0-</td>
</tr>
<tr>
<td>6. Other</td>
<td>71</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>78.675</strong></td>
</tr>
</tbody>
</table>

### Expenses

<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>28.622</td>
</tr>
<tr>
<td>2. Interest and Other Charges on Short-term Debt</td>
<td>8.663</td>
</tr>
<tr>
<td>3. Write-offs from Loans and Investments</td>
<td>-0-</td>
</tr>
<tr>
<td>4. Provisions for Doubtful Loans and Equity Investments</td>
<td>-0-</td>
</tr>
<tr>
<td>5. Other Financial Expenses</td>
<td>244</td>
</tr>
<tr>
<td>6. Administrative Expenses</td>
<td></td>
</tr>
<tr>
<td>a. Salaries and Benefits</td>
<td>4.692</td>
</tr>
<tr>
<td>b. Other administrative Expenses</td>
<td>3.448</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>45.669</strong></td>
</tr>
</tbody>
</table>

Net Profit Before Taxes: 33.006

Provision for Income Tax: 10.506

Net Profit: 22.500

### Appropriation of net profit:

- Transfer to General (Legal) and other free reserves: 4.300
- Transfer to Reserves for Losses on Loans and Investments: 5.000
- Provision of Dividends: 12.000
- Unappropriated Surplus: 1.200
March 9, 1971

Corporacion Financiera Colombiana
Apartado Aereo 11843
Bogota, Colombia

Gentlemen:

This is to acknowledge the receipt of your letter dated March 1, 1971 and the attached income statement as per our format. Thank you so much for your prompt cooperation.

With best regards,

Sincerely yours,

V.S.L.

(Miss) Valerie San Lin
Development Finance Companies

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

VSanLin:er
Reference please note: FG/SH/1/7th March, 1971.

Miss Valerie San Lin,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
WASHINGTON D.C. 20433. U.S.A.

Dear Miss Lin,

In reply to your letter dated February 9, 1971 requesting information from us in order to compile a new table entitled "Comparative Operational Ratios of Development Finance Companies", we have pleasure in attaching hereto, Financial Statements for the year ended December 31, 1970 of our Bank.

We certainly look forward to receiving a few copies of this very useful and informative table.

Should you require any further information from us, please do not hesitate to write again.

Yours sincerely,

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LIMITED

Encls.
Miss Valerie San Lin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
WASHINGTON, D.C. 20433
U.S.A.

Dear Miss San Lin,

We acknowledge receipt of your letter of February 9, 1971 requesting up-to-date basic data for 1970 in order to prepare your Comparative Operational Ratios of Development Finance Companies.

We delayed forwarding our balance sheet and income statement pending the arrival of our audit report, thus enabling us to forward all the documents you require.

Therefore, please find attached:
- Our year-end balance sheet (as of September 30, 1970)
- Our income statement (as per your suggested form)

Hoping this information reaches you before your end of March deadline, we remain

Yours very truly,

BANQUE IVOIRIENNE DE DEVELOPPEMENT INDUSTRIEL

Encs. 3
INCOME STATEMENT FORM
Period from October 1, 1969 to September 30, 1970

INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>F.CFA Amount (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income on Term Loans</td>
<td>229 452</td>
</tr>
<tr>
<td>2. Income on Intermediate Investments</td>
<td>27 602</td>
</tr>
<tr>
<td>3. Income on Equity Investments</td>
<td>2 363</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></td>
</tr>
<tr>
<td>6. Other</td>
<td>11 684</td>
</tr>
</tbody>
</table>

Total Income .... 271 101

EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>F.CFA Amount (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest and other charges on term debt</td>
<td>63 805</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>1 050</td>
</tr>
<tr>
<td>4. Provisions for doubtful loans and equity investments</td>
<td>31 667</td>
</tr>
<tr>
<td>5. Other financial expenses</td>
<td>474</td>
</tr>
<tr>
<td>6. Administrative Expenses:</td>
<td></td>
</tr>
<tr>
<td>a. Salaries and benefits</td>
<td>61 992</td>
</tr>
<tr>
<td>b. Other administrative expenses</td>
<td>30 622</td>
</tr>
</tbody>
</table>

Total Expenses ... 189 610

Net Profit before taxes 81 491
Provision for F.N.I. 8 149
Net Profit 73 342

Appropriation of Net Profit:
Transfer to Legal and other free Reserves 14 479
Transfer to Reserves for losses on Loans and Investments 23 863
Provision of Dividends 35 000
Unappropriated Surplus

March 1, 1971
Assistance to DFC Clients Through Management Consulting Firms

1. The Bank can play a useful role in bringing together various DFCs who may be interested in making available to their clients management and technical consulting services, but do not individually have the capability to do so. This memorandum briefly reviews the areas of a DFC's operations which could be strengthened by the availability of consulting services. It goes on to suggest that this can best be achieved by the setting up of some independent profit-oriented consulting firm(s) jointly owned by interested DFCs and possibly some international consulting firms and perhaps IFC. There is evidence of interest in the basic concept, i.e., NIDB's partnership with ADL - and several other DFCs have expressed interest in the idea in discussions with you and others. From recent experience, I feel that Tunisia and Morocco, for example, could make excellent use of the services of such a company whose scope of operations might later be expanded to neighboring countries.

DFC's potential demand for such services

2. Feasibility studies - Project preparation: For more complex projects, DFCs are often in need of some independent technical opinion, both to appraise projects and possibly to improve them. The Bank has occasionally been able to assist DFCs on some of their most complex projects, but such help has been rare, and the Bank is not set up to provide such assistance on a regular basis.

3. Help for Clients in trouble: DFCs' follow-up departments seldom have the kind of personnel who can diagnose the basic problems of a client in trouble, let alone solve them. Even if the difficulty is correctly identified, there is usually nobody and no time available to recommend and help implement a solution. While such difficulties may be the result of a structural deficiency either in the project itself or in its environment (size of market, availability of raw materials, etc.), they are often the result of poor management practices (production, scheduling, inventory policies, poor cost accounting, faulty marketing, etc.). Often what is needed is an experienced man to spend one or two months with the company to deal with the specific problem.

4. DFC's own staff: In theory a DFC of sufficiently large size (ICICI, PICIC) could have a number of experienced engineers and industrial management types on its staff to be able to provide such help within the framework of their appraisal and follow-up activities. However, extensive
consulting assistance is beyond the objective of most DFCs. They are essentially lenders not consultants. Mixing up the role of financier with that of adviser could lead to conflicts of interest with the client who could blame his poor performance on the "bad advice" received from the DFC. Assuming that the DFC could find the staff to perform this type of service and could spare it for sufficiently long periods of time, it would have to bill the client for its services. If not, this would mean very large overheads and it would mean penalizing a DFC's more efficient clients (in terms of higher interest charges) in order to pay for these services. This does not strike me as feasible.

5. Use of foreign consulting firms: The practice in North Africa, for example, is to use the services of such firms as ADL, McKinsey, Sema, etc. In view of the costs involved, these companies get called in only for the largest jobs: ADL and Sonatrach in Algeria, McKinsey and the Moroccan Phosphate Company, Sema for the National Statistical Office of Morocco. Little can be done for the medium-size textile manufacturer who would like to install say a more efficient job scheduling system in order to minimize set-up charges.

6. For very important jobs, consulting firms might switch some of their better men from their domestic activities. Medium size jobs, however, are often handled by the international departments of consulting firms and my experience has been that these are often staffed by some of their less capable people. Such jobs are expensive since they use expensive manpower as well as expensive support services and involve extensive travel. Another drawback is that they are performed by people who are not familiar with local conditions.

Setting up of regional consulting firms

7. I believe that a construction which would meet efficiently the demand for technical and management advice is the setting up of regional consulting firms - which would serve several DFCs within one region. Such firms would be owned jointly by the various finance companies who would have a close source of advice to turn to or to send their clients to. It would be profit oriented, thus insuring that its services were put to good use. The involvement of various DFCs as shareholders might help insure it a minimum volume of business to start with. Its capital requirements would be relatively modest, enough to insure the hiring of an initial nucleus of professionals with supporting staff.

8. No local or regional consulting firm could hope to cover all specialties needed. Thus, for very complex or one of a kind type assignments, the consulting firm would be expected to seek the help of experienced European or American firms and a tie-up with a reputable firm (or firms)
might be essential. Such firms as a matter of fact might be interested in joining as shareholders together with DFCs. IFC's involvement as a shareholder might, as in the case of DFCs help insure that these consulting companies are established and run along sound lines. However, IFC's involvement might raise some policy issues.

9. An alternative to the regional idea would be of course to have several national consulting companies, such as ADL-Hellas. The appeal of this formula would be easy availability of the firm's services for its sponsoring DFC. The major disadvantage of a national company is that of minimum size needed to be effective, a requirement which could be more easily met in smaller economies by a regional firm.

10. In summary, the shortage of management and technical knowhow for many DFC clients and the need to advise companies in trouble, can be met through the setting up of consulting firms. The Bank's experience in promoting financial companies and in acting as a catalyst and bridging the views of various national and international shareholders for such companies, would prove particularly valuable in the setting up of viable regional consulting firms. If you think that the idea is worth pursuing further, we should then ascertain the extent to which various DFC clients might be interested - we should also try to find out as much as possible about existing firms such as ADL-Hellas, Adelatec or others and then proceed to formulate some more concrete proposals.

KNoougaian/db

cc: Mr. Gustafson
    Mr. Pollan
Dear Mr. Diamond,

The New York Branch of The Habib Bank Limited opened on February 22, 1971, and I would have liked you and Mrs. Diamond to join us at our Luncheon on February 23. I was sorry you could not join us because of your previous engagement.

I have been reassigned to our Head Office at Karachi to control all operations in East Pakistan and intend to leave here for Karachi by the end of the month. I would like to see you before I return and hope to visit Washington during the next fortnight. In view of my new assignment and the changed circumstances back home I would very much want to talk to you in depth. I shall have your secretary called before coming to find out when it would be most convenient for you to see me.

Mr. Iqbaluddin Ahmad was expected and I wonder if he is already in Washington. Shakir Durrani asked me to convey his regards to you.

With kind regards to you and Mrs. Diamond.

Yours sincerely,

A. Durrani
Joint Executive Vice-President

Mr. W. Diamond
Director,
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington, D.C.

CABLE ADDRESS: HABIBBANK
Dear M. Naiman,

I am writing with reference to the matter of the New York Branch of the HapfBank. I have been considering the possibility of establishing a branch in New York, and I am writing to inquire about the feasibility of this project.

I am aware of the difficulties involved in establishing a new branch in a new location, and I am interested in learning more about the potential benefits of doing so. I have outlined some of my thoughts in the attached memo, which I hope will be of interest to you.

I look forward to hearing from you soon and would be happy to discuss this matter further.

Yours sincerely,

A. President

Joint Executive Vice-President

---

SECTION

COMMUNICATIONS

INTERNATIONAL BANK

1234 5th Street, N.W.

Washington, D.C.

1971 MAR-9 AH 9:51

RECEIVED

CABLE ADDRESS: HAPFIBANK
March 2, 1971

Kreditanstalt für Wiederaufbau
Palmengartenstrasse 5 - 9
6 Frankfurt-am-Main
Germany

Attn: Messrs. Meissner and Bornemann

Gentlemen:

Thank you for your letter of February 22, 1971 which enclosed KfW’s reports on “Development Bank Financing” for the months of October, November and December.

Yours sincerely,

Rodney Clayton
Administrative Officer
Development Finance Companies

RClayton/smb
March 1, 1971

Mr. Erik Lionhead
Director
Stockholms Enskilda Bank
8 Kungstradgardsgatan
103 22 Stockholm, Sweden

Dear Erik:

Thanks a lot for your cable and letter of February 22.

It does not surprise me that you could not come up with anyone appropriate. However, I do appreciate your effort, and hope you will not mind our trying with you again sometime. Meanwhile, we continue to search and at this moment have some good prospects.

Yes, we had considered a consulting firm. But I distrust such firms for a long-term executive task. Maybe I'm wrong.

I look forward to meeting Mr. Konigsson. I was happy to see, and to have a chat with Mr. Lindgren in Medellin, two weeks ago.

With all good wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Mr. Powell (w/incoming)
WDiamond:jmb
February 26, 1971

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. Loganathan:

In response to the query in your letter dated February 21, 1971, it will most certainly suit our requirements to receive your fiscal 1971 financial statements in April of this year. Thank you for your cooperation.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

cc: Mr. Lethbridge
Miss Valerie San Lin
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Miss San Lin,

We refer to your letter to Mr. Tuomala dated February 9, 1971 concerning "Comparative Operational Ratios" for 1970.

As suggested by you we send you enclosed a copy of the audit report draft for 1970. Though not yet signed, no material changes are expected in this report.

We look forward to receiving a copy of the table on Comparative Operational Ratios after it has been put together. We are sure that this table will again be both interesting and useful.

Yours sincerely,

TEOLLISTAMISRAHASTO OY - INDUSTRIALIZATION FUND OF FINLAND LTD.

pp. Ossian Antson  John Nordman

Encl.

JN:ma

Miss Valerie San Lin,
Development Finance Companies,
International Bank for Reconstruction &
Development,
1818 H Street, N.W.,
Washington DC 20433,
United States of America.

Dear Madam,

We refer to your letter dated 9th February and...
As requested by you therein, we forward herewith the Income
Statement form duly completed.

Yours faithfully,

[Signature]
HENRY AN
Treasurer

Encl:

[Stamp] RECEIVED
February 23, 1971

Mr. A. Everett
Acting Financial Controller
Agricultural and Industrial Development Bank S. C.
P. O. Box 1900
Ras Desta Damtew Avenue
Addis Ababa, Ethiopia

Dear Mr. Everett:

Thank you for your letter dated February 16, 1971, in which you asked us to clarify some points on the information we requested of you for our compilation of the Comparative Operational Ratios. By the time this letter reaches you, you probably will have received the one we sent earlier, dated February 18, asking you to disregard our request as we wish to wait for AIDB to complete a full year of operations before comparing her financial results to those of our other companies.

As you mentioned in your letter that AIDB's financial year will be ending on the 7th of July of each year, we would count the year ending July 7, 1972 as her first full year of operations. Thus, we shall be writing you again next year on this subject. Meanwhile, please allow me to thank you for your cooperation and I wish you all the best for the coming year.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

cc: Mr. Sekse (with a copy of the incoming)
Miss Valerie San Lin
Development Finance Companies
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433
U. S. A.

Dear Miss Lin:

Referring to your letter of February 9, 1971, we are sending you a copy of CDC's financial report, December 31, 1970, audited by Mr. T. N. Soong, Certified Public Account.

For your information, CDC's "Administrative and General Expenses" as shown in the above mentioned report is broken down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>NT$ 8,583,591</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>NT$ 7,247,942</td>
</tr>
<tr>
<td></td>
<td><strong>NT$15,831,533</strong></td>
</tr>
</tbody>
</table>

Other information as specified in your form are available in Mr. Soong's report.

With best regards,

Sincerely yours,

Yen Shen
Executive Vice President

Encl.: as stated
Miss Valerie San Lin,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
Washington D.C. 20433,
U.S.A.

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

Sender's name and address: Development Finance Corporation of Ceylon
P. O. Box No. 1397
Colombo

Form approved by the Postmaster-General.

Miss Valerie San Lin,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
Washington D.C. 20433
U.S.A.

Dear Miss San Lin,

I thank you for your letter dated 9th February, 1971 regarding the compilation of operational ratios of Development Finance Companies for 1970.

Our Financial Year is made up to 31st March, and I regret that the information requested will not be available until the end of March, 1971. However, we would be in a position to supply the information requested before the end of April, 1971. Kindly let me know whether this would suit your requirements. In the past years, information supplied has been in respect of the results of our Financial Years.

Yours sincerely,

C. LOGANATHAN
GENERAL MANAGER/DIRECTOR

JLP/bj.
February 18, 1971

His Excellency
Ato Asefa Demissie
Agricultural and Industrial
Development Bank S.C.
P. O. Box 1900
Ras Desta Damtew Avenue
Addis Ababa, Ethiopia

Dear Ato Asefa:

I wrote you on February 9, 1971, requesting information (audit report, income statement and balance sheet) on the financial performance of AIDB (formerly DBE and EIC) for the year ended December 31, 1970.

However, since AIDB, as it now stands, has not yet been in operation for a full year, I feel that the information we receive from you would not be comparable to that which we will be receiving from our other companies, who have all been in operation for the entire twelve months of 1970. Therefore, please disregard the request in the above mentioned letter and I beg your forgiveness if we have inconvenienced your staff in any way.

We will, however, be writing to you again next year requesting similar information on AIDB's performance for 1971, its first full year of operations.

Thank you very much.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

cc: Mr. Sekse

VSanLin:er
Miss Valerie San Lin
Development Finance Companies
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Miss San Lin:

Thank you for your letter of February 9th, regarding the comparative operational ratios table.

Please find enclosed our fiscal year-end income statement as per June 30, 1970, revamped in order to satisfy your request as to the form that was enclosed to your letter.

I hope that with this material and the statements that are regularly sent to your organization you have sufficient data to compile the ratios published in your table.

On this occasion I also wish to thank you for the extra copies of the "Glossary of Selected Terms", which will be of great use to us.

Sincerely yours,

[Signature]

Assistant to the President

GA/wth

Encls.
February 17, 1971

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

Dear Dr. Copete:

It has been brought to my attention that I committed an error in the address of a letter I wrote you on February 9, 1971, and which you may not have received as a result of that error. Please accept my sincere and humble apologies for this oversight.

The subject of that letter was to request your assistance in the preparation of a statistical table we wish to put out this year. Please allow me to repeat that request.

You may recall that this department prepared and sent you last year a table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", which indicated in terms of a number of ratios the financial performance of the development finance companies with which the World Bank Group is associated. We continue to receive from many companies their warm appreciation of the usefulness of the table.

We are eager to put together and circulate as soon as possible a new table reflecting the performance of our companies for 1970. I would therefore like to ask you again for your cooperation in making available to us the basic data for our calculations as soon as they become available, before the end of March. A copy of the audit report will do. However, in case it is not yet available by the end of March, I would appreciate your sending us instead your year-end balance sheet and income statement. For the latter, I am attaching a form in the hope that you will follow it as closely as possible.

Sincerely yours,

(Miss)Valerie San Lin
Development Finance Companies

Attachment
cc: Mr. Acevedo
February 17, 1971

Dr. Eduardo Arango Restrepo  
President  
Corporacion Financiera de Caldas  
Apartado Aereo 460  
Manizales, Colombia

Dear Dr. Arango:

It has suddenly been brought to my attention that a letter I wrote you on February 9, 1971 was mistakenly addressed to your predecessor, Dr. Ocampo, instead of to you. Please accept my sincere and humble apologies for this oversight.

In case you have not yet seen that letter, it was to request your assistance in the preparation of a statistical table that we are in the habit of putting out annually. Please allow me to repeat that request.

You may recall that this department prepared and sent you last year a table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", which indicated in terms of a number of ratios the financial performance of the development finance companies with which the World Bank Group is associated. We continue to receive from many companies their warm appreciation of the usefulness of the table.

We are eager to put together and circulate as soon as possible a new table reflecting the performance of our companies for 1970. I would therefore like to ask you again for your cooperation in making available to us the basic data for our calculations as soon as they become available, before the end of March. A copy of the audit report will do. However, in case it is not yet available by the end of March, I would appreciate your sending us instead your year-end balance sheet and income statement. For the latter, I am attaching a form in the hope that you will follow it as closely as possible.

Sincerely yours,

(Miss) Valerie San Lin
Development Finance Companies

Attachment

cc: Mr. Acevedo
VSanLin:er
Dear Sirs:

With reference to your letter dated the 9th of February 1971 regarding the information you require in order to compile the Comparative Operational Ratios of Development Finance Companies, there is one point that needs clarification before we can proceed to compile the information you require.

As you are, no doubt, aware, this Bank took over the business of the Development Bank of Ethiopia and the Ethiopian Investment Corporation officially on the 28th of August 1970. The AIDB, however, was not incorporated until the 10th of November 1970. The accounts for this time would, therefore, be as follows:


(b) Pre-incorporation accounts of AIDB from the 29th of August 1970 until the 9th of November 1970.

(c) AIDB’s accounts from the 10th of November 1970 to the 7th of July 1971.

In future, AIDB will end its financial year on the 7th of July of each year.

As you are using this information for comparative purposes, we would ask your advice as to how you wish us to present our income statement and for what period.

Sincerely yours,

A. Everett
Acting Financial Controller
With reference to the letter dated the 31st of
February 1974 requesting the Information you require to
order to complete the Compensation for Development
Finance Company, there is one point that needs clarification.
Before we can proceed to complete the Information you require,
we need to make sure that the Activity for the
Development Finance Company is on the 31st of
November 1974.
The Activity was not incorporated until the 1st of
November 1974.
The Activity for this time must therefore
be as follows:
(a) Development Bank of South Africa from the 1st of
January 1972 until the 31st of August 1972.
(b) The proportionate share of AIDB from the 3rd
of August 1972 until the 3rd
of November 1972.
(c) AIDB’s accounts from the 1st of November 1972
to the 31st of July 1974.
In future, AIDB will end its Financial Year
on the 31st of July of each year.

As you see, we need this Information for completion.
We would also like your advice as to how you would do to
present our income statement and for what period.

Sincerely yours,

[Signature]

[Date]

[Address]

[Company]

[Section]

[Position]
Casablanca, le 12 Février 1971.

Mon cher Hans,

M. COUDOL, qui est passé "en coup de vent" me saluer à la Banque, a bien voulu me donner de vos nouvelles et m'a transmis vos salutations auquelles j'ai été très sensible.

J'espère que votre temps précieux vous permettra de passer par le Maroc et, si l'occasion se présente, je serai très heureux de vous revoir.

Comme vous le savez, j'ai un peu participé à la préparation du rapport sur l'Industrie Marocaine confié à la Mission BIRD pendant le premier semestre 1970. Je souhaiterais vivement en prendre connaissance, ce qui me permettrait, compte tenu de mes fonctions actuelles dans le secteur privé, d'orienter et d'assister, comme vous le souhaitez d'ailleurs, notre nombreuse clientèle industrielle et commerciale.

Avec mes remerciements, je vous prie de croire,
Mr. P.M. Mathew,
Deputy Director,
Development Finance Companies Dept.,
International Bank for Reconstruction & Development,
1818 H Street, N.W.,
WASHINGTON D.C. 20433,
U.S.A.

Dear Mr. Mathew,

I am enclosing herewith a copy of the latest issue of the UMBC Economic Review containing your paper. I shall be grateful if you will be so good as to let me know early the number of copies you require to enable us to make arrangements for despatch.

Warmest regards and all good wishes,

Yours very sincerely,

V. KANAPATHY

Encl.
VK/pc
February 9, 1971

You may recall that this department prepared and sent you last year a table entitled "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969", which indicated in terms of a number of ratios the financial performance of the development finance companies with which the World Bank Group is associated. We continue to receive from many companies their warm appreciation of the usefulness of the table.

We are eager to put together and circulate as soon as possible a new table reflecting the performance of our companies for 1970. I would therefore like to ask you again for your cooperation in making available to us the basic data for our calculations as soon as they become available, before the end of March. A copy of the audit report will do. However, in case it is not yet available by the end of March, I would appreciate your sending us instead your year-end balance sheet and income statement. For the latter, I am attaching a form in the hope that you will follow it as closely as possible.

Sincerely yours,

V.S.C.

(Miss) Valerie San Lin
Development Finance Companies

Attachment

c: Division Chiefs
VSanLin:er
Dear Dr. Arango:

Dr. Eduardo Arango Restrepo
President
Corporacion Financiera Colombiana
Apartado Aero 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 Aero 1039
Medellin, Colombia

Dear Mr. Tuomala:

Mr. Pertti Tuomala
Managing Director
Teollistamisrahasto Oy - Industrialization Fund of Finland Ltd.
Lounrotinkatu 13, V krs.
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
Turkiye Sinai Kalkinma Bankasi A.S.
P. O. Box 17
Karakoy
Istanbul, Turkey
Dear Mr. Gondicas:

Mr. George Gondicas  
General Manager  
National Investment 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 Yakubu Gowon Street  
P.O. Box 2357  
Lagos, Nigeria

Dear Mr. Diby:

Mr. Alphonse Diby  
Managing Director  
Banque Ivoirienne de Developpement Industriel  
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 Asefa:

His Excellency  
Ato Asefa Demissie  
Agricultural and Industrial Development Bank S.C.  
P.O. Box 1900  
Ras Desta Damtew Avenue  
Addis Ababa, Ethiopia
Dear Khun Sommai:

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

Dear Mr. Marzo:

Sr. Don Jose Maria Marzo Churruca
Director General
Banco del Desarrollo Economico Espanol
Apartado de Correos 50460
Calle Fernando EC 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. Bargach:

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

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
Rennagasse 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 Neung Bank Building
14 Namdaemoon - 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. Wabnitz:

Dr. W. D. Wabnitz
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 do Nordeste do Brasil
Fortaleza
Brazil

Dear Mr. Aaberg:

Mr. Gunnar Aaberg
Secretary of the Board of Management
ADELA Investment Company S.A.
P.O. Box 207
Lima, Peru
# INCOME STATEMENT FORM

## Income

1. Income on Term Loans<sup>1/2/</sup> ........................................
2. Income on Intermediate Investments<sup>2/</sup> ..........................
3. Income on Equity Investments<sup>4/</sup> ..............................
4. Underwriting Commissions, Guarantee fees and Letters of Credit fees ............................
5. Income from Subsidiary Company<sup>5/</sup> ..............................
6. Other<sup>6/</sup> ................................................................

Total Income

## Expenses

1. Interest and Other Charges<sup>2/</sup> on Term Debt<sup>2/</sup> ...........
2. Interest and Other Charges on Short-term Debt<sup>6/</sup> ..............
3. Write-offs from Loans and Investments ................................
4. Provisions for Doubtful Loans and Equity Investments ...............
5. Other Financial Expenses<sup>2/</sup> ........................................
6. Administrative Expenses ..................................................
   a. Salaries and Benefits ..............................................
   b. Other Administrative Expenses<sup>10/</sup> ........................

Total Expenses

Net Profit before Taxes
Provision for Income Tax
Net Profit

Appropriation of net profit:
  Transfer to General (Legal) and other Free Reserves
  Transfer to Reserves for Losses on Loans and Investments
  Provision of Dividends
  Unappropriated Surplus

---

1/ Income includes 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 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/ 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.
Mr. William Diamond

A.K. Bose, Jacques Coudol and Edgar C.H. Su

Reporting Forms

1. Further to our memorandum of December 9, 1970 to Mr. Mathew, the two new forms recommended therein were discussed with Mr. Mathew and the Divisions, as a result of which some minor changes have been made. The revised form A (Monthly Report on Bank/IDA/IFC Lending to Development Finance Companies) and form B (Quarterly Progress Report on Development Finance Companies) are attached. Each of them has attached to it instructions on using it.

2. Form A is intended primarily for the DFC Department Front Office. Apart from an information copy to the Controller's Department, we consider that no other distribution is necessary unless otherwise requested. Form B should be of wider interest: to the IFC Investment Officer (if there is an IFC investment or loan), the Area Department Division Chief/Loan Officer and the Controller's and Legal Departments, in addition to internal distribution in the DFC Department.

3. We feel that form A can usually be completed by the fifth working day in a month, for the previous month. Regarding form B, since the dcf's have different fiscal years, uniform reporting periods cannot be prescribed. Usually about two months' time has to be allowed from the end of a quarterly period for information from the dcf's to reach us, and about two weeks to review it. Thus, for example, for the quarterly period ended December 31, 1970, it should usually be possible to prepare a report on form B by March 15, 1971. Reporting periods and deadlines should be established for each dcf.

4. Form B is on the larger legal size paper. We consider it advantageous to have the information on a single sheet. The spacing on the form is approximate and needs to be reviewed independently before printing.

(Mr. Coudol approved the forms, but did not see this memorandum.)

AKBose/JCoudol/ECHSu:bn
## Monthly Report on Bank/IDA/IFC Lending to Development Finance Companies

### I. Status of Current Loans

<table>
<thead>
<tr>
<th>Loan No.</th>
<th>Amount</th>
<th>Loan No.</th>
<th>Amount</th>
<th>Loan No.</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Amount of Loan:**

**Free limit:**

- Total authorizations:
  - Aggregate, first of month:
  - During month:
  - Aggregate, end of month:
  - Past 12 months:
  - Past 6 months:

**Pending projects, end of month:**

### II. Forecasts

- **Date of effectiveness:**
- **End-date for receipt of projects:**
- **Expected completion of auth. (mo. yr.):**
- **Closing date:**
- **Expected completion of disb. (mo. yr.):**

**Next mission (appraisal/end-use) scheduled (mo. yr.):**

**Next loan scheduled for Board (mo. yr.):**

**Amount US$:**

### III. Comments

**Name:**

**Date:**
Instructions for Form No. A

1. Complete and distribute by the fifth day (or, if this is a holiday, the next working day) of the month following the month reported upon.

2. Copies to the Director and Deputy Director, DFC Department, and the Controller's Dept. To others only if requested.

3. 'Authorization' means 'authorization to withdraw'. For Bank loans numbered 588 or less, the corresponding term is 'credit to loan account'.

4. Form applies only to loans on which there is a balance available for authorization.

5. Section II: a) Forecasts - based on most recent information
   b) Disbursements forecasts - consult the Controller's Dept. as necessary
   c) Loan schedule for Board and amount - as per the latest loan timetable
Form No. B  
IBRD/IDA/IFC  
QUARTERLY PROGRESS REPORT ON DEVELOPMENT FINANCE COMPANIES  
February 8, 1971

### A. PROGRESS OF CURRENT BANK/IDA/IFC LOANS, Nos.

<table>
<thead>
<tr>
<th>(Amounts in $1,000)</th>
<th>Previous FY</th>
<th>Current FY, quarter-ended</th>
<th>Forecast FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Yr. Jul.1-Jun.30</td>
<td>Sept. 30</td>
<td>Dec. 31</td>
<td>Mar. 31</td>
</tr>
<tr>
<td>Forecast as of</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Authorizations, net Disbursements | | | | |
| Total available for auth./disb., end of quarter | | | | |
| Actual terminal dates, most recent loan | | | | |
| Expected completion, month & year, most recent loan | | | | |
| Comments | | | | |

### B. REPORT ON IFC INVESTMENTS

<table>
<thead>
<tr>
<th>Amount subscribed by IFC</th>
<th>Last dividend declared per share</th>
<th>Total receivable by IFC</th>
<th>Payable on</th>
<th>Next dividend expected on</th>
<th>Dividends overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount subscribed as % of co's share capital</td>
<td>Share price: nominal (end quarter) market book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC share transactions and comments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### C. DFC OPERATIONS AND FINANCES

<table>
<thead>
<tr>
<th>Company's current FY ending</th>
<th>Previous FY</th>
<th>Current FY, by quarter</th>
<th>Forecast current FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(units in units local currency)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Loans committed: local currency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency ($'000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments subscribed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other commitments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio at end period: loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan arrears at end period: total amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of more than months outstanding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources available at end period: local cy. for commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>foreign cy. ($'000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income before/after tax: amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as % of share capital, end period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as % of net worth, end period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comments</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### D. REPORTING TO BANK GROUP

Reporting performance

Action on overdue reports

### E. OTHER DEVELOPMENTS DURING QUARTER

Notes:  
Date:
1. Completed and distributed by ______ for the quarterly period ended ________.

2. Distribute copies to representatives of Area Department, Controller's Department, IFC Investment Department (if there is an IFC investment in or loan to the dfc), Legal Department and the DFC Department Front Office. Distribute to others if requested.

3. Not all information would be available quarterly - some of it would arise less frequently. Distinction should be made between such information and others which, although expected, was not received (the legend 'n.a.' may be used for the latter category).

4. Section A:
   a) Forecasts - in the most recent mission report; otherwise the dfc's latest forecast.
   b) Disbursements figures - consult the Controller's Dept. as necessary.
   c) 'Total', in 'current fy, quarter ended' - should be computed at the annual rate.

5. Section B:
   Amount subscribed by IFC - net of sales, in local currency units.

6. Section C:
   a) Information based on the dfc's fiscal year, not the Bank's.
   b) 'Forecast current FY' - based on most recent mission report; otherwise the dfc's latest forecast.
   c) 'Loan arrearages - total amount' means principal and interest in arrears.

       'Loan arrearages - outstanding' means amount of outstanding loans in arrears.

   d) Net income before/after tax - use only one.
   e) Blank space - fill in any significant information, e.g. Bank loan covenant parameters (debt/equity, for example).

7. Section D:
   Reporting - means reporting to the Bank group, as agreed. It can cover financial and operational reports, financial projections, subproject progress reports, etc. Indicate frequency of reports.
Messrs. Gustafson, Mirski, Pollan, Powell, Sekse, Lethbridge and Acevedo
P. M. Mathew

February 5, 1971

Up-dating of Descriptive Memoranda on Development Finance Companies Associated with Bank Group

Would you please update the descriptive memoranda on the DFC's under your responsibility on the basis of data pertaining to the latest financial year of the companies (for year ended December 31, 1970 for all, except September 30, 1970 for BIDI, March 20, 1971 for IMDBI, March 31, 1971 for DFCC and MIDF). New drafts should be prepared for ENB, COFIEC, CFN, CIH, ADELA and IDBP (for year ended June 30, 1970).

The draft memoranda should be in Miss San Lin's hands by the end of March for those whose financial year corresponds to the calendar year (and also for BIDI and IDBP) and within two months after the end of the financial year for those whose financial year ends later.

V.S.L. VSanLin:ser
Ms. Valerie San Lin,
International Bank for Reconstruction
and Development,
1818 H Street N.W.,
WASHINGTON/ D.C. 20433. U.S.A.

Dear Madam,

We would very much appreciated if you could let us have 6 copies of the final version of the Descriptive Memorandum on IDBI, 1970. More of our staff members and various departments are interested in having same.

Thank you sincerely for your kind co-operation.

Yours faithfully,

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LIMITED

4th February 1971.
Dear Mr. Walete Bank and
International Bank for Reconstruction
and Development,
1818 H Street N.W.
Washington, D.C. 20433

We would appreciate if you could let us have
2 copies of the final version of the prospective memorandum on IMIB 1970.

We will furnish members and various government and interested in providing same.

Thank you sincerely for your kind cooperation.

Yours faithfully,

[Signature]

Industrial Development Bank of Israel Limited
Mr. William Diamond

Jacques Coudol

DFC's Assistance to Shipping Projects

February 3, 1971

This is in answer to your note to Hans Pollan of today.

As requested, I have prepared two lists of shipping projects. The first one relates to shipping projects financed by ICICI and is attached as Annex 1, together with copies of our internal memorandum on each of these projects calling for Bank financing above the free limit.

The second list relates to other shipping projects financed by DFC's associated with the World Bank. This list is given as Annex 2. To my knowledge, and after investigating with all other Divisions, we have not helped finance ship building projects; consequently there is no list attached for these.

J.Coudol

cc: Mr. Pollan
February 2, 1971

Mr. R. Chellappah
General Manager
Liberian Bank for Industrial
Development and Investment
100 Broad Street
P. O. Box 547
Monrovia, Liberia

Dear Mr. Chellappah:

I had already written to Mr. Parker and yourself earlier today when I received in the afternoon mail your revised projections for LBIDI. Many thanks for this prompt reply, particularly since I know fully well how much work goes into their preparation. We shall not fail to share with you whatever observations we may have on LBIDI's projections.

Sincerely yours,

Khalil Nougaim
Development Finance Companies

K.Nougaim:km

cc: Messrs. Khosropur
Cohn
Reitter
Mr. Ravi Gulhati

William Diamond

Poser's Report

February 1, 1971

Arango thinks it is a good job and sees no objection to sending it to interested parties in Central America. To the contrary, he sees benefit in having Poser's conclusions and recommendations known.

cc Mr. Qureshi
Mr. Arango
Mr. Mirski

WDiamond: us

K. Mushtag Ilahi  
Deputy Managing Director  
Pakistani Industrial Credit & Investment Corporation Limited  
P.O. Box 5080  
Karachi 2, Pakistan.

Dear Mr. Ilahi:

Although so far, we have not been able to locate comprehensive information on price increases of capital equipment, as requested in your letter of December 8, 1970, I thought you might be interested in the attached table, which I found in a recent report (non-Bank). I would use this information only as an indication of price movements. If any further information becomes available, I will send it on to you.

Kind regards.

Yours sincerely,

Bernardus H. Pottker  
Development Finance Companies

Attachment:  
BH-Pottker:dfn
January 21, 1921

Mr. I.T. Mathieson
Business and Industry Division
Canadian International Development Agency
75 Albert Street
Ottawa 4, Ontario
Canada

Dear Mr. Mathieson:

I was delighted to meet Mr. Venables and you today. I hope we shall have an opportunity to meet again and to work together in assisting and strengthening development banks throughout the world.

Here are the papers I promised you.

With best wishes,

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosures: Complete set of Descriptive Memoranda for dfc's.

WDiamond/smb
January 20, 1971

Cr. Walter Lusiardo Aznárez  
Secretario Técnico  
COMCORDE  
Av. Agraciada 1672  
Montevideo, Uruguay

Dear Mr. Lusiardo:

Many thanks for sending me a copy of "COMCORDE - Documentos para el Analisis de su Filosofía, Fundamentos y Finalidades", which was received by us recently.

With kindest regards,

Sincerely yours,

J. Z. Mirski  
Development Finance Companies

JZMirski/mq
January 11, 1971

Mr. William Diamond, Director
Development Finance Companies Department
Room D-829
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D. C. 20433

Dear Bill:

I am returning herewith your manuscript on "The Work of the Development Finance Companies Department." I found it very useful and informative as, indeed, I did the other papers you sent me. I now feel I have a much sounder notion of what development finance companies are and do than I had before.

With many thanks,

Sincerely yours,

Edward S. Mason

ESM: w
8th January 1971

Mr. P.M. Mathew
Deputy Director
Development Finance Companies Department
International Bank for Reconstruction and Development
Washington, D.C.

Dear Mr. Mathew,

I want to thank you again for taking the time to explain to me the operations of development finance companies. Even though I had done some reading on the subject, I must say that things were much clearer to me after our discussions.

When we are presented with a concrete problem or possibility in the field, we will be back in touch with your Department.

Very truly yours,

WAF/ahe

William A. Farrell
Assistant General Counsel
8th January 1971

Mr. P.M. Mathew
Deputy Director
Development Finance Companies Department
International Bank for Reconstruction and Development
Washington, D.C.

Dear Mr. Mathew,

I want to begin by telling you that the time to explain
the operations of development finance companies is
now. I am writing this letter to ask for your assistance.

I have written to you about the possibility of working
on this matter. We will be in touch with you.

Very truly yours,

William A. Fairell
Assistant General Counsel

[Signature]

REYNOLDS INTERNATIONAL INC.

A Reynolds International Inc.
TO: DUMERI, PARIS

DATE: JANUARY 7, 1971

CLASS OF SERVICE: TELEX F.P.

COUNTRY: FRANCE

TEXT:

Cable No.: ATTN MR. HAOUR - CEPIC

SHALL BE GLAD MEETING MR. HODARA TUESDAY 12 AT 1618 H STREET
WASHINGTON. WOULD ARRANGE MEETING WITH MESSRS MATHEW AND POLLAN
BUT WOULD APPRECIATE KNOWING PURPOSE OF MR. HODARA'S VISIT.

REGARDS

MORTIER
CORINTFIN

NOT TO BE TRANSMITTED

AUTHORIZED BY:
NAME: Denis J. Mortier
DEPT: IFC - AME
SIGNATURE: (Signature of Individual Authorized to Approve)
REFERENCE:

CLEARANCES AND COPY DISTRIBUTION:
cc: Adomakoh/Hassan - Mathew - Pollan

For Use By Communications Section

Checked for Dispatch:
OUTGOING WIRE

DATE: January 7, 1979

TO: [Name]

CLASS OF SERVICE: [Class of Service]

COUNTRY: France

TEXT:

[Text]

[Signature]

NOT TO BE TRANSMITTED
TO: All Bank and Corporation Department Heads

FROM: Director of Administration

DATE: January 7, 1971

SUBJECT: Loans to Development Finance Companies - Handling of Sub-Projects

1. My memorandum of May 2, 1969, on "Loans to Development Finance Companies - Handling of Sub-Projects" (copy attached) delegated certain responsibilities for handling sub-projects to the Development Finance Companies Department. Experience of this has proved satisfactory and has suggested some further changes to simplify procedures.

2. In future the procedures applying to Development Finance Company Loans will be as follows:

   (a) All Loan administration functions (excluding those relating to sub-loans which have already been assigned to the Development Finance Companies Department) which involve Bank policy, or change in or interpretation of the Loan Agreement, and all related correspondence will be undertaken by the Area Department. That Department will, as at present, consult the Development Finance Companies Department as well as the Legal Department, where appropriate, before taking action.

   (b) All Loan administration functions and related correspondence concerning the financial terms of the Loan and the sub-loans and investments, which are routine and do not involve exercise of discretion, will be undertaken by the Controller's Department. That Department will, in case of doubt or where it needs advice, act in consultation with the Development Finance Companies Department, and, if necessary, with the Area and Legal Departments.

   (c) All other functions and related correspondence will be undertaken by the Development Finance Companies Department, which will consult with Area and other Departments concerned, as appropriate, and keep them informed.

   (d) The Area Departments will be provided copies of all letters sent out under the above arrangements.

3. Some illustrations in the categories 2(b) and 2(c) are provided below:

   (a) Illustrative functions of the Controller's Department Relating to Sub-projects:

   (i) Reduction, at Borrower's request, of unused balance of amount credited/earmarked for sub-project;
(ii) Approval of additional amount for sub-project because of exchange adjustment;

(iii) Change of amortization of sub-loans;

(iv) Handling of list of goods and changes therein relating to sub-projects below the free limit;

(v) Handling of list of goods and changes therein relating to sub-projects above the free limit after DFC Department has approved the list and changes in it.

(b) Controller's Department Relating to the Loan as a whole:

(i) Change in amortization of Loan resulting from change in amortization of sub-loan;

(ii) Periodic revision of amortization as provided in Loan Agreement to incorporate sub-loan amortization;

(iii) Acceptance of prepayments, waiver of premium;

(iv) Notifications to Borrowers of periodic changes in Bank's interest rate where Loans carry a variable interest rate;

(v) Matters relating to choice of currencies for withdrawal and repayments of Loans.

(c) Illustrative Functions of Development Finance Companies Department:

(i) All aspects of sub-projects as provided for in the Director of Administration's memorandum of May 2, 1969. These will include:

- Approval of list of goods and revisions of the list, in the case of sub-projects above the free limit;

- Approval of additional amounts for sub-projects because of increase in sub-project costs, change in scope of sub-project;

- Approval of change in the legal structure of a sub-borrower.

(ii) Cancellation of unused portions of the Loan at the request of the Borrower;
(iii) Approving changes in Borrower's Statements of Policy, interpreting them, allowing exceptions where appropriate, after consultation with Area and other appropriate Departments;

(iv) Dealing with periodic reports due from Borrowers and making supervision visits.

4. These changes are incorporated in O.M. 5.20, dated December 31, 1970, which replaces O.M. 5.11.

H. B. Ripman

H. B. Ripman
January 7, 1971

Mr. C. B. Winqvist
Vice President and Foreign Manager
Stockholms Enskilda Bank
6 Kungstradgardskanat
Stockholm 16, Sweden

Dear Carl:

I was happy to talk to you today.

Enclosed you will find a "Descriptive Memorandum" on KDFC, together with a copy of its last Annual Report. I think these will give you the background information you want.

As I said this morning, we have reason to believe a package of shares will become available, and I took the opportunity of calling you because of the reported interest expressed by Mr. Sachs of your Board about a year and a half ago. I look forward to hearing from you as soon as possible about whether Enskilda Bank is interested and wants to pursue the matter.

With all good wishes for the New Year.

Sincerely yours,

William Diamond
Director
Development Finance Companies

Enclosures
DATE: January 6, 1971

Am Diamond

AIDO: Proposed Conference of Development Banks to be held in Summer 1971

1. In Vienna, on December 10 and 11, I participated in the meeting of a Committee that had been appointed in March 1970 to consider the organization and agenda of a world-wide meeting of development banks, to take place next summer. The March meeting in Paris was sponsored by UNIDO. Its conclusions (attached as Annex 1) included a suggestion that a second and larger conference be held in 1971, and a Preparatory Committee was appointed, of persons serving in their personal capacity, to arrange for that conference. I was one of the persons, together with the Director General of the Caisse Centrale, the Managing Director of CDFC, the Director of the development bank department of KfW, the President of BNDE, the General Manager of NIDB, the General Manager of ICICI, the Vice President of the Banco Industrial of Peru, and the President of the Yugoslav Investment Bank. All these men, except for the last, met in Vienna in December.

2. The discussion focused on the following. First was a proposal put forward last March by the representative of KfW that a "grouping" or "club" or "association" of development banks or of development bankers around the world be set up. Most of us thought this was nonsense and the matter was ultimately dropped; at least for the time being. The second subject was the desirability of developing a more systematic exchange of information among development banks. There seems to be a great deal of interest in this among the development banks of the world, although not much thought has been given to how this is to be achieved. The third subject concerned the desirability of holding a new conference of development banks. I think that most of us around the table felt that large meetings of the kind proposed did not serve a very useful purpose. Nevertheless, we were constrained by the facts, first, that the March conference had proposed a second conference and, second, that most development banks still continue to like going to conferences. So we agreed to accept the invitation that had been extended to us by the Danish government to meet in Denmark late next June. We also agreed that the principal item on the agenda for general discussion would be the development of methods of exchanging information more effectively among development banks. The lion's share of the time of the conference, would, however, be taken up by what is called "personal contact" between individual development bank representatives and other persons at the conference whom they want to meet. (At the March conference at Paris, I had 21 appointments in the course of a day and a half of "personal contacts." ) Conclusions of this meeting are attached as Annex 2.
3. In preparation for the June meeting, UNIDO agreed to draw up the first draft of invited guests, which would be sent to me for review. After I made appropriate revisions, it would be sent, together with a draft covering letter, to the other members of the Preparatory Committee for review. I undertook to draft the principal agenda paper, on the subject of exchange of information, after I had received from UNIDO various raw materials which were being put together for me.

4. During the discussion about the forthcoming conference, half of us expressed the view very strongly that development bank presidents were too busy to attend all the meetings around the world to which they are invited; and we suggested that, if there had to be world-wide conferences of development banks, it would be well for them to be linked in time with some other international conference to which most development bank presidents were in any case invited. The obvious one is, of course, the World Bank Annual Meeting. I think there was general agreement, finally, on this conclusion, although the 1971 conference has been fixed for June because an invitation had already been extended by the Government of Denmark. The matter was left open, so far as the future was concerned. That is, we would consider afresh whether, if there were additional meetings of development finance companies, they would be held around the time of the World Bank's meeting, or around the time of some other international conference.

5. Before a conclusion was reached on this latter point, I said I would like to make some enquiries about the problems that might be involved for us, if a conference of development banks were to be scheduled more or less simultaneously with the World Bank Annual Meeting. For instance: I am sure that money would be saved by everyone, as well as time, if a development bank conference were to take place just before or just after the World Bank meeting, in Washington. But I would hesitate to see that meeting take place in Washington because of the burden it would place upon us. There would inevitably be a burden, even if UNIDO itself undertook the responsibility for arranging it. Nevertheless, I didn't want to turn such an idea down entirely until I had an idea from the Secretary as to what he might think were the bugs in the proposal. Another alternative is New York. But in September the general assembly will be in session, which means that the facilities of the United Nations headquarters will be hard pressed. Moreover, both New York and Washington would have a very important disadvantage, UNIDO says. The "local government" is not likely to be prepared to offer to take on local costs. In other countries, governments are likely to provide considerable facilities. The third alternative is, of course, some place else. I imagine, on balance, that "some place else" is likely to be the best alternative from the Bank's point of view. For me personally, anywhere will be bad, for I will have to be out of the city either the week before or the week after the Annual Meeting.
6. I shall be writing to my colleagues on the Preparatory Committee as soon as I have had the views of the Secretary on this issue.

7. One other matter. Because of the heavy burden of "personal contacts" in Denmark in June, I shall have to take with me at least one member of the staff of this Department.

Attachment

cc: Messrs. Mendels
    Demuth
    Mathew
    DFC Division Chiefs

cc: Mr. A. E. Davidson

WDiamond:jmb
January 4, 1971

Mr. C. Akhras
Chief, Industrial Policies and Financing
Section
UNIDO
Felderhaus
Rathausplatz 2
A 1010 Vienna, Austria

Dear Mr. Akhras:

I acknowledged, on December 28, your letter of December 18. And now I am replying to it in detail.

1. Attached (as 1) is a revision of the "Resume of the Discussions of the Meeting". Most of the suggestions are unimportant, but I call attention to the following:

   a. Para 6. I think UNIDO should be called the convenor of the conference.

   b. Para 7. I agree a day is enough for discussion of the "Mechanism" for "exchange of information". But shouldn't there be a "closing session" of some kind?

   c. Para 9e. What is the "resume"? This document? And what is the "Aide-Memoire"?

2. Attached (as 2) is the proposed list of companies to which invitations should be sent. I have amended it. But, as you know, I am uneasy because I am sure our criteria are not clear (e.g., what were the criteria for Spain?). I am sure we have missed many interested parties. Still, since the entire Preparatory Committee will revise the list, I hope the errors will be minimized.

3. You refer, in your letter to a "draft Aide-Memoire". I suppose it is the document referred to in 1 (c) above. I look forward to receiving it.

4. And the "letter of invitation".
5. I have not yet received the material you sent me on "exchange of information". As soon as it arrives we shall begin drafting the note on this subject which will become the agenda of the forthcoming meeting in Denmark.

Since my return, I have looked over the "minute" which we drafted in Vienna. The English and the French do not quite correspond, and the English is not entirely clear. I am taking the liberty of suggesting some minor revisions in the English text -- which, if agreeable, can be carried over into the French version. My suggestions are attached (as 3).

The arrangements you have made for Elsinore seem fine.

I am sending a copy of this letter to the other members of the Preparatory Committee, but I am not including the list of invitations, for you may have further changes and may want to add the addresses before you pass it on.

With all good wishes for the New Year.

Bincerely yours,

William Diamond
Director
Development Finance Companies

cc Mr. Demuth
Mr. Davidson (Paris)
Division Chiefs
Members of the Committee (9)
January 1, 1971

Mr. Richard M. Bliss
Senior Vice President
Bankers Trust Company
Post Office Box 318
Church Street Station
New York, New York 10015

Dear Dick:

When I returned from the Far East two weeks ago I found on my desk a copy of your letter of December 2 to Mr. McNamara—in which you commented on the Bank Group’s cooperation with Bankers Trust and on your own impending departure from it. Strangely enough, I had heard of your departure in Taipei, of all places, and had planned to write to you on the subject. I do not know where you are going or why, and hope you will let me know both. But whatever the answers, I know your many friends here join me in wishing you good luck and success, and in hoping our paths will continue to cross frequently.

I noted, in the attachment to your letter to Mr. McNamara, the Bankers Trust's institutions in Asia (there are others, elsewhere) are collaborating with the Bank and IFC, and the differences in outlook between IFC and Bankers Trust. I personally doubt these differences were as significant as you imply, nor am I sure about the distinction made between "investment banking" and "development banking." In any event, I note also your reference to "greater alignment." Good!

With all good wishes for the New Year,

Sincerely yours,

William Diamond
Director
Development Finance Companies

cc: Messrs. Gaud, Demuth, Koch

WDiamond:sc
1. Mr. Walinsky's memo to you entitled "Emerging Problem in Industrial Lending" dated December 16, 1970 focuses on an important issue which has exercised us for many months. In fact, difficulties faced by TSIB in the economic analysis of subprojects was the first subject on which my advice was requested, when I joined the Department in October 1969. Since then similar questions have been raised on many occasions and in the context of several development finance companies.

2. An evaluation of the technical, financial and management aspects of projects is an integral part of the work of development finance companies. These institutions differ in the emphasis they place on economic analysis of projects. These differences reflect a variety of factors; the pattern of ownership, policy goals and the stage of institutional evolution. In asking development finance companies to take on extra work and look into the economics of subprojects, the World Bank Group is likely to encounter favorable responses in some cases and a lukewarm or negative attitude elsewhere. This should be expected. It would help our approach if we can be clear about why development finance companies should undertake economic analysis?

3. The answer to this question is relatively easy as far as the World Bank Group is concerned. The Management and the Executive Directors of the Bank want to be informed about not only the technical and financial feasibility of subprojects financed with World Bank funds but also their pay-off in terms of economic growth and development. We are aware that high profits are not always a reliable indicator of high economic merit. Therefore, it is essential to supplement conventional appraisal with at least those aspects of economic analysis which will correct glaring distortions in financial indicators. This is, if you like, a rather narrow view of the Bank's interest in economic evaluation of DFC financed subprojects. Stated broadly, the Bank is concerned with the overall problem of resource allocation in member countries. It is engaged in the process of reviewing the policy framework within which investment decisions are made in less developed countries. Frequently, the Bank advises governments on these policy questions. It can be argued that this function of review and policy discussion would gain a great deal in depth if information of the kind generated by economic analysis of subprojects was available. Such data would illuminate in a concrete way the repercussions of present policies in particular countries and it would allow the Bank to conduct the policy dialogue on the basis of facts and figures.
If one asks the question about the utility of economic analysis from the standpoint of the management and owners of development finance companies, the answer is not so clear cut. These institutions have a variety of objectives and their concept of how these should be pursued depends on their orientation and background. It is scarcely surprising, therefore, if all these notions about effective rates of protection, external economies, shadow exchange rates and what not sound strange to some of these development finance companies. Despite these problems, there is no doubt in my mind that we need to do all we can to persuade these institutions to adopt systematic procedures for project appraisal, including the economic aspects. My view is based on two considerations:

(a) Even if it is assumed that the sole objective of development finance companies is to maximise profit for their shareholders, it would still be valuable for them to know the relation between the financial position of their clients and the various instruments of government policy. This information, generated by certain kinds of economic analysis, would allow the management of development finance companies to react to actual or potential changes in government policy. For example, they could anticipate and prepare for the impact of a devaluation or a decision to liberalise imports, on the debt servicing capacity of their clients.

(b) Secondly, it is simply not true that the only aim of development finance companies is to maximise profits. Many of these institutions have a commitment to development in the broad sense and some are quite influential in forums where public policy is determined. Many development finance companies depend on budgetary support on concessional terms as well as other concessions and in this way acquire or should acquire a public personality.

5. For these reasons, the need for economic analysis of subprojects, has been recognized by the Development Finance Companies Department for some time. To help development finance companies in building up adequate staff capability for the carrying out of project analysis, the Department has (i) made use of EDI facilities, (ii) arranged for special training of development finance companies personnel by Bank staff here in Washington or at development finance companies headquarters and (iii) extended assistance geared to the review of specific projects submitted by development finance companies. In September 1970 we sent two papers dealing with economic aspects to many of the development finance companies associated with the World Bank Group. The first paper discussed some of the factors that should be taken into account in evaluating the performance of these institutions from an economic standpoint. The second paper provided guidelines for ascertaining the extent of protection enjoyed by industrial enterprises financed by development finance companies. These papers have
been well received and they have helped start a dialogue on economic issues. Recent missions from the Department have exchanged views with their colleagues on the staffs of development finance companies.

6. Several development finance companies have recognized the importance of studying the economic aspects of projects submitted to them. In some cases --TSEB (Turkey), NIBB (Greece), NIBB (Nigeria), ENIB (Morocco), CMM (Morocco), CAVIDEVES (Venezuela), MIBAD (Iran)--we have discussed and agreed on an approach for the economic appraisal of subprojects. Such an agreement is very likely in several other instances. The nature of existing and proposed agreements vary depending on special characteristics of the general economy or the institution in question.

7. An important difficulty encountered by development finance companies in carrying out these analyses relates to the estimation of international prices for project outputs and inputs. You will recall that Mr. Weilinsky refers to this point in his memorandum, paragraph 4. We had anticipated this problem many months ago and requested the Economics Department to extend its analysis and projection of world market prices to include selected manufactured and semi-manufactured goods. (See my memorandum to Mr. Kamarch, May 18, 1970.) While primary responsibility for obtaining appropriate international prices must rest on development finance companies, it seems to me that the Economics Department can play a constructive role in this sphere.

8. It is one thing to insist that development finance companies should carry out adequate project appraisal and find out, for example, the degree of effective protection enjoyed by their clients. It is quite another to say that the development finance companies themselves or the Bank should reject subprojects which involve "excessive" protection. Development finance companies cannot be expected to behave like Planning Commissions, however much their devotion to the goal of economic development. They do not have and should not be expected to acquire the knowledge required for determining industrial policy. This is properly the function of government. The Development Finance Companies Department is not equipped to determine the cut-off criterion. I doubt whether there are many countries in which Bank economists as a group have sufficient knowledge of the relevant factors (e.g. equilibrium exchange rates, rates of return in different activities etc.) to make a pronouncement of that kind. Of course, it is possible and often necessary to resort to arbitrary conventions but such rules of thumb are worthwhile only if one can be reasonably sure that on balance they improve the state of affairs.

9. It is not my intention to argue that the World Bank should finance projects through development finance companies irrespective of the level of protection; obviously, such a position is untenable. Nevertheless, if the end result of sophisticated economic analysis and the introduction of cut-off criteria in loan contracts is stagnation or decline in the volume of industrial and total lending, as suggested
by Mr. Walinsky, then something is clearly wrong. The object of the exercise must be to improve the pattern of industrial investment without paying the all too heavy price of reducing the overall rate of capital formation and the associated creation of employment opportunities.

10. In my judgement, the proper approach to these questions is not in terms of a cut-off criterion, which can only be arbitrary and which may well be counter-productive, but rather in building up the policy framework and the institutional apparatus which will identify investment opportunities having the "least comparative disadvantage", to use an Avramovic expression. The establishment of such a framework will require changes in government policies--tariff, quotas, exchange rate, fiscal incentives and the like. The Bank should undoubtedly play a part, as it has in the past, in influencing government decisions in these areas. The results of economic appraisal of subprojects, carried out by development finance companies, will help both the Bank and the Government concerned in pinpointing the issues. At the same time, the Bank and other external agencies can help to strengthen national institutions responsible for carrying out surveys, pre-investment studies and other project formulation activities. These measures should yield a pay off in the form not only of better projects but also more projects.

11. If the policy framework within which a development finance company operates and within which industrial investment takes place is unacceptable and there is no prospect for improvement, then perhaps the Bank ought not to lend to such an institution. The decision to lend to a development finance company must mean that the Bank is satisfied with the government policy framework or hopes to persuade the authorities to take appropriate action to set matters right. The Bank has the opportunity to monitor progress through the results of project analysis carried out by the development finance company and in other ways. Furthermore, the Bank can reconsider its decision to support the development finance company every two years or so--the normal time period for lines of credit.
Messrs. Pollan, Lethbridge, Gustafson; Powell, Sekse, Acevedo, Mirski

December 28, 1970

William Diamond

UNIDO Meeting 1970, to discuss proposed Conference of Development Banks

In Vienna, earlier in the month, I participated in a committee meeting to plan a new world-wide conference sponsored by UNIDO, of development banks, to take place in Denmark in June 1974. This has several consequences which I shall soon discuss with you. But the urgent matter is the preparation of a list of companies to be invited. UNIDO has prepared the attached list, which is not good. I've promised to help in putting it into shape. Please review the attached list and let me have your emendations by close of business Wednesday, December 30. Please send them to Miss San Lin.

Attachments

cc Mr. Desuth
Mr. Davidson (Paris) }with copy of ltr. and attachments
Miss San Lin
DFC File

WDiamond:us
Mr. P.M. Mathew,
Deputy Director,
Development Finance Companies,
International Bank for Reconstruction
& Development,
1818 H Street, N.W.,
Washington, D.C. 20433,
U. S. A.

Dear Mr. Mathew,

I refer to your letter of the 7th instant, in which you request me to send you a short paper regarding the procurement procedures we follow in the DFCC. I shall in dealing with the subject also refer to certain aspects of the checks which we use on implementation in the construction and machinery installation stages.

(a) & (b) As you are no doubt aware there has been hardly any plant and machinery procurement out of our own funds since 1967 when we obtained our first IBRD line of credit. The question of any difference between procedures therefore has not arisen so far, but I could state that, in so far as any available non-World Bank funds are concerned, the procedures adopted would be the same, except to the extent of any specific conditions stated in the IBRD loan agreements e.g. restriction of procurement to member countries of the IBRD and to Switzerland. I shall briefly describe these procedures below :-

1. For purchase of plant and equipment we generally insist that the borrower should furnish comparable quotations from more than one supplier and preferably from more than one country. When examining these quotations, factors in addition to prices, such as delivery dates, availability of spare parts, warranty conditions, furnishing of engineering expertise in the form of technicians for installation and running-in, and the training of local staff, are taken into consideration.
2. Bankers' reports on suppliers of plant are called for.

3. In cases where for any special reasons the borrowers have indicated their inability or reluctance to furnish competitive quotations, the DFCC itself has written to international organisations such as the IBRD, KFW, and UNIDO for their confidential opinions on the quotations furnished by the borrower.

4. In a few cases we have indicated to our borrowers that we would on our own and independently obtain quotations from different countries and from different suppliers and also consult international organisations such as IBRD, KFW, UNIDO etc, for the purpose of minimising, as far as possible, collusion between the sponsors and the suppliers of machinery chosen by them, in the matter of price quotations. In fact, however, we do not in practice make direct inquiries from suppliers of machinery except in very special cases. This step is therefore taken by us more for the sake of its effect as psychological deterrent. We have been able in this manner to achieve substantial reductions in the cost of machinery. This is the practice which I have used in the Bank of Ceylon and which I introduced in the DFCC.

5. The loans granted by the DFCC are also subject to the borrower obtaining and producing to the DFCC a certificate from a reputed firm of international surveyors acceptable to the DFCC certifying that the plant and machinery to be shipped are as stated in the pro-forma invoices submitted, that they are in good working order and that the prices are reasonable in relation to the current prices of similar plant and machinery.

One of the problems we are faced with in the implementation of this condition is the incompleteness of the machinery specifications as given in the pro-forma invoices; and this is a matter which we are gradually taking up with our clients.
6. There are also cases where we have had consultations with other development banks on their experiences with similar projects. This procedure however is only feasible where personal contact with other development banks is possible.

7. In the case of civil works, the magnitude of the work involved generally does not warrant calling for competitive bids. Our practice, therefore, is generally to get the borrower to select his own contractor. Evaluation in these cases is based on whether the contractor has the necessary ability to perform the work satisfactorily and within the time permitted, and also whether the contracted amount is reasonable in relation to the costs prevailing in the locality, to the type of construction required in relation to the project concerned and to the Corporation's own experience of civil construction costs. The contractor must be one in whose integrity and efficiency the DFCC has confidence. Even the architects selected by the sponsors must be acceptable to us. We have our own Civil Engineer as well as an outside consultant architect who, together, make independent checks on the prices quoted for construction. We formulate a detailed programme for implementation for the purpose of comparing performance with targets in terms of materials used, time, and money. Checks on implementation are made at different stages before disbursement of funds.

    We have just planned to use Network Analysis and Critical Path techniques in the implementation of special projects.

    In the case of large projects we would insist on competitive tenders.

(c) It will be seen that the procedures adopted by the DFCC are not as elaborate as those outlined in the "Guidelines" forwarded by you. The projects handled by the DFCC are generally on a small scale. The basic objective, however, remains the same, in that the DFCC also endeavours to achieve economy and efficiency in the utilisation of loan funds.
Considering the size of the projects generally handled by the DFCC I do not think it desirable, nor do I think it feasible, that the procedures described in the "Guidelines" should be followed in all their details, although the "Guidelines" would help us to enlarge, improve and refine our present procedures. Even if the DFCC and the sponsors or borrowers in Ceylon are willing to follow scrupulously, wherever applicable, the "Guidelines", the projects that we have so far handled, except the Pearl Textile Project, are so small in size that the expenditure involved in attracting and examining worldwide tenders will be too high, and the procedures too complex and too time-consuming.

I wish you all the best for 1971.

Yours sincerely,

C. LOGANATHAN
GENERAL MANAGER/DIRECTOR

CL:SG.
INCOMING CABLE

DATE AND TIME OF CABLE: DECEMBER 17, 1970

LOG NO.: WU 34/18

TO: DIAMOND INTBAFRAD

FROM: VIENNA VIA UN NEW YORK

TEXT:

MISC 21613 REOUR CONVERSATION LAST WEEK IN VIENNA TENTATIVE LIST OF BANKS AND SUMMARY OF COMMITTEE DECISION AIRMAILED TODAY WITH EXPLANATORY LETTER. REGARDS

AKHRAS UNIDO VIENNA

MPB

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

DUPLICATE
Mr. P.M. Mathew  
Deputy Director  
Development Finance Companies  
International Bank for Reconstruction  
and Development  
1818 H Street N.W.  
Washington D.C. 20433  
U.S.A.

Dear Mr. Mathew:

Thank you for your letters dated November 13 on Five-Year Projections and December 7, regarding supervision exercised by DBS on procurement practices of our clients. As you may recall, both matters are subjects which we have discussed with your appraisal mission, at your visit to Singapore, and other occasions.

2. We shall let you have new projections in the format given by you taking into account actual business done through year-end 1970 and covering the five years, 1971 - 1975. As explained before, such projections for a new institution with a broad scope of operations must necessarily be in the nature of guestimates, but I trust this is also realised by the recipient.

3. Regarding procurement, as you are aware, DBS' practices differ, to some extent, from those followed by some other development banks. Subsidiaries of international companies who are clients of DBS should be trusted to arrange for procurements best suited for their purposes. Considering the competitive nature of lending in Singapore, it would also be difficult to question such clients in this regard.

4. In the case of local companies, the practice is for such companies to finalise procurement before requesting DBS financing. Of necessity, our financing normally is effected in the form of reimbursing our clients for costs incurred by them. In most cases, the investors would have obtained competitive quotations and selected the best offers. In the course of
International Bank for
Reconstruction & Development

appraising a project to be financed by DBS, we try to establish
that procurement arrangements are reasonable, but we do not
follow any "system in the supervision of projects made by
clients with funds extended by DBS."

5. Where we have reason to believe that prices paid for
equipment may not be fair prices, before allowing any disburse-
ment of DBS' funds, we do, however, carry out or obtain a
valuation of the assets to be financed in order to ensure that
monies made available do not exceed certain agreed ratios
(normally 50% for machinery and 60% for land and building). In
the process of such valuation, we also want to be satisfied that
the assets are suitable for the purposes and have been acquired
at reasonable cost. Instances where we would require this would
be when equipment is second-hand or purchased from companies
related to the borrower.

6. For projects in which DBS has an equity participation
and in which there is a close connection between management and
suppliers, we furthermore try to ensure that prices and terms
for the initial acquisition of fixed assets, as well as recurrent
purchases, are competitive. In our experience however, the
problem here arises more in the field of recurrent purchases,
royalties and sales rather than for the initial acquisition of
fixed assets and there have been cases in which DBS had to
decline or withdraw its participation on account of an impossi-
bility to safeguard a truly competitive pattern.

7. There is no difference in DBS' supervision procedure
with regard to the use of funds originating from IBRD.

8. I believe you know that the somewhat more restrictive
procurement provisions governing loans extended by the Asian
Development Bank to national development banks have been the
main reason in our slow utilisation of the ADB Line of Credit
compared with the IBRD Line (amount approved: US$963,069 as
against US$3,442,705). We understand that ADB is presently
considering proposals to adjust their procurement rules to the
existing IBRD pattern.

9. We hope and trust that IBRD will not introduce elements
of rigidity for loans to development banks as regards procurement
practices.

With kind regards,
Yours sincerely,
THE DEVELOPMENT BANK OF SINGAPORE LTD.

(W.D. Wobnitz)
Executive Vice President
December 15, 1970

Mr. Bo E. Thome  
International Division  
Skandinaviska Banken  
106 40 Stockholm  
Sweden  

Dear Mr. Thome:

Many thanks for sending me a copy of your study on "Swedish exports of Know-How Complete Plants Part Packages" which arrived a few days ago. I am very glad to have it and will read it with great interest.

I thank you for your offer to furnish us additional information as we need it. We will certainly call on you should any occasion arise to do so.

Sincerely yours,

William S. Gaud  
Executive Vice President
Mr. Sunit Gupta  
Development Finance Companies  
International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington, D. C., 20433  
U. S. A.

Dear Mr. Gupta:

This has reference to your letter of November 25, 1970 addressed to Mr. Roberto T. Villanueva regarding our five-year projections to cover the period 1971 to 1975.

We are presently working on this and will send you a copy as soon as this is ready. We expect this to reach your office before February 15, 1971. We hesitate sending any preliminary figures of approvals and commitments for 1971 and will simply include these together with the five-year projections.

Kindest regards.

Sincerely,

VRJ:mrl
Mr. Soni Gupte
Development Finance Company
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Gupte:

This is in reference to your letter of November 5th. We are pleased to report that our five-year projections to cover the period 1970 to 1975 are as follows:

We are presently working on this and will send you a copy as soon as it is ready. We expect this to be ready by February 15th. We recommend sending our preliminary figures of expenses and commitments with the five-year projections.

Kind regards.

[Signature]

V.R.I: 16-4-70
RECEIVED

[Signature]
Mr. P.M. Mathew,
Deputy Director,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
WASHINGTON, D.C. 20433,
U.S.A.

Dear Mr. Mathew,

Thank you very much for your letter of 9th November and for your manuscript. I am also grateful to you for giving me the opportunity to get in touch with you should I seek any clarification.

Your paper will appear in the Christmas issue of our journal and I shall forward you a copy as soon as it is made available for distribution.

Compliments of the season and all good wishes for the New Year,

Yours very sincerely,

V. KANAPATHY

12/15 copy to Mr. Blinkhorn
United Malayan Banking Corp. Bhd.

HEAD OFFICE

To: Mr. P.M. Mathews

Dear Mr. Mathews:

Thank you very much for your letter of 9th November and for your memoranda. I am also grateful to you for giving me the opportunity to get in touch with you regarding certification.

Your letter with respect to the Christmas issue of our journal and I shall forward you a copy as soon as it is made available for distribution.

Compliments of the season and all good wishes for the New Year.

Yours very sincerely,

[Signature]

Received

1970 Dec 14 P.M. 3:13

[Signature]
December 8, 1970

Mr. P. M. Mathew  
Deputy Director  
Development Finance Companies  
International Bank for  
Reconstruction & Development  
1818 H Street, N. W.  
Washington, D. C. 20433

Dear Mr. Mathew:

I want to thank you and Douglas Gustafson in expediting a letter of introduction for us to Mr. Pertti Tuomala of the Industrialization Fund of Finland Ltd. As soon as I learn of any tangible results from our meeting with them, I will most certainly keep you informed.

I appreciate your assistance in this matter, and I look forward to calling on you upon the occasion of my next visit to Washington and the Bank.

With kind personal regards.

Sincerely yours,

Cornelius H. Smith, Jr.  
Second Vice President

CHS:gt
December 6, 1970

Mr. M. M. Mather
Director, Development Finance
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Mather:

I want to thank you and Double Cattle, Inc., for the
excellent letter of introduction for us to Mr. Peter
T. McConnell of the Industrialization Fund of India Ltd.

As soon as I return from the top executive in India
I will most certainly keep you

informal.

I appreciate your assistance in this matter,
and I look forward to calling on you on the occasion of
our next visit to Washington and the Bank.

With kind personal regards,

Sincerely yours,

[Signature]

[Address]

CHIEF

RECEIVED

1970 DEC 10 P.M. 2:50

SECTION

COMMUNICATIONS
Mr. P. M. Mathew  
Deputy Director  
Development Finance Companies  
International Bank for  
Reconstruction and Development  
1818 H. Street, N. W.  
WASHINGTON-DC-20433-USA

Dear Mr. Mathew:

It is my pleasure to acknowledge receipt of your letter dated November 27, regarding our earlier supplying to World Bank with BNB's 5 years business projections.

In reply, I feel glad in informing you that your correspondence is being submitted to our Industrial, Financial and Research Departments, with the special recommendation for making all the necessary efforts with a view to provide you in due time the requested data.

With best regards, I remain

Yours Sincerely

RUBENS VAZ DA COSTA  
President
Mr. P. M. Matlow
Deputy Director
Development Finance Committee
International Bank for Reconstruction and Development
1818 H Street, N.W.
WASHINGTON, D.C. 20433-USA

Dear Mr. Matlow:

I am with pleasure to acknowledge receipt of your letter
dated November 5, expressing our estima to World Bank with
H.B.6 years business projects.

In reply, I feel glad to inform you that your
request for additional supply to World Bank for the
necessary Department with a view to provide you in due time the requested data.

With best regards,

Yours Sincerely,

RUBENS VAS DA COSTA
President

RECEIVED

1970 DEC 16 AM 10:54

ACTION

COMMUNICATIONS
Mr. Neil J. Paterson  
Director of Investments  
INTERNACIONAL FINANCE CORPORATION  
1818 H. Street, N.W. Washington, D.C.  
20433, U.S.A.

Dear Mr. Paterson:

On return of my travel, I find your kind letter of October 30, also the booklet on Private Development Finance Companies, whose sending for I thank you.

We will Study it carefully in order to set up some contact about this, nevertheless, I agree with you and hope we will look for a concrete project where I.F.C. and B.G. will collaborate jointly.

Yours faithfully,
** ROUTING SLIP **

** Date **
Dec. 8, 1970

** OFFICE OF THE PRESIDENT **

<table>
<thead>
<tr>
<th>Name</th>
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<tr>
<td>Mr. McNamara to see</td>
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<td>Mr. Diamond to see **</td>
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<td>Mr. Please to see</td>
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** To Handle **

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** Remarks **

(** copy retained in Mr. Diamond’s office to him to see on return) 12.10.70.

** From **

L.E. Christoffersen
Mr. Robert S. McNamara, President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D. C.

Dear Mr. McNamara:

I enjoyed our conversation last month at the World Bank and particularly the opportunity to share some thoughts on the importance and means of developing financial infrastructures in developing countries. Since our own efforts in Asia have been based on much the same assumptions as those we discussed, I thought you might be interested in the attached memorandum which briefly describes what we have done in three specific countries in this area.

In each of these cases we saw a close correlation between our own objectives in developing profitable business opportunities and those of the host country in establishing a financial infra-structure in the form of intermediaries between sources and uses of funds. In most countries we have found that, by establishing a financial intermediary such as an investment bank or finance company active in both the money and capital markets, we can not only earn a relatively attractive rate of return on our investment but also make a structural contribution to these money and capital markets. As I am sure you know, one of the critical gaps in the development process in areas such as Asia is not the availability of funds but the absence of institutions which make these funds available efficiently to users.

While we have worked on numerous occasions in the past with IFC and IBRD on specific projects, I feel strongly that the dialogue could be broadened in view of the large overlap in
our respective objectives. One possibility, of course, is that of jointly establishing new vehicles; another is that of forming joint underwriting syndicates for local issues. Both myself and several of my associates have talked on occasion with Bill Gaud and his staff on these questions, but I hope that this letter will initiate a dialogue involving yourself and others on the IBRD staff. Although I will be leaving Bankers Trust at the end of December, I know that my successors, Ellsworth Donnell and Carlos Canal, will be extremely interested in following up our initial conversations.

May I take this occasion to extend to you Season's Greetings.

Sincerely,

Richard M. Bliss
Senior Vice President
Bankers Trust Company's primary objective has been to create an international network of financial vehicles specializing in raising funds, both domestically and internationally, for wholesale (non-individual) clients. In particular, our wholly owned Edge Act subsidiary, Bankers International Corporation (BIC), has been very active in establishing with local partners financial vehicles in the Far East. In the tailoring of these vehicles, the financial needs and economic sophistication of the countries are taken into account. In almost all cases, because of an undeveloped or total lack of a financial infrastructure, these vehicles have taken the form of investment banks with the initial purpose of developing the country's money market. Since the establishment of our first vehicle in Asia in 1964 we feel Bankers Trust has gained a high degree of expertise in this area and is now considered to be one of the foremost sources of money market know-how in Asia.

BANCOM DEVELOPMENT CORPORATION, PHILIPPINES

BIC's first undertaking in Asia was the establishment of Bancom in 1964, a joint venture between BIC and local interests. Over the past five years, Bancom's accomplishments include the introduction of the country's first merchant banking operation which now offers a complete range of financial services through the use of new and innovative money and capital market instruments. The firm was responsible for developing a commercial paper market and has maintained its leadership by posting a volume, since its inception, of over four billion pesos (U.S. $670MM) on total assets of three hundred million pesos (U.S. $50MM). This represents an increase in volume of approximately 2,000% over the volume realized in the first year of operation. Specifically tailored trade bills of exchange and acceptances are among the other type of money market instruments introduced by Bancom.

In its first year of operation, the firm was requested by the Philippine government to develop the domestic market for government treasury bills. In the capital markets, Bancom has underwritten a number of equity and debt issues including the largest domestic equity issue for a private enterprise in the Philippines. Bancom has organized two development corporations for land and housing, and utilities, to help fill the country's critical need for housing and electrification. Assistance has also been rendered to various Asian governments by Bancom through
special consultancy arrangements.

Locally, Bancom has endeavored to build a whole range of financial services in addition to those described above. Portfolio management, financial planning and consultancy, project promotion, and business information services complete the range of professional services that Bancom now provides to the business community.

THAI INVESTMENT AND SECURITIES COMPANY, LTD. (TISCO), BANGKOK, THAILAND

Bankers Trust, in 1969, gave shape to the first investment banking institution in Thailand, TISCO, a joint venture with Bancom Development Corporation and the Thai Farmers Bank. TISCO's establishment marked the formal start of a money market in Bangkok, a landmark in the country's financial history. Since then, TISCO has introduced a whole range of short-term financial instruments including its own TISCO certificates. Thus far, money market instrument volume has reached more than six hundred million baht (U.S. $30MM). TISCO has also successfully underwritten the first publicly offered share issue in Thailand. An education and public relations program has been initiated by the firm to inform the public about the use and benefits of the various instruments offered by TISCO in the money and capital markets. In less than two full years of operations, the total asset level of TISCO has reached an impressive one hundred seventy million baht (U.S. $8MM).

ORD-BT COMPANY, LTD. SYDNEY, AUSTRALIA

In late 1969, BIC formed a joint venture investment bank with Ord, Minnett, T. J. Thompson, and Partners. After a little more than one year of operation, this organization has the largest intercompany money market operation in Australia with footings of approximately U.S. $100MM. In expanding in this market, Ord-BT has introduced a comprehensive and unique line of money market instruments to fit the needs of the existing economy. The firm's growth is exemplified by the second six months of operation where its revenues increased by 164%.

Capital market operations are another active area for Ord-BT. The firm recently managed and jointly underwrote the second largest share offering in the Australian market. Most recently, Ord-BT, along with several international partners
have launched a new mutual fund to invest in Australian securities, directed at Australian and overseas investors.

The success of the Australian operation demonstrates how a vehicle designed to undertake money and capital market operations can find application not only in less developed economies, but in the more developed countries as well.

FUTURE PROJECTS

Our most recent efforts have been directed toward establishing an investment banking operation in both Korea and Indonesia. The structure of these two vehicles is contemplated to be similar to that of our previous ventures in the Far East. They will be joint projects with participation from local and international investors such as Bancom. The mutual objective of these vehicles will be to assist in developing the local money and capital markets.

IFC/BANKERS TRUST COMPANY JOINT PARTICIPATION

Bankers Trust Company's participation in IFC and IFC sponsored projects in the Far East, we feel, has been significant and has taken several forms. Two development banks are among the institutions that BIC has an equity position in. The first is the Malaysian Industrial Development Finance Limited (MIDF) in Malaysia, and the second is the Industrial Credit and Investment Corporation in India. In the Philippines, the IFC participated in the underwriting for the Paper Industries Corporation of the Philippines (PICOP) for which Bancom Development Corporation served as the lead underwriter. In 1969, the IFC affiliate in Thailand, the Industrial Finance Corporation of Thailand (IFCT), was invited to take an equity share of TISCO; unfortunately, the IFCT was unable to participate in this venture. Presently, TISCO is acting as the agent for the Siam Cement Company, an IFC assisted venture, in seeking to obtain a large Eurodollar loan. In addition, discussions have recently been held between officers of Bankers Trust Company and the IFC concerning possible future cooperation in ventures in Korea and Taiwan. Thus while Bankers Trust Company has focused its attention on the development of investment banking type vehicles we have also endeavored to coordinate our activities in the Far East with those of the IFC and its affiliates.
Until recently this joint participation with the IFC though significant in the areas outlined above has been somewhat limited in terms of joint ventures because of apparent differences between Bankers Trust Company and the IFC on the emphasis to be placed on investment banking as opposed to development banking institutions. Recent developments point to a greater alignment between our respective objectives and the means to be taken in achieving these objectives with respect to the developing economies in the Far East. This closer cooperation can serve only to be of greater benefit to these developing countries and the financial institutions serving this area.
Mr. Christopher Lethbridge,
Development Finance Companies,
International Bank for Reconstruction and Development,
1818 H Street, N.W.,
WASHINGTON D.C. 20433. U.S.A.

Dear Sir,

Five Year Projections

We are in receipt of your letter dated November 20, 1970 and have noted contents thereof.

The projections will be prepared in accordance with the requirements as set out in your letter and we shall endeavour to let you have the material by February 15th 1971, as requested.

Yours faithfully,

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LIMITED
Mr. Christopher Leder, Esq.
Development Finance Companies
International Bank for Reconstruction and
Development
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

Dear Sir,

Five Year Projection

We are in receipt of your letter dated November 20, 1970

and have noted comments thereof.

The projections will be prepared in accordance with
the requirements as set out in your letter and we shall endeavor to

have the material in your possession by December 1971, as requested.

Yours faithfully,

[Signature]

Industrial Development Bank of Israel Limited

RECEIVED
1970 DEC-7 AM 9:56

SECTION
COMMUNICATIONS
Mr. Rodney Clayton

Christopher Lethbridge

Five-year Projections

1. We wrote to the following dfe on November 20 asking for up-dated five-year projections

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</thead>
<tbody>
<tr>
<td>Israel</td>
<td>IDBI</td>
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</table>

2. We did not write to the following dfe because we have received projections within the last eight months.

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<td></td>
<td>PICIC</td>
</tr>
<tr>
<td>Iran</td>
<td>IMDBI</td>
</tr>
</tbody>
</table>

3. We did not write to the following dfe because I did not consider it appropriate to ask for projections at this time.

<table>
<thead>
<tr>
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<th>Organization</th>
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<tbody>
<tr>
<td>Ceylon</td>
<td>DFCC</td>
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</table>
November 25, 1970

Mr. Roberto T. Villanueva
President and Chairman
Private Development Corporation
of the Philippines
Commercial Center
P.O. Box 757
Makati, Rizal D-708
Philippines

Dear Mr. Villanueva:

Five-Year Projections

The time has come again when we are asking our development finance company clients to update and extend their five-year projections.

The latest projections we have for PDCP are those contained in your report on the "Effects of Central Bank Circular No. 289 and Other Recent Monetary Measures on PDCP's Operations". It covered the period 1970 to 1975. I would be grateful if new projections could be prepared taking into account the actual business done through 1970 and covering the five years 1971 to 1975.

We would be grateful if you could send us the new projections by February 15, 1971. In the meanwhile, you probably have in mind some approximate, preliminary figures of PDCP approvals and commitments for 1971. If you could let us have these indicative figures, it would be of great help to us in our planning at this end.

With kind regards,

Sincerely yours,

Sunit Gupta
Development Finance Companies

S Gupta: dll

cc: Messrs. de Silva, Loh, Rigby, Stephansen and Conner
November 27, 1970

Dr. Rubens Vaz da Costa
President,
Banco do Nordeste do Brasil, S.A.
Rua Major Facundo, 500
Fortaleza, Ceará, Brasil

Dear Dr. Vaz da Costa:

One of the things which we request of the development finance company with which we work are 5 years business projections at regular intervals. You will recall that our suggested schedule of reports and forms of July 15, 1970, includes a request for such projections, to be prepared once yearly.

BNB received its first Bank loan in February of this year and at that time of course, we had current projections. We would, however, like to update these from time to time, in order that we might adjust our own plans accordingly, and this is why a request for revised projections was included in the suggested schedule of reports and forms.

We would now like to request updated projections of BNB's industrial lending activities from 1971 to 1975. I realize that in order to do these well, a substantial effort is required of your staff. However, we have found in working with other development finance companies that these efforts are rewarding, as they allow Management to reevaluate objectives, resource requirements and in general, to anticipate any operating problems that might present themselves. I feel sure that you will concur with us on this.

I wonder also, if it would be possible this year to prepare projections somewhat earlier than had been suggested in our letter of July 15, 1970, so that we might receive them by February 15, 1971. I hope that this will be possible. Should you have any questions or comments, please feel free to write to me.

With best regards,

Sincerely yours,

P. M. Mathew
Deputy Director
Development Finance Companies

JCKendall/gl

Cleared with and cc: Mr. Acevedo
Estimados señores:

Conforme a lo ofrecido en nuestra carta de ayer, les enviamos adjunto las proyecciones financieras a 5 años de la Corporación, revisadas de acuerdo a lo conversado con el señor Neil C. Hughes en su última visita a ésta. -

También les enviamos la relación de los supuestos empleados. -

Esperamos que este trabajo les sea de alta utilidad en su evaluación de la Corporación y nos agradaría conocer sus comentarios. -

Cualquier aclaración tendremos mucho gusto en hacerla a solicitud de ustedes. -

Atentamente,
SUPUESTOS DE LAS PROYECCIONES FINANCIERAS PARA 1970-1974

1) Las aprobaciones de préstamos con recursos nacionales e internacionales se incrementan en un 10% anualmente.

2) La proporción de préstamos aprobados con recursos internacionales crece a un ritmo del 2% anual, dentro del total de las aprobaciones con recursos nacionales e internacionales.

3) No se proyectan nuevas inversiones de 1971 en adelante.

4) Los desembolsos desde 1972 en adelante marchan al ritmo indicado de un 90% y un 75% de las respectivas aprobaciones en cada año.

5) Las necesidades de préstamos recibidos por la Corporación son un reflejo del supuesto anterior excluyendo la utilización de fondos propios.

6) La utilización de fondos propios en el total de desembolsos por préstamos otorgados con recursos nacionales resulta de un 42.8%, 31.2%, 25.6% - 35.5% y 31.2% para los años de 1970, 1971, 1972, 1973 y 1974, después de un estimativo previo de las fuentes de fondos propios a saber: posibles utilidades, cobranzas en préstamos con fondos propios y venta de acciones de la cartera de Inversiones de la Corporación.


8) Las cifras totales del "Loan Collections" del Cash Flow se calcularon como un 10%, 10%, 15% (aprox.), 15% (aprox.) y 20% (aprox.) del saldo inicial de la cartera de préstamos para los años de 1970, 1971, 1972, 1973 y 1974.

9) La venta de acciones de la cartera de Inversiones de la Corporación reflejan el propósito de reducirla sensiblemente.

10) Los "repayments" del Cash Flow se calcularon con los datos reales de vencimientos de la deuda de la Corporación a la fecha más los vencimientos de nuevas deudas estimados así: para la deuda proveniente de la utilización de recursos internacionales, 1 año de gracia y amortizaciones iguales anuales por un período de 10 años; para la deuda proveniente de la utilización de recursos nacionales, 1 año de gracia y vencimientos iguales anuales por un período de 5 años.
11) El incremento en "Cuentas por Cobrar, Ingreso Acumulado y Otros Activos Corrientes" se toma como un 10% en los sucesivos años a partir del saldo a 12/31/69.

12) El incremento en "Accounts Payable and Other Current Liabilities" se toma como un 10% en los sucesivos años a partir del saldo en 12/31/70.

13) Se toma un 40% de las utilidades antes de impuestos como provision para su pago.

14) Se toma un 15% de las utilidades netas (después de impuestos) como apropiación para la Reserva Legal (10%) y la de Fomento Económico (5%).

15) En los años de 1973 y 1974 se apropián $ 9.6 MM de las utilidades netas para el pago de dividendos en efectivo a realizarse en 1974 y 1975; estos $ 9.6 MM corresponden al 10% del capital pagado de la Corporación en 12/31 de 1973 y 1974 ó sea $ 96.3 MM.

16) Se causan y cobran intereses sobre préstamos otorgados (saldo promedio) de un 16%, 17%, 17% y 17% para los años de 1971, 1972, 1973 y 1974. La cifra para 1970 se estimó con base en el resultado real de los primeros 10 meses.

17) Se toma un incremento anual del 10% para proyectar las cifras del "Commitment Charges, other fees, commissions etc." a partir de la cifra de 1970 que es de $ 18.4 MM a su vez proyectada con base en el resultado real de los primeros 10 meses del año.

Este renglón incluye los intereses y comisiones ganados (que se causan y cobran) sobre Cartas de Crédito.

18) La proyección de los ingresos por dividendos a partir de 1971 fue proporcionada por la División de Inversiones. La cifra para 1970 es un estimativo con base en el resultado real de los primeros 10 meses del año.

19) Se estima una causación y pago de intereses sobre la deuda de la Corporación de un 12.5%, 13.5%, 13.5% y 14.5% para los años de 1971, 1972, 1973 y 1974. La cifra para 1970 se estimó con base en el resultado real de los 10 primeros meses.

20) Para proyectar la cifra de "Salaries and other personnel expenses" se toman incrementos anuales de un 5% a partir de la cifra de 1970, a su vez estimada con base en los datos reales de los primeros 10 meses del año.
21) Para proyectar las cifras de "Other administrative and general expenses" se toman incrementos anuales del 5% a partir de la cifra para 1970, a su vez estimada con base en los resultados reales de los primeros 10 meses del año.

22) La provisión acumulada para protección de cartera no se va a aumentar en 1970; carecemos de información acerca de cómo se va a proceder de 1971 en adelante; en este año se cancelarán unos $13.0 MM (ó más) de préstamos incobrables contra la provisión existente.

Hasta donde pudimos averiguar no se piensa establecer una provisión (cargo en el estado de pérdidas y ganancias) para protección de inversiones.

23) Las pérdidas por cambio extranjero en los años de 1970 y 1971 son un cálculo basado en una situación y expectativas reales.

24) La cuenta de Caja es la cuenta balanceadora de Activos y Pasivos.

25) Las variaciones del capital de trabajo mostradas en el Cash Flow proyectado en realidad son variaciones en la cuenta de Caja de un año para otro.


La cifra de un 10% de la cartera total de préstamos a 12/31/70 es equivalente al 37% de los $59.0 MM que constituyen los vencimientos corrientes de la cartera total en esa misma fecha; en concepto del señor Revisor Fiscal de la Corporación éste 37% es el porcentaje cuyo cobro puede esperarse realmente para el año de 1970.

La cifra del 10% se obtuvo independientemente del concepto del señor Revisor Fiscal y por lo tanto lo confirma.

Para obtenerla se hizo un análisis de los préstamos efectuados durante 1969 y el primer semestre de 1970 para discriminarlos entre desembolsos en efectivo y refinanceaciones o simples cargos contables; el monto de estas refinanceaciones se usó para ajustar los datos de cancelaciones obtenidas de los registros contables, que incluían cancelaciones en efectivo y simples créditos a las cuentas de refinanceaciones.
La cifra así ajustada constituye la de las cancelaciones en efectivo durante el año 6, en otras palabras, la porción verdaderamente corriente del saldo de la cartera de préstamos al comienzo del año.

30) La cifra del "Outstanding Loans" se dividió para el año de 1969 según datos obtenidos de los registros contables en la porción de recursos internacionales y la de recursos nacionales.

A partir de este año estas dos cifras se hicieron variar de acuerdo a los movimientos proyectados de desembolsos, cancelaciones, porción corriente de cada año siguiente, etc.

31) El renglón de "Loans Payable, current portion" para 12/31/69 está constituido por los vencimientos corrientes de la deuda de la Corporación a esa fecha. Para los años siguientes esta cifra se hizo variar de acuerdo con los "repayments" y los nuevos vencimientos corrientes.

32) Los renglones de "Foreign Currency Borrowings" y "Domestic Currency Borrowings" para 12/31/69 corresponden a la deuda a largo plazo según datos obtenidos de los registros contables.

A partir de este año las cifras se hicieron variar de acuerdo a los movimientos proyectados de nuevas deudas adquiridas (préstamos recibidos) y la porción corriente para fines de cada año.
**CORPORACION FINANCIERA DE CALDAS**

(En Millones de $)

**REVISED November - 1970**

Forecast of approvals and disbursements

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<tr>
<td>Foreign Currency Loans</td>
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<td>Domestic Currency</td>
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<tr>
<td>90% of current year's loan approvals</td>
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<td>Foreign Currency</td>
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<td>75% of current year's approvals</td>
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<td><strong>Total disbursements in foreign currency</strong></td>
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### Table V

**Corporacion Financiera de Caldas**

**"REVISED" November - 1970**

**PROJECTED BALANCE SHEETS**

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<td>41.8</td>
<td>20.4</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
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<tr>
<td>Short-term loans</td>
<td>21.0</td>
<td>21.0</td>
<td>75.0</td>
<td>95.0</td>
<td>154.0</td>
<td>174.0</td>
</tr>
<tr>
<td>Receivables, Accrued income, other short-term assets</td>
<td>39.2</td>
<td>43.1</td>
<td>47.4</td>
<td>52.1</td>
<td>57.3</td>
<td>63.0</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>67.5</td>
<td>76.2</td>
<td>91.1</td>
<td>108.5</td>
<td>169.5</td>
<td>216.6</td>
</tr>
<tr>
<td><strong>Outstanding loans</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Foreign currency</td>
<td>43.0</td>
<td>54.7</td>
<td>176.4</td>
<td>213.5</td>
<td>250.6</td>
<td>287.8</td>
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<tr>
<td>Domestic currency</td>
<td>149.0</td>
<td>133.4</td>
<td>235.7</td>
<td>311.6</td>
<td>351.5</td>
<td>394.3</td>
</tr>
<tr>
<td>Less provision for doubtful loans</td>
<td>(13.9)</td>
<td>(13.0)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Equity investments</td>
<td>113.1</td>
<td>125.1</td>
<td>78.1</td>
<td>69.1</td>
<td>60.1</td>
<td>51.1</td>
</tr>
<tr>
<td>Less provision for doubtful investments</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total loans and investments</strong></td>
<td>291.2</td>
<td>300.2</td>
<td>490.2</td>
<td>594.2</td>
<td>662.2</td>
<td>733.2</td>
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<tr>
<td><strong>Fixed assets (net)</strong></td>
<td>8.0</td>
<td>7.4</td>
<td>6.8</td>
<td>6.2</td>
<td>5.6</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>366.7</td>
<td>383.8</td>
<td>588.1</td>
<td>708.9</td>
<td>837.3</td>
<td>954.8</td>
</tr>
<tr>
<td><strong>Liabilities and Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Tax Payable</td>
<td>0.8</td>
<td>7.1</td>
<td>10.8</td>
<td>19.2</td>
<td>24.7</td>
<td>27.1</td>
</tr>
<tr>
<td>Dividends payable</td>
<td>0.8</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>9.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Loans payable, current portion</td>
<td>37.2</td>
<td>43.1</td>
<td>87.3</td>
<td>92.6</td>
<td>121.7</td>
<td>155.1</td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>36.1</td>
<td>35.9</td>
<td>39.5</td>
<td>43.5</td>
<td>47.9</td>
<td>52.7</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>74.9</td>
<td>86.1</td>
<td>137.6</td>
<td>155.3</td>
<td>203.9</td>
<td>244.5</td>
</tr>
<tr>
<td>Foreign currency borrowings</td>
<td>97.2</td>
<td>91.6</td>
<td>174.6</td>
<td>195.7</td>
<td>220.5</td>
<td>248.9</td>
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<tr>
<td>Domestic currency borrowings (subordinated to other debt)</td>
<td>--</td>
<td>3.0</td>
<td>5.0</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Domestic currency borrowings (not subordinates)</td>
<td>92.4</td>
<td>89.9</td>
<td>149.6</td>
<td>207.9</td>
<td>235.4</td>
<td>252.9</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>264.5</td>
<td>270.6</td>
<td>466.8</td>
<td>558.9</td>
<td>659.8</td>
<td>746.3</td>
</tr>
<tr>
<td>Share capital</td>
<td>95.9</td>
<td>96.3</td>
<td>96.3</td>
<td>96.3</td>
<td>96.3</td>
<td>96.3</td>
</tr>
<tr>
<td>Reserves, unappropriated surplus</td>
<td>6.3</td>
<td>16.9</td>
<td>25.0</td>
<td>53.7</td>
<td>81.2</td>
<td>112.2</td>
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<tr>
<td><strong>TOTAL LIABILITIES-EQUITY</strong></td>
<td>366.7</td>
<td>383.8</td>
<td>588.1</td>
<td>708.9</td>
<td>837.3</td>
<td>954.8</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>605.7</td>
<td>666.0</td>
<td>733.0</td>
<td>806.0</td>
<td>887.0</td>
<td>976.0</td>
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<tr>
<td>Debt/equity ratio</td>
<td>2.6</td>
<td>2.4</td>
<td>3.8</td>
<td>3.7</td>
<td>3.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Total long-term debt/equity ratio</td>
<td>1.9</td>
<td>1.6</td>
<td>2.7</td>
<td>2.7</td>
<td>2.6</td>
<td>2.4</td>
</tr>
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</table>

* Provisión para pérdidas en cambio extranjero.
### TABLE VI

**CORPORACION FINANCIERA DE CALDAS**

**REVISED NOVEMBER OF 1970**

**PROJECTED STATEMENTS OF INCOME**

*(National currency unit in millions)*

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Income from loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>33.8</td>
<td>55.8</td>
<td>94.3</td>
<td>117.1</td>
<td>137.2</td>
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<tr>
<td>Commitment charge, other fees, commissions, etc.</td>
<td>18.4</td>
<td>20.2</td>
<td>22.2</td>
<td>24.4</td>
<td>26.8</td>
</tr>
<tr>
<td>Capital gains</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend income</td>
<td>6.6</td>
<td>5.1</td>
<td>5.7</td>
<td>6.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Income from short-term investments, deposits, etc.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other income (please specify)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>58.8</td>
<td>81.1</td>
<td>122.2</td>
<td>148.0</td>
<td>171.5</td>
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</tbody>
</table>

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and commitment charges on borrowings</td>
<td>26.2</td>
<td>39.7</td>
<td>61.2</td>
<td>72.5</td>
<td>89.5</td>
</tr>
<tr>
<td>Salaries and other personnel expenses</td>
<td>5.9</td>
<td>6.2</td>
<td>6.5</td>
<td>6.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Other administrative and general expenses</td>
<td>6.0</td>
<td>6.3</td>
<td>6.6</td>
<td>6.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Provision for doubtful loans and investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses (please specify) *</td>
<td>3.0</td>
<td>2.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>41.1</td>
<td>54.2</td>
<td>74.3</td>
<td>86.2</td>
<td>103.8</td>
</tr>
</tbody>
</table>

| Profit before tax | 17.7 | 26.9 | 47.9 | 61.8 | 67.7 |
| Provision for tax | 7.1 | 10.8 | 19.2 | 24.7 | 27.1 |
| **Net Profit** | 10.6 | 16.1 | 28.7 | 37.1 | 40.6 |

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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Reserves (Legal y Fomento económico)</td>
<td>1.6</td>
<td>2.4</td>
<td>4.3</td>
<td>5.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Unappropriated surplus</td>
<td>9.0</td>
<td>13.7</td>
<td>24.4</td>
<td>21.9</td>
<td>24.9</td>
</tr>
<tr>
<td><strong>Unappropriated surplus</strong></td>
<td>10.6</td>
<td>16.1</td>
<td>28.7</td>
<td>37.1</td>
<td>40.6</td>
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</table>

* Pérdidas en cambio extranjero
### PROJECTED CASH FLOW STATEMENTS

(National currency unit in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax *</td>
<td>17.7</td>
<td>26.9</td>
<td>47.9</td>
<td>61.8</td>
<td>67.7</td>
</tr>
<tr>
<td>Add back non-cash charges (depreciation, provisions, write-off etc.)</td>
<td>3.6</td>
<td>2.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Cash generation from operations</td>
<td>21.3</td>
<td>29.5</td>
<td>48.5</td>
<td>62.4</td>
<td>68.3</td>
</tr>
<tr>
<td>Increase in share capital</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Draw-down on foreign currency borrowings</td>
<td>14.0</td>
<td>131.0</td>
<td>50.0</td>
<td>60.0</td>
<td>71.0</td>
</tr>
<tr>
<td>Domestic currency borrowings</td>
<td>21.0</td>
<td>99.0</td>
<td>122.0</td>
<td>114.0</td>
<td>130.0</td>
</tr>
<tr>
<td>Loan collections</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Against domestic currency loans</td>
<td>18.7</td>
<td>18.7</td>
<td>65.7</td>
<td>82.1</td>
<td>131.1</td>
</tr>
<tr>
<td>Against foreign currency loans</td>
<td>2.3</td>
<td>2.3</td>
<td>9.3</td>
<td>12.9</td>
<td>22.9</td>
</tr>
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<td>Sales from portfolio (share investments or loans)</td>
<td>26.0</td>
<td>47.0</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
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<td>Other sources (please specify)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td>103.7</td>
<td>327.5</td>
<td>310.5</td>
<td>346.4</td>
<td>438.3</td>
</tr>
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<td><strong>Uses</strong></td>
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<td></td>
</tr>
<tr>
<td>Increase in fixed assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disbursement of loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic currency</td>
<td>30.0</td>
<td>189.0</td>
<td>164.0</td>
<td>177.0</td>
<td>189.0</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>14.0</td>
<td>131.0</td>
<td>50.0</td>
<td>60.0</td>
<td>71.0</td>
</tr>
<tr>
<td>Equity investments</td>
<td>12.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repayments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Against domestic currency borrowings</td>
<td>24.3</td>
<td>23.5</td>
<td>39.3</td>
<td>63.7</td>
<td>86.5</td>
</tr>
<tr>
<td>Against foreign currency borrowings</td>
<td>12.9</td>
<td>19.6</td>
<td>48.0</td>
<td>28.9</td>
<td>35.2</td>
</tr>
<tr>
<td>Increase in receivables, accrued income, etc.</td>
<td>3.9</td>
<td>4.3</td>
<td>4.7</td>
<td>5.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Less increase in payables, deferred items, etc.</td>
<td>+ 0.2</td>
<td>(3.6)</td>
<td>(4.0)</td>
<td>(4.4)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Payment of tax</td>
<td>0.8</td>
<td>7.1</td>
<td>10.8</td>
<td>19.2</td>
<td>24.7</td>
</tr>
<tr>
<td>Payment of dividend</td>
<td>0.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.6</td>
</tr>
<tr>
<td>Other uses (please specify) **</td>
<td>-</td>
<td>-</td>
<td>5.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td>98.9</td>
<td>370.9</td>
<td>317.8</td>
<td>349.6</td>
<td>416.9</td>
</tr>
<tr>
<td>Increase (decrease) in working capital</td>
<td>4.8</td>
<td>(43.4)</td>
<td>(7.3)</td>
<td>(3.2)</td>
<td>(21.4)</td>
</tr>
</tbody>
</table>
November 23, 1970

Mr. Hugo Lindgren
Vice President
Stockholms Enskilda Bank
8, Kungstradgardsgatan
Stockholm 16, Sweden

Dear Mr. Lindgren:

Many thanks for your letter of the 17th, which arrived on Friday. The mail from Sweden seems to be faster than from a number of much closer places!

I wrote Philippe de Seynes about the December 11 meeting as soon as I got back to Washington, and now everything is in order. It is a good thing you mentioned it on the plane.

I hope things will work out all right with respect to SIFIDA, but it is too early to say. I am sorry we could not come to a favorable decision before November 25.

I hope you will find a qualified Swede to join IFC. We would be glad to have one.

All the best,

Yours,

William S. Gaud
Executive Vice President
November 20, 1970

Mr. Shichiro Murai
Executive Director
The Overseas Economic Cooperation Fund
Iino Building
Uchisaiwai-cho 2-1-1
Chiyoda-ku
Tokyo, Japan

Dear Mr. Murai:

Mr. Diamond wrote to us saying that when he met you in Tokyo on November 2 you discussed, among other things, DBS, Singapore and MIDF, Malaysia and that you will be interested in receiving our reports on these companies. Enclosed herewith please find one copy each of our Appraisal Report on DBS dated December 29, 1969, our follow-up report on MIDF and a descriptive memorandum on MIDF.

With best regards,

Yours sincerely,

Edgar C. H. Su
Development Finance Companies

Enclosures
November 20, 1970

Dr. A. Neaman
Managing Director
Industrial Development Bank
of Israel, Limited
Migdal Shalom Mayer
9 Ahad Haam Street
P.O. Box 1462
Tel Aviv, Israel.

Dear Dr. Neaman:

**Five Year Projections**

The time has come again when we are asking our development finance company clients to update and extend their five year projections.

The latest projections we have for IDBI were received with your letter dated November 30, 1969 and covered the period July 1, 1970 - June 30, 1975. I would be grateful if new projections would be prepared taking into account the actual business done through December 31, 1970, and covering the five years January 1, 1971 to December 31, 1975, i.e. the calendar years 1971 through 1975, which also coincide with IDBI's fiscal years. We thought that this would be more convenient for you than doing the forecasts on the July 1 - June 30 year basis.

We would be grateful if you could send us the new projections by February 15, 1971.

Yours sincerely,

Christopher Lethbridge
Development Finance Companies

cc: Mr. Springuel

Gustafson/ABose:dfn
OFFICE MEMORANDUM

TO: Files

FROM: Jacques Coudol

DATE: November 19, 1970

SUBJECT: India - Fourth Five Year Plan 1969-1974

In reviewing the above I have noted that nearly no consideration has been given to private sector financing from financial institutions and possible transfers from public funds to private industry through financial institutions (e.g. allocation of funds from IDBI to ICICI).

In fact ICICI is only mentioned once, among a list of other institutions, merely stating that "mention has to be made of the resources to be raised by ... term-lending institutions like ... ICICI ... for financing plan programs.

There are five references to IDBI which do not bring new light to its role vis-à-vis other financial institutions and the financing of industry.

J. Coudol:km

cc: Messrs. Abd El Atty
    Pollan
My dear Hans:


As desired, we would send the new projections so as to reach you by February 15, 1971.

With kind regards,

Yours sincerely,

S. S. Mehta

Mr. Hans Pollan
Development Finance Companies
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington D.C. 20433
U. S. A.
November 18, 1970

My dear Mr. Hallen:

I have received your letter dated November 10, 1970, referring to our five-year protection plan for 1971 to 1975. Taking into account the situation and the position of our business, we are going through with the new program for the year 1971.

As agreed, we would send the new program so as to reach you by February 15, 1971.

With kind regards,

Yours sincerely,

[Signature]

S. N. Malhotra

The Industrial Credit and Investment Corporation of India Limited

193, B. C. A. Recreation, Bombay 20 Branches: Credcord, Bombay Phone: 25201-25204, 25207-25212
November 18, 1970

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

Dear Felix:

Five-Year Projections

The time has come again when we are asking our development finance company clients to update and extend their five-year projections. The latest projections we have for CDC were received with your letter of November 28, 1969 and covered the period from 1970 to 1974. I would be grateful if new projections could be prepared taking into account the actual business done through December 31, 1970 and covering the five years 1971 to 1975.

Enclosed is a copy of the projections you prepared last time for us. We would be grateful if you could send us the new projections by February 15, 1971.

With best regards,

Yours sincerely,

Sunit Gupta

Development Finance Companies

Enclosure

SGupta.dll

cc: Messrs. Kraske, Loh, Rigby/Hakim and Stephansen
The Director,
South Asia Department,
International Bank for Reconstruction for Development,
1818 H Street, N.W., Washington D.C.
U. S. A.

Dear Sir,

It is understood that South Asia Department of the IBRD carried out a comprehensive study entitled "INDUSTRIALIZATION OF PAKISTAN - THE RECORD, THE PROBLEMS AND THE PROSPECTS" in March, 1970. The study runs into three volumes dealing with various aspects of industrial progress including the various national policies such as fiscal, monetary, foreign capital etc affecting the pace of industrial expansion.

Needless to emphasize that this Bank is one of the leading Government-sponsored organisation to cater to the requirement of industrial development in Pakistan. Being basically concerned with industrialization in the country, the study carried out will be of immense importance for this organisation.

It will, therefore, be highly appreciated if you could kindly furnish us a complete set of the study at the earliest convenience.

Thanking you.

Yours faithfully,

( DR. MOHD. QABIL KHAN)  
ASSISTANT DIRECTOR
Mr. Director,

Dear Sir,

I am writing to draw your attention to the Industrial and Development Bank of Pakistan, which is a bank that caters to the needs of businesses in the country. The bank has been instrumental in providing financial assistance to various sectors of the economy, including agriculture, manufacturing, and services.

I am enclosing a copy of a letter that has been sent to you regarding the bank's recent annual report. The report highlights the bank's achievements over the past year and outlines its plans for the future.

I would like to express my gratitude to you for your continued support and encouragement. Your commitment to the development of the country is highly appreciated.

Thank you for your time and attention.

Yours faithfully,

[Signature]

Assistant Director

1970 NOV 25 PH 2.16

Section

Communications
Dear Mr. Diamond,

Many thanks for the kind way in which you received me during my recent quick visit to Washington. I was very much interested in having your views on our bank’s efforts to develop our relations with development finance companies and, in particular, those with which the I.B.R.D. is working.

We do hope that we in Sweden shall have the pleasure of organizing next year’s UNIDO meeting for development finance companies. We have formally placed our invitation on record with the UNIDO. The plans are for September 1971. We are very much looking forward to seeing you here on that occasion.

Erik Lionhead sends his best regards and so does

Yours sincerely,

(Hugo Lindgren)
Vice President
Dear Mr. Diamond,

Many thanks for the kind way in which you received the copy of my letter dated April 14th to Washington. I am very much interested in pursuing your views on our bank's efforts to develop our relations with the development finance companies. In particular, some with which we have established contact in Sweden, I have great pleasure in informing you that we will be organizing next year a UNIDO meeting for development finance companies. We have formally placed our invitation on record with the UNIDO. The place will be for September 1972. We are very much looking forward to seeing you there on that occasion.

With this in mind, we hope to see you here as we proceed.

Yours sincerely,

[Signature]

RECEIVED

1970 NOV 20 AMIG: 32
Dear Mr. Gaud,

It was a great pleasure to see you again at the ADELA meetings in Detroit. I very much appreciated your luncheon speech and your very co-operative attitude towards ADELA.

I wanted to drop you this line merely to thank you for giving me most of the time of your flight down to Washington D.C. I very much enjoyed this opportunity of discussing various matters with you. In particular I am glad that I mentioned the second meeting of the ICC-UN/GATT Economic Consultative Committee which is to take place on December 11 in Paris so that you got the date firmly put down in your book. I trust that you have by now received the agenda from Mr. de Seynes.

Furthermore, I wish to assure you that I have not forgotten your interest in having a Swede join the IFC. I will revert to this matter as soon as possible. We may also have other suggestions for co-operation with the IFC once our bank's Technical Assistance Team of which I told you will become fully operational. Finally, I am pleased to learn that
November 17, 1939

Mr. William E. Engel
Executive Vice President
International Finance Corporation
1818 H Street, N.W.
Washington, D.C.

Dear Mr. Engel,

It was a great pleasure to see you again at the ADEA meeting in Detroit. I very much appreciated your interesting speech and your very cooperative attitude towards

We then wanted to know how you were. I have been well, and have had several opportunities of getting rest. I understand the 100-MAN Committee with you. In particular, I am led to think that I understood the second meeting of the 100-MAN Committee, which is to take place in December. If I may, I think you talk too freely about your decision. I hope you have not had any serious difficulty. I have not been very active. I may go to Europe at the beginning of the fall. I look forward to hearing from you.

I have been very interested in reading a recent issue of The IFC. I wonder whether you think it matters as much as possible. We may also have other suggestions to co-operation with the IFC once our setup is complete. The latest report on the technical assistance team which I heard you talk about last week is a pleasant surprise. I am pleased to learn that

RECEIVED
1970 NOV 20 NH 9:46
Mr. William S. Gaud, Washington

the SIFIDA will be launched in the very near future. There again, your co-operation is essential.

With kind regards,

Yours sincerely,

(Hugo Lindgren)
Vice President
It was a great pleasure to see you again at the ADELA meetings in Detroit. I very much appreciated your luncheon speech and your very co-operative attitude towards ADELA.

I wanted to drop you this line merely to thank you for giving me most of the time of your flight down to Washington D.C. I very much enjoyed this opportunity of discussing various matters with you. In particular I am glad that I mentioned the second meeting of the ICC-UN/GATT Economic Consultative Committee which is to take place on December 11 in Paris so that you got the date firmly put down in your book. I trust that you have by now received the agenda from Mr. de Seynes.

Furthermore, I wish to assure you that I have not forgotten your interest in having a Swede join the IFC. I will revert to this matter as soon as possible. We may also have other suggestions for co-operation with the IFC once our bank's Technical Assistance Team of which I told you will become fully operational. Finally, I am pleased to learn that...
Mr. William S. Gaud, Washington

the SIFIDA will be launched in the very near future. There
again, your co-operation is essential.

With kind regards,

Yours sincerely,

(Hugo Lindgren)
Vice President
Dear Mrs. Boskey,

Many thanks for receiving me some time ago in Washington. I am most grateful for your readiness to keep me posted on developments regarding the Multilateral Insurance Scheme.

As I told you, the subject is on the agenda for the second meeting of the ICC-UN/GATT Economic Consultative Committee which will take place on December 11 in Paris. I understand that Mr. de Seynes of the United Nations has asked the I.B.R.D. to produce a brief note on this agenda item. I am looking forward to seeing this document which I shall of course get through the ICC immediately upon its receipt.

Furthermore, I have been invited to make a brief statement on December 3 before a new committee on economic development problems set up by the Business and Industry Advisory Committee to the OECD (BIAC). As you know, this organization is composed of the industrial federations and employers' associations of the OECD countries. My statement will of course be merely informative.
Mrs. Shirley Boskey, Washington

Looking forward to seeing you again before too long,
I remain, with kind regards,

Yours sincerely,

(Hugo Lindgren)
Vice President
Dear Mrs. Boskey,

Many thanks for receiving me some time ago in Washington. I am most grateful for your readiness to keep me posted on developments regarding the Multilateral Insurance Scheme.

As I told you, the subject is on the agenda for the second meeting of the ICC-UN/GATT Economic Consultative Committee which will take place on December 11 in Paris. I understand that Mr. de Seynes of the United Nations has asked the I.B.R.D. to produce a brief note on this agenda item. I am looking forward to seeing this document which I shall of course get through the ICC immediately upon its receipt.

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Mr. Arthur Bosley
Development Services Department
International Bank for Reconstruction and Development
1818 H Street, N.W.
WASHINGTON 25, D.C.

Dear Mrs. Bosley:

Many thanks for receiving me some time ago in
Washington. I am most grateful for your readiness to keep
me posted on developments regarding the Multilateral Insurance
Scheme.

As I told you, the subject is one of the agenda for the
second meeting of the IFC-UNDTT Economic Consultative Com-
mitee which will take place on December 11 in Paris. I notice
that the Interstate Bank for Economic Integration has also
indicated its willingness to see the issue discussed. It is not
likely, however, to be discussed on the agenda. The subject
will be discussed at the IFC level on December 3 before a new
committee on economic development programs of the United
States and India.

As you know, this committee is composed of the industrial leaders and experts
of the United States and India. My understanding of course
pertains to India. I have been invited to make a per-

R.E.

Received
May 20, 1970

M.C.
Mrs. Shirley Boskey, Washington

Looking forward to seeing you again before too long,
I remain, with kind regards,

Yours sincerely,

(Hugo Lindgren)
Vice President
November 13, 1970

Sr. Don Jose Maria Marzo Churrucu
Director General
Banco del Desarrollo Economico Espanol
Apartado de Correos 50460
Principe 12
Madrid, Spain

Dear Sr. Marzo:

Five-Year Projections

The time has come again when we are asking our development finance company clients to update and extend their five-year projections.

The latest projections we have for BANDESCO were received in January 1970 and covered the period 1970-1974. I would be grateful if new projections would be prepared taking into account the actual business done through year-end 1970 and covering the five years 1971 to 1975. Could you please send us the new projections by February 15, 1971.

Yours sincerely,

Douglas Gustafson
Development Finance Companies

cc: M/s. Mathew Horsley

PM: deed:ibda
November 13, 1970

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

Dear George:  

**Five-Year Projections**  

The time has come again when we are asking our development finance company clients to update and extend their five-year projections.  

The latest projections we have for NIBID are those made in March 1970 for our appraisal report and covering the period 1970-1974. A copy of these projections is enclosed. I would be grateful if new projections would be prepared taking into account actual business done through year-end 1970 and covering the five years 1971 to 1975.  

Enclosed is a copy of our standard projection forms. We would be grateful if you could send us the new projections by February 15, 1971.  

Yours sincerely,  

Douglas Gustafson  
Development Finance Companies  

Encls.  

cc: M/s. Mathew Richardson  

[Signature]  

Douglas Gustafson  
Development Finance Companies
November 13, 1970

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

Dear Geoffrey:

Five-Year Projections

The time has come again when we are asking our development finance company clients to update and extend their five-year projections.

The latest projections we have for MIDF were received in March 1970 and cover fiscal years 1970 to 1974. I would be grateful if new projections would be prepared taking into account the actual business done through September 1970 and covering fiscal years 1971 to 1975, with actual figures for April-September 1970 and projected figures for October 1970-March 1971 shown separately.

I would appreciate if you could send us the new projections by December 15, 1970.

Yours sincerely,

Douglas Gustafson
Development Finance Companies

cc: M/s. Mathew Jentgen

PModeen: bda
November 13, 1970

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

Dear Dr. Wabnitz:

**Five-Year Projections**

One of the things which we request from our development finance company clients at regular intervals are five-year business projections. DBS received its first Bank loan in January 1970 and at that time of course we had current projections. A copy of these projections is enclosed. Time has passed by now and we would like to have a more up-to-date view of your business outlook. We would therefore be grateful if you could prepare new projections, in the format given in the enclosed forms, taking into account the actual business done through year-end 1970 and covering the five years 1971 to 1975.

I realize that in order to do these projections well, a substantial effort is required. However, our development finance company clients have agreed that it is a worthwhile exercise for them to do this and we too have found it valuable.

Should you have any questions or comments concerning this request, please feel free to write to me. I hope that you will be able to send us the completed projections by February 15, 1971.

With best regards,

Yours sincerely,

P. M. Mathew
Deputy Director
Development Finance Companies

Encls.

cc: Mr. Foster

PM0deen: bda
M/s. Sekse, Pollan, Mirski, Acevedo, Lethbridge, November 9, 1970
P. M. Mathew

Five-Year Projections

If we do not have projections, prepared within the last eight months or so, on a dfe, we should write requesting them. Attached are two suggested letters that should be modified as required.

If the company's financial year coincides with the CY, the projections should be prepared on the basis of actual 1970 performance, and cover 1971-1975. The due date is February 15.

If the company's fiscal year ends March 31, we should request projections for its FY 1971 - FY 1975, but FY 1971 should be broken in half: actual results through September 30, 1970 and projected figures for October 1 to March 31, 1971. The due date in such cases could be December 15, since the company already has September 30 "actuals".

If the company's fiscal year ends June 30, we should request projections for its FY 1971-1975 but FY 1971 should be broken in half: actual results June 30 through December 31, 1970 and projected January - June results for 1971. The due date is February 15.

Attachments (2)

D Gustafson; bda
Dear ____________

5-Year Projections

The time has come again when we are asking our development finance company clients to update and extend their 5-year projections.

The latest projections we have for (company) were received ___ (date) and covered the period ______________________.

I would be grateful if new projections would be prepared taking into account the actual business done through (date: year-end 1970 or relevant FY) and covering the 5 years _______ to _______.1/

Enclosed is a copy of the projections you prepared last time for us.2/ We would be grateful if you could send us the new projections by February 15, 1971.3/

(Any relevant comments on form, if needed.)

Yours sincerely,

Signed
Division Chief

1/ FY or CY whichever is appropriate for each dfc.
   If FY ends March 31, DFC's should be requested for projections to cover: FY 1971 April-Sept. Oct.-March (Actual) FY 1972 (Projected)
   If FY ends June 30, DFC's should be requested to send projections covering: FY 1971 July-Dec. Jan.-June (Actual) (Projected)

2/ If you think necessary.

3/ December 15 for companies with March 31, FY.
Dear ____________

**5-Year Projections**

One of the things which we request from our development finance company clients at regular intervals are 5-year business projections. 

_____ (Company) received its first Bank loan in _____(month/year) and at that time of course we had current projections. Time has passed by now and we would like to have a more up-to-date view of your business outlook and would therefore be grateful if you could prepare new projections, in the format given in the enclosed forms, covering the 5-years _______ to _______. 1/

I realize that in order to do these projections well, a substantial effort is required. However, our development finance company clients have agreed that it is a very worthwhile exercise for them to do this and we too have found it valuable.

Should you have any questions or comments concerning this request, please feel free to write to me. I hope that you will be able to send us the completed projections by February 15, 1971. (Dec. 15 if March 31 FY)

With best regards,

Yours sincerely,

Signed
P. M. Mathew

---

1/ FY or CX, whichever is most appropriate.

If FY ends March 31, company should be asked to send:

<table>
<thead>
<tr>
<th>FY 1971 (Actual)</th>
<th>FY 1971 (Projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April-Sept.</td>
<td>Oct.-March</td>
</tr>
</tbody>
</table>

and the form adjusted accordingly. Deadline should be Dec. 15.
If FY ends June 30, company should be asked to send:

<table>
<thead>
<tr>
<th>FY 1971</th>
<th>FY 1972</th>
<th>etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>July-Dec. (Actual)</td>
<td>Jan.-June (Projected)</td>
<td></td>
</tr>
</tbody>
</table>
8th November, 1970.

Dear Mr. Shin,

I acknowledge with thanks your letter of the 20th October, enclosing a revision of the table on "Comparative Operational Ratios of Development Finance Companies, 1967, 1968 and 1969".

I have noted your comments on the revisions which have been made.

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.

JSEdeF:SG.
Messrs. M. Benjenk, I. P. Cargill, R. Goodman, G. Alter and R. Chaufournier
S. R. Cope

Bank/IDA lending to Regional Development Banks

November 6, 1970

Although the attached correspondence has no immediate relevance to Bank/IDA operations in your area, I thought it was of sufficient general interest to send you.

S. R. Cope
Kawaguchi-ko, Japan
November 5, 1970

#1
Tokyo, Nov. 2-3

4. Murai said OEFC was considering making direct loans
to DFCs. (Nishihara interprets this as effort of bureaucracy
to move in on Eximbank, which had previously lent on behalf
of Government.) He was interested in DFCs in Singapore (DBS)
and in Malaysia (MIDF) and in the longer run in the Philippines
(PDCP). I gave him brief run-down on DBS and MIDF and
promised him our most recent assessments. (He should be sent
our DBS appraisal, and our latest follow-up report on MIDF.
When sending, refer to my meeting on November 2.)

W. Diamond

cc Mr. Gustafson
Mr. Powell/Mr. Gupta
Tokyo, Nov.2-3

7. Lunched with van Ravesteijn and Bill Miller, who is finishing up 3 months as PICA advisor. Miller has been asked by AID to go to Korea for 3 weeks to "advise on the capital market". He is aware that everyone is studying the Korean capital market and is not sure what AID wants him to do; nevertheless, he is going on November 15. He was not aware of Qureshi's forthcoming visit, at invitation of government. Qureshi might find it useful to check up on AID's plans.

8. van Ravesteijn had been told by CDC and by Dutch that they were going ahead with DBI expansion and that, if they did, we (IBRD) were not likely to proceed with our plans. I told van Ravesteijn the latter was not true, that I did not consider DBI had a future and that in any event its activity would not inhibit a sound private DFC. He, too, is anxious to proceed with a private one. As in May, when I saw him in Tokyo, he asked to be associated with us as one of "founders" of new private DFC. Believes that if IBRD-PICA-PIBA join forces, continuing rumors of other initiatives will die down. Worth thinking about. We should consider this as soon as I return.

cc Mr. H.Koch
Mr. Parmar
Mr. Qureshi
Mr. Powell

W. Diamond
Tokyo, Nov. 2-3

6. Lunched with Mizoi (BOT), Katsuki (IBJ), Inada (LTCB) and Akaura (Hypothec Bank). First 3 banks are in several DFCs with us. I questioned them about value of their investment to them. They seemed content -- which suggests that they are not quite as calculating as we assume they are, or that they are prepared to take a much longer-term view. Osamu Akaura is Managing Director of The Hypothec Bank of Japan, Ltd. It is about 73 years old and originally invested only in real estate. In recent years, has become general bank, like IBJ and LTCB, and specializes in small and medium-sized enterprises. Government has suggested it begin to go abroad, and it is now looking for suitable investment opportunities. Would like to begin with participations in IFC investments. Has discussed with Nishihara. Also interested in DFC opportunities. Hypothec Bank about to change name to Nippon Fudosan Bank (after November 27).

cc Mr. H. Koch
    Mr. Ronald Jones
    W. Diamond

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 October 20, 1970 enclosing the revision of the table on "Comparative Operational Ratios of Development Finance Companies, for the years 1967, 1968 and 1969" which I have found very interesting and useful.

Yours sincerely,

(Said Ahmed)
Managing Director.
Dear Sunit:

Thank you for your letter of November 18th.

We have noted that we should send you new projections covering the five years 1971 to 1975 before February 15, 1971.

We have been working with a computer center to make the projections by machine. The work is still underway. However, there will be no problem for us to send you our new 5-year projections before February 15, 1971.

With best regards,

Sincerely yours,

Felix S. Y. Chang
Project

131 NANKING EAST ROAD, SECTION 5, TAIPEI, 105 TAIWAN, REPUBLIC OF CHINA
Mr. Sunit Gupta,
Development Finance Companies
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Gupta:

Thank you for your letter of November 18th.

We have noted that we should send you new projections
covering the five years 1971 to 1975, before February 15, 1971.

We have been working with a computer center to make the
projections by machine. The work is still underway. However, there
will be no problem for us to send you our new 2-year projections before

With best regards,

Sincerely yours,

Felix S. Y. Chung
President

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1970 DEC - 5 PM12:51
# Record Removal Notice

## File Title
Development Banks - General - 1969 / 1971 Correspondence - Volume 6

<table>
<thead>
<tr>
<th>Barcode No.</th>
<th>1547533</th>
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</table>

## Document Date
01 November, 1970

## Document Type
Letter

## Correspondents / Participants
- **To:** Mr. B. H. Shin, Alternate Executive Director
- **From:** A. Gasem Kheradjou

## Subject / Title
Acknowledgment of a letter

## Exception(s)
Communications of Executive Directors' Offices

## 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