

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Operational - Development Corporations - Correspondence

Folder ID: 1069961

Series: Operations Policy and procedures

Dates: 04/12/1948 - 08/24/1959

Fonds: Central Files

ISAD Reference Code: WB IBRD/IDA ADMCF-04

Digitized: 03/15/2022

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

RETURN TO
RECORDS CENTER ROOM HB-1
PRE 1966 MATERIAL
BOX NO. 854



TO RE-ORDER SPECIFY
No. 86163 Folder
PAT. USA No. 1484611
MADE IN U. S. A.

The World Bank Group
Archives



1069961

A1994-038 Other #: 22 Box # 183997B
Operational - Development Corporations - Correspondence

DECLASSIFIED
WBG Archives

THIS FILE IS CLOSED AS OF

DECEMBER 1965.

~~FOR FURTHER CORRESPONDENCE SEE:~~

~~1966 - 1968.~~

Mr. Martin Rosen

August 24, 1959

Leslie G. Butcher

Your Inquiry about Financial and Development Fund, Inc.

Referring to my memorandum of August 21, 1959 I attach a Dun and Bradstreet report dated November 13, 1958 with a supplement dated June 5, 1959 and a Proudfoot's report dated November 19, 1958 with a supplement also dated November 19, 1958.

LYB

LGButcher/mod
cc: Mr. Rist (2)

Mr. Martin Rosen

August 21, 1959

Leslie G. Butcher

Your inquiry about development companies

The information here about Financial and Development Fund, Inc. and International Development and Investment Company amounts to less than nothing. I have, therefore, asked for Dun and Bradstreet reports on the two companies. In the meantime you may be interested in a report published in the Financial Times on August 19 in which Financial and Development Fund, Inc. is mentioned. I attach a copy of the report.

LSB

LGButcher/mod
cc: Mr. Hist (2)

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: February 8, 1957

TO: Sir Edmund Hall-Patch, G.C.M.G.
39 Hartford Street
London W.1, England.

FROM: Mr. Black

FILED UNDER: U.K. Colonial Development - General

SUMMARY: On the matter of possible Malayan development corporation, it would be very interesting to hear a little more about what sort of job you think this institution might undertake. It seems to be in principle a very useful proposal, especially if it were set up in such a way as to mobilize other capital resources in the area. It happens that Mr. Demuth is coming to London in about a month's time on his way to visit several countries of South-east Asia where one of his purposes will be to look into the development banks and industrial financing corporations which have been founded or which are under discussion there. I am asking him to call upon you for an exchange of views concerning the Malayan project and look forward to receiving his report of this discussion.

CROSS REFERENCE SHEET

COMMUNICATION: Letter acknowledged February 8, 1957

DATED: January 11, 1957

TO: Mr. Black

FROM: Mr. Miller, Paris Office.

FILED UNDER: U.K. Colonial Development - General

SUMMARY: Mr. Edmund Hall-Patch has been having conversations with the Malaysians who have been in London talking about development plans after their independence and who have found, in the present state of governmental chaos and ignorance of future economic development, that they can get no promises of help from the U.K. There is an understandable tendency to bitterness seeing how much they contribute to the dollar earnings of the sterling area, but it is, of course, true that nobody in London has been in a position to make even half promises in the last month. However, H-P. feels that even if at this moment officialdom can do nothing the private banks who have been operating there, and propose to go on operating, must do something. He has therefore suggested to the two most important ones that they should start a development corporation which would allow them more latitude than their present banking methods allow and, at the same time, save them from being played off one against the other.

Dev. Banks.

Mr. Hoppenot

January 8, 1953

M. M. Mendels

Development Bank, etc. Financing

Not attached

In answer to your memorandum of December 22, I am attaching certain information which I think will be of value. You will notice that the tables are "Restricted."

Attachments

M. M. M.

Long Term
Financing

Mr. Leonard B. Rist

July 18, 1952.

John H. Adler

Conference of Development Banks

1. I refer to our recent conversation regarding Mr. Crena de Iongh's proposal that the Bank should sponsor an international conference of development corporations, official investment banks, and related institutions. It is my understanding that the Staff Loan Committee decided not to act on Mr. Crena's suggestions because of the possibility that the various institutions might infer from an invitation by the Bank that the Bank was ready or even anxious to make loans to them.

2. There is, however, in my opinion, a good deal of merit in Mr. Crena's recommendation. Unlike central banks which maintain working relations with each other and have many occasions on which to exchange views on matters of policy and operations, development banks have grown up in isolation from each other and their opportunities to learn from the experience of similar institutions are limited. This has been demonstrated recently by the surprisingly great demand for the memorandum on "Development Corporations and Related Institutions" which the Bank circulated in the Fall of 1950. Also, at the Havana meeting of central bank technicians, the operational personnel attending the meeting showed great interest in the operations of the newly established Cuban Development Bank. Likewise, at the last Annual Meeting of the Bank, I observed how the governors from various Latin American countries who are connected with development banks, spent much of their spare time together discussing practical problems of policy and administration of their institutions.

3. For these reasons I feel that a conference of development corporations and similar institutions would be desirable. However, in order to avoid the problems arising out of the Bank's sponsorship of such a conference, I suggest that the possibility be explored that such a conference be organized on the initiative of one or two development banks or investment institutions. Specifically, I would think that the Mexican Nacional Financiera or the Chilean Fomento Corporation could take the initiative in sponsoring such a conference with the behind-the-scene blessings of the IBRD, which could be invited to the meeting and play an active part in it without appearing as a sponsor. Such a meeting should preferably not be confined to Latin American countries, but should include representatives from other continents, and particularly from European countries with colonial interests.

STAFF LOAN COMMITTEE

Copy No. _____

SLC/

W/369

CONFIDENTIAL

AUG 30 2011

WBG ARCHIVES

(This document is for the use of the President, Vice President and members of the Staff Loan Committee only. Its contents should not be communicated to other persons except in the course of duty.)

Minutes of Staff Loan Committee Meeting held Wednesday, July 16, 1952 at 3:00 p.m. in Room 415

1. Present:

Mr. R. L. Garner
Mr. W. A. B. Cliff
Mr. L. B. Rist
Mr. R. H. Demuth
Mr. H. W. Riley
Mr. W. Koster
Mr. G. Gondicas, Secretary

In attendance:

Mr. L. H. Bengston	Mr. J. Torfs
Mr. L. Cancio	Mr. M. Verheyen
Mr. G. Grayson	Mr. R. A. Wheeler
Mr. N. Martini	

2. Colombia - Barranquilla Municipal Public Services

The Committee considered Loan Department Memorandum SLC/O/492, "Colombia" and

APPROVED

the recommendations contained therein but suggested that the Bank should inform the Colombian Planning Office of the request of the Barranquilla Municipal Public Services and should advise it that the Bank would be prepared in principle to consider financing the proposed project if the Planning Office would assign to it a high priority, and if tangible evidence was provided that the project would be directly connected with the development of productive facilities in the Barranquilla area.

3. Proposed Conference of Financial Institutions

The Committee also considered a memorandum from Mr. Crena de Iongh to Mr. Black dated June 12, 1952, suggesting that the Bank should organize a conference of institutions specializing in long-term financing, and

AGREED

that it would not be appropriate for the Bank to organize such conference.

4. The meeting adjourned at 4:30 p.m.

Distribution

- | | |
|------------------------------|----------------------|
| 1. Mr. Eugene R. Black | 9. Mr. R. A. Wheeler |
| 2. Mr. R. L. Garner | 10. Mr. G. Gondicas |
| 3. Mr. W. A. B. Cliff | 11. Files |
| 4. Mr. A. S. G. Hoar | 12. Mr. H. N. Graves |
| 5. Mr. D. Sommers (2) | 13. Mr. M. M. Rosen |
| 6. Mr. L. B. Rist (2) | 14. Mr. W. Koster |
| 7. Mr. D. Crena de Jongh (2) | 15. Mr. G. Grayson |
| 8. Mr. R. H. Demuth | 16. Mr. P. F. Foster |

OFFICE MEMORANDUM

TO: Mr. John H. Adler

FROM: D. Crena de Iongh

SUBJECT: INDUSTRIAL DEVELOPMENT BANK OF CANADA

DATE: June 24, 1952

Some time ago I was in Canada and took the opportunity of visiting the Industrial Development Bank there, which I think is a very interesting institution. After my return I drafted a short report on it which I handed to Mr. Rasminsky so that it could be checked as I had very little time to get the facts. As a result, I received a new draft from Mr. Rasminsky, which I am sending to you herewith for your files.

DC/mct
Attachment

INDUSTRIAL DEVELOPMENT BANK

PURPOSE

Prior to 1944, despite the existence of several different kinds of lending institutions, there was no readily available source of credit for long term financing of medium and small enterprises in Canada. Unlike the practice in certain other countries the Canadian commercial banks do not normally make term loans: lines of bank credit are generally set up on the basis of repayments within one year. Also, Canadian banks under the terms of The Bank Act are prohibited from making loans against the security of mortgages on immovables or movables, although there is a provision in The Bank Act that banks can take mortgages as collateral security for an advance already made.

Insurance companies are fairly active in the term loan field financing residential or industrial mortgages, but under the terms of their governing act they cannot take direct mortgage security on movables such as machinery and equipment.

While as in numerous other countries well-established medium sized and large companies with good earning records have access to the market for sale of their securities, it has always been difficult for the smaller and less well known companies to borrow moderate amounts in this way. To fill this "MacMillan Gap" a new bank, Industrial Development Bank, was incorporated under Act of Parliament in 1944 and opened its

doors for business on the 1st of November in that year. Its purpose is expressed in the preamble to the Act of Incorporation as follows:

"Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises...."

CAPITAL

Authorized, issued and paid up capital is \$25,000,000. in ordinary shares, all of which is owned by the Central Bank, Bank of Canada.

OTHER SOURCES OF FUNDS

In addition to its capital, the Act of Incorporation authorizes the Bank to issue bonds and debentures up to three times the amount of its paid-up capital and reserves. There is nothing in the Act to prevent the Bank from selling its bonds or debentures on the open market, but to date it has sold its securities only to Bank of Canada. At March 31st, 1952, such debentures outstanding amounted to \$3,250,000.

BUSINESS AND POWERS

Section 15 of the Act of Incorporation defines the business and powers of the Bank as follows:

"(1) , where in the opinion of the Board

(a) a person is engaged or about to engage in an industrial enterprise in Canada,

(b) credit or other financial resources would not otherwise be available on reasonable terms and conditions, and

(c) the amount invested or to be invested in the industrial enterprise by persons other than the Bank and the character of that investment are such as to afford the Bank reasonable protection,

the Bank may lend or guarantee loans of money to that person, and where that person is a corporation,

(i) enter into underwriting agreements in respect of the whole or any part of any issue of stock, bonds or debentures of the corporation, and

(ii) purchase or otherwise acquire with a view to resale thereof the whole or any part of any issue of stock, bonds or debentures of the corporation from the corporation or from any person with whom the Bank has entered into an

underwriting agreement in respect of the said issue and may subsequently sell or otherwise dispose of the said stock, bonds or debentures.

An industrial enterprise is defined in the Act as "a business in which the manufacture, processing or refrigeration of goods, wares and merchandise or the building, alteration or repair of ships or vessels or the generating or distributing of electricity is carried on". It will be noted that the Bank is not authorized to finance service enterprises such as transportation, hotels, laundries, theatres, etc. or primary industries such as agriculture, coal mining, oil well drilling, etc.

Financial assistance which the Bank may provide can take the form of direct loans, participations in the form of guarantees to other lending institutions such as the commercial banks, or in the case of corporations the underwriting of issues of stocks, bonds or debentures. The Bank is empowered to take security of any kind and in any form for repayment of any loans made or guaranteed by it. This can include security on raw materials, goods, wares and merchandise in process, or finished goods. To date the Bank has entered into very few transactions which have not been direct loans secured by mortgages payable serially.

The Act of Incorporation contains a limitation on the size of individual commitments in excess of \$200,000, which may not in total amount to more than \$25,000,000. Originally this limitation was \$15,000,000 but it was raised to \$25,000,000 in 1949, and experience indicates that it may have to be raised again. As at September 30th, 1951, 83% of the 548 loans then current were for amounts not exceeding \$100,000.

RATE OF INTEREST

When the Bank commenced business in 1944 the rate of interest charged was 5% on daily balances, but this was raised in 1950 and rates now charged by the Bank for new business are generally $5\frac{1}{2}\%$ or 6% depending upon individual circumstances.

ORGANIZATION

The Bank has virtually the same Board of Directors as the Bank of Canada, and the Governor of the Bank of Canada is President of the Industrial Development Bank. The Head Office of Industrial Development Bank is in Ottawa, Ontario, but the General Manager's Office, which is the chief operating office, is located in Montreal, Quebec. The Bank maintains branch offices in Toronto, Ontario; Winnipeg, Manitoba; Vancouver; British Columbia. The four Atlantic Provinces are serviced by a Supervisor located in Montreal, who makes frequent visits to the Atlantic Provinces.

The Bank staff is small, numbering less than one hundred at the present time, but it includes specialists such as lawyers, industrial engineers, chartered accountants and insurance personnel.

Applications for loans may be made by mail or by a visit to any office of the Bank. If the application appears reasonable, the available financial statements are analyzed in detail. A visit is made to the applicant's place of business, usually by a member of the Bank's engineering

staff, who reports to the management on such matters as the condition of the plant, on the practicability of the programme, on the applicant's operations, including production, costing and merchandising methods, and on markets, etc. The ratio of serious applications accepted for consideration to refusals is currently running about 1-3.

Following analysis of financial statements and investigation on the ground, all recommendations are examined by the General Manager who, if he is prepared to do so, submits them to the Executive Committee which meets in Ottawa on Friday of each week. The Executive Committee is composed of the President of the Bank, Deputy Governor of the Bank of Canada, the Deputy Minister of Finance, and a Director who is not an officer of the Bank. The full Board of Directors meets four or five times a year in Ottawa to review the Bank's affairs.

Direct end-use supervision is given to all loan disbursements and in the case of the more sizeable projects the Bank's credit officers and engineers maintain close contact with the progress of the project. Loan agreements call for submission of interim, but not necessarily audited, financial statements at regular intervals (usually quarterly) and annual audited financial statements. Routine inspections are carried out by the Bank's investigation staff at irregular intervals.

Loss experience since the Bank commenced operations has been good, due in part, of course, to the favourable business climate

under which the Bank has operated to date.

AUDIT

The affairs of Industrial Development Bank are audited by two practicing chartered accountants who are appointed by the Government from a roster to audit the Bank of Canada. An internal test audit is conducted by the internal auditor of Bank of Canada.

POLICY

In its general lending policy the Bank judges the prospects of each applicant in the light of prevailing economic conditions.

May 5th, 1952.

Mr. Eugene R. Black

June 12, 1952

D. Crena de Iongh

The IBRD Annual Report for 1950-1951 contains the following passage.

A special category of loans are those made to existing or newly established credit institutions to provide them with foreign-exchange resources which they in turn can put at the disposal of private borrowers engaged in small or medium-sized businesses. In many countries, this important kind of business has not flourished, to some extent because the habit of free enterprise does not exist, and to some extent because development capital is not available on reasonable terms. The Bank's purpose in making this type of loan is to encourage private initiative in activities which can do much to increase production and improve living standards.

The IBRD demonstrated its interest in long-term finance institutions by stimulating the creation of such institutions in Turkey and Ethiopia and by giving advice on the subject to Iceland, while the trip which Mr. Reynolds and I made to India recently showed the IBRD's willingness to channel a loan through the Indian long-term finance institution. Loans of this type have also been made to the Credit National in France, the Societe Nationale de Credit a l'Industrie in Belgium and the Herstelbank in the Netherlands.

As appears from a report I wrote in 1950 after visiting a number of long-term finance institutions in Europe, the situation of the long-term money market in most countries has led to the creation of organizations of this type. The report of the recent mission to Ceylon mentions the desirability of setting up an institution for furnishing long-term financial means. The South American Fomento's, although of a somewhat different nature, are in essence long-term financial institutions. Of course the special conditions in each country may require different techniques to enable a long-term finance institution to serve the needs of the country in the best way.

The interest of the IBRD in long-term financial institutions is a very natural one because the IBRD itself fills the gap in the international financial field which the national organizations try to fill in their own countries. Also, the study which the IBRD recently made on the subject of an International Financial Corporation is paralleled by similar studies and attempts by various countries in the local field.

In my contacts with long-term finance institutions, I found that though operating techniques may vary according to the situation

(i.e., the money market) in each different country, yet the problems themselves are very similar. Nevertheless, to make each organization work, application of the appropriate techniques in each case is highly important.

Constant contact with their borrowers often enables the local institutions, if well organized, to render, as does the IBRD, useful assistance in the technical, the administrative and other fields. Each one of them accumulates a wealth of experience in the long-term financial field which remains mostly in the individual institution.

It has therefore occurred to me that regular contacts between the various national institutions, by which they could exchange accounts of their experiences and develop generally recognized methods and practices, would be beneficial to all, especially as many of such institutions are manned by men who have little international experience as their work does not bring them into contact with people outside their own countries. During my trip to India I found, for example, that the Industrial Finance Corporation of India could learn a lot from the experience of such organizations as the Industrial and Commercial Finance Corporation, Ltd. of the U.K., the Netherlands Herstelbank and the Societe Nationale de Credit a l'Industrie in Belgium. I know that limited contacts already exist between some of the European institutions and also between some European and some non-European institutions.

As the field of the IBRD is long-term financing, the Bank is of course interested in following up new procedures and developments in that field. Besides it has an interest in keeping in close touch with organizations of the type mentioned as their methods of operation will determine to a large extent whether they are the right channels through which loans of the IBRD can usefully be made to a member country.

For these reasons I suggest that the IBRD would be the best organization to take the initiative in organizing a conference of institutions which specialize in long-term finance. (Maybe the preparation of such a conference should be discussed first with a small number of the most experienced of the institutions concerned.) To illustrate my idea I enclose a copy of a draft agenda covering a number of points I have in mind.

In case my suggestion should appeal to you, you might want to consider mentioning the idea either in this year's Annual Report or in your opening speech at the Meeting in Mexico City.

Attachment

cc Messrs. Garner
Iliff
Demuth
Graves
Fletcher
Somers

DRAFT AGENDA FOR
CONFERENCE ON INVESTMENT PROBLEMS

- I. a. Description of the financial machinery through which in each participating country savings are channeled into investments.
- b. Relative importance of equity financing versus financing by loans in each participating country.
- c. Need for supplementing savings by international loans in each participating country.

- II. a. Coordination of policy of national lending to that applied to international lending.
- b. Forms of cooperation of local long-term finance institutions with international lending institutions
- c. Selection of type or types of local institutions to implement this cooperation.
- d. Methods of assistance in stimulating the use of the private money market for the financing of investments.
- e. Technical assistance.

- III. a. Interest rates for national and international loans
- b. Exchange risk to be borne by borrower or government

- IV. a. Methods of disbursement
- b. Commitment commission
- c. Other commissions
- d. Methods of end-use supervision

FILE COPY

*Development
Corporations*

October 22, 1951

Mr. Tervoren
Ministry of Finance
The Hague,
Netherlands

Dear Mr. Tervoren:

On his return from the Hague, Mr. Torfs mentioned that you would be interested in information concerning organization of development institutions.

A study made recently by the Bank on this subject is being sent to you today by Air Express.

Yours very truly,



Richard H. Demuth
Assistant to the Vice-President

RHD/lb
cc Mr. Torfs

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

*Development
Corporation*

INCOMING WIRE

DATE OF WIRE: **OCTOBER 15, 1951**

TO: **MR. RIST**
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
FROM: **RIO**

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

TEXT:

FIFTEENTH PLEASE AIRMAIL URGENTLY FETTER STUDY DEVELOPMENT
INSTITUTIONS INCLUDING PARTICULARLY APPENDIX MATERIAL

KNAPP

DUPLICATE

Mr. William L. Bennett

February 19, 1951

D. Crena de Iongh

I am sending you herewith a copy of the by-laws and balance sheet of the Aktiebolaget Industrikredit, which is the Swedish long-term finance institution. I think its name and activities should be mentioned in the memorandum on industrial finance corporations.

Attachments

Mr. William L. Bennett

February 9, 1951

D. Crena de Iongh

I am sending you herewith the OEEC report on International Investment, which may interest you in relation to the publication of my paper on long-term investment organisations. I am also sending you herewith a letter I got from Mr. Wallenberg of the Stockholm Enskilda Bank on the Swedish institution which might come into the document which will be published.

I also want to draw your attention to the fact that the institution in South Africa is called the Industrial Development Corporation.

Enclosures

Investment

Mr. Robert L. Garner

January 11, 1951

D. Crena de Iongh

With reference to my paper on European long-term investment institutions, I have been considering whether it would be a good thing for the International Bank to have this study followed up by further contact with all or some of the institutions in question, and maybe others of the same nature. I found that all the institutions I visited were very much interested in the work of the Bank and that in a few cases there existed already informal contact between some of them. As the institutions locally fulfill the same role as the International Bank does internationally, I thought that it would be a natural thing for the International Bank to organize an investment conference, if such a conference should be deemed to be useful. If the conference were successful, it might lead to a more lasting contact between the institutions and the International Bank and among the institutions themselves. I think that in that way the leadership of the International Bank in the investment field could be still further established and that a development of standards and practices could result which might prove to show good results for the I.B.R.D. and international investment in general. I also think that a conference of institutions which handle such sizable portions of European investment would help understanding the European investment situation and might be helpful in clarifying the thinking on the desirability of setting up a European investment bank.

I would suggest that this matter be discussed at a meeting of the Staff Loan Committee in the near future. There are, of course, various points which would have to be threshed out apart from the question whether the conference in itself would be useful or not. In the first place there is the geographical distribution of the long-term investment institutions. I have a feeling that the European institutions are rather different from the South American "Fomento" type and as they offer different problems, it might be better not to mix these problems with those of the European institutions. However, the Industrial Finance Department of the Commonwealth Bank of Australia, the National Finance Corporation in South Africa and the Industrial Development Bank in Canada are quite similar to the European institutions and might for that reason be considered as participants. As, of course, there is a great variety of institutions in Europe, there should be a discussion on the question which institutions should be invited and also whether, maybe as guests, some representatives of private investor groups should be present. Anyway, it should be considered whether the Swiss should not be drawn in, while it might be interesting also to have a representative of the Bank fur Wiederaufbau in Germany.

I have written to Mr. Marcus Wallenberg in Stockholm to ask him whether there are any long-term investment institutions of the type mentioned in Sweden.

As some of the institutions I visited also work in overseas territories, a question to be decided would be whether overseas investment problems should be considered at the same time or later on a different occasion.

As a guidance for what I have in mind I attach hereto a draft agenda for an international conference, which might be useful for the discussions in the Staff Loan Committee.

Attachment

cc Mr. Black ✓
Mr. Lejeune

DRAFT AGENDA FOR
CONFERENCE ON INVESTMENT PROBLEMS

I.

- a. Description of the financial machinery through which in each participating country savings are channeled into investments.
- b. Relative importance of equity financing versus financing by loans in each participating country.
- c. Need for supplementing savings by international loans in each participating country.

II.

- a. Coordination of policy of national lending to that applied to international lending.
- b. Forms of cooperating of local long-term finance institutions with international lending institutions.
- c. Selection of type or types of local institutions to implement this cooperation.
- d. Methods of assistance in stimulating the use of the private money market for the financing of investments.

III.

- a. Interest rates for national and international loans
- b. Exchange risk of international loans to be borne by borrower or government

IV.

- a. Methods of disbursement
- b. Commitment commission
- c. Other commissions
- d. Methods of end-use supervision

Dev Corp - W.E.

December 15, 1950

Ambassador C. Tyler Wood
Deputy U.S. Special Representative
in Europe
E.C.A.
800 Connecticut Avenue, N.W.
Washington, D.C.

Dear Mr. Ambassador:

With reference to our conversation of yesterday, I am enclosing a copy of my report on long-term credit institutions in Europe. Should you want to discuss this matter with me further, I will, of course, be very pleased to do so.

It is my opinion that the institutions of this kind are very important for the International Bank as they do locally what we do internationally and I think that contact with them might be very helpful in establishing standards and practices for their and our work. As I said to you, it is very remarkable how in the last twenty years the whole picture of long-term investment has changed, and that is why the Bank thought it useful to make a survey, which I found very interesting and fascinating. You will see that in many cases the E.C.A. counterpart funds play a very great role in the work of these organizations.

Sincerely yours,

Enclosure

D. Crena de Iongh

D.Crena de Iongh/mct

December 7, 1950

Miss H. Towsley
German Austrian Branch
E.C.A.
Room 800, 800 Connecticut Avenue
Washington, D.C.

Dear Miss Towsley:

You asked me a few days ago for a copy of the report I was writing on long-term investment institutions in Europe. This report has now been completed and I make free to send you a copy for confidential use, as indicated on its cover.

Should you have any comments to make or questions to ask, I shall be very pleased to receive them and to furnish any answers which I am in a position to give.

Yours sincerely,

DC/mct
Enclosure

D. Crena de Longh

OFFICE MEMORANDUM

DEC 5 REC'D

TO: Mr. Eugene R. Black

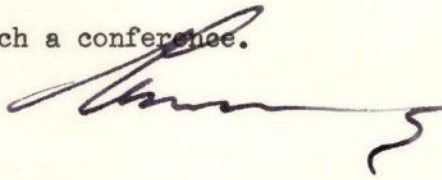
DATE: December 4, 1950

FROM: D. Crena de Iongh

SUBJECT:

With reference to my memorandum of October 24, I take pleasure in handing you herewith my report on the long-term investment institutions.

As to the idea brought forward in my memorandum that it might be desirable to have the Bank arrange a conference on long-term investment problems, I enclose, in order to make clear what I had in mind, a draft agenda of the problems I thought it would be suitable to have discussed at such a conference.



Attachments

cc Mr. Garner

DRAFT AGENDA FOR
CONFERENCE ON INVESTMENT PROBLEMS

I.

- a. Description of the financial machinery through which in each participating country savings are channeled into investments.
- b. Relative importance of equity financing versus financing by loans in each participating country.
- c. Need for supplementing savings by international loans in each participating country.

II.

- a. Coordination of policy of national lending to that applied to international lending.
- b. Forms of cooperation of local long-term finance institutions with international lending institutions.
- c. Selection of type or types of local institutions to implement this cooperation.
- d. Methods of assistance in stimulating the use of the private money market for the financing of investments.

III.

- a. Interest rates for national and international loans
- b. Methods of disbursement
- c. Commitment commission.
- d. Other commissions.
- e. Methods of end-use supervision.
- f. Exchange risk to be borne by borrower or government.

Dev. Corp. - W.E.

November 16, 1950

Mr. R. F. Daly
Colonial Development Corporation
33 Dover Street
London, W.1
England

Dear Mr. Daly:

Thank you very much for your letter of October 25, sending me copies of the Parliamentary Debates in the House of Commons and the House of Lords when the Overseas Resources Development Bill was first introduced. These documents are indeed very valuable for the work I have been doing in connection with the long-term investment institutions.

I realize that it is very difficult to make any assessment of the amount of investments in the colonies and I thank you for the figures on the U.K. situation for the years 1948 and 1949.

I hope I may solicit further information if the occasion arises.

It was a pleasure to see you again in London.

Yours sincerely,

DC/met

D. Crena de Iongh

Dev. Corp. - W. E.

Mr. Giorgio Cigliana-Piazza

November 13, 1950

D. Crena de Longh

I am attaching hereto papers on the institutions in Italy which I visited in connection with my study of long-term finance institutions in Europe. These papers are to be annexes of my report, but before having them mimeographed, I wanted to have you look them over. I will appreciate your returning the papers to me with your comments.

Attachments

mct

Dev. Corp. - W.E.

Mr. Thomas Basyn

November 10, 1950

D. Crena de Iongh

N.R.
Attached hereto are drafts of the papers on the five Belgian institutions I visited, which are to be annexes of the report I am writing on long-term financial institutions. Before having them mimeographed, I would very much appreciate it if you would return them to me with your comments.

Attachments

Dev. Corp - WE

Sir Ernest Rowe-Dutton

November 9, 1950

D. Crena de Iongh

N.R. files

I am sending you herewith three papers on the Finance Corporation for Industry Limited, the Industrial and Commercial Finance Corporation, Limited and the Colonial Development Corporation, which I want to include as annexes in my report on long-term finance institutions. Before doing so, I would be pleased to get your comments.

Attachments

Dev. Corp.

Mr. John M. Garland, Alternate Executive
Director
D. Crena de Iongh

November 8, 1950

As you know, the Bank asked me to visit a number of long-term finance institutions in Europe after the meeting in Paris.

When I was in Paris I took the opportunity of having a talk with Mr. Richardson of the Commonwealth Bank about the situation in Australia. I am now writing my report and want to add short descriptions of the institutions in question.

I am enclosing the description of the Industrial Finance Department of the Commonwealth Bank of Australia and would appreciate it if you would let me have your comments when returning it to me.

Attachment

Dev. Corp. - W.E.

Mr. Gunnar Kjolstad, Alternate Executive
Director
D. Crena de Iongh

November 8, 1950

As you know, the Bank asked me to visit a number of long-term finance institutions in Europe after the meeting in Paris.

When I was in Paris I took the opportunity of having a talk with Mr. Colbjornsen about the situation in Norway. I am now writing my report and want to add short descriptions of the institutions in question.

I am enclosing the description of the Norske Industribank and would appreciate it if you would let me have your comments when returning it to me.

Attachment

Dev. Corp. - W. E.

Mr. J. W. Beyen

October 26, 1950

D. Crena de Iongh

N.R.
I am sending you herewith a copy of my memorandum on long-term investment institutions in Europe and I will be very pleased to get your comment. The memorandum has been sent only to Mr. Black and Mr. Garner as I don't want to circulate it until the annexes are ready.

Attachment

COLONIAL DEVELOPMENT CORPORATION

FIN/1

33, DOVER STREET
LONDON, W. 1

25th October, 1950.

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

Dear Mr. Crena de Iongh,

I am sorry I was unable to write to you before you left London but I have had some difficulty in obtaining the information you asked for.

Research Files

I am enclosing you a copy of Parliamentary Debates in the House of Commons and House of Lords when the Overseas Resources Development Bill was first introduced. This will give you the best possible indication of the purpose behind the Government at the time when the Corporation was launched.

I have not been able to obtain any information of the amount of investments in the Colonies so as to relate, as you requested, the CDC finance investments to the whole. As far as U.K. investment is concerned, I understand that the total internal investment is £1,600,000,000 in 1948 and £1,800,000,000 in 1949. There are no published figures of overseas investment but in any case compared with these figures our present annual rate of investment is, of course, quite negligible.

I hope this is the information you require and that you had a pleasant trip back to Washington.

Yours sincerely,

R. F. DALY

R. F. DALY

44

Mr. Cluff

COLONIAL DEVELOPMENT CORPORATION

REPORT AND
ACCOUNTS
FOR 1948



*Ordered by the House of Commons to be printed
21st June 1949*

LONDON
HIS MAJESTY'S STATIONERY OFFICE TO
ONE SHILLING NET

188

GENERAL FILES
AND
CORRESPONDENCE

COLONIAL DEVELOPMENT CORPORATION

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED
31st December 1948

*Presented to Parliament in pursuance of Section 16 (5) of the Overseas
Resources Development Act, 1948*

*Ordered by The House of Commons to be Printed
21st June 1949*

LONDON
HIS MAJESTY'S STATIONERY OFFICE

ONE SHILLING NET

COLONIAL DEVELOPMENT CORPORATION

33, Dover Street,
London, W.1.

24th May, 1949.

Sir,

I am instructed to send you, in compliance with Section 16 of the Overseas Resources Development Act 1948, the Statement of Accounts of the Colonial Development Corporation for the year ended 31st December 1948, and the Report dealing with the operations of the Corporation during that year.

I have the honour to be, Sir,

Your obedient servant,

(Sgd.) SINCLAIR HUNTER,

Secretary.

The Right Hon. A. Creech Jones, M.P.,
Secretary of State for the Colonies.

CONTENTS

	Page
The Foundation of the Corporation	5
Economic Background	6
External Relationships	8
Choice of Projects	9
Yield on Capital	12
Political Conditions	13
Summary of Operations	13
Undertakings in Operation:	15
<i>British Guiana...</i>	15
<i>Turks & Caicos Islands</i>	15
<i>Windward Islands</i>	16
<i>Falkland Islands</i>	16
<i>Gambia</i>	17
<i>Nyasaland</i>	18
<i>North Borneo</i>	19
Capital Commitments	19
Report on Divisional Operations:	20
<i>Equipment Division</i>	20
<i>Agricultural Division</i>	21
<i>Animal Products Division</i>	22
<i>Engineering Division</i>	23
<i>Forestry Division</i>	23
<i>Fisheries Division</i>	23
<i>Factories Division</i>	23
<i>Hotels Division</i>	24
<i>Marketing Division</i>	24
Statement of Accounts	24
Conclusion	25
Appendices:	
A. <i>Organisation Chart.</i>	
B. <i>Map showing distribution of projects under consideration and in operation.</i>	
C. <i>Statement of Accounts.</i>	

MEMBERS OF THE CORPORATION

The Right Honourable Lord TREFGARNE OF CLEDDAU (*Chairman*)

Sir FRANK ARTHUR STOCKDALE, G.C.M.G., C.B.E. (*Deputy Chairman*)

ROBIN BROOK, O.B.E.

Sir CHARLES GALTON DARWIN, K.B.E., M.C., M.A., Sc.D., F.R.S.

HERBERT MELLOR GIBSON, J.P.

HUBERT NUTCOMBE HUME, C.B.E., M.C.

The Right Honourable Lord MILVERTON OF LAGOS, G.C.M.G.

JOHN ROSA, O.B.E.

ERIC CRAWFORD TANSLEY, C.M.G.

Sir WILLIAM MILES WEBSTER THOMAS, D.F.C.

COLONIAL DEVELOPMENT CORPORATION

ANNUAL REPORT FOR 1948

The Foundation of the Corporation

The Overseas Resources Development Act (by Section I of which this Corporation was created), received the Royal Assent on 11th February, 1948. This Report will cover also an earlier period beginning at the end of July, 1947, when the Secretary of State requested Lord Trefgarne, as Chairman-Designate, to prepare the first plans for the establishment of the new organisation. The Deputy Chairman and other Members-Designate were then successively appointed, and by 13th November, 1947, it was possible for the first meeting of the "shadow" Board to be held. This pre-natal period, as it might be termed, proved of the utmost value to the Corporation when it came to be formally established, as it enabled the Secretary of State, in consultation with the appointed Members, to send to Colonial Governors advance despatches in which he was able to set out provisionally the constitution and operating methods of the Corporation, to invite the submission of projects to the Corporation, and to state the criteria which the Corporation would apply to measure the acceptability of the projects submitted. This period also enabled preparations to be made for the procurement and furnishing of premises, for the recruitment of key staff, and for a large number of other matters which would otherwise inevitably have consumed time after the Act had been passed.

The first official meeting of the Board was held on 2nd March, 1948, when the Board gave their approval to a plan of organisation which is set out on a Chart at Appendix A.

This plan had been worked out after careful consultation between the Chairman, Members-Designate of the Board and other industrialists experienced in the management of large commercial organisations. It will be observed from this Chart that the Headquarters of the Corporation is planned to exercise the functions of supervision and control and, at the same time, to provide certain common services. Whereas the Headquarters Divisions are organised on the functional principle, the Colonial territories are divided geographically into five major regions. The Regions consist of groups of Colonies which may have little in common but contiguity or comparatively easy inter-communication, and are so grouped in order to facilitate the local investigation of the early projects and operations of the Corporation. There are at present five Regional Corporations covering twenty-five territories. Other subsidiary Corporations, or changes in those already formed are under consideration.

In the appointment of Directors of these Regional Subsidiary Corporations, efforts are made to secure when possible the services of men with local knowledge and experience, and provision has also been made for the appointment of Regional Advisers who are selected for their local knowledge of and long acquaintance with the agriculture and commerce of the territories concerned.

The Board of the Corporation recognise the wisdom and indeed the imperative necessity, in view of the magnitude and diversity of their operations, of moving toward the widest possible devolution of authority from

Headquarters to the Regions, and in turn from the Regions to the General Managers of the widely dispersed undertakings. But this development, if heavy losses are to be avoided, is not one that can be brought about by the mere decision of the Board. The Corporation is not able to staff its Regional subsidiaries with executives chosen from among the heads of great businesses, and yet good management of the Regional units calls for a degree of commercial skill commensurate with that required in great businesses. During the early years, therefore, it is inevitable that training and guidance and patient definition of the principles and methods of operation shall be built up for the guidance of the Regional staffs. Nor do the Board feel that the Headquarters organisation itself has reached its permanent form. No organisation like to the Corporation in its widespread and diverse functions has ever been established before, and it is therefore certain that as years of experience are gained this great instrument will have to be modified by such changes as the Board, or the Board in consultation with the Secretary of State, may find necessary.

The Board are further aware that a well-conceived organisation alone will not ensure success. Success will depend upon the quality of the staff appointed, upon their giving of their best, often in remote areas and under trying conditions, and upon a large number of other factors which will be referred to in the pages following.

Economic Background

While it is not the Board's intention to make the Annual Report a vehicle for a general survey of Colonial economics, it may be helpful to the Secretary of State and to Parliament—however well known the picture may be—if in this first Annual Report a rough outline is given of the background of the Corporation's activities as the Board view it.

The Corporation was brought into being for the purpose of improving the standard of living of the Colonial peoples by increasing their productivity and wealth. The criticism has been made that increased production for export is incompatible with improved living standards in the Colonies themselves. It is, however, only by increased production and trade that these territories can earn the funds with which to purchase many of the commodities and supplies which they at present lack. It is not thought necessary to comment further on a criticism which is now recognised by informed opinion in every Colonial territory and, it is hoped, at home, to be a fallacy.

Standards of living in the Colonies are, in general, low. Measured in terms of productivity per head of the population and taking the net national product per head in the U.K. as 100, the index of productivity in the Colonies ranges from less than 5 in most African Colonies to something like 25 in the more developed West Indian Colonies. Measured in terms of capital, the amount invested per head of population in the most developed Colonies is probably not more than 10 per cent. of the national capital per head of population in the U.K., and in Africa it is less than 2 per cent. These figures, though only approximate, bring out not only the comparative absence of secondary industry in the Colonies, but also the low level of agricultural technique and mechanisation. Lack of capital has not, of course, been the only limiting factor. Conditions of climate, soil, disease, under-nutrition, ignorance and lack of incentive to work introduce elements of uncertainty into tropical agriculture. Much is being done by various welfare measures to bring about an improvement in the efficiency of labour. These latter measures, assisted by grants under the Colonial Development and Welfare Acts, are already helping to prepare the way for economic development,

while later on the increased wealth generated by economic development will enable the Colonies themselves to support these necessary social services. The end in view cannot be achieved in a short time or by the Corporation alone, or even by the Corporation principally. It requires a united effort by Colonial Governments, under the aegis of the Secretary of State, by private enterprise, by the Corporation, and, above all, by the people of the territories concerned.

This united effort has to be made during a period when what is now generally known as the "dollar deficit" dominates world economics. Until this unbalance can be rectified, world trade must obviously remain hampered and unstable. The dollar deficit of the U.K. during 1948 was £311 million. Although the Colonial Empire as a whole earned a net dollar surplus which in the first half of the year was running at the rate of £37.5 million per annum, it is noteworthy that sales of tin and rubber to the Western Hemisphere from Malaya and cocoa from West Africa accounted for almost the whole of the Colonial surplus. Other Colonial territories, with few exceptions, contribute to the overall dollar deficit of the sterling area. Moreover the consumption standards (for dollars and sterling alike) of Colonial territories are held down by the currency difficulties affecting direct and multilateral trade.

In the short and in the long term, the objective of reducing the dollar deficit is closely linked with the objective of raising the standard of living in the Colonies. This is most clearly seen in the West Indies. The Colonies of this region import from dollar sources a considerable part of their requirements of food and manufactured goods. The average West Indian spends some 40 per cent of his income on imported goods, the bulk of which come from the dollar area. In the Bahamas, for example, a total population of 85,000 incurred a net dollar deficit, in the year ending December 1948, of \$6,459,000—food imports being the chief item. There is fortunately some reason to think that in 1949 this situation will be greatly improved.

Clearly, one method of reducing these deficits might be to increase the production of food in the area as a whole and if possible also the production of the simpler manufactured commodities. If this is achieved by developing new resources using labour which is, at present, under-employed, and capital equipment which is at present inadequate, real increase in productivity will result.

Africa, the Board believe, is the most promising field for large-scale development. The poverty of Africa in terms of capital equipment has already been mentioned, but it must be realised that further investment on a scale sufficient to have a real effect will subject the economies of the territories concerned to considerable strain. Even now, many of the African Territories are suffering from inflation. This is largely due to the shortage of a wide range of consumer goods. The first effect of a development scheme in such an area will be to increase the amount of money in circulation and, obviously, unless additional goods are available upon which this money can be spent the result will be further inflation. Development must, therefore, cater for an increased production of goods for the local market, as well as for export. In the sphere of agriculture much worth-while work can be done immediately by larger production of crops for the local market and by using such schemes to popularise more productive methods of peasant farming. Not all the additional income earned by such schemes will be spent on agricultural produce. The increased demand for manufactured goods must be catered for, either by the development of secondary industries or by increased imports or by both.

The Far East illustrates an aspect of the Corporation's background which cannot pass without mention. The Far Eastern region includes several of the most highly developed and several of the least developed territories within the Empire. It is already clear that it is in the least developed, rather than in the most highly developed territories that the Corporation's main work will be done. Hong Kong and Singapore and other such industrialised areas have other resources of capital and skill upon which they can draw and they will continue to attract private enterprise. The more undeveloped territories do not have these other resources to the same extent. The tasks of development are too large, and the financial return too distant or the risks too great, in such conditions, to attract sufficient private capital.

Such is the background, briefly described, of the Corporation's business.

External Relationships

It has not been the lightest of the Corporation's inaugural tasks to establish certain external relationships. Among these may be mentioned not only the primary relationship of the Corporation with the Secretary of State, his Department and the Treasury, but also those with Colonial Governments, with other Government Departments, with private enterprise operating in the Colonies, and, of course, with Parliament, the Press and the public.

It is not proposed here to attempt to describe the Departmental relationships which have so far been established because clearly they cannot have reached finality. In conducting its operations, however, the Corporation has to take so many factors into account in addition to purely commercial considerations, and has to explore the repercussions of its undertakings in so many directions, political, Departmental, local, commercial, and so on, that the Board cannot but be grateful for the indulgence and patience which have been vouchsafed to them from so many quarters during their first year, in particular by the Secretary of State and by members of both Houses of Parliament.

The Board of course recognise certain controls upon their activities as inevitable, and some of these controls are clearly prescribed in the Act of 1948. They recognise, too, the policy of His Majesty's Government as the creation of a planned economy, but the Board feel they should state their conviction that if real achievement is to be attained against all the physical difficulties of Colonial development, a certain measure of freedom to venture and to act in circumstances of doubt should be accorded to the Board and executives and the local managers of the Corporation.

As the Secretary of State himself is aware, the Board have sometimes felt, during the course of this first year, that if they are required to move always and only on the rails of exact planning, obtaining the full concurrence of various Government Departments and outside interests which may have views to assert, it may be difficult to move at all; and they have therefore welcomed every measure of freedom and independent initiative, within the general requirements of economic policy, which the Secretary of State and the Chancellor of the Exchequer have felt able, in their interpretation of the terms of the Act, to concede. They feel bound to state that they continue to feel some concern on this issue, and refer again to it later in the report.

The Corporation is exerting every effort to work in close and friendly co-operation with private enterprise in the various territories. In some cases undertakings can be, and are being, launched by the Corporation and private enterprise in partnership which could not be carried out by either party

alone. The Board have hitherto met with full co-operation from the managements of private concerns generally, both in the Colonies and in the United Kingdom. They desire to do everything in their power to foster this relationship. The Board would wish to add that a close and friendly relationship is maintained with the Overseas Food Corporation.

Choice of Projects

It need hardly be reported that the Corporation, in common with most other sources of finance, has no lack of proposals of varying degrees of soundness. The despatch which the Secretary of State, as a first step, sent out to Colonial Governors in December, 1947, before the Corporation had been legally established, brought forward in a few months a large number of projects in all stages of preparation. Indeed, in nearly every Colony, there already existed numerous, sometimes voluminous, plans, surveys and reports directed to the economic development of the territory. Some of these were, in the Corporation's view, practical, well thought out and efficiently prepared. Others were of a more theoretical character. The Board believe it necessary to avoid all embracing and grandiose economic development plans in favour of the selection of more concrete proposals, even if these are less ambitious in their size and scope. By this method alone can they follow out the lines of enquiry and consultation prescribed by Statute, and arrive at a balanced judgment on the advantage to the Colony, on the physical practicability, and the commercial soundness of a proposed project, to say nothing of its demands on scarce materials and labour and transport resources.

One result of this procedure is that development schemes in the first phase cannot be expected to conform rigidly or exactly to an elaborate list of priorities. Any attempt to submit them to Departmental adjudication on those lines would involve such interminable study and discussion as would weaken the drive and momentum behind the project and perhaps make it necessary repeatedly to reconstruct its outlines to meet changing circumstances. The Board hope that their applications for capital sanction will continue to be examined in the light of certain simple and paramount criteria, of which the benefit to the local economy is the first.

In addition to the qualitative problem of selection, the Corporation has to be on its guard quantitatively. It has to be careful not to admit to the new administrative organisation a larger number of proposals than can be efficiently and thoroughly examined. Apart from the high cost of investigation, it has to avoid the all too easy error of swallowing more plans than it can digest and put into successful operation. It is believed that an efficient internal procedure has been devised to prevent this mistake, without running the risk of careless or ill-considered rejection of proposals seriously put forward.

Those projects which, after preliminary study, are accepted in principle, are classified as "A" projects, and into them the most careful investigation is made. To this part of their duty the Board and staff feel it necessary to give their assiduous attention. In so doing, they have, perhaps, a less enviable task than that of the banker, who has to ask himself, "Is the money safe?" Their more difficult task is to balance risk against caution, to answer the question "Is this a fair risk in the circumstances?" Sometimes the circumstances are inexact and changing, the scene of operations is primitive, or even, at the outset, unexplored. Occasionally a venture has to be launched despite the presence of some unknown factors such as might result in summary rejection of the scheme on orthodox principles of investment as applied in more highly developed countries.

The difficulties of estimating whether a given project will be commercially sound may be exemplified by a proposed cacao growing scheme. Different authorities may in such a proposal produce estimates of potential yield varying between 600 and 1,000 lbs. to the acre, and a possible future price varying by as much as £50 per ton or more. On 15,000 acres, if all went well, the higher and more favourable estimate would show a large profit, while the lower and less favourable estimate would show a large loss. Other incalculable or uncertain factors may be present.

If the Board of the Corporation had to demonstrate the safety of the investment with certainty to Government Departments, or to bankers, or to the public, they would have an impossible or, at best, a lengthy task. In such circumstances, they conceive themselves to be fulfilling the intention of Parliament by acting upon the balance of commercial judgment. They cannot accept banking principles as their guide. In the time-honoured saying of Walter Bagehot "Caution is the life of banking, but venture is the life of commerce." Having weighed up, therefore, with their collective judgment the facts and figures upon which the success of any undertaking depends, they deem it to be the intention of the Secretary of State that in circumstances of unresolvable doubt they should prefer venture to caution, launch the project, and do their best to push it through every obstacle to success.

The attitude of the Corporation has been explained at length because the Board earnestly desire that their policy should be understood and approved by the Secretary of State and by the British taxpayer whose money they administer. In this policy the Board have hitherto received the support of the Secretary of State and of the Treasury, and they are confident that Parliament and the public, to whom they are ultimately, if indirectly, responsible, will sustain them in this policy, and be content to allow time and results to confirm their judgment.

These general observations on the choice of projects ought not to be allowed to obscure more specific and measurable factors involved in assessing the commercial soundness of an undertaking. For example, the Corporation has frequently to include in its project costs the provision of housing, public services and communications. In developed territories such services are either in whole or in part inherited from the efforts of previous generations, or, if new, are paid for by general taxation or by the individual user, or by various forms of subsidisation, as, for example, by rent control. At present, such costs—often large—have to be borne by the Corporation's undertakings. In many cases the Corporation has not only to send heavy equipment to a Colony, but it must construct the wharf to land it, the road to take it to its destination, the workshops to maintain it, and the houses and services for those who will work it. Thus, for example, the transport cost alone for sending an agricultural tractor from the United Kingdom to a site in Nyasaland amounts to nearly 40 per cent. of the f.o.b. price, and constructional steel at its destination in Uganda has incurred transport costs approaching 100 per cent. of the f.o.b. price. Sometimes, also, the Corporation has to contemplate measures for increasing the capacity of roads or railways to carry the output of the undertaking when in full production.

As a general statement, it may be said that the expense of providing housing and communications, and the minimum of necessary services, amounts in typical cases to a doubling of the normal capital cost of an undertaking. It may be contended that expenditure of this kind falls also on private undertakings operating in the Colonies. Sometimes that is true, but such costs are accepted only by private undertakings who see, beyond doubt, a sufficient margin in the price of the product to carry them, as, for example,

in the case of a lucrative mineral undertaking. The Corporation feels that it has less freedom in the choice of area and type of project than has a commercial undertaking. For example, the Corporation must more often go into new areas which require expensive clearing operations for an agricultural scheme, or which, owing to inaccessibility or other adverse conditions, are sparsely populated or unprovided with public services. The additional costs involved in overcoming these difficulties may amount to three or four times as much as pre-war costs.

While the Board of the Corporation recognise the intention of Parliament that they should undertake a certain measure of supra-commercial risk, they remain restricted in what they can accomplish by the provision of Section 15 of the Act, which requires them "so to exercise and perform their functions as to secure that their revenues are not less than sufficient to meet all sums properly chargeable to their revenue account . . . taking one year with another". So far from chafing under this restriction, the Board value it as a clear and useful guide in the selection of projects. But the public in the United Kingdom and the Colonies should understand its implications.

To assist those who might wish to give further consideration to this question, which will increasingly obtrude itself into the picture of Colonial development, an example is cited below.

Here it is planned to develop a large area in the north of Nyasaland, commencing with the cultivation of tung on an estate of 20,000 acres.

There are no adequate road or rail services between this and more developed areas of the Colony, and the communications between the site of the project and the sea-board are long, the nearest seaport at present being Beira in Portuguese East Africa. Although the main access road will ultimately serve a much larger area than the tung project, the cost must be borne either by the Colonial Government or by the project until adjacent projects are in operation.

In this particular case the Colonial Government has made the project possible by its enterprise in defraying a large part of the cost of the road, but in some other cases no such arrangement has yet proved practicable.

PARTICULARS OF CAPITAL EXPENDITURE ON HOUSING AND OTHER SERVICES REQUIRED IN CONNECTION WITH THE TUNG PROJECT ARE AS FOLLOWS:

Residential Buildings	£192,000
Welfare and Recreational Buildings, including Hospitals, Dispensaries and Subsidiary Trading Buildings (Shops and Stores)	24,000
	<u>216,000</u>
Services, Water Supply and Electrical Installation	83,000
Feeder Roads (excluding roads on Agricultural Estate)	Say 10,000
Jetty Nkata Bay	23,000
Engineering Supervision	20,000
	<u>352,000</u>
Main Road:	
Say 70 miles at £6,500 per mile	£455,000
Less: amount to be contributed by Nyasaland Government	250,000
	<u>205,000</u>
	<u>£557,000</u>

Estimated Total Capital Expenditure on project by the Corporation, after completion of all roads, is ... £1,648,000

£557,000 represents 34 per cent. thereof.

In due time the commercially self-supporting aspects of the Corporation's work, if it is to expand in accordance with the country's hopes, may have to be separated from expenditure of the kind referred to above. The Board hope that the Secretary of State will give special consideration to this part of their Report, and in the meantime the Corporation will do its best by improvisation, by the careful selection of fields of operation and by inviting the co-operation of Colonial Governments, which it has hitherto received in ample measure, to overcome these difficulties.

Yield on Capital

The Board wish to say something about the economic yield which they look for on the money laid out. This, of course, is bound to vary according to the measure of risk. They have in some cases accepted proposals for advancing substantial sums of money by way of first mortgage debentures, e.g., a Malayan electricity scheme at a rate of 4 per cent. They do not regard public utilities, however, as the main field, or even as a large part of the Corporation's field of operation, and the Secretary of State has informed them that he approves this policy. The bulk of the Corporation's risks, therefore, will be equity or ordinary share risks.

The Corporation has found in its discussions with Colonial Governments that the view is sometimes expressed that the Corporation, having regard to its public character, ought to accept ceilings on the amount of profit earned by individual undertakings, beyond which the price of the product, it is contended, should be reduced, or some other arbitrary method employed to restrict the yield on the Corporation's investment to a percentage laid down in advance. It is argued that unless the Corporation is prepared to accept this view its operations will not fill the gap between non-profit making undertakings to be financed as public services and private undertakings offering yields sufficient to attract private capital. This argument, however, overlooks the fact that the Corporation will be bound to accept over its whole field of operations a number of speculative risks which will inevitably result in some losses, which may be substantial. If an investment of say £1,000,000 should fail, and the capital be lost, it would be impossible for this loss to be recouped out of the yield on 4 per cent. or 5 per cent. investments. While the Corporation does in exceptional cases accept the principle of an upper limit of profit on an investment in ordinary shares, it hopes and expects that some of its undertakings will make substantial yields in order to counter-balance low yields and losses.

The Board feel that some of the concern lest the Corporation should earn excessive profits springs from too sanguine a view of the risks and difficulties of establishing new undertakings in undeveloped territories. The Corporation is not interested in making, on any undertaking, a large profit for distribution, because its surpluses will always, by Statute, be subject to the direction of the Secretary of State, and the Corporation understands that his direction will be to plough back such surpluses, if and when they are earned, into other Colonial development, or to use the surpluses to offset losses.

It would be a mistake, in any case, to expect that the Corporation will earn an overall profit till some years have elapsed. In the development of our various projects, particularly tropical agricultural projects, where land clearance and subsequent planting of tree crops are concerned, there may be a prolonged fructification period during which large expenditures will be incurred and no revenue earned. The Board are appreciative of the fact that the Secretary of State, with the approval of the Treasury, has taken this necessary fructification period into account in settling the terms on which loans will be granted to the Corporation, but they feel that Parliament

and the public also should be aware that, while outputs from the Corporation's activities will shortly commence on a small scale and will steadily grow, it will be from three to five years before they are substantial and an even longer period before the widespread overall activities of the Corporation can be expected to show a net profit. Any more optimistic forecast would be contrary to all commercial experience, and could only give rise to unwarranted and premature disappointment damaging to the whole conception of Colonial development.

Political Conditions

Before proceeding to that part of this Report which deals with the Corporation's specific activities, the Board think it right to make a brief statement about political conditions in certain territories. It is no part of the Corporation's duty to concern itself with political questions except in so far as they may directly affect the success or failure of its operations. It might be as well to state, however, that a changing political outlook, especially when it is brought about by stimulated agitation against British political influence, and in some cases even against European participation in commercial development, does not make a favourable atmosphere for raising the economic standards of any territory. The Secretary of State is aware, and the Board think it necessary to reiterate that in some such cases, under the influence of unwarranted suspicion, such exacting conditions are sought to be imposed upon the inflow of capital, which means the inflow of British skill, equipment and finance, and especially the first of these, that they amount in effect to prohibition against our activity. The Board are happy to be able to state that these territories are in number negligible. In general, the Corporation has received not only a cordial welcome from the Governors and people of the Colonies, but most helpful and competent aid in the common task.

Summary of Operations

The Board attach importance to the closest possible contacts between their Members and the various fields of operation. Visits by Members of the Board during the year under review, which are reported below, have proved of the utmost value in the initiation and examination of projects.

Lord Trefgarne (Chairman)	...	West Indies, British Guiana, Malta, Nyasaland, High Commission Territories.
Sir Frank Stockdale (Deputy Chairman)	...	Kenya, Uganda, Tanganyika, Zanzibar.
Mr. H. Nutcombe Hume		Malaya, Singapore, British North Borneo, Sarawak.
Sir Miles Thomas	...	Nyasaland, Northern Rhodesia.

The Controller of Plans (Mr. Hugh Weeks) and the Controller of Operations (Sir Ernest Wood) and certain of the Divisional Managers and technical staff have also visited various territories for preliminary work of enquiry or operation.

It will be observed from the Organisation Chart that the administration of the Corporation at the Executive level, below that of the Chairman and Deputy Chairman and above the Headquarters Divisional Managers, is divided into the Plans Wing and the Operations Wing, both of which are served by the rest of the organisation. The Controller of Plans is concerned only with projects under investigation. When once they have been accepted by the Board, and have received the capital sanction of the Secretary of State, they pass over to the Controller of Operations, and become, in the

nomenclature which has been adopted, "undertakings". A sketch map of Colonial territories is shown at Appendix B, in which projects under the consideration of the Plans Department are marked (without being classified into Divisions), while undertakings actually in operation are indicated by a rectangular panel enclosing the abbreviated name of the Division concerned. It is in the Board's view premature to show the classification and scale of all projects under consideration, because in most of these cases the ordinary commercial dispositions, such as the purchase of land, etc., have not been made, and more precise information might lead to undesirable outside commercial activities which might prejudice or jeopardize the proposals.

In addition to the projects marked as "In operation" or "Under consideration" there are a number of projects which, owing to their *prima facie* impracticability or unreadiness, have been placed before the Corporation but not accepted for formal investigation. These are classified within the Corporation as "B" or "C" projects and are dealt with by different procedures. The projects marked as "Under consideration" in the chart are classified within the Corporation as "A" projects, and only when they have received this classification is substantial expense incurred on their investigation. At the end of the period covered by this Report, the total number of "A" projects, that is to say, projects under active consideration in the Corporation, is 57: the total number of undertakings actually in operation is 9. Others have been approved by the Board subject to certain details being cleared, or are in an advanced stage of preparation.

The "A" projects under consideration are summarised in the following list:

"A" PROJECTS UNDER CONSIDERATION AS AT 31ST DECEMBER, 1948

Divisions				Territories			
*Agriculture	...	...	11	British Honduras	...	...	1
Forestry	...	...	3	British Guiana	...	...	4
Animals Products	...	...	8	Jamaica	...	...	4
Engineering	...	...	4	Barbados	...	...	2
Factories	...	...	21	Bahamas	...	...	1
Financial	...	...	1	Dominica	...	...	2
Fisheries	...	...	2	Trinidad	...	...	1
Minerals	...	...	7	Falkland Islands	...	...	1
				Mediterranean (Cyprus)	...	...	1
				Gambia	...	...	3
				Sierra Leone	...	...	1
				Gold Coast	...	...	2
				Nigeria	...	...	6
				Nyasaland	...	...	3
				Northern Rhodesia	...	...	2
				Uganda	...	...	6
				Kenya	...	...	5
				Tanganyika	...	...	2
				Swaziland	...	...	1
				Bechuanaland	...	...	2
				British Somaliland	...	...	2
				Aden	...	...	1
				Malaya	...	...	2
				Fiji	...	...	2
<hr/> 57 <hr/>				<hr/> 57 <hr/>			

* Agricultural projects under consideration form a higher proportion of the whole when measured by capital commitment involved than by number of projects.

Undertakings in Operation

The undertakings actually in operation may be briefly summarised as follows:

WEST INDIES*

BRITISH GUIANA

1. *Gold Dredging.* A loan secured by a convertible debenture was made to British Guiana Consolidated Goldfields Ltd., a company which owns dredging concessions on the Mahdia, Potaro and Konowaruk rivers in addition to certain other alluvial gold mining areas. The company at the time possessed one dredge which was in use on the Mahdia river, but since this area will be exhausted within a year or so the money loaned by the Corporation has been used to purchase, transport, and instal a second dredge which will operate on the Potaro river. The dredge on the Mahdia will be dismantled and overhauled when this area is worked out and will then be moved to the Konowaruk. Drilling has already been carried out on the Potaro and Konowaruk rivers, and substantial areas of payable ground have been proved.

2. *Manaka Timber Concession.* The British Guiana Government's proposals for the co-ordinated development of the Colony's timber resources by the Corporation covered three main areas.

Block A—The Bartica Triangle;

Block B—The Kartabo Triangle;

Block C—The lower west bank of the Essequibo river.

An area of 93,000 acres in Block C was held under lease. The lessee had built a railway some $5\frac{1}{2}$ miles long down to the wharf on the foreshore at Manaka, and his preparations were approaching the production stage. The lessee had decided to sell, and as it had been made clear by the Government of British Guiana that it was essential that the three blocks should be developed within a single co-ordinated plan and as the Manaka area was the key to Block C, the Corporation acquired the property from the holder and prepared to develop it accordingly.

The Concession will now form an integral part of the Corporation's general plans for forestry development within the Colony, and particularly for the opening up of the rich timber bearing areas which lie beyond the Concession itself.

Arrangements have been made with Steel Brothers and Company Limited, a firm with wide forestry experience, to act as managing agents for the Corporation. A Manager is already on the site and it is intended that operations shall reach a substantial scale at the earliest possible date.

TURKS AND CAICOS ISLANDS

3. *Salt Production.* The economy of the Turks and Caicos Islands is almost completely dependent upon the salt industry at Grand Turk, Salt Cay and South Caicos. The industry has been in existence in these islands for over 200 years; present methods of production are out-of-date and inefficient.

Production is by the solar method, from sea-water evaporated in salinas by the heat of the sun and the wind. There are at present 47 salt producers of whom 8 are responsible for 76 per cent. of the total output. The output

* The inclusion of any territory in the Corporation's Regional Organisation is for internal administrative reasons only and has no other implication.

of the industry is regulated by the Salt Industry Board, a statutory body with an export monopoly.

The need for reorganising the industry has been emphasised repeatedly in the past. The Underwood Report (dated April, 1948) recommended that the industry, to be operated efficiently, should be brought under unified control and completely reorganised and re-equipped; the total capital cost of implementing the Report was estimated at £350,000. As a result of this Report, the Governor proposed that the Corporation should take over the industry.

It was accordingly agreed with the Governor and owners that the ownership of all the salinas should be vested by ordinance in a company to be set up by the Corporation which would issue debentures to compensate the former owners.

The operations of the Corporation will involve substantially increasing production beyond the current output of 50,000 tons per annum by rehabilitation of the salinas and provision of additional loading equipment to accelerate the turn-round of ships. A pilot refining plant will also be built.

The necessary technical staff have been recruited, and before leaving for the Island, they made a study of modern salt technology and production methods in Europe and at Aden. It will be the duty of the resident engineer to prepare plans for further expansion, as and when experience shows it to be feasible.

WINDWARD ISLANDS

4. *Rebuilding of Castries (St. Lucia).* The town of Castries, capital of St. Lucia, was devastated by fire in June, 1948. 24½ acres of the business and official centres of the town were completely destroyed and housing for 2,500 people was wiped out. Public funds have been made available to the Government of St. Lucia to the amount of £700,000 for the rebuilding of the town in addition to bank loans for the financing of private building; but since the task is, in fact, entirely beyond the administrative and technical resources of St. Lucia or, indeed, the Windward group as a whole, an approach was made to the Corporation to act as managing agents and consulting engineers for the Government of St. Lucia in this operation. Agreement has been reached with the Government as to the basis of the agency. A well-known firm of U.K. contractors has been engaged actually to carry out the work under the Corporation's supervision; and it is proposed to begin work by the middle of 1949.

FALKLAND ISLANDS

5. *Sealing.* In the past sealing and the production of seal oil so reduced the herds that the industry could not be maintained. A survey has, however, recently been made of the beaches in the Falklands and has established that the herds are now of a sufficient size to sustain commercial operations.

In addition to the oils, certain by-products are obtained including seal liver oil (rich in Vitamin A), seal residue meal and fertiliser meal.

The Governor has agreed to grant licences to take seals and sea-lions in the Falkland Islands and the South Orkneys. The licences will be granted to the Manager who has undertaken to assign them in due course

to the company which is being formed to work this undertaking; the Manager has had extensive experience of the work, and was himself responsible for the preliminary survey.

One vessel has been purchased and is being refitted in the U.K. and a second vessel will be purchased. The first will sail for the Falklands in the early summer of 1949, and the second will follow shortly thereafter. A shore station will be established in buildings already available, to process the catch; a novel and unusually economical process will be used, which has been evolved by the staff of the undertaking.

WEST AFRICA

GAMBIA

6. *Poultry and General Farming.* There is being established in the Gambia a large farm devoted as its first aim to poultry and egg production, but suitable also for general farming. The undertaking entails clearing 10,000 acres of orchard bush over approximately two years. An area has already been cleared sufficiently to enable the nucleus of the poultry farm to be established and sites prepared for housing; clearing will proceed simultaneously with the expansion of farming activities. The leasing of a further 20,000 acres is being considered for future development. The land clearing operation involves a fleet of sixteen crawler tractors of which about half have been delivered and are at work, and a number of lighter vehicles; adequate repair and maintenance facilities and a machine shop are provided. The opportunity has been taken of testing different land clearing techniques and of trying out various forms of equipment, in particular U.S. and European crawler tractors.

Two saw-mills have already been set up to deal with the timber production, consisting chiefly of mahogany, rosewood and other hard woods which are highly resistant to insect penetration and therefore in demand in the Colony and elsewhere for building and other purposes. It is anticipated that the proceeds from the sale of timber will substantially offset the cost of clearing the ground.

The poultry project envisages a production of 20 million eggs and 1 million pounds of dressed poultry annually; a laying flock of 200,000 head of poultry will be reared bred from the finest producing strain. The initial consignment consisting of 10,000 eggs for hatching the mother flock will shortly be delivered to the farm. The services of a veterinary consultant specialist have been enlisted. An abattoir will be established and also a cold storage plant capable of accommodating one month's output.

An interesting feature of this project has been the recruitment of skilled Bahamians who are undertaking the training of African personnel.

Other farming operations include the establishment of an experimental farm and the sowing of various crops such as maize (from Hybrid seed), peas, beans and sorghums; it is expected that some thousands of acres will be planted by July.

Equipment for the whole undertaking has already been purchased and its delivery to site is well ahead. A contractor has been appointed and construction work is in hand, commencing with the process buildings.

A European staff of 70 and their families are already on site (including the ground clearance team, who will later move on to other undertakings of the Corporation). Good temporary accommodation for them has been found

in the nearby Government Rest Camp at Fajara pending completion of the permanent houses. So far, about 400 Africans have been engaged locally, but their numbers are increasing.

CENTRAL AFRICA

NYASALAND

7. *Tung Growing.* Tung oil is used primarily in the paint industry and is to some extent a substitute for linseed oil. It is obtained from the fruit of the tung tree. The tree (*Aleurites Montana*) has a limited life cycle estimated conservatively at about 30 years; no substantial yield is obtained until 4 years, and maximum yield 11 years, after planting; maximum yield is maintained for about 10 years; and thereafter, there is a progressive decline. The main source of tung oil in the past was China, but supplies from that country are now scarce and quality variable. There is a strong demand from the U.K. and there is a hard currency market for the oil in America.

Tung oil is already one of Nyasaland's exports, present production coming almost entirely from the Southern Province. Nyasaland possesses the only experimental station in the Empire devoted solely to work on tung growing, and in 1946 the Government initiated a small preliminary investigation scheme into the possibility of large-scale development in the Vipya Highlands in the Northern Province. A tung project in the Vipya was submitted to the Corporation by the Government.

The Vipya Highlands are an undeveloped area of about 1,500 square miles. The land is fertile and suitable for a number of different crops. The area is healthy and is in part suited to European settlement. There are only a few native villages in the area, but a reserve of labour exists in the surrounding areas, between 50 and 150 miles away, from which some of the natives at present migrate on short-term contracts to the Rand or the Rhodesias.

This is one of the long term undertakings.

The Corporation proposes clearing and planting with tung some 20,000 acres in the Vipya and will also take over the development work already initiated by the Government and will reimburse the Government for its assets at valuation. The whole area should be in production by 1960 and maximum yield reached in about 1965. Three oil expressing plants will be set up. At maturity the scheme as now planned should yield over 5,000 tons of oil a year.

Since the Vipya is totally undeveloped, the Corporation will have to provide roads, factory buildings, housing and a jetty; a farm of some 10,000 acres will be progressively established in the Limpasa Dambo, which will be reclaimed and cultivated. This farm will provide food for the European and native workers, and land is also available for cattle grazing. In addition to tung, the potentialities of the Vipya area include cattle, food grains and possibly tea and wattle. The tung undertaking will form the nucleus from which these other activities can be developed.

An engineering reconnaissance party made a thorough preliminary survey for road work and analyses of soil samples have been obtained from the agricultural areas. Ring barking of forest trees (a necessary preliminary to clearance) proceeds steadily.

8. *Fisheries.* The Corporation has combined with a commercial concern which will manage the undertaking, to develop the fisheries of Lake Nyasa ; the concern in question had previously carried out an investigation at its own expense into the fish resources of the Lake. The main output of the undertaking is likely to be in dried fish for which there is a keen demand from tea and tobacco estates. In addition, there will be a limited market for the sale of fresh fish to the European population. The Corporation is likely itself to take substantial quantities of the output as its undertakings develop. The processing of livers for vitamin oils may also prove to be a major source of income.

In addition to carrying out fishing on its own account, the company which is being formed to work this undertaking will purchase the surplus catch of the native fishermen and will assist these latter with advice and equipment so as to encourage native production.

FAR EAST

NORTH BORNEO

9. *Manila Hemp.* There is a current world shortage of Manila hemp which is likely to continue. The Philippines are the major source of supply and are, of course, in the dollar area. North Borneo is believed to be eminently suited to the cultivation of Manila hemp on a large scale.

The Corporation has purchased from the Custodian of Enemy Property in Borneo five ex-Japanese hemp estates, totalling some 14,000 acres ; about 7,000 acres are still virgin jungle and only about 2,300 acres are under hemp in fair condition. The estates were entirely neglected during the Japanese occupation and four of them are affected by disease. Shortage of staff since the war has prevented the elimination of disease and the general rehabilitation of the estates which is urgently necessary for the economic well-being of the Colony.

The Corporation has entered into an agreement with a commercial concern to form a joint company to take over these estates, the concern in question providing the management in agreement with the new company. An adjoining coconut estate and small farm are also being developed as ancillaries to the main undertaking.

If this undertaking proceeds satisfactorily, the Corporation will later commence operations on its own account on another area of about 20,000 acres. This area is at present undeveloped and various crops will be grown in addition to hemp. In this operation the Corporation is assured of the assistance of the joint company in advice and the provision of trained staff, seeds and so forth.

Capital Commitments

The total capital commitment in respect of the undertakings in operation is £3,034,000 (excluding the cost of re-building Castries which amounts to a further £700,000). The prospective capital commitment of "A" projects under investigation, if all reach acceptance in their present form, would be nearly £35,000,000.

(These figures include only the actual commitments or prospective commitments, and do not include increases of capital which may be included in the

schemes as the possibility of further developments occurs, but in respect of which no commitment has been made or is intended to be made at the first stage.)

Report on Divisional Operations

A further brief report is submitted on the work of each functional Division of the Corporation.

EQUIPMENT DIVISION

The Corporation's plans, both for area development work and for the promotion of individual industries in the Colonies, have necessarily been to a large extent governed by the possibility of obtaining essential equipment of which there is a world shortage or which is available only from hard currency sources. The universal demands of post-war reconstruction have, for instance, placed a heavy strain on the supply of electrical generating equipment, heavy engineering and agricultural equipment, and cement plants; a variety of items of day to day consumption such as nuts and bolts, nails and wire, and electric cable, have been and continue to be difficult to obtain in the desired quantities. As a result of these shortages, the Corporation has found it necessary to defer consideration of certain proposals and on others to accept a slower rate and more restricted scale of development than might otherwise have been possible.

Perhaps the most serious deficiency, and certainly that of most general application, is of finished steel products. Shortage of structural steel limits building, shortage of wire affects agricultural proposals, and lack of sheet steel raises difficulties in the manufacture of drums and other containers. These points have a direct application, but the Corporation is equally concerned with the effect of the steel shortage on the availability of a variety of other tools and equipment. The Corporation asks for and obtains the support of the Colonial Office in obtaining special consideration, but even with this aid has to compete with a number of other claimants at home and in Colonial territories.

The Corporation has decided to establish pools of equipment and maintenance workshops in its main centres of activity overseas, and a central Equipment Depot in the United Kingdom. The latter is in process of formation. The rate of progress will to some extent be governed by the fact that much of the equipment required for ground clearance and road making is in short supply. The most serious shortage is undoubtedly in the heaviest category of crawler tractors of which none are produced in the United Kingdom. Machines of this type, of proved efficiency, can be obtained only from the U.S.A. and paid for in dollars, but experiments are being carried out with an Italian model; and, as the Secretary of State is aware, steps are being taken to produce a model in the United Kingdom. The Corporation is anxious to avoid recourse to second-hand equipment because of the heavy work involved in land clearance and the importance of mechanical efficiency; this difficulty is exacerbated by the shortage of workshop equipment and particularly of heavy machine tools. The extent and method of obtaining currency for dollar purchases are under careful consideration.

Although the position is changing, in some cases rapidly, the following short list will give an indication of the major items required which are in short supply and the approximate delivery dates which are being quoted:

ITEM				DELIVERIES		
				U.K.	U.S.A.	European and other countries
<i>Agricultural and Land Clearing Equipment</i>						
Heavy crawler tractors	...	...	...	None manufactured	12-18 months	6-10 months (Italy)
<i>Plant and Machinery</i>						
Heavy electrical equipment such as transformers, cables, switchboards and hydro-electric requirements, generators and alternators.				12-24 months	12-24 months	6-24 months (Switzerland and Italy)
Heavy sawmill equipment ...				6-18 months	6-12 months	6-12 months (Belgium and Switzerland)
Heavy machine tools (lathes, grinders, etc.).				6-12 months	3-9 months	3-12 months (Belgium and Switzerland)
<i>Engines</i>						
Heavy industrial and marine engines				6-12 months	3-9 months	6-12 months
<i>Special Processing Plant</i>						
Cement factories	...	...	...	12-18 months	}	General world position
Abattoir equipment	...	...	...	12-18 months		
Fishmeal equipment	...	...	...	12 months		
<i>Finished Steel Products</i>						
Barbed wire, plain wire, staples				5-6 months in small quantities	Immediate delivery	Immediate delivery inferior quality
Nuts and bolts				2-6 months in small quantities	Immediate delivery American thread	Immediate delivery inferior quality
Structural steel				Quantity short, and long delivery		

The Corporation has planned its general programme as precisely as is possible at this stage in the light of equipment problems and has prepared a forward buying estimate phased to conform with this plan. The programme is necessarily elastic and the equipment procurement arrangements will need constant adjustment in the light of changing circumstances. It is, however, hoped by this means to anticipate any preventable hold-up and to utilise the available resources to the best advantage.

AGRICULTURAL DIVISION

Although the Agricultural Division is regarded as potentially the largest sphere of the Corporation's activities, the bulk of its activities is still in the preparatory stage. Among the primary objects of this Division (as of the Animal Products and Fisheries Divisions) the increase of food production for local consumption takes first place.

There are projects under investigation for the production of oilseeds, cereals, fruits and fibres. It will be appreciated that these schemes take some time to prepare, particularly owing to two facts: first, that there are few large areas in Colonial territories ready for immediate agricultural production, and secondly- because it is necessary in opening up new areas under tropical conditions to take special precautions against soil erosion and rapid depletion of fertility by leaching.

The agricultural projects under investigation include plans for the improvement and expansion of peasant production in co-operation with the Corporation, and, in a few areas projects for large scale production under the direct supervision of the Corporation. In nearly every case these last involve expensive preparatory measures, such as land clearance, irrigation or drainage, or road construction and other work. In territories of high rainfall, or brief intense rainfall, the greatest precautions have, as indicated above, to be taken against soil erosion, and it should be remembered that large scale single crop production by annual rotation is seldom possible without loss of soil fertility. Even the clearance of land must be undertaken with every precaution against soil erosion, as in heavy-rainfall areas soil left unbound by vegetation is subject to serious and sometimes devastating erosion by water or, in drier areas, by wind. This factor has been in the past serious enough under conditions of hand-cultivation in small cleared areas by local methods; with mechanical cultivation and complete clearance of land it is necessary to guard even more carefully against the dangers of erosion. At the same time the Board are glad to be able to report that in the Agricultural Division they see opportunities of large-scale production which, given the necessary time for preparation (which cannot be short in any event and which in the case of tree crops must take a number of years) will come to fruition.

The Board have reason to hope that in their second annual Report they will be able to present to the Secretary of State as undertakings in operation, two or three large schemes which will make a substantial contribution to Colonial productivity in the sphere of agriculture.

ANIMAL PRODUCTS DIVISION

Because of the world shortage of animal products the views of the Board on the prospects of mitigating this shortage by an increase in Colonial production are given below.

Animal husbandry in the Colonies holds out very large possibilities. A well organised and balanced animal industry would benefit the economic and human welfare of the Colonial peoples by increased crop and stock yields. The Board believe that the prospects are of an order which, if vigorously pursued, will make a material contribution to world meat supplies.

Existing Conditions. Livestock in Africa are mainly owned by nomadic tribesmen or herded on communally owned grazings. Numbers irrespective of quality, represent the wealth and social status of the owner. This leads to overgrazing, which causes erosion, impoverishment and malnutrition, and thus results in losses from disease and starvation. This low and fluctuating level of stock nutrition has hitherto impaired most of the work of the Veterinary Departments and only by a more realistic and comprehensive policy will greater achievement be possible.

The present high incidence of disease prevents any surplus meat finding a European market at present, other than as processed meat. This involves elaborate equipment. A guaranteed "throughput" is necessary to justify the erection of abattoirs with costly processing machinery.

Future Development. Any attempt to increase livestock output, more especially meat products, must embrace a clearly defined policy in harmony with a balanced agriculture. This policy involves :

- (1) Land conservation ;
- (2) Extension and development of water supplies ;
- (3) Pasture improvement with controlled grazing ;
- (4) Discouragement of annual bush firing ;
- (5) Control of nomadic husbandry and elimination of over-stocking.

Environmental Influences. In tropical countries, more especially in Africa, environmental factors are fundamental in determining how far genetic improvement can be achieved. Adequate feeding of indigenous cattle is an essential prerequisite of further improvement by management, selection and breeding.

Immediate Development. Elevated areas exist which are suitable for European livestock, but, until the disease factor is resolved, attention will be devoted to production of processed dairy, pig and poultry products. Plans are in preparation for stock improvement schemes on the lines indicated, first to meet increasing internal demands and later to provide export supplies.

Kenya, Bechuanaland, Nyasaland and Somaliland have been visited to assess their potentialities, while a large scale poultry project has already been launched in the Gambia ; further schemes are under investigation in Swaziland and the Falkland Islands.

ENGINEERING DIVISION

The Engineering Division of the Corporation is engaged in various preparatory operations. Some are under its direct control and others are in co-operation with local contractors. The importance of organising this Division on the right lines, however, has led the Board to delay the final set-up until they can prepare more thoroughly the Corporation's methods of co-operation with existing contractors and until a clearer view is obtained of the availability of American equipment to supplement the equipment obtainable in the United Kingdom.

FORESTRY DIVISION

The Forestry Division has already embarked, in co-operation with private enterprise, on a large scale extraction and conversion programme in British Guiana, and is actively investigating other undertakings elsewhere, especially in East Africa.

FISHERIES DIVISION

The Fisheries Division is fully alive to the importance of increasing the supplies of this food to mitigate the wide-spread protein shortage of tropical diets. A number of factors militate against rapid development of tropical fisheries but the Corporation expects in its second Annual Report to be able to point to projects in operation.

FACTORIES DIVISION

A number of projects for food processing as well as two or three other substantial projects are in an advanced stage of preparation by the Factories

Division. The reorganisation of the Turks and Caicos Islands salt production has begun and is being handled by this Division.

HOTELS DIVISION

The Corporation has recently set up an Hotels Division and will this year be submitting to the Secretary of State a number of proposals for the erection of hotels of a satisfactory standard in those territories where the need for such accommodation is urgent. In this, as in other fields of the Corporation's activities, it is often difficult to assess the commercial prospects. In many Colonial territories there are few or no satisfactory hotels upon which commercial and other visitors can rely, and visitors are frequently put up only as guests of Government or commercial officials. Statistical or other precise information as to the demand for such accommodation is not easy to obtain. In some places the Corporation will begin by constructing hotel accommodation on a small scale, and will enlarge it as experience warrants and as building and equipment delays can be overcome.

MARKETING DIVISION

The Corporation has also set up a Marketing Division to which it attaches the greatest importance. It is expected that over the course of years the annual product of the Corporation's activities will amount to many millions of pounds. Some of this product will be marketed in the United Kingdom, some in the United States and some elsewhere. It is imperative that the Corporation should be able to form estimates of future prices, to make market surveys, and to avoid complete dependence on the existing channels of wholesale distribution. At the same time the Corporation recognises to the full that it would be inadvisable even to attempt to set up a self-contained marketing organisation which would dispense with the use of existing channels of distribution. The Marketing Division is therefore preparing, and will shortly submit to the Board, proposals upon which will be founded the marketing policy and methods which the Corporation will adopt.

Statement of Accounts

The Balance Sheet of the Corporation as at 31st December, 1948, and supporting Tables, with the report of the auditors thereon, is submitted herewith in the form directed by the Secretary of State with the approval of the Treasury.

(1) FORM OF THE ACCOUNTS

Up to 31st December, 1948, the end of its first financial year, the Corporation has been engaged in building up its own organisation and in preliminary investigations into a large number of projects. A number of these are now being actively pursued, but none have within the period covered reached the revenue earning stage.

It is contemplated that in later years a normal form of Profit and Loss Account and a Divisional Operating Account will be submitted. For the first year, however, while expenditure is very largely of a capital nature on development, the Accounts take the form of a Balance Sheet accompanied by two supporting Tables:

Table 1. Fixed Assets and Depreciation analysed according to the appropriate Divisions of the Corporation.

Table 2. Administrative Expenditure.

The projects hitherto adopted are for the most part of a medium or long term character involving an extended period of development. The consequent preliminary losses are treated as a part of the cost of development of such projects. Revenue from some of the Corporation's undertakings will begin to accrue during the second year.

(2) BALANCE SHEET

The Balance Sheet sets out in summarised form the objects to which the Advances received from the Colonial Office have been devoted. The Fixed Assets acquired on the various projects have been grouped together under their appropriate type of asset. The item of Development Expenditure is the total expenditure to 31st December, 1948 (other than on specific fixed assets separately stated) on the general development of projects.

(3) TABLE 1. FIXED ASSETS AND DEPRECIATION

Table 1 sets out the fixed assets and depreciation reserves of the Corporation. Fixed assets have been valued at cost less depreciation where they have been taken into use, otherwise at cost. Details are given of the analysis of the assets and depreciation according to the operational Divisions of the Corporation.

(4) TABLE 2. ADMINISTRATIVE EXPENDITURE

The item of Administrative Expenditure totalling £77,059 is the London Head Office expenditure after allocating to Development Expenditure the proportion applicable to projects. It represents the cost of establishing a Headquarters organisation and operating it during the period to 31st December, 1948.

Conclusion

The Board desire to complete this Report by expressing to the Secretary of State their gratitude for the indulgence which the Corporation has received in both Houses of Parliament and in the Press during the period under review. It will be readily understood that no substantial undertaking can be launched without creating widespread repercussions and ripples in political and commercial circles. An agricultural project, for example, is bound to give rise to criticism of the effect upon United Kingdom agriculture, upon existing commercial producers, upon the suppliers of equipment, and sometimes upon local interests. Scarcely any of the undertakings which have been announced have been immune from criticism (some of it misinformed) of various kinds. But on the whole the Board are more than satisfied with the reception the Corporation has received from Colonial Governments, with the co-operation it has received and is receiving from commercial concerns, and with the tolerance and goodwill which the public have shown towards its operations during a period when very little publicity could be given to its work. In their relations with Government Departments, and especially with the Secretary of State and his Department, the Board wish to record that any differences of approach or interpretation of the Statute of incorporation which have arisen have been dealt with in a strong desire to find a solution of these differences. The Board and the staff of the Corporation do not hope or expect to be immune from criticism, but they will be glad indeed if the spirit of constructive criticism and suggestion which they have hitherto experienced can be maintained, and they will endeavour to be worthy of that spirit.

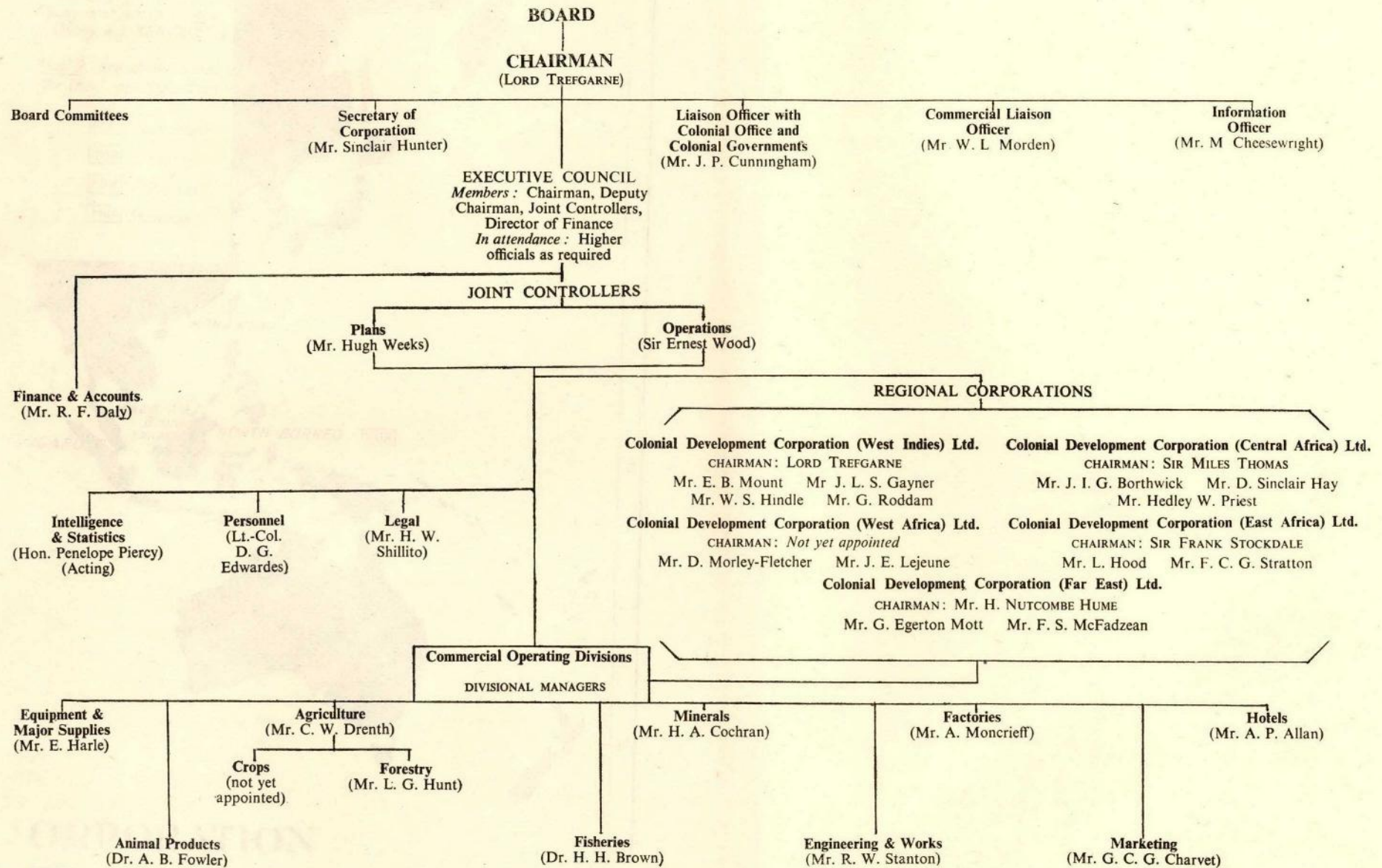
All Members of the Board and of the staff of the Corporation are conscious of the importance of their task, and they hope that their endeavours will in the course of time earn the full confidence of the British people at home and overseas, and make some material contribution to their well-being.

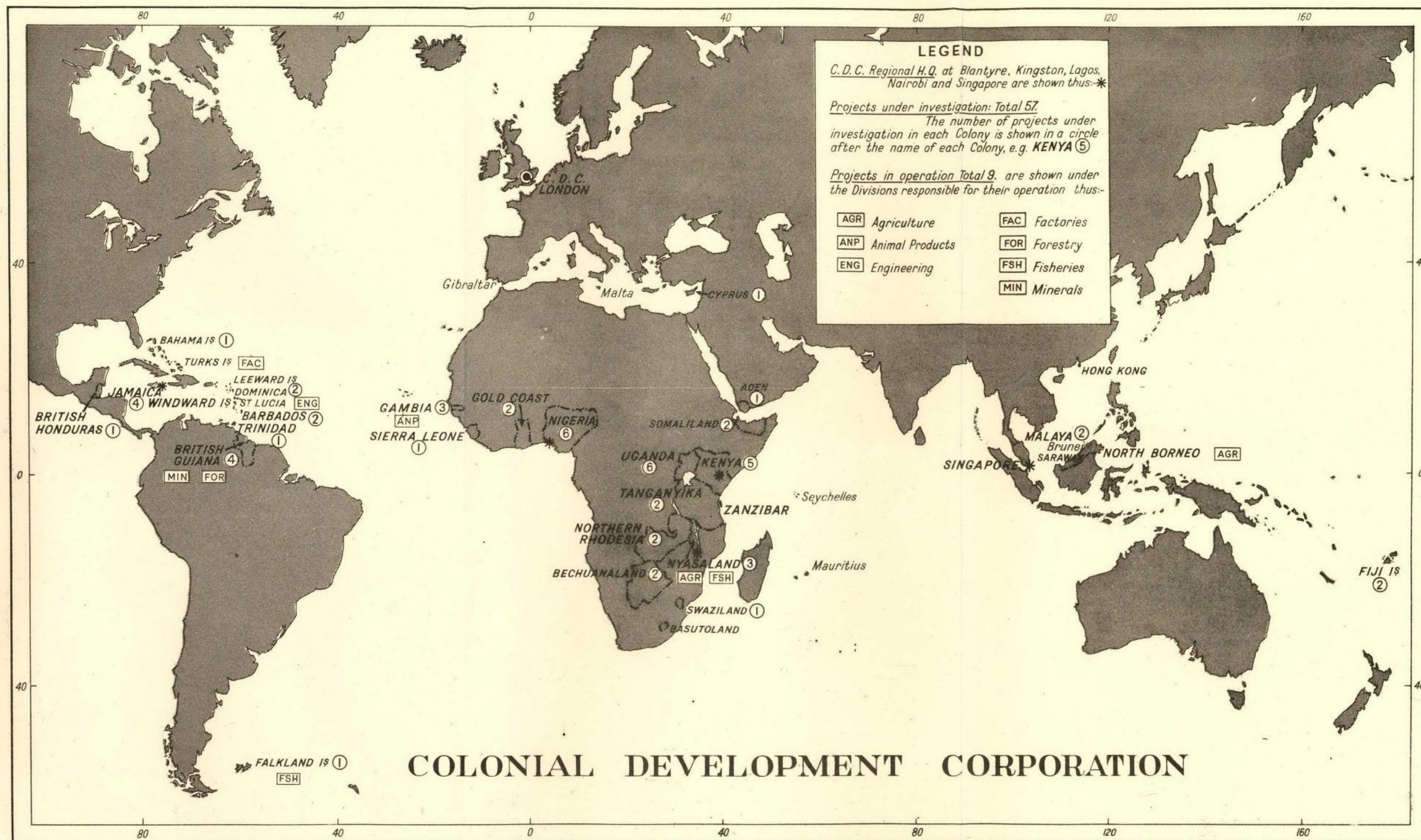
(Sgd.) TREFGARNE

Chairman.

24th May 1949.

APPENDIX "A" ORGANISATION CHART





COLONIAL DEVELOPMENT CORPORATION

Not to be reproduced in whole or in part without
 consent of Colonial Development Corporation

Copyright, Edward Stanford Ltd, 1949. &
 Colonial Development Corporation

COLONIAL DEVELOPMENT
ACCOUNTS FOR YEAR
BALANCE SHEET

LIABILITIES

65,000
87,458
1,200

STATEMENT OF ACCOUNTS

COLONIAL DEVELOP ACCOUNTS FOR YEAR BALANCE SHEET

LIABILITIES							£
COLONIAL OFFICE—ADVANCES ON CAPITAL ACCOUNT (Note 2) ...	...	...	...	...	...	...	615,000
SUNDRY CREDITORS AND ACCRUED CHARGES ...	...	...	...	...	...	...	81,128
PROVISION FOR SUPERANNUATION ...	...	...	...	...	...	...	2,200

Notes:

1. The maximum borrowing powers of the Corporation are:—
 - (a) £100 millions, and
 - (b) £10 millions in respect of sums borrowed temporarily, by way of overdraft or otherwise.
2. The Colonial Office Advances which are made under Section 12 (1) of the Overseas Resources Development Act, 1948, are repayable by annuities commencing 1st April, 1956 and 1957, and terminating 1st April, 1988 and 1989. No interest is payable in respect of the period to 31st December, 1948. The rate of interest in respect of later periods has still to be settled.
3. The Subsidiary Company did not trade prior to 31st December, 1948, and has no liabilities or assets other than paid-up capital and cash. Consolidated accounts are not therefore submitted.
4. Balances in Colonial and Foreign currencies have been converted at the rates ruling at 31st December, 1948.
5. The Corporation has actual commitments amounting to approximately £155,000, apart from potential commitments, of a capital nature, arising from development schemes in the Colonies.

£698,328

Report to the Colonial Development Corporation by the Auditors appointed under of State

We have audited the above Balance Sheet, together with Tables 1 and 2 annexed thereto and belief were necessary for that purpose.

So far as appears from our examination, proper books of account have been kept by received from the overseas offices not visited by us.

In our opinion, and to the best of our information and according to the explanations Books of Account, give a true and fair view of the state of the Corporation's affairs as at

11, Ironmonger Lane,
London, E.C.2.

19th May, 1949.

MENT CORPORATION

ENDED 31st DECEMBER, 1948

AS AT 31st DECEMBER, 1948

ASSETS				£	£
FIXED ASSETS (Table I):					
Leases, Freehold and Buildings, at cost less depreciation	...	...			191,468
Investment in Colonial Operating Company, at cost	...	...	...		50,208
Furniture, Fixtures and Office Equipment, at cost less depreciation	...	...	...		24,994
Tractors and Vehicles, at cost less depreciation...	...	...	...		83,349
Equipment and Loose Tools, at cost	...	...	...		61,776
Development Expenditure	...	...	...		128,667
					<hr/>
					540,462
INVESTMENT IN SUBSIDIARY COMPANY, at cost	...	...	...		100
CURRENT ASSETS:					
Stocks on Hand at cost or market value, if lower	...	...	...	9,191	
Sundry Debtors and Prepayments...	...	...	...	26,647	
Cash at Banks and in Hand	...	...	...	44,869	
					<hr/>
					80,707
ADMINISTRATIVE EXPENDITURE (NET) to 31st December, 1948 (Table 2)...					77,059

(Sgd.) TREFGARNE,
Chairman.

(Sgd.) F. A. STOCKDALE,
Deputy Chairman.

(Sgd.) R. F. DALY,
Director of Finance.

£698,328

Section 16 (3) of the Overseas Resources Development Act, 1948, by the Secretary for the Colonies

and have obtained all the information and explanations which to the best of our knowledge the Corporation, and proper returns, adequate for the purpose of our audit, have been given us, the said Balance Sheet and Supporting Tables, which are in agreement with the 31st December, 1948.

PEAT, MARWICK, MITCHELL & Co.
*Chartered Accountants,
Auditors.*

TABLE 1

Table of Fixed Assets and Depreciation as at 31st December, 1948

	TOTAL	LONDON OFFICE	REGIONAL OFFICES	DIVISIONS						
				AGRI- CULTURE	ANIMAL PRODUCTS	ENGI- NEERING	FACTORIES	FISHERIES	FORESTRY	MINING
	£	£	£	£	£	£	£	£	£	£
FIXED ASSETS, AT COST:										
Leases, Freehold and Buildings	192,229	30,432	7,673	500	14,602	—	—	—	139,022	—
Investment in colonial opera- ting company	50,208	—	—	—	—	—	—	—	—	50,208
Furniture, Fixtures and Office Equipment	26,078	14,446	2,668	—	8,625	—	—	—	339	—
Tractors and Vehicles... ..	87,168	3,591	7,595	3,337	66,332	—	—	—	6,313	—
Equipment and Loose Tools...	61,776	—	32	693	31,434	146	2,250	81	27,140	—
	417,459	48,469	17,968	4,530	120,993	146	2,250	81	172,814	50,208
Deduct:										
DEPRECIATION:										
Leases, Freehold and Buildings	761	761	—	—	—	—	—	—	—	—
Furniture, Fixtures and Office Equipment	1,084	1,084	—	—	—	—	—	—	—	—
Tractors and Vehicles ...	3,819	343	317	139	2,764	—	—	—	256	—
Total Depreciation ...	5,664	2,188	317	139	2,764	—	—	—	256	—
	411,795	46,281	17,651	4,391	118,229	146	2,250	81	172,558	50,208
DEVELOPMENT EXPENDITURE ON Projects and Investigations (Net), including exploratory expenditure on projects not pursued, regional expenditure and proportion of London Office expenditure	128,667	—	19,532	16,146	55,598	13,552	4,706	4,754	13,187	1,192
	£540,462	£46,281	£37,183	£20,537	£173,827	£13,698	£6,956	£4,835	£185,745	£51,400

TABLE 2

Administrative Expenditure to 31st December, 1948
(including Reimbursement to Colonial Office of Expenditure prior to date
of Incorporation, 11th February, 1948)

	£	£
Remuneration of Members:		
<i>Fees</i>	3,473	
<i>Salaries</i>	9,000	
		12,473
Staff Salaries and Wages	54,574	
Superannuation Provisions	2,264	
Recruitment Expenses—Staff	2,624	
Travelling and Allowances	8,005	
	67,467	
<i>Less: allocated to Development Expenditure</i>	29,528	
		37,939
Rent, Rates, Lighting and Heating		15,491
Office Cleaning and Expenses		1,674
Stationery, Cables, Postages and Telephones		6,687
Depreciation	5,664	
<i>Less: allocated to Development Expenditure</i>	3,477	
		2,187
Audit Fee		472
Sundry Expenses		570
		77,493
<i>Deduct:</i>		
Debenture Interest Receivable	108	
Miscellaneous Receipts	326	
		434
		<u>£77,059</u>

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. Stationery Office at the following addresses :
York House, Kingsway, London, W.C.2; 13a Castle Street, Edinburgh, 2;
39 King Street, Manchester, 2; 2 Edmund Street, Birmingham, 3;
1 St. Andrew's Crescent, Cardiff; Tower Lane, Bristol, 1;
80 Chichester Street, Belfast

OR THROUGH ANY BOOKSELLER

1949

Price 1s. 0d. net

OFFICE MEMORANDUM

OCT 25 REC'D

TO: Mr. Eugene R. Black, President

DATE: October 24, 1950

FROM: D. Crena de Iongh, Treasurer

SUBJECT:

1. In offering you herewith a report on the long-term and medium-term finance institutions in Europe which I visited, I wanted to add some observations which I would appreciate discussing with you. In case you should think these suggestions worthwhile following up, you might want to have them worked out further and discussed in the Staff Loan Committee.
2. Capital formation in each country and the machinery to invest it locally are, of course, closely interrelated. Both are tied in with international capital movements.
3. The I.B.R.D., being an institution which plays an important role in the international movements of capital, is therefore interested in capital formation and the manner of its distribution in each country.
4. It has occurred to me, for that reason, during my contacts with the institutions visited that an organized contact with some of them, and maybe a number of others, might be of great utility for the I.B.R.D.
5. Such a contact with the institutions mentioned and with others might, for example, be established in a conference on capital formation and distribution, organized under the auspices of the I.B.R.D. which is, apart from direct government financing, the most important distributor of capital export and will become more and more so. As internal capital formation and the need for capital import are so much related as mentioned under 2., an integration of both fields under the Bank's auspices seems natural and in accordance with the Bank's purposes.
6. Another thought has occurred to me, however, which might interest the I.B.R.D. Thought has often been given by the management of the I.B.R.D. to the founding of a subsidiary which could handle international capital movements without governmental guarantees. If this thought should lead to concrete proposals and the I.B.R.D. invited governments to take part in such a subsidiary, this might not have the desired effect. However, should the I.B.R.D. succeed in setting up such an organization with one or more institutions for long-term finance in each country, then the result desired might be obtained. The organizations in question are close enough to the governments to have their full confidence while, on the other hand, the fact that they are run on a private basis makes them natural partners for such an undertaking. Although Switzerland cannot become a member of the Bank as it does not want to become a member of the Fund, the Swiss may be expected to take part in a new organization of that kind.

7. I have been closely connected with an international long-term credit institution founded in Amsterdam, in which Netherlands, German, Austrian, Swiss, American and British capital was involved, which worked quite well. This institution did the financing partly out of share capital and partly out of money borrowed from its shareholders.

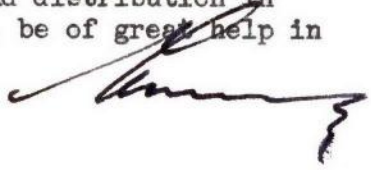
8. In trying to combine in one institution, as was done in the case of the I.B.R.D., countries which are virtually borrowers with others who are lenders, it should be mentioned that while the financial situation in many countries is improving, the strict difference between capital-importing and capital-exporting countries is gradually being blotted out as such countries which are considered to be capital importers are also in a lesser way forced to do some capital exporting.

9. I realize that in most if not all cases a participation by the local long-term finance institutions would necessitate changes in their statutes which are mostly based on local transactions.

10. Should an idea like the one given above lead to further study, one of the points to be considered would be the fact that the European institutions functioning in mature economies are different from the "fomento" type. Such a consideration might lead to the creation of more than one institution.

11. If the latter course were to be followed, a European bank for transactions in Europe and related overseas territories might bring about, under the leadership of the I.B.R.D., the formation of a European investment bank, an idea which is now being discussed in Europe in rather vague terms. A European investment bank as discussed in Europe could hardly be expected to find dollar means. A set-up as suggested above, however, might solve the difficulty through the direct cooperation of the I.B.R.D.

12. As a new organization would handle only part of the international capital movements, the present type of transactions of the I.B.R.D. would, of course, continue. A close contact to be established with the institutions of long- and medium-term credit which know conditions of capital formation and distribution in their own countries so well would, I am sure, be of great help in the work of the I.B.R.D. in any case.



Enclosure

cc Mr. Garner

16 46

REPORT ON INSTITUTIONS CONCERNED WITH
LONG-TERM, MEDIUM-TERM AND EQUITY
INDUSTRIAL FINANCING IN EUROPE

1. The purpose of my trip in Europe was to obtain more information through personal contacts on the organization and working methods of organizations of the type of the "Herstelbank" and related institutions, which now play a great part in the furnishing of long-term and short-term credit and, in some cases, equity capital to industry. The part such institutions play in their respective countries is in many ways comparable to the role of the I.B.R.D. in the international field. Apart from information useful for its own operations which the I.B.R.D. may get through studying the working experience of local institutions specialized in the field of action mentioned above, it may also, by cooperating in its loans with the national organizations, profit from the local knowledge of such institutions. Besides, these institutions are in a position to supplement the foreign exchange loans of the I.B.R.D. by furnishing local currency to such enterprises which may need, as is mostly the case, foreign as well as local loans for the execution of their projects.

2. Institutions such as mentioned above did not exist in Europe before the first world war, their field of action being fully covered by the existing private machinery. Countries such as those visited all had before the first world war long-term money markets, although some of them were more developed than others, while the system of mixed banking filled existing gaps. Although even after the second world war long-term markets continue to exist, their importance has much diminished, although the London market still plays an important role.

3. While in some countries the need to pay war damages led to the creation of institutions such as Credit National in Belgium and France (although at the time not on a para-statal basis), lack of private capital and the crisis of the thirties led to further developments in this field, the more so as the mixed banking systems showed their weaknesses in a number of countries as the banks became illiquid. The cleaning up of the banking situation, necessary as it was, eliminated useful instru-

ments of long- and medium-term financing and other instruments had to come in their stead. The after-effects of the war, devaluations, high taxes and rising risks, also wiped out a great part of the accumulation of savings in private hands, narrowing still further the market for industrial investments in the form of shares or bonds. Another cause for the need of new institutions, based mostly on the last-named reason, was the lack of capital for investments of certain types (the McMillan gap) which led, e.g. in the United Kingdom (although there belatedly, only after the second world war) to the foundation of the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, and in Holland of the Nederlandsche Maatschappij voor Industriefinanciering, now taken over by the Herstelbank.

4. While, for all the reasons mentioned, the financial machinery for medium- and long-term financing had to be revamped after the first world war, the second world war still further accentuated this need. New institutions were founded and creations of the period following the first world war were further elaborated. The worse the situation grew and the greater the discrepancy between savings and investment needs, the more such institutions became instruments of the governments, as apart from the technical needs for new institutions the scarcity of savings led more and more to government interference in the distribution of them. It must be said, though, that even in those cases where the government has legally a paramount influence on the institutions, nevertheless as in all cases the institutions are run as separate units, they are mostly able to handle their affairs as much in the form of private business as possible. One may say that practice here is of greater importance than a specific legal relation to the state and that as long as savings are insufficient, the influence of the state on strictly private transactions can be at least as great as if executed through the powers incorporated in the statutes of para-statal institutions. 48

5. In many cases, foreign credits and loans are handled through the institutions and while they often place their own bonds on the market, they derive their means

for a large part from savings which are centralized in the treasuries and redistributed by the governments. It should be added here that as nationalization proceeds, some governments use up large amounts of such savings for government-owned enterprises, a tendency which would, in its turn, impair the importance of the institutions.

6. It is clear that there is a great variety of institutions in each country which work in the field of long-term investment and that it was necessary to make a selection excluding e.g. the mortgage banks which also play a role in the industrial field. In the selection of the institutions to be visited, I was guided by the advice of the Economic Department and of the Executive Directors of the respective countries. In each country I was furthermore greatly assisted by the help and advice of the Central Banks, which made all the contacts for me and later enabled me to form a more general picture of the long-term market than could be obtained from talks with the various institutions separately. While in Paris I had the opportunity, apart from discussions with the heads of two French institutions, of talking with Mr. Colbjornson of the Norwegian delegation and with Mr. Richardson of the Australian delegation, so that I could add my impressions on den Norske Industriebank in Oslo and the Industrial Department of the Commonwealth of Australia in Sydney. Apart from these latter talks, I had conversations with the management of the following institutions.

France

Credit National pour faciliter la Reparation des Dommages causes par la Guerre,

La Caisse Centrale de la France d'Outre Mer.

Italy

Istituto Mobiliari Italiano (I.M.I.),

I Istituto per la Ricostruzione Industriale (I.R.I.),

Consorzio di Credito per le Opere Pubbliche,

Istituto de Credito per le Imprese di Pubblica Utilita,

Italy (continued)

Ente Finanziamenti Industriali (E.F.I.),
Mediabanca.

The Netherlands

Maatschappij tot Financiering van het Nationaal Herstel (Herstelbank),
Nederlandsche Participatie Maatschappij.

Belgium

Societe Nationale de Credit a l'Industrie,
Caisse Generale d'Epargne et de Retraite,
Institut National de Credit Agricole,
Caisse Nationale de Credit Professionel,
Institut de Reescompte et de Garantie.

United Kingdom

Industrial and Commercial Finance Corporation, Ltd.
Finance Corporation for Industry, Ltd.
Colonial Development Corporation.

(will follow later)
Detailed descriptions of the institutions mentioned are given in an annex to
this report.

Apart from discussions with the managements of the institutions named and
with the Central Banks, I had discussions on the subject in various countries with
a number of bankers interested in long-term finance.

7. The machinery through which savings are channeled into long-term investment
in Europe has undergone nothing short of a revolution since the first world war and
the subsequent crisis of the thirties, and the effects of the second world war have
only accelerated this change.

Capital formation is generally too small, although to a different degree in
each country, to satisfy all investment needs. Even in cases where a country used
to be capital exporting, local needs now exceed capital creation. But especially

the machinery which brings investment and capital formation together has changed enormously, as the capital formation is centralized in different hands and therefore the system of distribution needs to be different too. Although in each separate country the situation differs according to circumstances, especially in relation to new capital formation, the general picture is always the same.

- a. Capital formation in the hands of wealthy private persons has greatly diminished.
- b. Savings (being an accumulation of a great number of relatively small amounts) through the savings banks is very important.
- c. Capital formation in the hands of institutions such as insurance companies is growing in importance in most countries.
- d. ~~Auto-financing~~, especially in countries whose currencies have undergone large decreases in value, has increased as a source of capital formation.
- e. As confidence in private obligations is often not very great, the guaranty of the state (either direct or indirect) is in many cases necessary to attract savings to be invested in industry.
- f. Capital formation as a whole is insufficient for investment needs.
- g. The government takes a great part of the savings for its own purposes and in many cases for its own nationalized enterprises.

8. While in France for various reasons the private capital market is extremely restricted, there is a certain amount of private investment activity in Italy, also in Holland and Belgium, while in the U.K. private operations are quite important; as a corollary the operations of two local institutions form only a minor part of total transactions.

9. There is, however, another important point which should be mentioned here. While the present machinery in each country may now be adequate for investments in the form of loans, the lack of large accumulations of capital in private hands which enables its owners to take equity risks in new and small and medium sized undertakings forms a great handicap for the rise of new enterprises. In Belgium, for example, where new money could formerly be found for the development of new enterprises and for enterprises of a medium size, it is difficult to find funds for such purposes now, while existing enterprises of the larger sizes can find money through the Caisse d'Epargne or the Credit National, in the form of loans or through auto-financing.

10. While auto-financing is, of course, useful and may even be necessary for individual enterprises, it nevertheless is not a logical solution as it may create accumulation of capital in the hands of enterprises who do not need it and anyway gives a preference to existing enterprises of a big size. It may be added here that the big management-trusts of the type of the Societe Generale de Belgique and the Brufina, which own and run a great number of enterprises, may be in a position to spread the means created by auto financing within their group over a variety of industries. Besides, in countries like Holland and the U.K. where devaluation has not reached the dimensions that it has in France, Italy or Belgium and where methods of taxation prevent this sort of capital formation, auto-financing cannot play the same role.

11. Although it seems far more difficult to replace the initiative and the willingness to run equity-risks of the private capitalist by any institution, yet some of the institutions described have been founded for exactly that purpose. In Holland it is the Nederlandsche Participatie Maatschappij and in the U.K. the three institutions named which are willing and equipped to run equity risks and, in the case of the three U.K. institutions, to give loans as well, while the Colonial Development Corporation even goes further as in reality it is a sort of management

trust.

12. It may be said in conclusion that while lack of savings necessarily plays a great part in the change of the aspect of the capital market and an improvement of the accumulation of savings will certainly change this aspect, yet the structural changes in the way savings are accumulated will continue to have its effects on the financial machinery which distributes such savings and therefore it will be desirable for the I.B.R.D. to follow up development in this field.

13. I would also like to point out that as all the countries visited have financial machinery equipped to handle local as well as international capital movements, the skill and experience to cooperate with the I.B.R.D. in this field exists and can be drawn upon.

14. It would seem to me that for the reasons mentioned, a cooperation with such financial institutions as visited will be very different from that of somewhat similar institutions in underdeveloped countries where the initiative of the I.B.R.D. to obtain results will probably have to be much greater.

D.Crena de Iongh
October 24, 1950



A.E. - Dev. Corp.

Brussel, 14 October 1950.

Waarde Heer Crena de Iongh,

Met dezen heb ik de eer U, bijgaand, de tekst van Uw zeer interessante voordracht over de Internationale Bank terug te sturen.

Met bijzondere belangstelling heb ik van deze tekst kennis genomen waarin op zo geestige wijze crediteur en debiteur met wolf en schaap vergeleken worden.

Het deel van de uiteenzetting over de geleidelijke uitbreiding van de markt van de obligaties door de Bank uitgegeven in de Verenigde Staten, toont aan voor welke moeilijkheden de Bank, bij het ~~gaan~~ ^{gaan} van haar werkzaamheden, stond.

Het was mij een bijzonder genoegen met U kennis te maken ter gelegenheid van Uw verblijf te Brussel en ik hoop, dat U een volledige documentatie heeft kunnen verzamelen over de problemen die U interesseren.

Ik heb U een paar overdrukken overgemaakt van mijn artikels nl. over de "Internationale Kapitaalbewegingen" en de "monetaire Problemen van de Beneluxlanden".

Mag ik U vragen mijn beste groeten over te maken aan de Heer Basyn ?

Inmiddels teken ik, waarde Heer Crena de Iongh,

met de meeste hoogachting,

J. E. Mertens
Prof. Dr. J.E. Mertens
Adviseur.

De Heer Crena de Iongh,
Treasurer,

International Bank for Reconstruction and Development,

1818 H. street N.W.,

WASHINGTON D.C.6.



Brussel, 14 October 1950.

Waarde Heer Crenas de Jongh,

Met dezen heb ik de eer U, bijgaand, de tekst van Uw zeer interessante voordracht over de Internationale Bank terug te sturen.

Met bijzondere belangstelling heb ik van deze tekst kennis genomen waarin op zo geestige wijze crediten en debieten met wolf en schaap vergeleken worden.

Het deel van de uiteenzetting over de geleidelijke uitbreiding van de markt van de obligaties door de Bank uitgegeven in de Verenigde Staten, toont aan voor welke moeilijkheden de Bank, bij het oplossen van haar werkzaamheden, stond.

Het was mij een bijzonder genoegen met U kennis te maken ter gelegenheid van Uw verblijf te Brussel en ik hoop, dat U een volledige documentatie heeft kunnen verzamelen over de problemen die U interesseren.

Ik heb U een paar overdrukken overgemaakt van mijn artikels n.l. over de "Internationale Kapitaalbewegingen" en de "monetaire Problemen van de Beneluxlanden".

Mag ik U vragen mijn beste groeten over te maken aan de Heer Basyn?

Inmiddels teken ik, waarde Heer Crenas de Jongh,

met de meeste hoogachting,

Prof. Dr. J.E. Mertens
Adviseur.

RECEIVED AND DELETED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
OCT 16 9 34 AM 1950

De Heer Crenas de Jongh,
Treasurer,

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

WASHINGTON D.C. 6.

*Inlechte
over budget
kwartalen*

EMISSIONS DE CAPITAUX
(millions de francs)
Montants nominaux

Années	Sociétés industrielles et commerciales						Pouvoirs
	Actions			Obliga-	Total	Emissions	publiés
	capital	montant		tions			capital
	nominal	libéré		nominal	nominal	nettes	nominal
						(1)	emprunts
							intérieurs
							seulement
							(2)
1936	3.465	3.215		236	3.701	688	2.401
1937	4.476	4.257		2.022	6.498	1.255	6.955
1938	1.929	1.811		596	2.525	676	2.535
1945	1.775	1.378		1.094	2.869	1.935	13.112
1946	5.720	4.536		881	6.601	3.126	68.055
1947	8.516	7.689		1.484	9.998	4.503	10.653
1948	28.750	27.365		2.265	31.015	4.823	8.260
1949	11.232	10.509		1.908	13.140	3.646	14.740
1950							
1er trim.	2.083	1.753		245	2.328	757	3.150

(1) Comprennent les montants libérés sur souscriptions d'actions, les émissions d'obligations, les primes d'émission, moins les libérations autres qu'en espèces et les émissions destinées au remboursement d'anciens emprunts.

(2) Y compris les emprunts des organismes parastataux placés auprès de la Caisse d'Epargne.

**Principales constitutions de sociétés belges
et congolaises par actions**

(millions de francs)

Montants nominaux

Période	Nom de la société	Capital nominal émis
<u>1948</u>		
juin	Société Métallurgique du Katanga	262
	S.A. des Colorants de Tertre	210
	Compagnie Financière Africaine	217
septembre	Inco Sarma	60
octobre	Colohuile	50
décembre	Esso Standard	240
<u>1949</u>		
juin	Brasserie de Stanleyville	70
juillet	Société des Pétroles au Congo	50
<u>1950</u>		
avril	Cie Géologique et minière des ingénieurs et industriels belges "Géomines"	200

**Principales émissions d'obligations de sociétés belges
et congolaises par actions**

(millions de francs)

Montants nominaux

Période	NOM de la société	Capital nominal émis
<u>1948</u>		
janvier	Ougrée-Marihaye	150
avril	Minière et métallurgique de Rodange	55
mai	Crédit Mutuel hypothécaire	60
novembre	Brufina	50
	Tannerie et maroquinerie belges	50
décembre	S.N.C.I.	450
<u>1949</u>		
janvier	Centrales électriques des Flandres et du Brabant	55
février	Société d'Electricité de l'Escaut	150
	Interbrabant	50
	Phenix Works	80
juin	Métallurgique de Sambre et Moselle	75
juillet	S.N.C.I.	500
octobre	Géomines	50
<u>1950</u>		
janvier	Métallurgique Espérance Longdoz	50
février	John Cockerill	50
mars	Union intercommunale des Centrales électriques du Brabant	50
juillet	John Cockerill	50

Emissions des pouvoirs publics

(millions de francs)

Montants nominaux

Date d'émission	Désignation	Montant émis
<u>1948</u>		
janvier	Crédit Communal de Belgique	750
juin	Certificats de Trésorerie	3.700
juillet	Sté Nle des Chemins de fer belges	1.000
septembre	Ville de Liège	250
	Ville d'Anvers	300
octobre	Régie des Télégraphes et Téléphones	600
novembre	Ville de Bruxelles	300
<u>1949</u>		
janvier	Emprunt de la Reconstruction 2e tranche	3.500
mars	Sté Nle des Chemins de fer belges	1.090
mai	Régie des Télégraphes et Téléphones	1.400
juin	Ville de Gand	200
	Ville de Liège	250
octobre	Certificats de Trésorerie	8.300
<u>1950</u>		
février	Sté Nle des Chemins de fer belges	1.500
mars	Régie des Télégraphes et Téléphones	650
	Certificats de Trésorerie	1.000
avril	Emprunt de la Reconstruction 3e tranche	3.500
juillet	Sté Nle des Chemins de fer belges	1.500

**Principales augmentations de capital de sociétés belges
et congolaises par actions**

(millions de francs)

Montants nominaux

Date d'émission	Nom de la société	Montant de l'aug- mentation
<u>1948</u>		
septembre	Banque Nationale de Belgique	200
	Forges de Clabecq	640
octobre	Société Nationale de Crédit à l'Industrie	205
novembre	Union Chimique Belge	350
	Raffinerie Tirlemontoise	674
	Phenix Works	152
	Fabrique Nationale d'Armes de Guerre	210
	Aciéries et Minières de la Sambre	194
	Métallurgique de Sambre et Moselle	317
décembre	Glaces et Verres	250
	Union générale belge d'Electricité	112
	John Cockerill	707
	Bell Telephone	100
	Distrigaz	150
	Charbonnages du Bois du Luc	155
	Cokeries du Brabant	150
	Sté provinciale du Gaz et de l'Electricité	365
	Electrogaz	127
	Usines Gustave Boël	300
	Charbonnages André Dumont	700
	Charbonnages de Monceau Fontaine	436
	Antwerpsche Gasmaatschappij	254
	Papeteries de Genval	228
<u>1949</u>		
janvier	Fabrique de Fer de Charleroi	155
février	Produits Chimiques du Limbourg	103
mars	Société immobilière du Parc	130
	Chaudières et Radiateurs Idéal	110
	Eternit	250
avril	Grands Magasins Au Bon Marché	100
	Charbonnages de Helchteren et Zolder	525
mai	Grands Magasins à l'Innovation	125
	Brasserie de Haecht	168
	Gevaert Photo Produkten	200

Principales augmentations de capital de sociétés belges
et congolaises par actions

(millions de francs)

Date d'émission	Nom de la société	Montant de l'aug- mentation
<u>1949</u>		
juin	Ciments d'Obourg	210
	Sabena	280
	Belgian Shell Cy	122
juillet	Colorants de Tertre	105
novembre	Société générale Métallurgique de Hoboken	400
	Usines Van der Elst frères	100
	Compagnie auxiliaire d'Electricité	334
décembre	Usines Gilson	150
	Compagnie Foncière du Katanga	100
	Compagnie internationale forestière et minière du Congo	112
<u>1950</u>		
février	Compagnie des fer blancs et tôles à froid	225
mars	Charbonnages réunis de Roton Farciennes	113
mai	Hauts fourneaux, Forges et Aciéries de Thy-le-Château	280
	Compagnie Maritime belge	835
juin	Société Métallurgique d'Espérance Longdoz	181
	Desclée frères et Cie	112
	Charbonnages de Winterslag	600
juillet	Belgian Gulf Oil Cy	144
août	Meunerie bruxelloise	112

Mr. Knapp
Dev -

OFFICE MEMORANDUM

TO: Dr. Paul Rosenstein-Rodan

DATE: October 23, 1950

FROM: J. Burke Knapp *JBK*

SUBJECT:

Sept 19

Attached is a memorandum from Frank Fetter suggesting further lines of exploration which should be pursued in connection with his report on development corporations. Would you please consider what should be done here, bearing in mind that Marrama will be back at the end of the year and might take charge of this work.

*Paul - this is "program of work" for your 2 divisions
Please expedite -
RA ✓*

FILE COPY

Dev. Corp. - W. E.

2452

October 13, 1950

In Dr. Rodan's office,
Oct. 18

Dear Mr. Fetter:

In response to your request of October 6,
I am enclosing herewith a copy of the manuscript of
the development corporation study.

Sincerely yours,

Mrs. A. Moore
Secretary to Mr. Clark

Mr. Frank W. Fetter
Department of Economics
Northwestern University
Evanston, Illinois

Enclosure

OFFICE MEMORANDUM

TO: J. Burke Knapp

FROM: Frank W. Fetter *FWF*

SUBJECT: Report on Development Corporations

DATE: 19 September 1950

In the report which I have just completed on development corporations it was not possible to cover every country, and in the course of the study it became clear that there were aspects of development corporation activities, which I believe are of great importance, that we would not be in a position to cover thoroughly. Specifically I would suggest that the following problems deserve further study:

1. A completion of the preliminary surveys made for Haiti, Mexico and Peru, and the preparation of reports on Argentine and Brazil.
2. A much more intensive study that we were in a position to make of the relation between financing by development corporation and total net investment in individual countries.
3. The policy of development corporations in the matter of sale to the public of its stock holdings or other investments, the ability of the private capital market to absorb such investments, and the attitude of labor groups in individual countries toward the policy of turning over successful enterprises to private capital.
4. The relation of planning bodies to the organizations that supplied the funds for development financing. We received in the course of our study a very hazy picture of what the real situation is, and I suspect that in practice the law and the regulations will tell comparatively little, and that the answer can be gotten only by a study of the activities of these institutions in individual countries.
5. An appraisal of the question as to how far an institution like the International Bank should go in promoting the organization of and participating in the management of a development corporation. Such a study should involve a more careful review of the experience of the Export-Import Bank with the development corporations in Bolivia, Ecuador and Haiti, and an examination of the International Bank's experience with the development banks in Ethiopia and Turkey.

yes - this is what we hoped for!

FWF:ie

File

OFFICE MEMORANDUM

TO: Mr. A. S. G. Hoar

FROM: J. Burke Knapp *JBK*

SUBJECT: Loans of the International Bank to Development Corporations

DATE: September 15, 1950

After consulting with Raymond Cope, I did not show Dr. Fetter Cope's memorandum (returned herewith), but gave him the substance of Cope's remarks to the extent that they were relevant.

Cope's general remarks on Fetter's paper and his suggestions for including reference to European institutions arose from a misunderstanding of the nature and purposes of Fetter's paper. So far as the Turkish Industrial Development Bank is concerned, Fetter is completely rewriting this section of the paper on the basis of Cope's comments plus some of my own.

Dr. Fetter
Knapp

Ex

Attachment



Mr. A.J. Steendijk.

W.S. - Dev. Corp.
Amsterdam C., 9 September 1950.

Zeer geachte Heer Crena de Iongh,

Necrefima.

Tot mijn grote spijt kon ik U niet eerder de gevraagde gegevens over de Necrefima verschaffen, daar grote drukte in den loop van deze week mij belette mij nog eens in de zaak te verdiepen. Ik heb de dossiers van Algemene Zaken gisteren nog eens doorgezien en deel U naar aanleiding daarvan het volgende mede.

De Necrefima werd 21 Juli 1928 opgericht met een kapitaal van f.15,000,000.- gewone en f.35,000.- preferente aandelen, waarvan werden geplaatst en volgestort f.3,000,000.- gewone en alle preferente aandelen. Verder werden 200 oprichtersbewijzen uitgereikt.

De directie bestond uit twee of meer directeuren, terwijl de statuten bepaalden, dat er minstens drie commissarissen moesten zijn. Verder regelden de statuten ook de aanwijzing van een credietcommissie van vier leden, uit en door commissarissen te benoemen.

De winstverdeling was als volgt: eerst preferente aandelen 5%, daarna gewone aandelen 5%; van het restant ging 10% naar commissarissen, 5% naar de credietcommissie en 1/20% aan ieder oprichtersbewijs, terwijl wat dan nog overbleef ter beschikking was van de algemene vergadering van aandeelhouders.

De financiering geschiedde, behalve uit het kapitaal, door middel van een door aandeelhouders verstrekt voorschot van f.9,000,000.-.

De aandeelhouders waren de volgende instellingen, die de achter hun naam vermelde bedragen aan gewone aandelen namen resp. voorschot verstrekten:

	<u>Aandelen</u> (in f.1,000.-)	<u>Voorschot</u>
N.H.M.	235	703
Mendelssohn & Co. Amsterdam/Kux Bloch & Co.	234	703
M.M. Warburg & Co.	219	656
Amstelbank/Oesterreichische Creditanstalt für Handel und Gewerbe	125	375
Amsterdamsche Crediet Maatschappij/ Simon Hirschland	125	375
Basler Handelsbank	125	375
Dillon Read & Co.	250	750

Den Weledelgestrengen Heer
Mr. D. CRENA DE IONGH,

Hotel Meurice,

P A R I J S.

Robert

	<u>Aandelen</u> (in f.1,000.-)	<u>Voorschot</u>
Robert Fleming & Co.	125	375
Heldring & Pierson	125	375
International Acceptance Bank	125	375
S.Japhet & Co.	63	187
Industrial Financing & Investment Corp.	62	188
A.Levi	125	375
R.Mees & Zoonen	125	375
N.M.Rothschild & Sons	62	188
Pierson & Co.	125	375
Prudential	500	1500
Schweizerische Bankgesellschaft	125	375
Schweizerischer Bankverein	125	375

Ik hoop, dat dit de gegevens zijn waarnaar U informeerde. Het zal niet in Uw bedoeling hebben gelegen ingelicht te worden over het gehele verloop na het intreden van de transfermoeilijkheden in Duitsland, de geleidelijke terugbetaling van het voorschot, de overneming van buitenlandse aandelen door een Nederlands consortium enz. Mocht U intussen daaromtrent nog iets willen weten, dan kan ik dit uiteraard ook nog nazien resp. met behulp van Willet reconstrueren.

Ik hoop U hier te ontmoeten, wanneer U na afloop van de vergadering in Parijs nog naar Amsterdam mocht komen en verblijf inmiddels,

met beleefde groeten,

*Mod.
Beuvelink*

file
Dev. Corp. La

Harold W. Larsen

1 September 1950

Frank W. Fetter

Drafts of Reports on Development Corporations
in Latin America

E-153

I am enclosing drafts of the reports that I have written on development institutions in Chile, Colombia, and Venezuela, and would appreciate it greatly if you could find time next week to go over them with your most critical eye. If I have made any mistakes, or have misinterpreted the data, I would much prefer to find it out now than to have someone jump on me after the manuscript has been completed. You will notice at several places that I have put question marks or made notes to the effect that a paragraph needs to be rewritten. I would be very glad if you would make marginal notes, for altho I have marked two of these as working copies I still have the originals, and probably will incorporate all the changes in the originals.

Mr. Janssens has just completed a draft on Bolivia, and I suggested to him that he show that, and also the Ecuadorian draft if he completes it next week, to you.

I will not be at the Bank next week, but will be back on Monday the 11th.

enclosures
FWF:ie

G OFFICE MEMORANDUM

TO: Mr. A.S.G. Hoar

DATE:

McKnapp
September 1, 1950
he spoke about this.
W. H. IX.

FROM: S. R. Cope

SUBJECT: Loans of the International Bank to Development Corporations

I have read the preliminary draft of the section on "Loans of the International Bank to Development Corporations" which Mr. Frank W. Fetter has prepared. I think it is natural that Mr. Fetter, after being in the Bank only a short time, should find difficulty in writing a paper such as the one he has attempted. It is therefore in no spirit of criticism, but with a desire to be helpful, that I make the following comments.

- no*
1. Mr. Fetter omits to mention Credit National which received a loan of \$250 million in 1947, a loan which might be regarded as falling in the same category as those listed on the first page of his paper.
- no*
2. In some respects too, the loan of \$12.5 million made to the Bank of Finland in August 1949 was similar to a loan made to a development corporation in that the Bank of Finland passed on to each ultimate borrower a portion of the loan and stood in relation to them in much the same place as development corporations stand in relation to their borrowers.
- no*
3. A more important omission is that of the loan of \$15 million to Herstelbank in July 1949. The Herstelbank is precisely the sort of development corporation with which Mr. Fetter is concerned in his paper and I would have thought that a brief description of this loan and the problems encountered in handling it would have been useful.
- no*
4. He might also mentioned the proposed loan to the consortium of Mexican banks which is now under discussion. Although not set up in the form of a corporation, the activities of the consortium will be very similar to those of a development corporation. He might also consider the proposed development corporation in Ethiopia.
- if poss.*
5. While many of the facts contained in the section of his paper dealing with the Industrial Development Bank in Turkey are correct, the section does not give an accurate impression of the main issues involved and I think the only way of putting him right is to suggest that he talk with Mr. Diamond. For example, the first question he posed on Page 4 is as to whether the Bank should insist on a responsible officer of the Industrial Development Bank being a non-Turk, satisfactory to the International Bank. The issue, however, was not whether the officer should be Turkish or not, it was as to what means could be taken to ensure that a competent officer was engaged. Moreover, there was no conflict or controversy between the Bank and the Turks on this point, which might be implied from Mr. Fetter's use of the word "insist".

6. His second question also misses the point. There was never any doubt that the Bank would have the right to supervise the end-use of the goods financed, the only question was the extent to which supervision could be delegated to the Industrial Development Bank.

7. Thirdly, the question referred to by Mr. Fetter in paragraph 3 was not whether or not the International ^{Bank} should intervene in connection with the incidence of exchange fluctuations. Everyone was agreed from the outset that the Development Bank should not carry the exchange risk and the only point at issue was whether the Turkish Government or the ultimate borrowers should carry the risk of exchange fluctuations. This, of course, is not a problem peculiar to loans made to development corporations.

It is, of course, difficult to give the correct emphasis without being very familiar with actual operations and Mr. Fetter would be well advised to talk to the loan officers concerned.

My chief criticisms of the paper, however, are that it has very little substance; omits discussion of many important points relating to development corporations; and has very little value as a guide to the Bank's activities in this field in the future. I note, however, that this is only a part of a larger paper and perhaps these points will be covered elsewhere.

R

*Dev. Corp.
Latin Am.*

Room 313B

24 August 1950

Dear Mr. May:

I am making a study for the Bank of the structure and history of the principal government development corporations that have played so important a part in the economic life of a number of Latin American countries in recent years. In connection with this study, I wish to give a brief account of the activities of IBEC, both because many of its operations are very similar to those of development corporations, and because it has worked in cooperation with the Venezuelan Development Corporation.

I find in our files a number of press releases which, I believe, you sent to Mr. Samuel W. Anderson with your letter of October 27, 1949. Except for the balance sheet of November 30, 1949, and correspondence between officers of the Bank and officers of IBEC, we have no material later than that which came with your letter of October 27.

I am writing to ask whether you could send a copy of the most recent balance sheet of IBEC, and copies of any press releases or reports that may have been made public since your letter of the above date. It probably would be the simplest thing to send them directly to me, and then I would turn them over to our Research Files or to the Library after I have finished with them. But if you prefer, you could send them directly to the Joint Bank-Fund Library.

Sincerely yours,

Frank W. Fetter
Consultant

Mr. Stacy May
I.B.E.C.
30 Rockefeller Plaza
New York 20, N. Y.

FWF:ie

Level, Corp.

Room 313 B

22 August 1950

Dear Mr. Oropeza:

I appreciate your thoughtfulness in writing to me in regard to further material on the Venezuelan Development Corporation. Since Dr. Santaella's return to Washington I have had a long conversation with him about the Venezuelan Development Corporation, and also obtained from him the report of the Junta Militar to which you referred, and the recent report of the Instituto Agrario Nacional.

My work with the Bank will be finished in about four weeks, and if you are back in Washington before I leave I hope that I may have the chance to see you again.

Very sincerely yours,

Frank W. Fetter
Consultant

Alejandro Oropeza Castillo

2a. casa izquierda, Barrio Jimenez,
Guadalupe

San Jose, Costa Rica



HD/LB. 1356

Dear Sir,

Mr. De Guchteneere has received your letter of July 31.

Unfortunately, he shall be absent from Brussels from the 5th to the 8th October. He must effectively preside the general assembly of the International Thrift Institute which will take place in Paris at that moment.

He shall be back in Brussels on the 9th of October and shall be very happy to meet you then.

However, Mr. De Guchteneere wishes that you should not modify your projects; Mr. De Ridder, Head of the Department of Economical Studies of the Institute shall be at your entire disposal.

Yours sincerely,

H. DEWEVRE.
Secretary-General.

Mr. D. CRENA DE IONGH
International Bank for
Reconstruction and Development
WASHINGTON 25 D.C.

64

*Société Générale
de
Belgique*

Bruxelles, le 11 août 1950.

Cabinet du Vice-Gouverneur

Cher Monsieur Crena de Iongh,

Monday 9
W.L.
✓ En réponse à votre aimable
lettre du 7 août, je dis de suite que je serai
très heureux de vous voir à votre passage à
Bruxelles si cela peut vous arranger.

En principe, je serai ici
à ce moment, mais il serait toutefois bon de
m'indiquer préalablement à votre visite la date
exacte de celle-ci.

Croyez-moi je vous prie, cher
Monsieur Crena de Iongh,

Votre sincèrement dévoué,



(W. de Munck)

Monsieur D. Crena de Iongh,
International Bank for Reconstruction and
Development,

WASHINGTON 25. D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

AUG 23 2 11 PM 1950

FILE COPY

Dev. Corp.

No. 40

August 10, 1950

Dr. B. U. Ratchford
Hotel Ankara Palas
Ankara, Turkey

Dear Ben:

As you may know, Frank Fetter, with one or two assistants, is working on a project here this summer devoted to the collection of information on development institutions in undeveloped countries. At his request I am sending you herewith a copy of a preliminary draft of his material on Turkey, together with a list of additional information which he would very much like to get in order to supplement his present sources. Could you or one of your people have a look at this report and give us comments, including, if possible, answers to the supplementary questions.

I have only just arrived back from my trip in Western Europe and since Leonard Rist has left on his vacation things are buzzing around my head.

I'll take the opportunity to write you again soon. Meanwhile, best wishes for the Mission and best regards to you and your colleagues.

Sincerely yours,

J. Burke Knapp
Assistant Director
Economic Department

cc: F. Fetter

Enclosures
JBKnapp:rke

BANCA D'ITALIA

IL GOVERNATORE

Rome, August 8, 1950

Rev. Corp. W.E.
File

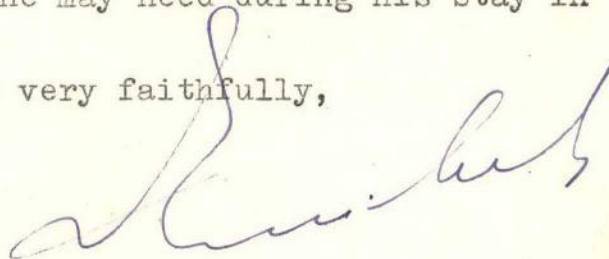
AUG 18 REC'D

Dear Mr. Black,

I received your letter dated July 24, [✓] informing me that Mr. Crena de Iongh, Treasurer of the International Bank, will be in Rome for one week after his attendance at the Fifth Annual Meeting in Paris.

While looking forward to the pleasure of making Mr. Crena de Iongh's personal acquaintance, I assure you that I and my staff will be very pleased to remain at his disposal for everything he may need during his stay in Italy.

Yours very faithfully,



(Donato Menichella)

Mr. Eugene R. BLACK
President,
International Bank for Reconstruction and Development
1818 H Street,
Washington 25, D.C.
U.S.A.

*Has Mr. Black (yes)
seen this? If
so put in my
Paris file to show
Crena*

BANCA D'ITALIA

R. ROVERATO

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

AUG 14 9 29 AM 1950

I received your letter dated July 27, 1950, regarding the loan to Greece to help in the reconstruction of the country. The loan will be in Rome and will be used for the reconstruction of the country. The Fifth Annual Meeting of the Bank will be held in Rome, Italy, on September 10, 1950. While looking forward to the opening of the Fifth Annual Meeting, I am sure that the loan to Greece will be very helpful in the reconstruction of the country. I and my staff will be very pleased to receive the loan for every day in a year that the loan is used.

Yours very truly,

(Donato Monteleone)

Mr. Eugene F. Elmer,
President,
International Bank for Reconstruction and Development,
400 H Street,
Washington 25, D.C.,
U.S.A.

New Copy - W.S.

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

LITtré 84-57

WASHINGTON-25-D.C.

67, rue de Lille
Paris (7e) France

P.919

August 7, 1950

Mr. Crena de Iongh, Treasurer
International Bank for Reconstruction
and Development
Washington, D.C.

Dear Crena:

*When my to Paris
on 8-15-50 (W.S. Hill)*

✓ Thank you for your letter of August 3,
1950 (P.451). I expect that you have received by
now my letter of August 4 (P.905), and the enclosed
material on the Credit National.

Both Mr. Brunet and Mr. Postel-Vinay have
been most helpful. I have already advised both of
them that you will wish to take up the matter in
more detail in September. Meanwhile, I have passed
your letters on to them.

Best wishes,

Yours sincerely,

Walter
Walter Hill

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

AUG 10 10 39 AM 1950

Dev. Corp. WE

August 7, 1950

Mr. Max Nokin
Societe Generale de Belgique
Montagne du Parc
Brussels, Belgium

Dear Mr. Nokin:

This is to let you know that I will probably be in Belgium in the first half of October and would like to come and see you.

One of the reasons for my stay in Europe after the Annual Meeting of the Bank in Paris is over is to make a study of long-term finance in Europe outside of the long-term issues offered publicly. For that reason I am going to see several of the official and semi-official long-term finance institutions but I am sure that you will be able to add to the picture so I hope that you will be able to give me some of your time when I come to Brussels. I won't fail to let you know ahead about the exact dates of my stay in Brussels.

Yours sincerely,

DC/mct

D. Crena de Iongh

August 7, 1950

Jhr. W. de Munck, Vice Gouverneur
Societe Generale de Belgique
Montagne du Parc
Brussels, Belgium

Dear Mr. de Munck:

This is to let your know that I will probably be in Belgium in the first half of October and would like to come and see you.

One of the reasons for my stay in Europe after the Annual Meeting of the Bank in Paris is over is to make a study of long-term finance in Europe outside of the long-term issues offered publicly. For that reason I am going to see several of the official and semi-official long-term finance institutions but I am sure that you will be able to add to the picture so I hope that you will be able to give me some of your time when I come to Brussels. I won't fail to let you know ahead about the exact dates of my stay in Brussels.

Yours sincerely,

DC/mct

D. Crena de Iongh

ack Aug 11

Dev. Corp
W.E

August 7, 1950

Mr. Paul Charles
Banque du Congo Belge
14 Rue Theresienne
Brussels, Belgium

Dear Mr. Charles:

July 24 ✓ With reference to Mr. Black's letter of July 25 to you, I want to inform you that I will be in Brussels from October 5 to October 10 and hope to come to visit you to discuss the matter of long-term financing.

Anticipating the pleasure of meeting you,

Yours sincerely,

DC/mct

D. Crena de Iongh

W.E. Dev. Corp.

August 7, 1950

Mr. Maurice Frere
Gouverneur
Banque Nationale de Belgique
Brussels, Belgium

Dear Mr. Frere:

Referring to my letter of July 31 in which I
informed you that I was writing separately to Messrs.
De Guchteneere, De Neuter and Vande Putte, I should
like to add that I am also writing to Mr. Paul Charles.

With best regards,

Yours sincerely,

DC/mct

D. Crena de Iongh

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

DATE OF WIRE: **AUGUST 4, 1950.**

TO: **CRENA DE IONGH
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

FROM: **PARIS**

TEXT:

PARIS 25 CHARGE BANK.

NUMBER 120

HAVE TODAY AIRMAILED MATERIAL CREDIT NATIONALE.

HILL

ROUTING	
ACTION COPY TO	MR. CRENA DE IONGH
INFORMATION COPY TO	
Decoded By	

DUPLICATE

72

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

DATE OF WIRE: AUGUST 4, 1950.

TO: CHIEF DE LOYER
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FROM:

PARIS

TEXT:

PARIS 25 CHARGE BANK.

NUMBER 180

HAVE TODAY AIRMAILED MATERIAL CREDIT NATIONAL.

WILL

AUG 4 11 54 AM 1950

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

DUPLICATE

ROUTING
ACTION COPY TO MR. CHIEF DE LOYER
INFORMATION COPY TO
Decoded By

August 3, 1950

Mr. Jacques Brunet, Directeur General
Credit National pour faciliter la
Reparation des Dommages causes
par la guerre
Paris, France

Dear Mr. Brunet:

With reference to the correspondence between
Mr. Black and Mr. Baumgartner on the subject of a study
the Bank wants to make on long-term finance institutions,
I hope to contact you on that matter during the time I am
in Paris for the Annual Meeting of the International Bank.
I will make free to telephone you on my arrival to make
an appointment and am looking forward to discussing this
subject with you.

Yours sincerely,

D. Crena de Iongh

Dev. Corp. W.S.

August 3, 1950

Mr. A. Postel-Vinay
La Caisse Centrale de la France
d'Outre Mer
Paris, France

Dear Mr. Postel-Vinay:

With reference to the correspondence between Mr. Black and Mr. Baumgartner on the subject of a study the Bank wants to make on long-term finance institutions, and your conversations with Mr. Walter Hill, I hope to contact you on that matter during the time I am in Paris for the Annual Meeting of the International Bank with regard to the functions of La Caisse Centrale in relation to F.I.D.E.S. I will make free to telephone you on my arrival to make an appointment and am looking forward to discussing this subject with you.

Yours sincerely,

D. Crena de Longh

DC/mct

Dev - W. E. Jones
August 3, 1950

P451
Mr. Walter Hill
International Bank for
Reconstruction and Development
67 rue de Lille
Paris, France

Dear Walter:

I am sending you herewith two letters, one addressed to Mr. Brunet and the other to Mr. Postel-Vinay, which I would thank you to forward if you agree with them. As you have been having discussions with both gentlemen, I thought it best not to send the letters direct.

In the meantime I have received the report on the Caisse Centrale, which looks very interesting. Thanks for all your trouble in this matter.

I am leaving for Holland on August 15 and will be vacationing there between August 23 and September 4. In case you want to reach me, my address will be -

Hotel Kasteel Hooge Vuursche
Baarn, Holland.

With kind regards,

Yours sincerely,

DC/mct
Enclosures

D. Crena de Iongh

W E Dev. Corp.

August 2, 1950

Mr. P. Plantenga
Keizersgracht 706
Amsterdam C
The Netherlands

Dear Mr. Plantenga:

As you may have heard from Mr. Holtrop, I intend to make use of my trip to Europe for the Meeting of the International Bank to have talks with the management of companies of the nature of yours. I will be in Holland probably from the first of October until the 5th and hope to come to see you and discuss this matter in which the Bank has such a vital interest.

Yours sincerely,

DC/mct

D. Crena de Iongh

W.E. Duvel. Corp.

August 2, 1950

Mr. J. F. Posthuma
Kneuterdijk 6
The Hague
The Netherlands

Dear Mr. Posthuma:

As you may have heard from Mr. Holtrop, I intend to make use of my trip to Europe for the Meeting of the International Bank to have talks with the management of companies of the nature of yours. I will be in Holland probably from the first of October until the 5th and hope to come to see you and discuss this matter in which the Bank has such a vital interest.

Yours sincerely,

DC/mct

D. Crena de Iongh

August 2, 1950

Mr. H.W.A. van den Wall Bake
Directeur
Nederlandsche Handel-Maatschappij, N.V.
Vijzelstraat 32
Amsterdam, The Netherlands

Dear Mr. van den Wall Bake:

As you may have heard, the International Bank is very much interested in studying the institutions which provide long-term capital. As you have been connected with the Nederlandsche Participatie-Maatschappij and are doubtlessly still very much interested in the subject, I would like very much to make use of my stay in Holland to have a talk with you on that matter. I will be in Holland from the first of October until the 5th and hope to come and see you.

I take it that you are still connected with the Institute for Netherlands-American Industrial Cooperation, which is also a subject of interest to the International Bank.

It has certainly been a long time since we last met.

Yours sincerely,

DC/mct

D. Crena de Iongh

No. P/438

August 1, 1950

Mr. Walter Hill
International Bank for
Reconstruction and Development
67 rue de Lille
Paris, France

Dear Walter:

Thanks for your letters of July 25 and 26.

As I am taking a short vacation in Holland before going to the Conference, I am leaving here on August 15 and I am wondering whether the factual note on long-term finance institutions operating in France and her overseas territories, and on the constitution, source of funds and types of operation of those likely to be of special interest, which you promised will reach me in time. It may be that you could send a copy of this paper to my address in Holland, where I will arrive on August 23. We will be staying at the Hotel Hooze Vuursche, Baarn, in Holland.

I was very much interested in your second letter and the copy of a letter to Mr. Black which you were kind enough to enclose. I will be very pleased to speak to an information meeting for members of the O.E.E.C. as I am sure that just by relating the practical execution of our work I can dispel a great many wrong ideas on the subject.

I plan to be in London from October 11 to 18 so I could see Sir Mark over there. If you could arrange some meetings with other officials during that time, and make an appointment for me with Mr. Gorrell Barnes, I would be thankful to you. Also it would come in very nicely on my studies on the long-term finance institutions to see the bankers you mention. Of course I know some of the partners in all of them and I think that they could all contribute to what I am after, and besides I think they would form a good audience to talk to about the Bank. I

P847 - retained by Mr
P856 - retained by Mr
Crawford

found that Mr. Tiarks of Schroder's, who visited me in Washington a few weeks ago, was highly interested in the work of the Bank, and I know that the Lazard people also follow it with a great deal of interest.

With kind regards,

Yours sincerely,

DC/met

D. Crena de Iongh

August 1, 1950

Mr. E. Monick, President
Banque de Paris et des Pays Bas
Paris, France

Dear Mr. Monick:

This is just to let you know that I will be in Paris during the Annual Meeting of the International Bank from September 4 to the 16th and will be staying at the Hotel Meurice.

As one of the objectives of my visit is also to make a study of long-term financing in Europe, I would like very much to have a talk with you about this subject.

Looking forward to seeing you,

Yours sincerely,

DC/mct

D. Crena de Iongh

August 1, 1950

Mr. Roger Auboin
General Manager
Bank for International Settlements
Basle, Switzerland

Dear Mr. Auboin:

I refer to my letter of March 16, and can now inform you that I will be in Switzerland from September 25 until October 1. On September 30 I will address the Vorort. I may also speak in Basle but I am not quite sure whether discussions which have been carried on by Mr. Drew Dudley, one of our Paris representatives, have resulted in a definite speaking appointment.

As you were kind enough to offer to make appointments for me with the people I should see in the interests of the Bank, I would be very grateful for your assistance in this matter. I am writing directly to Professor Keller and Dr. Speich, and when we meet in Paris we can discuss how my other visits can be arranged in the best fashion. I will be staying at the Baur au Lac in Zurich but of course can easily come to Basle to visit the people there.

With kind regards and thanking you again for your assistance,

Yours sincerely,

DC/mct

D. Crena de Iongh

August 1, 1950

Dr. Rod. Speich
Chairman of the Board
Swiss Bank Corporation
Basle, Switzerland

Dear Dr. Speich:

This is to inform you that I will be in Switzerland from September 25 until October 1, and I am looking forward to visiting you. I will be staying at the Baur au Lac in Zurich and will ring you up shortly after my arrival to make an appointment.

Anticipating the pleasure of meeting you again,

Yours sincerely,

DC/mct

D. Crena de Iongh

August 1, 1950

Professor Paul Keller
Schweizerischen Nationalbank
Zurich, Switzerland

Dear Professor Keller:

This is to inform you that I will be in Switzerland from September 25 until October 1, and I am looking forward to visiting you. I will be staying at the Baur au Lac in Zurich and will ring you up shortly after my arrival to make an appointment.

Anticipating the pleasure of meeting you again,

Yours sincerely,

DC/mct

D. Crena de Iongh

July 31, 1950

Dr. M. W. Holtrop
President
Nederlandsche Bank
Amsterdam, The Netherlands

Amice:

✓ With reference to Mr. Black's letter to you of July 24, I just want to inform you that I will be in Holland between October 1 and the 5th, and intend to visit the Herstelbank and the Participatie-Maatschappij. I hope, of course, to see you and discuss the subject, but anyway we will meet in Paris before that.

With kind regards,

Yours sincerely,

DC/mct

D. Crena de Iongh

July 31, 1950

Mr. Maurice Frere
Gouverneur
Banque Nationale de Belgique
Brussels, Belgium

Dear Mr. Frere:

With reference to Mr. Black's letter of July 24, I would like to inform you that I will be in Brussels between October 5 and October 10 and I would like very much to have a talk with you on the subject of long-term finance corporations.

As Mr. Black has written directly to Mr. De Guchteneere, Mr. De Neuter and Mr. Vande Putte, I am writing to these gentlemen separately.

Looking forward to seeing you in Paris,

Yours sincerely,

DC/mct

D. Crena de Iongh

July 31, 1950

Mr. Robert Vande Putte
President
Societe Nationale de Credit a l'Industrie
16 Boulevard de Waterloo
Brussels, Belgium

Dear Mr. Vande Putte:

With reference to Mr. Black's letter of July 24
to you, I want to inform you that I will be in Brussels
from October 5 to October 10 and hope to come to visit
you to discuss the matter of long-term financing.

Anticipating the pleasure of meeting you,

Yours sincerely,

DC/mct

D. Crena de Jongh

July 31, 1950

Mr. Andre De Guchteneere
General Manager
Caisse Generale d'Epargne et de Retraite
48 Rue du Posse aux Loups
Brussels, Belgium

Dear Mr. De Guchteneere:

With reference to Mr. Black's letter of July 24
to you, I want to inform you that I will be in Brussels
from October 5 to October 10 and hope to come to visit
you to discuss the matter of long-term financing.

Anticipating the pleasure of meeting you,

Yours sincerely,

DC/mct

D. Crena de Iongh

Ack Aug. 11

July 31, 1950

Doctor Donato Menichella
Governatore
Banca d'Italia
Rome, Italy

Dear Doctor Menichella:

With reference to Mr. Black's letter of July 24 to you, I would like to inform you that I intend to leave Paris for Rome on Saturday, September 16, and to stay in Rome until Monday, the 25th. I hope very much to have a discussion with you on the subject of long-term financial corporations and am also writing to Doctor Borri of the Istituto Mobiliare Italiano. Although maybe for my study the I.R.I. will not be of the same interest as the I.M.I., yet I would also like to have a talk with Arturo Ferarri.

Looking forward to seeing you in Paris,

Yours sincerely,

DC/mct

D. Crena de Iongh

July 31, 1950

Mr. C. B. Cobbold
Governor
Bank of England
London, England

Dear Mr. Cobbold:

✓ With reference to Mr. Black's letter to you of July 24, I would like to inform you that I will be in London from October 10 to the 18th and would be very thankful to have a talk with you on the subject of long-term finance institutions, as well as to have you introduce me to such officials of the Industrial and Commercial Finance Corporation and the Finance Corporation for Industry as you think fit. Should there be other people whom you think I should see on this subject, I would be grateful if you would put me in touch with them.

As Mr. Black has written directly to Lord Trefgarne, I am addressing him separately.

With kind regards,

Yours sincerely,

DC/mct

D. Crena de Iongh

July 31, 1950

The Right Honorable
The Lord Trefgarne
Colonial Development Corporation
33 Dover Street
London W 1, England

My dear Lord Trefgarne:

With reference to Mr. Black's correspondence with you on the study we are making on long-term finance corporations and especially with regard to his letter of July 24, I wanted to confirm that I will be in London from October 10 to October 18 and would much appreciate having a talk with you and such other officials of your Corporation as you deem fit.

Looking forward to meeting you again,

Yours sincerely,

DC/mct

D. Crena de Iongh

July 31, 1950

Mr. Gunnar Jahn
Governor
Norges Bank
Oslo, Norway

Dear Mr. Jahn:

With reference to Mr. Black's correspondence with you on the subject of long-term finance institutions, I would very much appreciate having a talk with you and Mr. Colbjornsen on the subject in Paris as you both will be there. Should you think, after that, that it would be useful that I come to Oslo, I would try to fit that into my traveling program.

With kind regards,

Yours sincerely,

DC/mct

D. Crena de Iongh

FROM - 1. Office of the President X

2. Office of the Vice President

Date Aug. 2, 1950

TO-	Name	Room No.
1	Mr. Crena de Tongh	1201
2		
3		
4		

FOR-

	Action	Initialing
	Approval	Preparing Reply
	Comment	Previous Papers
	Filing	Noting and Returning
	Full Report	Recommendation
X	Information	Signature

REMARKS

SOCIÉTÉ NATIONALE DE CRÉDIT
À L'INDUSTRIE



LE PRÉSIDENT

16, BOULEVARD DE WATERLOO

BRUXELLES, le 29 juillet 1950.

Monsieur le Président,

✓
Je reçois votre lettre du 24 courant et je note que Mr Crena de Iongh sera à Bruxelles, au début du mois d'octobre.

C'est avec le plus grand plaisir que je recevrai sa visite et que j'attends de sa part la communication de la date précise de son arrivée.

Je m'efforcerai de le documenter pour toutes les questions qu'il me posera.

Veillez croire, Monsieur le Président, à l'assurance de mes sentiments très distingués.

R. VANDEPUTTE

Monsieur Eugene R. BLACK,
Président de l'INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT,

WASHINGTON 25.D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

AUG 2 4 09 PM 1950

RECEIVED

Dev Caysw. E.

Paris, July 28, 1950

Documents : P. 871/D (Air Mail)
To : Mr. R.L. Garner (Requested by Mr. Crena
de Jongh)
From : Walter Hill
Subject : La Caisse Centrale de la France d'Outre-Mer
Classification : Confidential

DECLASSIFIED

AUG 30 2011

WBG ARCHIVES

La Caisse Centrale de la France d'Outre-Mer

Walter Hill
Walter Hill

WID S 11 10 11

WID S 11 10 11

92

Paris, July 26, 1950

Mr. E. A. Tamm (AIR Mail)

Documents

Mr. E. A. Tamm (requested by Mr. Tamm)
(to Tamm)

to

Mr. Tamm Hill

from

Mr. Tamm Hill (requested by Mr. Tamm)

to

Mr. Tamm Hill

from

DECLASSIFIED

AUG 3 0 2011

WBG ARCHIVES

La Caixa Central de la France d'Outre-mer

Walter Hill

AUG 2 10 26 AM 1950

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INCOMING WIRE

*Devel Corp.
W. S. S.*

✓ French Loan

DATE OF WIRE: JULY 28, 1950.

TO: CRENA DE IONGH
INTERNATIONAL BANK FOR
FROM: RECONSTRUCTION AND DEVELOPMENT

PARIS

TEXT:

ROUTING
ACTION COPY TO MR. CRENA DE IONGH
INFORMATION COPY TO
Decoded By

✓
ONE HUNDRED FOURTEEN RE YOUR CABLE EIGHTY ONE LETTER
AIRMAILED JULY 25TH. AM AIRMAILING TODAY CONFIDENTIAL
FIRST DRAFT JUST COMPLETED CAISSE CENTRALE FIDES FIDUM.
WILL AIRMAIL AUGUST ONE OR TWO REPORT CREDIT NATIONAL.
TO SAVE TIME AM SENDING FRENCH VERSION.

HILL

JUL 28 10 50 AM 1950

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

W. Eur. Dev. Corp.

OUTGOING WIRE

DATE: JULY 27, 1950

TO: *LT=* WALTER HILL
INTBAFRAD
PARIS, (FRANCE) *W.V.*

TEXT:

CLASS OF SERVICE DESIRED	
NIGHT LETTER <input checked="" type="checkbox"/>	CODE <input type="checkbox"/>
DEFERRED <input type="checkbox"/>	FULL RATE <input type="checkbox"/>
TELETYPE <input type="checkbox"/>	

81 BEING WITHOUT YOUR REPLY MY LETTER JULY 12 ON CREDIT NATIONAL AND FIDES
PLEASE TRY TO RUSH INFORMATION AS I WILL BE LEAVING IN ABOUT 2 WEEKS

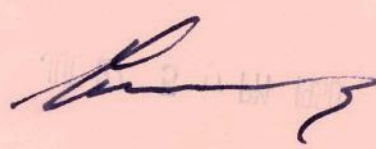
CRENA DE IONGH

INTBAFRAD

AUTHORIZED BY:

NAME D. CRENA DE IONGH

DEPT. TREASURER'S



For Use by Archives Division

Checked for Dispatch

elt

FILE COPY

OUTGOING WIRE

DATE JULY 27, 1950

TO: MR. WALTER HILL
INTERBANK
PARIS, FRANCE

TEXT:

CLASS OF SERVICE DESIRED

NIGHT LETTER ☒ CODE

DEFERRED ☐ FULL RATE ☐

TELETYPE ☐

PLEASE TRY TO RUSH INFORMATION AS I WILL BE LEAVING IN ABOUT 2 WEEKS
BRING WITHOUT YOUR REPLY MY LETTER JULY 12 ON CREDIT NATIONAL AND RIDE

CRINA DE IONCH

INTERBANK

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JUL 27 5 18 PM 1950

AUTHORIZED BY

NAME D. CRINA DE IONCH
DEPT. TREASURER'S

JUL 27 5 17 PM 1950

DISPATCHED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FILE COPY

For Use by Archives Division
Checked for Dispatch

Devel. Corp.

W. A. B. Iliff - Loan Division

26 July 1950

Frank W. Fetter

Preliminary Draft - "Loans of the International Bank
to Development Corporations"

I am enclosing a copy of the preliminary draft of the section on "Loans of the International Bank to Development Corporations" that I expect to include in the report that I am preparing on development corporations.

I would value your judgment as to the accuracy and the appropriateness of my remarks on this topic. Not only would I like to know if any of my statements are not supported by the facts, but I would also appreciate your calling to my attention any other comments on this question of loans that have been made to development corporations, that you feel would be appropriate in such a report.

enclosure
FWF:ie

Development

Corp. 4-77
(McGraw)

OFFICE MEMORANDUM

TO: Mr. John H. Adler

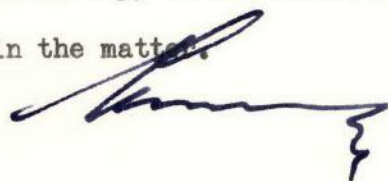
FROM: D. Crena de Iongh

SUBJECT:

DATE: July 26, 1950

I am sending you herewith two copies of a paper which I thought might be helpful for me in talking to the various reconstruction finance companies in Europe. For my taste it is still too long but on the other hand I think the questions are all rather pertinent. Before having it typed in sufficient numbers to take with me to Europe, I would very much appreciate having your comments.

I thought you might give the second copy to Mr. Pollock, who has been extremely helpful to me in the matter.



Attachments

NAME:

LOCATION:

~~ORGANIZATION:~~

(1) Creation

- (a) date of founding
- (b) historical background, illustrating how and why the Institution is appropriate to the country's institutional framework

(c) changes since founded, and why

(d) prospective changes

(e) relevant details of laws or decrees involved

(f) capital owned by whom

(g) relation of capital to indebtedness

(h) means provided in which way

(i) subsidies

(f) Available finances
- sources of funds
- amounts from each source

combine

(2) Internal Organization

(a) governing body or bodies

(b) how and by whom nominated

to whom responsible

how many government nominees

number of officers

connection with Government departments

(b) advisory divisions

research

(c) administrative techniques for receiving and screening

loan applications,

new projects, including methods of determining project priorities

(d) Annual Reports - to whom?

certificate from independent auditor

[basis] for earning some specific rate of return

delete?

(3) Announced Objectives

(a) payment of wartime reconstruction indemnities

(b) cyclical stabilization (full-employment measures)

reorganizing or supplementing the banking & capital-market institutions
(c) ~~reorganization of commercial banking structure~~

C O M B I N E
(d) ~~supplement the capital market~~

(e) encourage foreign trade and investment in ~~metropolitan~~ colonial areas

(f) stimulate colonial financing

(g) concentrate on one type of economic activity alone, as

agriculture, mining, etc.

(h) assistance to cooperative societies or other private institutions

(4) Activities

(a) working techniques, e.g.

direct operational control over projects

use of wholly-owned subsidiaries

cooperation with ~~other~~ ^{private} ~~sources~~ ^{firms} of capital]

providing planning, promoting and technical
assistance services only

(b) cooperation with Governmental agencies, e.g.

acting as a domestic fiscal agent for the State

managing foreign or counterpart funds for the State

(c) ¹⁾ total advances committed (amount and number)

(d) ¹⁾ " " made (do)

(e) ¹⁾ distributed by (i) industry

(ii) areas

(f) ¹⁾ maximum and minimum loans

average loan

(g) ¹⁾ equity investments

(h) ¹⁾ default experience

(i) ¹⁾ refinancing of loans given, by third parties

(j) ¹⁾ ratio of ^{applications} business accepted to ^{those} that rejected

(k) ¹⁾ reasons for accepting or rejecting

wherever possible, comparisons should be made with the activities of private financial institutions

(5) Authorized Activities

- (a) make both secured and unsecured loans
- (b) participate in equity (preferred and common stocks)
- (c) minimum and maximum loans, by amount
- (d) minimum and maximum maturity of loans
- (e) basis of interest rates; also comparison with free market rates
- (f) interest rates payable on Institution's own bond flotations

(6) Relationship to Government Investment Policies

(a) tie-in with State central-planning boards

(b) effect, if any, on inflationary potential

(c) proportion of investment financed by the Institution to total

gross capital formation ^{including} ~~and~~ local and foreign investment ~~in~~
~~the country~~

(d) priority received by government "capital-issues committee"

(e) relationship to tariffs, import, and foreign-exchange controls, e.g.

assistance to infant industries

tie-in with State full-employment policies

connection with dollar-saving and earning plans

(f) relationship of industries assisted to price levels

(are efficient firms penalized by paying higher rates to private lenders?)

(g) activities as a Governmental fiscal agent, e.g.

administering Treasury funds for the account of the State

administering foreign funds (ERP ^{or} ~~or~~ IBRD)

administering counterpart funds

(7) Matters of Special Interest to I.B.R.D.

(a) possible relations with I.B.R.D.

(b) parallel between institution and I.B.R.D.

*Dev. Corp.
H. of S.A. Mix.*

OFFICE MEMORANDUM

TO: J. H. Collier

FROM: Frank W. Fetter *FWF*

SUBJECT: Development Corporations in South Africa

DATE: 25 July 1950

If you can obtain information on the following points when you are in South Africa and send it back to me, preferably not later than the last week in August, so that I can incorporate the information in the report on Development Corporation in South Africa, I would appreciate it greatly.

1. What is the capital of ISCOR as of the most recent date?
2. Are there any private stockholders in ISCOR, and if so how many shares do they hold?
3. How many members are there on the Board of ISCOR, and how many of these members represent private stockholders?
4. The annual dividends paid by ISCOR in recent years, and if conveniently obtainable, the dividends paid each year since the establishment of the company.
5. Why did the Government not transfer "B" shares of ISCOR to the Industrial Development Corporation, as permitted by the law establishing the IDC?
6. Have any steps been taken by the Government to sell the "B" shares of ISCOR to the public?
7. Have any steps been taken by the Government to sell the "B" shares of the IDC to the public?

In the annual address of the Chairman of IDC in 1944 the following statement appears:

"You will see from the Balance Sheet that loans, advances, disbursements in respect of companies to be formed and stocks and shares in industrial undertakings amount to £ 1,100,146 2s. 7d. after allowing for the £ 50,000 placed to reserve. At the 30th June, 1944, the amount of money invested by private enterprise in the industries which the Corporation has assisted amounted to approximately £ 4,700,000. The Corporation has thus carried out its functions of financially assisting in the development of South Africa's industries by providing approximately twenty-three per cent of the capital required during the year under review."

Could you find out what this statement means? The last sentence taken alone appears to say that the investment that IDC made in the preceding fiscal year in private enterprises was 23% of the investment that private parties made in that same year in those same enterprises. Yet the two previous sentences, particularly when interpreted in the light of the balance sheet, indicate that the 23% figure refers to the relationship between the total outstanding investments of IDC as of June 30, 1944, and the total investments that

private parties had in these same corporations as of that date.

- (a) Could you find out from IDC what the 23% figure refers to?
- (b) Could you get as of a later date a comparable figure for the relationship between IDC's investments and the investments of private enterprises?

(I am particularly anxious to get figures on this point of the relationship between the IDC's investments and the investments of private capital in the same enterprises, because the policy of IDC appears to be to require that private parties put up a much larger percentage of the financing than is the case with the development corporations in Latin America, but I want to be sure of my facts before I make any statement in the report that I am preparing.)

I would appreciate it if you could send me the most recent available "DIRECTORS' REPORT AND ACCOUNTS" and address of the Chairman at the general meetings of shareholders, of the Industrial Development Corporation; the most recent available annual report of ISCOR; and the most recent available annual report of the Fisheries Development Corporation.

FWF:ie

FILE COPY

Devel. Corp.

Professor Frank W. Fetter

July 24, 1950

Leonard B. Rist

Country Notes on Development Corporations

1. I sincerely admire the amount of material you have been able to collect and digest. The papers make very interesting reading and they are exactly of the type and in the vein of what we had in mind - short factual descriptions, something about other similar institutions and first conclusions as to policies, effectiveness and future of the organizations from both financial and development point of view.

2. Since there must be suggestions, you may find the following points useful:

- a) Perhaps some of the notes could be slightly shortened;
 - b) Some references to books and publications (not to complete bibliography) of what is available in the Bank or in other Washington libraries;
 - c) Mention of the extent to which obligations of institutions cited are guaranteed by government, perhaps even text of relevant paragraph of law - or indication that implicit guarantee arises only from government ownership of institution;
 - d) I wonder whether your explanation of peculiar set-up in South Africa is not slightly implicit rather than explicit. It is really the type of development you would have in U.K. and France. I should surmise that both income per head and rate of investment are quite high in South Africa compared with under-developed countries and that both peasant stock and "shopkeeper nations" immigrants would be quite keen to go on their own in small enterprises. That, in addition, the "proletariat" catchwords have no influence on the white ruling class there.
3. Some unimportant remarks appear in pencil in margins;
4. Your repeated reference to the developmental role of "normal" banking activities might well justify a special little memo on the subject one day - if you have no time to deal with it before you leave us, don't fail to mention it in your "will" and to Rosenstein-Rodan.

Attachments

LBrist:am

July 24, 1950

Mr. F. De Neuter
General Manager
Institut National de Credit Agricole
56 Rue Joseph II
Brussels, Belgium

Dear Mr. De Neuter:

With reference to Mr. Black's letter of July 24
to you, I want to inform you that I will be in Brussels
between October 5 and October 10 and hope to come to
visit you to discuss the matter of long-term financing.

Anticipating the pleasure of meeting you,

Yours sincerely,

DC/mct

D. Crena de Iongh

Devel Corp.
W.B.

July 24, 1950

Dear Doctor Menichella:

In my letter of June 5 I had mentioned the proposed visit of our Treasurer to Italy, after his attendance at the Fifth Annual Meeting in Paris. At present, Mr. Crena de Iongh expects to be in Rome for one week commencing approximately September 16, and will contact you concerning his exact arrival date. I will greatly appreciate whatever assistance you can offer Mr. Crena de Iongh during his stay in Rome.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Doctor Donato Menichella
Governatore
Banca d'Italia
Rome, Italy

97

Dear Corp - W E.

July 24, 1950

Dear Mr. Vande Putte:

✓
Thank you very much for your letter of June 10, and the documents relating to the Societe Nationale de Credit a l'Industrie. The information you had forwarded is being examined by our staff and I am sure it will be of considerable value to our examination of selected European financial institutions.

8
Your offer to assist our Treasurer, Mr. Crena de Iongh, during his stay in Belgium was also appreciated. At present, Mr. Crena de Iongh expects to be in Brussels for approximately one week early in October, and will be contacting you concerning his exact date of arrival. I am grateful for whatever information you can provide at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Robert Vande Putte
President
Societe Nationale de Credit a l'Industrie
16 Boulevard de Waterloo
Brussels, Belgium

D Pollock/
DCrenadeIongh/mct
July 20, 1950

99

Klev. Corp.
W. E.

July 24, 1950

Dear Lord Trefgarne:

In my letter of June 5 I had mentioned the proposed visit of our Treasurer to England, after his attendance at the Fifth Annual Meeting in Paris. At present Mr. Crena de Iongh expects to be in London for one week commencing approximately October 11, and will be contacting you concerning his exact date of arrival. I will greatly appreciate whatever assistance you can offer Mr. Crena de Iongh at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

The Right Honorable
The Lord Trefgarne
Colonial Development Corporation
33 Dover Street
London W 1, England

DPollock/mct
July 20, 1950

101

Level. Corp.
W.E.

July 24, 1950

Dear Mr. De Guchteneere:

✓
Thank you very much for your letter of June 26, and the documents relating to the Caisse Generale d'Epargne et de Retraite. The information you had forwarded was very comprehensive and I am sure it will be of considerable value to our study of specialized financial institutions in Europe.

8
1
Your offer to assist our Treasurer, Mr. Crena de Iongh, during his stay in Belgium was also appreciated. At present Mr. Crena de Iongh expects to be in Brussels for approximately one week early in October, and will be contacting you concerning his exact date of arrival. I am grateful for whatever information you can provide at that time.

Sincerely yours,

(Signed) Eugene R. Black
Eugene R. Black

Mr. Andre De Guchteneere
General Manager
Caisse Generale d'Epargne et de Retraite
48 Rue du Fosse aux Loups
Brussels, Belgium

103

Devel. Corp.
W. G.

July 24, 1950

Dear Mr. De Neuter:

✓
Thank you very much for your letter of June 15, and the documents relating to the Institut National de Credit Agricole. The information which you had forwarded was very comprehensive and I am sure will be of considerable value to our study of financial institutions in Europe.

8
Your offer to assist our Treasurer during his stay in Belgium was also appreciated. Mr. Crena de Iongh hopes to spend a few days in Brussels early in October and, depending upon available time, will be looking forward to meeting you. If this should be possible, Mr. Crena de Iongh will contact you concerning his exact arrival date in Brussels.

Sincerely yours,

(Signed) Eugene R. Black
Eugene R. Black

Mr. F. De Neuter
General Manager
Institut National de Credit Agricole
56 Rue Joseph II
Brussels, Belgium

July 24, 1950

Dear Mr. Frere:

8

In my letter of June 5 I had mentioned the proposed visit of our Treasurer to Belgium, after his attendance at the Fifth Annual Meeting in Paris. At present, Mr. Crena de Iongh expects to be in Brussels for a few days, commencing approximately October 5, and will contact you concerning his exact arrival date. I will greatly appreciate whatever assistance you can offer Mr. Crena de Iongh during his stay in Belgium.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Maurice Frere
Gouverneur
Banque Nationale de Belgique
Brussels, Belgium

DPollock/mct
July 20, 1950

*Devil, Corp.
W. Europe*

July 24, 1950

Dear Doctor Borri:

✓ Thank you very much for your letters of June 16 and June 19, and subsequent information relating to the Istituto Mobiliare Italiano. The documents which you had forwarded were very comprehensive and will be of considerable value to our study of specialized financial institutions in Europe.

8 Your offer to meet and assist our Treasurer during his stay in Italy was also greatly appreciated. Mr. Crenade Longh hopes to be in Rome in the second half of September and will be contacting you as to the exact date of his arrival. I am very grateful for whatever assistance you may provide at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Doctor Silvio Borri
Managing Director
Istituto Mobiliare Italiano
Rome, Italy

Devel. Corp.
W. E.

July 24, 1950

Dear Dr. Holtrop:

8
In my letter of June 5 I had mentioned the proposed visit of our Treasurer to The Netherlands, after his attendance at the Fifth Annual Meeting in Paris. At present, Mr. Crena de Iongh expects to be in Holland for a few days commencing approximately October 2, and will be contacting you concerning his exact arrival date. I will greatly appreciate whatever assistance you can offer Mr. Crena de Iongh during his stay in The Netherlands.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Dr. W. W. Holtrop
President
Nederlandsche Bank
Amsterdam, The Netherlands

DPollock/mct
July 20, 1950

111

Dear Cogo - W. E.

July 24, 1950

Dear Mr. Cobbold:

In my letter of June 5 I had mentioned the proposed visit of our Treasurer to England, after his attendance at the Fifth Annual Meeting in Paris. At present, Mr. Crena de Iongh expects to be in London for one week commencing approximately October 11, and will be contacting you concerning his exact date of arrival. I will greatly appreciate whatever assistance you can offer Mr. Crena de Iongh at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. C. B. Cobbold
Governor
Bank of England
London, England

Devel. Corp.

Leonard B. Rist

21 July 1950

Frank W. Fetter

Preliminary Drafts on Development Corporations in
Chile, Venezuela, and the Union of South Africa

I am enclosing the preliminary drafts that I spoke to you about a couple of days ago, on Chile, Venezuela, and the Union of South Africa.

As I indicated to you, the figures are not complete in all cases, and a number of statements that I made will have to be revised in the light of new information that I am seeking. In view of the importance of the development corporations in these three countries, these reports are longer than I would expect reports would be for most countries.

After you have had an opportunity to glance through these, I would like to get your idea as to how well they fit in with your thoughts as to what the reports on the development corporations in individual countries should bring out.

enclosures
FWF:ie

W.E. Dev. Corp

July 20

Dear Mr. Charles:

✓
Thank you very much for your letter of June 24 and the documents relating to specialized financial institutions operating in the Belgian Congo. The information you had forwarded is being examined by our staff and I am sure it will be of considerable value for our study of this matter.

Your offer to assist our Treasurer during his stay in Belgium was also appreciated. Mr. Crenade Longh hopes to spend a few days in Brussels early in October and, depending upon available time, will be looking forward to meeting you. If this should be possible, Mr. Crenade Longh will contact you concerning his exact arrival date in Brussels.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Paul Charles
Banque du Congo Belge
14 Rue Theresienne
Brussels, Belgium

115

STAFF LOAN COMMITTEE

Copy No. 2

SLC/ M/172

~~CONFIDENTIAL~~

DECLASSIFIED

AUG 30 2011

WBG ARCHIVES

(This document is for the use of the President, Vice President and members of the Staff Loan Committee only. Its contents should not be communicated to other persons except in the course of duty.)

Minutes of Meeting of Staff Loan Committee Held at 10:00 a.m., Wednesday, July 19, 1950
in Room 1005

1. There were present:

Mr. E. R. Black
Mr. W. A. B. Iliff
Mr. D. Sommers
Mr. D. Crena de Iongh
Mr. L. B. Rist
Mr. O. H. Folk, Secretary

In attendance

Mr. R. H. Demuth
Mr. P. N. Rodan
Mr. J. H. Addler
Mr. H. N. Graves
Mr. A. Broches
Mr. B. B. King

2. The Committee discussed:

- (1) A Reply to Mr. Gordon Gray's July 10 letter;
- (2) The President's Speech at the Governors' Conference;
- (3) Western European Development Bank; and
- (4) SLC/O/234, General Counsel's July 12 Memorandum advocating that the Bank should be prepared, in appropriate cases, to inform a member government of the approximate amount of credit which the Bank would be willing to extend to it.

3. As regards Item (4) above, the Committee expressed itself as agreeing in principle with the General Counsel's proposal, and asked the Loan Director to set up a Working Party to examine the proposal in detail and to make recommendations as to the technique of putting it into effect.

4. The meeting adjourned at 11:45 a.m.

Distribution

- | | |
|--------------------------|------------------------|
| 1. Mr. Eugene Black | 9. Mr. A. S. G. Hoar |
| 2. Mr. R. L. Garner | 10. Mr. O. A. Schmidt |
| 3. Mr. W. A. B. Iliff | 11. Gen. R. A. Wheeler |
| 4. Mr. D. Sommers | 12. Mr. E. G. Burland |
| 5. Mr. D. Crena de Iongh | 13. Mr. H. Folk |
| 6. Mr. L. B. Rist | 14. Files |
| 7. Mr. L. B. Rist | |
| 8. Mr. R. H. Demuth | |

Dear Capt W. Hill,

July 12, 1950

Letter No. P/391 *✓*

Mr. Walter Hill
International Bank for
Reconstruction and Development
67 rue de Lille
Paris, France

Dear Walter:

We are making quite good progress with a preliminary study of the long-term finance institutions, but up to now we have not received a reply from Mr. Baumgartner. Maybe you could try to get action from Mr. Brunet.

8
We are also very much interested in the working of the institution that operates in the Colonies called "Fides", and as Mr. Baumgartner does not seem to have acted there, maybe you could also try to get some information on that subject -- the more so as the picture of Fides which we get from the papers is not very clear, but, on the other hand, seems to be rather promising in relation to the functions of long-term finance.

With best wishes,

Yours sincerely,

D. Crena de Iongh

DC/mvp

CROSS REFERENCE SHEET

COMMUNICATION: LETTER

DATED: JULY 10, 1950

TO: MR. B. K NEHRU

FROM: GEORGE W. BURGESS, LOAN OFFICER

SUMMARY: ENCLOSES TWO COPIES OF THE ACT TO ESTABLISH THE INDUS.
FINANCE CORP. OF INDIA

FILED UNDER: INDIA

CROSS REFERENCE: DEVEL. CORP.

FILE COPY

*Dev Corp.
✓ X Peru Mission*

Dr. Harold Larsen

July 3, 1950

Frank W. Fetter

Assistance in connection with Report on Development Organizations in Peru

I am hoping, in connection with the Report that I am preparing on development corporations, that I may get your assistance on your trip to Peru on the following points:

1. As soon as we have ready a draft report on developmental institutions in Peru I would like to send it to you for your comments and criticisms. In connection with that draft, it is likely that I would attach a brief memorandum indicating specific points on which I would like further information.
2. I am enclosing for your information a copy of the outline that I drew up for the guidance of myself and my associates, as to the type and information, both on structure and on operations, that we would look for in the case of the development corporations of any particular country. I should add that we do not expect to follow this outline too rigidly, as in the case of some countries there might be significant features of the development corporations not mentioned on in the outline, and in the case of other countries there may be no basis for a discussion of some of the points in the outline.
3. I am particularly interested in and would especially value any information that you could get as to the basic philosophy that seems to underlie the operation of the Peruvian development corporations, and the relations between the different developmental bodies in Peru.
4. I would appreciate it if you could give me a reference to -- and in the case of material not available here have your secretary make a copy of the relevant passages -- any discussions of the idea that economic development in Peru, and more particularly the establishment of a development corporation, will correct a deficit in the country's balance of payments. I have run across so many comments on this matter that seem to me are based on an uncritical analysis of the factors that determine the state of a country's balance of payments that I would like to assemble from as many countries as possible the views that are held on this matter.

Attachment

cc: LB Rist (2)
Files

FWFetter/js

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

WASHINGTON 25, D.C.

67 Rue de Lille

PARIS (7e)

AIR MAIL

June 28, 1950

Letter No. P/699/D

Mr. Robert L. Garner
International Bank for
Reconstruction and Development
1818 H Street N.W.
Washington 25 D.C., U.S.A.

Dear Mr. Garner,

The Bank of France asked me some time ago whether I could give a talk about the two new finance agencies set up in England in 1945 for the purpose of financing companies that are sound but for one reason or other cannot find adequate amounts of capital. These, as you remember, are the "Industrial and Commercial Finance Corporation" and the "Finance Corporation for Industry" which, incidentally, is taking a large hand in financing the Steel Company of Wales. As I felt that in my present position I could not very well give such a talk, I suggested that a friend, Mr. Roland Bird who knows the two institutions quite well, should do so. I could hardly refuse, however, to preside at the conference which took place last Monday, and gave me an opportunity to say a few words about the International Bank.

As Mr. Bird's paper may be of some interest to you and others--Mr. Crena de Iongh, I know, is at present looking into these finance agencies--I enclose a copy.

Best wishes,

Sincerely yours,

Walter

Walter Hill

Enclosure:- 1.

cc. Mr. William L. Ayers.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

WASHINGTON, D. C.
July 3, 1950

Dear Sir:

Very truly yours,

Enclosed for you are two copies of a report on the progress of the work of the International Bank for Reconstruction and Development during the first six months of 1950.

Sincerely yours,

The report is divided into two parts. The first part, which is the more important, contains a summary of the work of the Bank during the first six months of 1950. The second part contains a summary of the work of the Bank during the first six months of 1949. The report is divided into two parts. The first part, which is the more important, contains a summary of the work of the Bank during the first six months of 1950. The second part contains a summary of the work of the Bank during the first six months of 1949.

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

JUL 3 9 04 AM 1950

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date 7/17/50

T0-		Name	Room No.
1	Dr. Rosenstein-Rodan		316
	Mr. Rosen		
	Dr. Welk		
2	Dr. Basch		313
			320
3	Mr. Boehenski		320
	Mr. Torfs		310
	Rosen		316
4	Miss Cathala		306

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	ling		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

L. B. RIST

FROM-

OFFICE MEMORANDUM

TO: Leonard B. Rist

FROM: Frank W. Fetter

SUBJECT: Visit to United Nations Secretariat

DATE: 27 June 1950

I am enclosing a copy of the memorandum that I mentioned to you last night, which I had drawn up summarizing the principal things that I learned in my visit to the Economic Secretariat of the United Nations.

~~RR~~ ✓
Rosen
~~Wells~~
~~Basile~~ . ~~Bohmer~~
Tofs
return
to L. Rist

enclosure

Frank W. Fetter:ie

Visit to United Nations Secretariat June 22-23, 1950

I spent two days talking with economic officers in the Secretariat to find out what study might have been made in connection with the two volume report on "Economic Development in Selected Countries", of the functioning of developmental corporations as distinguished from a description of their structure. It was clear that almost nothing had been turned up by the authors of this two volume study on the functioning of such organizations, and I had an impression that there had been comparatively little interest in the operations, as compared with the structure. Mr. Adolfo Dorfman, who had been in charge of the study and with whom I spoke briefly, was conscious of this limitation of the study, but some of the junior officers did not seem fully aware of the fact that the operation was a much more important thing than the structure. In general, I got much more satisfactory and discriminating comments on development corporations from the people working on Africa and the Middle East, most of whom had had no direct association with the study on economic development, than from the people working on Latin America. The principal points brought out in the conversations are summarized below:

John Reedman - (Secretary of the Clapp Mission to the Middle East)

Plans of the Clapp Mission were almost entirely for agricultural development. This was primarily due to the fact that experts associated with the Mission had a background in agriculture, but apparently there was no strong sentiment expressed by nationals of the countries visited for an industrial development.

In the Union of South Africa the Social and Economic Planning Council was never intended to do much - it was set up as a political device by the Government to stall for time when the public was demanding that the Government do something after the war to handle present economic problems. The industrial development corporation in the Union has a political background; it was backed by the Dutch to encourage Dutch industrial development, and its aid has gone largely to small industry.

Charles Issawi - (Lebanese)

In Turkey private industry has been smothered by tax policy. Issawi has the impression that private industry could do a great deal to develop Turkey, if it were given a chance. In Lebanon there is strong popular opposition to Government management of industry. In Egypt there are a number of light industries in which both foreign capital and wealthy Egyptians have played a part. There is no strong local support for industrial development in Iran and Iraq. The great desire and the great need is for the development of agriculture.

Albert Dollinger --(Frenchman)

Does not know of any development corporations in the Middle East, except in Turkey and, possibly, in Israel. Gave me the impression that in the Middle East there has been more talk than planning and more planning than execution in the field of economic development.

correct

A recent report from Iran is that one half of the funds going to the "Seven Year Plan" have been used to cover operating deficits of already established government enterprises.

Morris Seigel - (An American Anthropologist)

Had not been connected with the study of "Economic Development in Selected Countries", but made a number of excellent suggestions in regard to sources of development programs in Africa:

1. Look through Hansard Debates for information on activities of BCDC.
2. Files of London Economist.
3. East African Agriculture - Edited by J. K. Matheson and E. W. Bovill, Oxford University Press 1950.
4. Union of South Africa - Board of Trade and Industries Report No. 282, "Investigation into Manufacturing Industries in the Union of South Africa, 1945", and Board of Trade and Industries Report No. 286, "Steel, 1946".
5. Annual reports of Fisheries Development Corporation of South Africa Limited.
6. Annual reports of Industrial Development Corporation of South Africa Limited.
7. South African Journal of Economics.
8. Recent files of Marches Coloniaux Du Monde of Paris.

Robin Miller - (Englishman with Trusteeship)

Only contact with development corporations has been with Cameron's Development Corporation. Gave me most recent annual report.

Carlos Dabezies - (Argentine)

Marco Pollner - (Latin American National)

A talk with these men did not add anything to what is already available in published sources.

Miss Esther Mishkin - (Worked on New Zealand and Philippines for Economic Development report of U.N.)

Manuel Perez-Guerrero - (Former Minister of Finance of Venezuela)

Highlights in the activities of the Venezuelan Fomento are:

1. Support of local cement mill.
2. Development of local food processing industries, with emphasis on supplying food for local consumption to reduce imports.

3. The improvement of local cattle.
4. Aiding Cubans to set up a sugar refinery.
5. Taking over the milk industry in Caracas.

The oil companies are putting some of their funds on a voluntary basis into IBEC. Venezuela Fomento is also putting some of its funds into IBEC and is endeavoring - with little success to date - to have local, private capital go into IBEC.

Frank W. Fetter
26 June 1950

Dev. Corporations
✓ x Venezuela ?

26 June 1950

Dear Mr. Perez-Guerrero:

I want to thank you for your courtesy to me when I was at Lake Success last Friday, and for the time that you took to give me a picture of the operations of the Venezuelan Development Corporation. Your comments were most helpful to me. I appreciated your giving me the name and address of Mr. Alejandro Oropesa, and I plan to get in touch with him in the near future.

You spoke of the possibility of your being in Washington sometime later this summer after you return from Europe. If you are here and would have any free time, I would appreciate it greatly if you would let me know as I would like very much to have a further talk with you in regard to economic development in Venezuela.

Sincerely yours,

Frank W. Fetter
Consultant

Mr. Manuelo Perez-Guerrero
Executive Secretary of the Technical
Assistance Board
United Nations
Lake Success, N. Y.

Frank W. Fetter:ie
26 June 1950
c.c. Registry



Brussels, 26th June 1950.

MS./SV. - 283

Dear Sir,

ack July 24

Mr. DE GUCHTENEERE, Director General of the " Caisse Générale d'Epargne et de Retraite ", handed to me your letter of the 5th inst. you sent him; he instructed me to give you his best thanks and to inform you that he will be delighted to receive Mr. Crena de Iongh, Treasurer of the International Bank for Reconstruction and Development, when visiting Europe.

Under separate cover, will be addressed to you:

- a) a copy of the Report of the " Caisse Générale d'Epargne et de Retraite " for the year 1948; that for the year 1949 being just now in the press, will be sent to you as soon as printed;
- b) a summary in English of the report for 1948;
- c) a copy of the booklet " La Caisse Générale d'Epargne et de Retraite et ses différents services ".

I hope that these documents will enable you to get a complete view of the activities of the " Caisse Générale d'Epargne et de Retraite " of Belgium, concerning the investments made in order to promote the social and economic progress of the country.

Entirely at your service, to help you with further information,

I am, Dear Sir,

Yours faithfully,

Secretary General,

Mr. Eugene R. BLACK,
President of the International Bank
for Reconstruction and Development

WASHINGTON 25 D.C.

H. Dewevre
H. DEWEVRE.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JUL 10 9 02 AM 1950

FROM - 1. Office of the President

2. Office of the Vice President

Date

6/26

TO-		Name	Room No.
1		Mr. Conrad Jough	1201
2		Mr Pollock E. Allen	
3			
4			

FOR-		
	Action	Initialing
	Approval	Preparing Reply
	Comment	Previous Papers
	Filing	Noting and Returning
	Full Report	Recommendation
	Information	Signature

REMARKS



BANQUE DU CONGO BELGE

SOCIÉTÉ ANONYME

BRUXELLES, LE June 24, 1950.

14-16, RUE THÉRÉSIENNE

/HA.

Dear Mr. Black ,

15769

In your letter of June 5, 1950, you have requested information on the specialized financial institutions for the development of the Belgian Congo .

The first organization of this kind which has been established is the Société de Crédit au Colonat founded in 1947 by the initiative and with the active collaboration of the Congo Government .

As you will gather from the enclosed statutes of incorporation, the main object of this Institution is to give financial assistance to new settlers and small private enterprises and to foster their establishment in our overseas territories. The report for the first year which you will find attached, gives a detailed account of the nature and the scope of its activity .

A somewhat similar institution, promoted in 1947 by the Comité Special du Katanga, is the Société de Colonisation Belge au Katanga .

The statutes and last Report of this Company are also enclosed.

These two organizations so far are the only ones of their kind. They fulfill a very useful task, but I feel it is still too early to give a definitive appreciation of their activity and their success in promoting economic progress in the Congo .

You have no doubt heard of the Ten Year Plan which was issued last year by our Colonial Minister .

This Plan gives an extensive survey of the development which the authorities propose to give to the Belgian Congo during the coming ten years, both by official and private enterprise . The total investment is estimated at 50 billion francs - 1 billion dollars - of which roughly one half each is to be contributed by the Government and by private capital.

However

Mr. Eugene R. BLACK ,
President
International Bank for Reconstruction
and Development ,
WASHINGTON 25, D.C. .

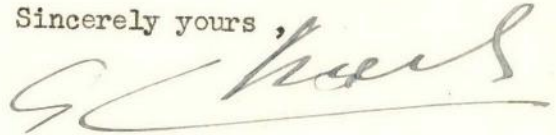
121

However it does not provide for the establishment of any special financial institution.

If this Plan is not already in your possession, I would be very pleased to send you a copy .

Should Mr. Crena de Iongh, Treasurer of your Bank, visit Brussels, I would be very happy to meet him and to assist him in obtaining any further information he may require on this subject .

Sincerely yours ,



P. Charles .

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JUN 28 8 34 AM 1950

Develop: Prof.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date _____

TO-	Name	Room No.
1	<i>Mr. Rist</i>	<i>17</i>
2		
3		
4		

FOR-		
	Action	Initialing
	Approval	Preparing Reply
	Comment	Previous Papers
	Filing	Noting and Returning
	Full Report	Recommendation
	Information	Signature

REMARKS

I, too, believe this is a well-conceived outline. I appreciate your letting me see it. Payuier has seen it, too.

FROM- *Albert Waterston*

OFFICE MEMORANDUM

TO: Leonard B. Rist

FROM: Frank W. Fetter *gwf*

SUBJECT:

DATE: 21 June 1950

I am enclosing a copy of the revised outline of my report on development corporations.

I thought you might be interested in the enclosed reprint of a paper that I gave in 1947 at the American Economic Association meeting on the history of the public debt in Latin America, particularly the discussion starting on the bottom of Page 47 and running to the end of the first paragraph of Page 149, relating to developmental loans. You are welcome to keep the reprint if you wish.

enclosures 2

Frank W. Fetter:ie
21 June 1950

Outline of Report on Development Corporations

A study of development corporations should fall in two main parts; an account of the organization and operating experience of individual development corporations; and a more general discussion based upon the observation of individual corporations of the role of the development corporation, of the successes and failures of such corporations, of the lessons that can be drawn from the history of these corporations, and the conclusions that this history seems to warrant as to the future policy of the International Bank toward loans to such corporations.

I.

The Record of Individual Corporations

For each individual corporation there should be a brief statement of its origin and its formal administrative setup; a study of its operations; and an indication of the general philosophy that lies back of it and the lessons that can be drawn from its operations. From the reports of the United Nations, and from other sources, a large amount of information is at hand on the formal organization of development corporations. This information should be used in a report, but the emphasis in the report should be on the operation of the corporations and on their results rather than on the provisions of law or the formal administrative setup.

(There should be flexibility in the treatment of each institution, but in most cases the material under A should be in tabular form; the material under B in textual form, with appropriate subheadings to facilitate easy reading.)

A. Information on Organization

1. Name of organization and date of its creation, with a reference to the relevant statutes or administrative orders.

2. Governing body including number of members, method of appointment, and responsibilities.

3. Announced objectives:

- (a) Planning of economic development,
- (b) Financing of economic development,
- (c) Reducing or eliminating foreign economic control,
- (d) Emphasizing particular types of economic development.

4. Authorized activities, including statement as to authority to make loans, to participate in equity financing, and to engage directly in production.

5. Sources of funds, including dedicated taxes, appropriations, and borrowing.

B. Operation of Individual Development Corporations

1. Factual statement of its operations to date, with emphasis on the distribution of its activities between lending, equity investment, and direct production, and between various fields of economic activity such as generation of electricity, agriculture, or industry.

2. General philosophy of its operations:

- (a) Making good a deficiency of private saving,
- (b) Active promotion in supplying an entrepreneurship that is lacking,
- (c) Carrying thru projects that are considered too large to be handled by private capital, such as a steel plant or a hydroelectric plant,
- (d) Securing a sufficient scale of operations to make profitable a group of projects, where individual projects might not be profitable,
- (e) Coordinating the various aspects of economic development,
- (f) Type of economic development that has been considered most essential.

3. Relation, if any, of its operations to a central planning agency.

4. Relation, if any, of its operations to those of other developmental corporations in the country.
5. Sources to date of its financing.
6. General conclusions as to its record:
 - i. Financial, including a judgment, if the facts warrant a judgment, as to the relative success of the three principal methods of giving financial aid: loans, equity financing, or direct production.
 - ii. The relation of investment corporation financing to total investment in the country, insofar as information is available. (Suggested points of coverage are indicated on a separate sheet.)
 - iii. Production.
 - iv. Political, insofar as conclusions can reasonably be drawn.
7. Connection, if any, of its operations with tariff policy or other import control policy.
8. Influence, if any, of downward trend in United States tariffs upon the attitude of the development corporation as to the lines of domestic activity that should receive priority in its program.
9. Influence, if any, since 1945 of the continued high price of food-stuffs and raw materials upon the attitude of the corporation toward the most desirable lines of domestic economic development.
10. Any discernible trends in the activities or philosophy of the corporation.
11. Any conclusions of value to the Bank to be drawn from the experience of the corporation.

II.

The Background of Organized Economic Development Activities in Underdeveloped Countries

1. Strong and vocal desire in underdeveloped countries to raise living standards.

2. Larger setting of this problem. Not a new thing, but the growth has been recently stimulated by:

- i. An increase of the power and functions of government.
- ii. Growth in literacy and communication, making people in low income countries more conscious of the difference between their economic situation and that in the more advanced countries.
- iii. The growing political significance, both domestic and international, of areas of poverty.

3. Precedents for the development corporation in the early history of the United States.

- i. Government sponsored and financed highways, canals, and railroads in the 1820's and 1830's.
- ii. Increase in tariffs to foster industrial development.
- iii. Agriculture banks of the Southern states financed largely by foreign borrowing.
- iv. Government guarantee of railroad boards and the distribution of public land to railroad companies.

4. Precedents for development corporations in Latin America and the Middle East.

- i. Limited public desire for economic development as long as agriculture was largely associated with a semi-feudal society, and foreign capital financed railroads.
- ii. Counterparts of development corporation in Latin America in 1930's;

(a) Cajas de Credito

(b) Authorization for central banks to make long-term loans for economic development.

5. Great growth of formal development corporations after 1930.

- i. Association of this with the great depression, and particularly

with the deterioration in the terms of trade of agriculture and raw material producing countries and the consequent belief that the industrialization insured an increase in real income.

- ii. Explanation of the fact that formal development corporations were not established in some countries, e.g. Brazil. (This point needs further study.)

III.

The Experience of the Development Corporations

- i. Reasons for setting up the development corporations in particular countries; e.g. cutting off of foreign loans, low prices of agricultural exports, loss of foreign markets for agricultural or mineral products, as in the case of Chile.
- ii. The characteristic administrative arrangements of development corporations.
- iii. The basic objectives of development corporations.
- iv. Relation of development corporations to planning boards.
- v. The sources of financing.
- vi. The financial experience of development corporations.
- vii. The production results of development corporations.
- viii. The significance of development corporation financing in relation to total investment.
- ix. Public opinion toward the achievements of development corporations within the countries where they have operated.
- x. Experience of the Export-Import Bank with development corporations.
- xi. Experience of the International Bank with development corporations.

IV.

Recommendations as to the Policy of the International Bank
Toward Lending Operations with Development Corporations

1. Desirability of loans to development corporations as compared with loans to government.
2. Financial provisions in loans to development corporations.
3. Type of development corporation activity most suitable for Bank financing.
4. Attitude of the Bank toward the administrative setup of development corporations.

Frank W. Fetter
20 June 1950

The Relation of Investment Corporation Financing to Total
Investment in Individual Countries

1. How much of the total foreign investment has gone, in recent years, through development corporations? If possible, this should be shown on a year-to-year basis.
2. How much total investment (both foreign and domestic) has gone through development corporations? If possible, this should be shown on a year-to-year basis.
3. How much of the investment made by the development corporations represents foreign capital? Foreign capital should be shown as a percentage of the total investment of the development corporation. If possible, figures should be shown on a year-to-year basis.

Frank W. Fetter
20 June 1950

JUN 26 REC'D

Mod. IMI 115

ISTITUTO MOBILIARE ITALIANO

COSTITUITO CON R. D. LEGGE 13 NOVEMBRE 1931 N. 1298, CONVERTITO IN LEGGE 15 DICEMBRE 1932 N. 1581

Telegrammi: MOBILITAL

Tel. 684741

Roma, 6 June 19, 1950

271, VIA DEL CORSO

No

(DA CITARE NELLA RISPOSTA)

Dear Mr. Black;

Confirming mine of 16th inst. I am enclosing the documents I promised, to wit:

- (1) a descriptive pamphlet containing particulars of the establishment of I.M.I., its organs and functions;
- (2) the articles of association of I.M.I. still in force; the text of the Royal Decree 25.XI.1940, N° 1955, relating to the transfer to I.M.I. of the liquidated Naval Credit Institute. Also the Royal Decree Law of 2.VI.1946, N° 491, containing some amendments to the previous rules relating to the appointment of the President, the Directors, and the Auditors, to the composition of the several Committees, and to the operations of the Institute.

I can state right now that the Italian authorities are studying measures for enlarging our field of action and facilitating and extending our work;

- (3) the list of contributors to the capital of the Institute, and the members of the Board of Directors and of the several Committees;

- (4) the reports on the balance-sheet for the business years 1947-1948, 1948-1949 and the balance-sheet and statement of accounts for the business year which closed on March 31, 1950 (the annual general meeting will be held in a few days time and I shall see that the final text of the report is mailed you). I am also sending you a statement showing the activities of the several operations. You will see from this documentation

Esente da l'essa di Registro e di Bollo - art. 8 R. D. L. 9. 3 novembre 1931, N. 1386

ack. July 24

Seguito della lettera del..... diretta a:

that the global amount of the business transacted by the Institute, directly or on account of third parties, accounts for a truly notable quota of all the investments made by the national credit system. The I.M.I. investments are extended to all branches of activity but more especially to key industries and public services (electric power, telecommunications, shipping, etc.);

(5) an explanatory note on the practical working of the Institute. I should like to call your attention to the simplicity and elasticity of our organisation which makes use of the branch banks of the Banca d'Italia and of our agencies opened in Milan, Turin, Venice, Florence, and one new being organized in Genoa, that is to say in the centres of the regions of most importance for the industrial life of our country.

Replying to the wish you express to know my opinion on the work of I.M.I. in procuring investments and promoting economic progress, I can say that the working of the Export Import Bank and E.R.P. have shown the possibility and utility of loans to Italian industry when financial aid is given with due care and caution. Italian industry is now engaged in carrying out a vast plan for bringing its equipment up to date, so as to meet the needs of the international competitive market; in this connection I consider that it would be extremely profitable to secure loans or other forms of investment, the use of which should not be restricted - as are the Export Import Bank and E.R.P. loans - to the purchase of machinery or materials in the U.S.A.

ISTITUTO MOBILIARE ITALIANO
ROMA

Seguito della lettera del..... diretta a:

.....

I can also say that the increased activity secured by some of the concerns thanks to the Export Import Bank and E.R.P. loans has attained truly conspicuous figures. In some cases output has risen by as much as 30-50 per cent, with a corresponding reduction of costs.

I am forwarding this brief note together with the annexed material so that you and the officers of your Bank may examine them and let me know the points on which you would like further information, which I shall hasten to supply with all possible details.

4 I shall therefore await the favor of a reply while renewing the assurance that Mr. Crena de Jongh, when in Italy, will be extended a hearty welcome and will be given all possible assistance.

Sincerely yours,


Silvio Borri

Mr. EUGENE BLACK
President of the International Bank
of Reconstruction and Development
WASHINGTON 25, D.C.

Page N. 3

ISTITUTO MOBILIARE ITALIANO

ROMA

Spazio della lettera del

I can also say that the increased activity secured by some of the concerns thanks to the Export Import Bank and E.R.P. loans has attained truly conspicuous figures. In some cases output has risen by as much as 30-50 per cent, with a corresponding reduction of costs.

I am forwarding this brief note together with the annexed material so that you and the officers of your Bank may examine them and let me know the points on which you would like further information, which I shall hasten to supply with all possible details.

I shall therefore await the favor of a reply while retaining the assurance that Mr. Crema de Jongh, when in Italy, will be extended a hearty welcome and will be given all possible assistance.

Sincerely yours,


Silvio Bortolotti

Mr. EUGENE BLACK
President of the International Bank
of Reconstruction and Development
WASHINGTON 25, D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
JUN 26 4 10 PM 1950

FROM - 1. Office of the President

2. Office of the Vice President

Date

6-16

TO-

Name

Room No.

1

Mr. ~~Paken~~

316

2

3

4

FOR-

Action

Initialing

Approval

Preparing Reply

Comment

Previous Papers

Filing

Noting and Returning

Full Report

Recommendation

Information

Signature

REMARKS

~~For your information —
 sent not to start a continuing
 damage of memos — at
 least through me!~~

RLD

FROM - 1. Office of the President ✓

2. Office of the Vice President

Date

6/19

TO-	Name	Room No.
1	Mr. Crena de Lough	1201
2	Mr. Pollock. (cc. dep.).	
3		
4		

FOR-

Action	Initialing
Approval	Preparing Reply
Comment	Previous Papers
Filing	Noting and Returning
Full Report	Recommendation
Information	Signature

REMARKS

2107

- FROM - 1. Office of the President ✓

2. Office of the Vice President

Date 6/20

TO-		Name	Room No.
1		Mr. Crena de Lough	1201
2		Mr. Pollock Econ. dep.	
3			
4			

FOR-		
	Action	Initialing
	Approval	Preparing Reply
	Comment	Previous Papers
	Filing	Noting and Returning
	Full Report	Recommendation
	Information	Signature

REMARKS

f.

OFFICE MEMORANDUM

TO: Mr. Richard H. Demuth

DATE: June 16, 1950

FROM: Benjamin B. King *BBK*

SUBJECT:

"Proposed for Equity financing" - (Dev Corp) (W. Europe)

1. I have read Mr. Rosen's memorandum of June 15th regarding the paper on an International Development Corporation and would like to offer the following remarks on his comments.

2. The memorandum states that anticipated profits will be higher than interest rates and consequently (sic) transfers (i.e. actual profits) must be higher. This is a logical non sequitur.

3. Assuming that actual profits on average are higher than interest rates this is:

- a) admitted to be possible in the paper
- b) not the point discussed in the paper which merely states that "the burden of transfers under equity financing tends to be heaviest when it can most easily be borne and lightest when the difficulties are greatest" (i.e. the point is one of timing)

4. The point, which the paper does not make but which the memorandum seems to be attacking is worth discussing since by its omission the case for equity financing is understated. It is that the net foreign exchange receipts from equity financing may be expected to be higher than the net foreign exchange receipts from debt financing.

5. Take first the simpler case of an export industry financed by foreign equity capital. Transferable profits equal exports less wages, taxes, inland freight etc. Net foreign exchange receipts must be positive. Even setting against this the same industry run with the same efficiency but financed by debt, ~~this~~ *the same* is not necessarily true, particularly during the initial period of development.

6. In any event, the comparison just made is a most improbable one in practice. The more likely ones, the ones discussed in the paper, are:

either a) between two different enterprises one of the public works type financed by debt and the other an industry financed by foreign equity capital

or b) ^{and} an industry financed by debt run by local management and the same industry financed by foreign equity capital and run by foreign and superior management.

7. In these comparisons, there seems no a priori reason to suppose that the net foreign exchange receipts from the foreign managed enterprise will be less than those of the locally managed one. There is a strong presumption to the contrary. If Iran or Venezuela had run their own oil industries, would they be earning as much foreign exchange (net) as they are today? Do the examples of Mexico and Colombia encourage an answer in the

affirmative? The idea that foreign management is likely to be much more efficient than local management in an underdeveloped country may be unpopular, but it is not thereby refuted.

8. So far export industries have been discussed. The case of "import" industries is neither so simple nor so strong and the tone of the paper admits this. However, a large number of foreign manufacturing industries develop directly out of the import trade and thereby save imports (e.g. automobiles, rubber, soap). Here the equation is profits equal imports saved less wages, taxes, inland freight etc. and the same argument in general applies.

9. However it must be admitted that such an industry might:

- a) save a soft currency but involve transfer of a hard one
- b) be placed in a semi-monopolistic position by import controls and consequently earn very large profits. A country allowing these extraordinary advantages without introducing compensating taxation would have only itself to blame.

10. The memorandum argues that profits of a manufacturing enterprise do not vary with world trade. The paper does not say this nor does it carry this implication. It refers to "movements in trade and net receipts of foreign exchange". This clearly refers to the trade of the country itself, if only because the term "net foreign exchange receipts" is meaningless on a world basis.

11. It would seem reasonable to suppose that the activities of manufacturing industries in, say, El Salvador, would, ceteris paribus, correspond in some way with the value of trade in coffee and hence the income accruing to coffee producers.

12. Yet another factor to be considered is risk. Not all enterprises, public or private, will be successful. Some will be flops. The debt-financed flop leaves a debt behind; the equity-financed flop doesn't. It might be argued that it would be worthwhile for an underdeveloped country to pay a premium for shifting the burden of risk, even if there were no other advantages.

13. The point about credit standing is somewhat distorted by pre-supposing the existence of a guarantee. Is it not the case that in many underdeveloped countries profits up to X per cent are put in one category of transfers and the excess in lower categories? If this is so, the government only guarantees certain *pari passu* treatment of profits, not transfer absolutely. Even when there is an absolute guarantee, it is highly questionable whether failure to make such a transfer could be regarded as seriously as a debt default.

JUN 20 REC'D

Mod. IMI 113

ISTITUTO MOBILIARE ITALIANO

COSTITUITO CON R. D. LEGGE 13 NOVEMBRE 1931 N. 1298, CONVERTITO IN LEGGE 15 DICEMBRE 1932 N. 1581

Telegrammi: MOBILITAL

Tel. 684741

No

(DA CITARE NELLA RISPOSTA)

Roma, li June 16, 1950
271, VIA DEL CORSO

Dear Mr. Black,

I am replying with some delay to your kind letter of June, 5, for a business trip kept me out of Rome for some days. I gave instructions for selecting some literature concerning the organization, management and functions of I.M.I. and in a very few days I will send them to you. In the meantime I wish to tell you how pleased I am for your interest about I.M.I. and how glad I will be to meet Mr. Crena de Jongh and to give him every assistance in my power.

Sincerely yours,

Silvio Borri

Mr. EUGENE BLACK
President of the International Bank
for Reconstruction and Development
WASHINGTON 25, D.C.

ack July 24

ISTITUTO MOBILIARE ITALIANO

COSTITUITO CON R. D. LEGGE 13 NOVEMBRE 1931 N. 1298, CONVERTITO IN LEGGE 12 DICEMBRE 1932 N. 1281

321, VIA DEL CORSO
Roma, 6 June 16, 1950

ISTITUTO MOBILIARE

16.02.50

(DA CITARE NELLA RISPOSTA)

RECEIVED JUN 20 8 32 AM 1950

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JUN 20 8 32 AM 1950

Dear Mr. Black,

I am replying with some delay to your kind letter of June 5, for a business trip kept me out of Rome for some days. I gave instructions for selecting some literature concerning the organization, management and functions of I.M.I. and in a very few days I will send them to you. In the meantime I wish to tell you how pleased I am for your interest about I.M.I. and how glad I will be to meet Mr. Greens de Jongh and to give him every assistance in my power.

Sincerely yours,

Silvio Borri

MR. EUGENE BLACK
President of the International Bank
for Reconstruction and Development
WASHINGTON 25, D.C.

JUN 19 REC'D

INSTITUT NATIONAL DE CRÉDIT AGRICOLE

RUE JOSEPH II. 56

BRUXELLES

F. DE NEUTER
DIRECTEUR GÉNÉRAL

Brussels, June 15th, 1950.

Dear Sir,

I wish to acknowledge receipt of your letter of June 5th whereby you ask for information about the Institut National de Crédit Agricole. Needless to say that I shall be very pleased to aid you in the fulfilment of your task.

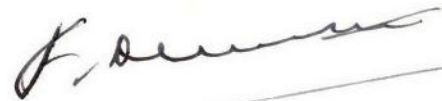
Per same mail, I am sending you the Statute of the Institut National de Crédit Agricole, our General Conditions and the yearly statements of the Board of our Institute since the end of the war.

As to the work fulfilled by us, I could n't do better than to give you a copy of my report on the development of the agricultural credit in Belgium which I presented lately before the Congress held by the C.I.C.A. (Confédération Internationale du Crédit Agricole) at Zurich last May. I think it would be interesting for you to contact the General Secretary of the C.I.C.A. Mr. Fr. Angelini, 24, Beethovenstrasse, Zurich.

I shall be honoured to receive the visit of Mr. Crena de Iongh, your Treasurer, and to give him all required informations. Would you be kind enough to inform me in time of the arrival in Belgium of Mr. Crena de Iongh.

With thanks,

Sincerely yours,



ack. July 24

Mr. Eugene R. BLACK,
President of the International Bank
for Reconstruction and Development,
Washington 25.D.C.

131

JUN 19 1950

INSTITUT NATIONAL DE CRÉDIT AGRICOLE

BRUXELLES

E. DE NEUTER
DIRECTEUR GÉNÉRAL

Bruxelles, June 15th, 1950.

Dear Sir,

I wish to acknowledge receipt of your letter of June 7th whereby you ask for information about the Institut National de Crédit Agricole. I am pleased to say that I shall be very pleased to aid you in the fulfillment of your task.

For some time, I am sending you the Bulletin of the Institut National de Crédit Agricole, our General Conditions and the yearly statements of the Board of our Institute since the end of the war.

As to the work entitled by me, I could not do better than to give you a copy of my report on the development of the agricultural credit in Belgium which I presented lately before the Congress held by the C.I.A. (Confédération Internationale du Crédit Agricole) at Zurich last July. I think it would be interesting for you to consult the Secretary of the C.I.A., Mr. R. Angelini, at Posthoven-
J. De Neuter, Director General.

I shall be honoured to receive the visit of Mr. Eugene de Lathauwer, your Treasurer, and to give him all required information. Would you be kind enough to inform us in time of his arrival in Belgium of Mr. Eugene de Lathauwer.

With thanks,

Sincerely yours,



Mr. Eugene de Lathauwer,
President of the International Bank
for Reconstruction and Development,
Washington D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

JUN 19 1 45 PM 1950

FROM - 1. Office of the President

2. Office of the Vice President

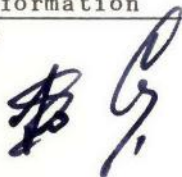
Date 6-14-50

TO-	Name	Room No.
1	Mr. Creva de Jough	1208
2	Mr. Pollock	
3	Economic department	
4		

FOR-

Action	Initialing
Approval	Preparing Reply
Comment	Previous Papers
Filing	Noting and Returning
Full Report	Recommendation
Information	Signature

REMARKS



JUN 14 REC'D

Mister Black

NATIONAL SOCIETY OF CREDIT
TO INDUSTRY
The President

Brussels, 10 June 1950.

Dear Mister President,

I have just received your letter of June 5.

Needless ~~is~~ to say that I take pleasure in informing you as thoroughly as possible on the subject of the activity of the National Society of Credit to Industry.

Under separate cover I am sending you a copy of our regulations and of our last annual balance.

You will see that our credits amount, at present, to 7 billion francs and that moreover we have opened credits as yet unused up to nearly 2 billions. Taking into account the importance of our country, you will understand immediately all the significance that such a volume of long-term credits has for the development of industrial investments.

Our advances are generally reimbursed in 10 years, sometimes in 15 years, with the result that the funds which become available through these reimbursements can, each time, be reinvested in other profitable enterprises.

The granting of long-term credits, however, runs into very real difficulties, for instance as regards guarantees.

I am very willing to inform the Treasurer of your Bank, Mr. de Iongh, of what we are doing, when he calls on me.

The National Society of Credit to Industry has existed for 30 years. It was founded immediately after the First World War. I

believe it was one of the very first institutions created for long-term industrial financing.

I am, dear Mr. President, very sincerely yours,

R. VANDEPUTTE



LE PRÉSIDENT

BRUXELLES, le 10 juin 1950.

Cher Monsieur le Président,

Je reçois à l'instant votre lettre du
5 juin.

Il va de soi que je me fais un plaisir
de vous documenter aussi largement que possible au sujet
de l'activité de la Société Nationale de Crédit à l'In-
dustrie.

Sous pli séparé, je vous adresse un exem-
plaire de nos statuts et de notre dernier bilan annuel.

Vous constaterez que l'encours de nos
crédits s'élève, à l'heure actuelle, à environ 7 mil-
liards de francs et que nous avons, de plus, ouvert des
crédits non encore utilisés à concurrence de près de
2 milliards. Tenant compte de l'importance de notre pays,
vous comprendrez immédiatement toute la signification
que peut avoir un tel volume de crédits à long terme
pour le développement des investissements industriels.

Nos avances se remboursent généralement en
10 ans, parfois en 15 ans, d'où il résulte que les fonds
devenant disponibles par ces remboursements peuvent, à
chaque fois, être réinvestis en faveur d'autres entre-
prises qui nous exposent des programmes intéressants.

../..

Monsieur Eugene R. BLACK,
Président de
1. INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT,

WASHINGTON 25.D.C.

JUN 13 8 42 AM 1950

....

L'octroi de crédits à long terme se heurte cependant à de très réelles difficultés, par exemple en matière de garanties.

C'est très volontiers que je mettrai le Trésorier de votre Banque, Mr de Longh, au courant des expériences que nous faisons, lorsqu'il me fera visite comme vous me l'annoncez.

La Société Nationale de Crédit à l'Industrie existe depuis 30 ans. Elle a été fondée immédiatement après la première guerre mondiale. Elle fut, je pense, l'une des toutes premières institutions créées pour le financement à long terme de l'industrie.

Veuillez croire, cher Monsieur le Président, à l'assurance de mes bons sentiments.

R. Van de Putte

R. VANDEPUTTE

FILE COPY

June 5, 1950

Dear Mr. Basyn:

I am writing at the suggestion of Mr. Maurice Frere, in order to obtain information dealing with various aspects of the Caisse Nationale de Credit Professionnel. The I.B.R.D. has been following with interest the activities of specialized organizations which were founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We are sure the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be visiting some of the European organizations in question this year, after his attendance at the Fifth Annual Meeting in Paris, in order to become personally acquainted with their operations. I will be writing Mr. Frere of Mr. Crena de Iongh's exact arrival date in Belgium, but prior to this visit I would appreciate receiving any information you may have concerning the organization, management, and functions of the Caisse Nationale de Credit Professionnel. In addition, I would be very pleased to have any comments which you might be prepared to give me in this connection, including your views as to how successful it has been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Jacques Basyn
President
Caisse Nationale de Credit Professionnel
135 Rue Joseph II
Brussels, Belgium

DHPollock:dbb

436

FILE COPY

June 5, 1950

Dear Mr. Charles:

I am writing at the suggestion of Mr. Maurice Frere, in order to obtain information on any specialized financial institutions which may be operating in the Belgian Congo. The I.B.R.D. has been following with interest the activities of organizations which were founded in a number of countries to promote the development of both their metropolitan and overseas territories, by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be visiting some of the European organizations in question this year, after his attendance at the Fifth Annual Meeting in Paris, in order to become personally acquainted with their operations. I will be writing Mr. Frere of Mr. Crena de Iongh's exact arrival date in Belgium, but prior to this visit I would appreciate receiving any information you may have concerning the organization, management and functions of similar institutions working in the Belgian Congo. In addition, I would be very pleased to have any comments which you might be prepared to give me in this connection, including your views as to how successful such institutions have been in promoting investment and economic progress in the Congo.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Paul Charles, Governor
Banque du Congo Belge
14 Rue Theresienne
Brussels, Belgium

DHPollock:dbs

137

FILE COPY

June 5, 1950

Dear Mr. De Guchteneere:

I am writing at the suggestion of Mr. Maurice Frere, in order to obtain information dealing with various aspects of the Caisse Generale d'Epargne et de Retraite. The I.B.R.D. has been following with interest the activities of specialized organizations which were founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We are sure the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be visiting some of the European organizations in question this year, after his attendance at the Fifth Annual Meeting in Paris, in order to become personally acquainted with their operations. I will be writing Mr. Frere of Mr. Crena de Iongh's exact arrival date in Belgium, but prior to this visit I would appreciate receiving any information you may have concerning the organization, management, and functions of the Caisse Generale d'Epargne et de Retraite. In addition, I would be very pleased to have any comments which you might be prepared to give me in this connection, including your views as to how successful it has been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Andre De Guchteneere
General Manager
Caisse Generale d'Epargne et de Retraite
48 Rue du Fosse aux Loups
Brussels, Belgium

DHPollock:dbb

FILE COPY

June 5, 1950

Dear Mr. Frere:

✓
Thank you very much for your letter of May 13, and the assistance you had offered in connection with our study on specialized financial institutions in Europe.

As suggested in your letter, I shall be writing to Messrs. R. V. Putte, A. De Guchteneere, J. Basyn, and F. De Neuter for information relating to certain institutions in Belgium, and to Mr. P. Charles for similar information concerning the Belgian Congo.

Mr. Crena de Iongh, Treasurer of the Bank, will be conducting this investigation during and after his attendance at the Fifth Annual Meeting in Paris, and I would like to take the liberty of writing again to notify you of his exact arrival date in Belgium. I am very grateful for the assistance I am sure you and the above officials will give Mr. Crena de Iongh at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Maurice Frere
Gouverneur
Banque Nationale de Belgique
Brussels, Belgium

DHPollock:dbb

FILE COPY

June 5, 1950

Dear Mr. Vande Putte:

I am writing at the suggestion of Mr. Maurice Frere, in order to obtain information dealing with various aspects of the Societe Nationale de Credit a l'Industrie. The I.B.R.D. has been following with interest the activities of specialized organizations which were founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We are sure the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be visiting some of the European organizations in question this year, after his attendance at the Fifth Annual Meeting in Paris, in order to become personally acquainted with their operations. I will be writing Mr. Frere of Mr. Crena de Iongh's exact arrival date in Belgium, but prior to this visit I would appreciate receiving any information you may have concerning the organization, management, and functions of the Societe Nationale de Credit a l'Industrie. In addition, I would be very pleased to have any comments which you might be prepared to give me in this connection, including your views as to how successful it has been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,
(Signed) Eugene R. Black

Eugene R. Black

Mr. Robert Vande Putte
President
Societe Nationale de Credit a l'Industrie
16 Boulevard de Waterloo
Brussels, Belgium

DHPollock:dbs

19

140

FILE COPY

June 5, 1950

Dear Mr. De Neuter:

I am writing at the suggestion of Mr. Maurice Frere, in order to obtain information dealing with various aspects of the Institut National de Credit Agricole. The I.B.R.D. has been following with interest the activities of specialized organizations which were founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We are sure the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be visiting some of the European organizations in question this year, after his attendance at the Fifth Annual Meeting in Paris, in order to become personally acquainted with their operations. I will be writing Mr. Frere of Mr. Crena de Iongh's exact arrival date in Belgium, but prior to this visit I would appreciate receiving any information you may have concerning the organization, management, and functions of the Institut National de Credit Agricole. In addition, I would be very pleased to have any comments which you might be prepared to give me in this connection, including your views as to how successful it has been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. F. De Neuter
General Manager
Institut National de Credit Agricole
56 Rue Joseph II
Brussels, Belgium

DHPollock:dbs

(18)
141

FILE COPY

June 5, 1950

Dear Mr. Cobbold:

*a note
not signed by
Mr. Cobbold*

✓ I am writing to thank you for your letters of April 19 and May 19, and the attached documents relating to the Finance Corporation for Industry, and the Industrial and Commercial Finance Corporation. The information which you had forwarded is now being examined by our staff, and I am sure it will be of considerable value in the study of selected European financial institutions outlined in my letter of April 5.

R

Mr. Crena de Iongh, Treasurer of the Bank, will be conducting this investigation in Europe during and after his attendance at the Fifth Annual Meeting in Paris. As your letter suggested, I will notify you in advance of his exact arrival date in England, which should be early in October. I am very grateful for the assistance I am sure you will provide during Mr. Crena de Iongh's stay in the United Kingdom.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. C. B. Cobbold
Governor
Bank of England
London, England

DHPollock:dba

FILE COPY

June 5, 1950

Dear Dr. Holtrop:

✓
Thank you very much for your letter of May 24 and the information relating to the Herstelbank and the Participatie-Maatschappij. Your letter is presently being examined by our staff and I am sure it will be of considerable value for the study on selected European financial institutions outlined in my correspondence of April 5 and April 6.

Mr. Crena de Iongh, Treasurer of the Bank, will be conducting this investigation in Europe during and after his attendance at the Fifth Annual Meeting in Paris, and is looking forward to discussing the project with you when the Meeting is completed. Mr. Crena de Iongh will be contacting your office prior to his arrival in the Netherlands, and I am grateful for the assistance that you and the officials named in your letter will be able to provide at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Dr. M. W. Holtrop
President
Nederlandsche Bank
Amsterdam, The Netherlands

DHPollock:dbs

FILE COPY

June 5, 1950

Dear Doctor Menichella:

Thank you very much for your letter of April 19, and the assistance which you had offered in connection with our study on specialized financial institutions in Europe.

As you suggested, I shall be writing to Doctors Borri and Ferrari, respective Managing Directors of the Istituto Mobiliare Italiano and the Istituto per la Ricostruzione Industriale, for information relating specifically to these two institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be conducting this investigation during and after his attendance at the Fifth Annual Meeting in Paris, and I would like to take the liberty of writing again to notify you of his exact arrival date in Italy. I am very grateful for the assistance I am sure that you and Doctors Borri and Ferrari will give Mr. Crena de Iongh at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Doctor Donato Menichella
Governatore
Banca d'Italia
Rome, Italy

DHPollack:dbb

FILE COPY

June 5, 1950

Dear Lord Trefgarne:

✓
Thank you very much for your letter of April 18 and the attached copy of the 1948 Overseas Resources Development Act. Your offer to provide additional specific information for our study covering selected financial institutions was also greatly appreciated.

I have designated Mr. Crena de Iongh, Treasurer of the Bank, to continue the investigation in Europe and he will visit England for this purpose early in October, after his attendance at the Fifth Annual Meeting in Paris. Mr. Crena de Iongh hopes to discuss our project with you at that time, and I am grateful for the assistance I am sure you will be able to provide during his stay in the United Kingdom.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

The Right Honorable
The Lord Trefgarne
Colonial Development Corporation
33 Dover Street
London, W 1, England

DHPollock:dbs

FILE COPY

June 5, 1950

Dear Doctor Ferrari:

I am writing at the suggestion of Doctor Menichella, in order to obtain information dealing with various aspects of the Istituto per la Ricostruzione Industriale. The I.B.R.D. has been following with interest the activities of specialized organizations which were founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We are sure the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be visiting some of the European organizations in question this year, after his attendance at the Fifth Annual Meeting in Paris, in order to become personally acquainted with their operations. I will be writing Doctor Menichella of Mr. Crena de Iongh's exact arrival date in Italy, but prior to this visit I would appreciate receiving any information you may have concerning the organization, management and functions of the Istituto per la Ricostruzione Industriale. In addition, I would be very pleased to have any comments which you might be prepared to give me in this connection, including your views as to how successful it has been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Doctor Arturo Ferrari
Managing Director
Istituto per la Ricostruzione Industriale
Rome, Italy

DHPollock:dbb

(13)
146

FILE COPY

June 5, 1950

Dear Doctor Borri:

I am writing at the suggestion of Doctor Menichella, in order to obtain information dealing with various aspects of the Istituto Mobiliare Italiano. The I.B.R.D. has been following with interest the activities of specialized organizations which were founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We are sure the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

Mr. Crena de Iongh, Treasurer of the Bank, will be visiting some of the European organizations in question this year, after his attendance at the Fifth Annual Meeting in Paris, in order to become personally acquainted with their operations. I will be writing Doctor Menichella of Mr. Crena de Iongh's exact arrival date in Italy, but prior to this visit I would appreciate receiving any information you may have concerning the organization, management and functions of the Istituto Mobiliare Italiano. In addition, I would be very pleased to have any comments which you might be prepared to give me in this connection, including your views as to how successful it has been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Doctor Silvio Borri
Managing Director
Istituto Mobiliare Italiano
Rome, Italy

FILE COPY

June 5, 1950

Dear Mr. Jahn:

Thank you very much for your letter of April 24, and the attached information concerning selected financial institutions in Norway. The memorandum and various documents which you had enclosed were very comprehensive and will be of considerable value to our study of specialized financial institutions in Europe.

Mr. Crena de Iongh, Treasurer of the Bank, will be conducting this investigation in Europe, and will welcome an opportunity of discussing the project with you during his attendance at the Fifth Annual Meeting in Paris. I am very grateful for the assistance I am sure you will give Mr. Crena de Iongh at that time.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. Gunnar Jahn
Governor
Norges Bank
Oslo, Norway

DHPollock:dbs

FILE COPY

Messrs. Larsen, Torfs, Basch, Welk, Bochenski,
de Fleurieu, Waterston, Pollock

J. Burke Knapp

Survey of Development Corporations

Dev. Corporations
✓x Frank W. Fetter
May 25, 1950
✓x Jonas Haralz

1. Attached is a copy of the terms of reference of the forthcoming Departmental study of development institutions in under-developed areas. The project was reviewed at the staff meeting on May 9.
2. Professor Frank W. Fetter, who will head the survey, will arrive in Washington around June 12 and will be with the Bank as a Consultant on this project until late September. It is expected that he will have two assistants a) Mr. Jonas Haralz, formerly secretary and principal economist of the Icelandic Development Board who is joining the permanent staff in July and b) a Latin American economist. We are now trying to obtain the services of a staff member of Nacional Financiera of Mexico. Mr. Clark will coordinate the material to be supplied by the Economic Department.
3. Several of you have already begun the assembly of material for the survey. I wish you would continue with this, giving as much time to obtaining material relevant to the terms of reference as you can, consistent with your normal work schedule. Such additional information as you can obtain informally from officials in the various countries would be particularly useful.

Attachment

FILE COPY

Terms of Reference of Survey of Development Corporations

1. Professor Fetter will initiate and supervise, in the Economic Department, a survey and analysis of the major development corporations, development boards and development financing institutions in underdeveloped areas with particular emphasis on Latin America and the Middle East.
2. The survey's main purposes will be:
 - (a) to analyze and assess the experience of member countries with development institutions with a view to future policy recommendations by the Bank to its member countries;
 - (b) to become better acquainted with institutions through which many future loans by the Bank may be channelled;
 - (c) to determine the extent to which such institutions have demonstrated their capacity to promote sound development in underdeveloped areas;
 - (d) to assess the degree to which they have been able to coordinate planning and development with the countries' fiscal and monetary policies;
 - (e) to ascertain the degree to which the institutions have been able to increase local savings or to channel existing savings into priority development fields;
 - (f) to determine the extent to which private management and private capital, both domestic and foreign, have been utilized by such institutions.

AMSTERDAM, May 24, 1950

Mr Eugene R. Black
President
International Bank for Reconstruction and Development
Washington D C

Dear Mr Black,

I write with reference to your letters of April 5, 1950 and April 6, 1950, re institutions which occupy themselves with long term financing in the Netherlands and Indonesia. I am sorry that by a coincidence of circumstances my reply was delayed.

Since the end of the war two such institutions have been founded in the Netherlands: the "Maatschappij tot Financiering van het Nationaal Herstel N.V." ("Herstelbank") and the "Nederlandsche Participatie Maatschappij".

The "Herstelbank" is a semi government institution with the purpose of financing long term credits which cannot be granted by commercial banks.

The authorized capital, which has been paid up in full, amounts to Netherlands guilders 300 million. It is divided into 151,000 ordinary shares, owned by the State, and 149,000 preference shares, largely in the hands of banks and institutional investors. The State guarantees a dividend on the preference shares of $3\frac{1}{2}$ percent per annum.

The "Herstelbank" works on a strictly commercial basis and aims at remunerability and the forming of adequate reserves. It does not grant credits which it does not consider justified on commercial grounds, except under a special Government guarantee.

At the end of 1949 the items "Participations" and "Debtors" amounted to Netherlands guilders 12,9 million and Netherlands guilders 200,6 million respectively.

The item "Participation" includes participation in the "Maatschappij voor Industriefinanciering", a predecessor of the Herstelbank which now leads only a nominal existence and in the "Nederlandsche Participatie Maatschappij".

The total amount of credits contracted by the Herstelbank as per 31st December 1949 was Fl. 264,281,000, as against Fl. 205,753,000, as per 31st December 1948.

These credit contracts were spread over the different industries in our country as follows:

	1949	1948
Earthenware-, glass-, lime-, stone-industries	F 7,239,000	F 6,782,000
Printing and other graphical industries	" 190,000	" 230,000
Building industry	" 6,847,000	" 7,476,000
Chemical industry	" 68,631,000	" 64,274,000
Wood-, cork-, straw consuming industries	" 1,644,000	" 1,101,000
Clothing- and cleaning-industries	" 459,000	" 107,000
Leather-, oil-cloth- and rubber consuming industries	" 12,507,000	" 8,262,000
Mining industry	" 239,000	" 313,000
Metal industry, inclusive ships, airplane and car building	" 44,582,000	" 41,662,000
Paperindustry	" 9,342,000	" 4,140,000
Textile industry	" 10,917,000	" 15,088,000
Food processing industries	" 5,144,000	" 5,016,000
Agriculture	" 1,208,000	" 395,000
Fishery	" 3,044,000	" 4,537,000
Commerce	" 26,441,000	" 10,795,000
Traffic	" 63,820,000	" 33,559,000
Others	" 2,027,000	" 2,016,000

F. 264,281,000 F. 205,753,000

The Managing Board consists of Messrs J.F. Posthuma, president, H.J.M. Peeperkorn, director-secretary and M. Sanders. Main Office: Kneuterdijk 6, The Hague.

The "Nederlandsche Participatie Maatschappij" was founded in May 1948 by the "Herstelbank", a number of commercial banks and a large number of institutional investors. Its task consists in supplying new investors with risk bearing capital. It is a purely private enterprise on a commercial basis. Its authorized capital amounts to Netherlands guilders 25,000,000, fully paid-up.

The Managing Board consists of Messrs P. Plantenga and H.W.A. van den Wall Bake. Mr. J.F. Posthuma, president of the "Herstelbank" is also a director of the "Nederlandsche Participatie Maatschappij". Office address : Keizersgracht 706, Amsterdam.

There is a close personal contact between the "Nederlandsche Participatie Maatschappij" and the Institute for Netherland-American Industrial Cooperation, which aims at mediation on behalf of the settlement of American industries in this country.

The problem of long term financing is, of course, a rather urgent problem in the Netherlands, due to the large increase of population, which makes large scale industrialisation necessary, and also to the war damage and to technical arrears.

Both the "Herstelbank" and the "Nederlandsche Participatie Maatschappij" are contributing in a satisfactory manner towards the granting of long term credits.

With respect to the new financial institution now being founded in Indonesia, I am afraid I cannot give you any information you have not already found in the press. A law has been passed regarding the foundation of the "Nederlands-Indonesische-Maatschappij tot Financiering van het Economisch Herstel van Indonesië, N.V." in May 1949, but the by-laws of this institution have not yet come into force. After the Round Table Conference R.I.S. Minister Djoeanda stated to the press that his Government felt obliged to reconsider its views with respect to

RECEIVED
-4- AMSTERDAM, May 24, 1950
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

0321 MA 55 2 ES VAN

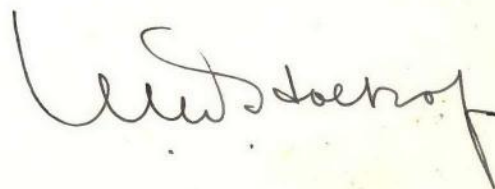
the " Nederlands-Indonesische Herstelbank".

If officials of the Bank should visit Holland I would suggest that they contact the above mentioned officials of the Herstelbank en the Participatie Maatschappij. They might also be interested to meet Mr W. Koster, Treasurer-General in the Finance Department and Dr.A. Winsemius, Director-General of Industrialisation in the Department of Economic Affairs, who are both members of the Board of Directors of the Herstelbank, and Mr.H.B.A. van den Wall Bake, managing director Nederlandsche Handel-Maatschappij N.V., who is closely connected both with the Participatie Maatschappij and with the Institute for Netherland-American Industrial Cooperation.

Of course, the Nederlandsche Bank shall also be delighted to meet any of your representatives who would be visiting our country.

In reply to the last paragraph of your letter of April 5th I would like to add that in my opinion the Herstelbank has without doubt played an important rôle in the reconstruction of our country since the war as it has made possible the financing of both reconstruction projects and new development projects for which it otherwise would have been very difficult to find a proper method of financing. In this respect it should be pointed out that in most cases the Herstelbank only took care of part of the financing whilst an other part had to be found by the applicants elsewhere.

With kindest personal regards,
Yours sincerely,



MAY 24 1950

RECEIVED
AMSTERDAM
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

DE NEDERLANDSCHE BANK N.V.
PRESIDENT

MAY 29 9 26 AM 1950

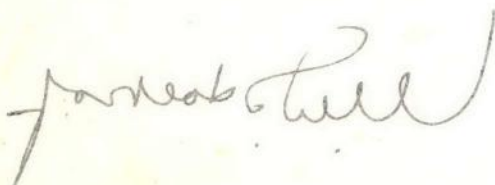
the "Nederlands-Indonesische Hersteibank".

If officials of the Bank should visit Holland I would suggest that they contact the above mentioned officials of the Hersteibank en the Participatie Maatschappij. They might also be interested to meet Mr. W. Koster, Treasurer-General in the Finance Department and Dr. A. Winsemius, Director-General of Industrialization in the Department of Economic Affairs, who are both members of the Board of Directors of the Hersteibank, and Mr. H. B. A. van den Wall Bake, managing director Nederlandse Handel-Maatschappij N.V., who is closely connected both with the Participatie Maatschappij and with the Institute for Netherlands-American Industrial Cooperation.

Of course, the Nederlandse Bank shall also be delighted to meet any of your representatives who would be visiting our country.

In reply to the last paragraph of your letter of April 5th I would like to add that in my opinion the Hersteibank has without doubt played an important rôle in the reconstruction of our country since the war as it has made possible the financing of both reconstruction projects and new development projects for which it otherwise would have been very difficult to find a proper method of financing. In this respect it should be pointed out that in most cases the Hersteibank only took care of part of the financing whilst an other part had to be found by the applicants elsewhere.

Yours sincerely,
H. K. Kromhout



MAY 22 REC'D

Bank of England

19th May 1950.

Dear Mr. President,

With reference to the Governor's letter to you of 19th April last, with which were enclosed copies of recent Annual Reports of the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, I now send you at the Governor's request a copy of the recently issued report of the Industrial and Commercial Finance Corporation for the year ended 31st March 1950.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Mrs B. Barkshire". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Private Secretary
to the Governor.

Mr. Eugene R. Black.

153

*With Lord Piercys
Compliments*

7 DRAPERS GARDENS · LONDON · E.C.2



LE GOUVERNEUR

MAY 16 REC'D

Brussels, May 13, 1950.

Dear Mr. Black,

I duly received your letters of April 5 and 6 to which I was unable to give personal consideration on account of several trips I had to make abroad.

I think I could suggest you the following names:

- Mr. Robert Vande Putte, President of the Société Nationale de Crédit à l'Industrie, 16, boulevard de Waterloo, Brussels;
- Mr. André De Guchteneere, General Manager of the Caisse Générale d'Epargne et de Retraite, 48, rue du Fossé aux Loups, Brussels;
- Mr. Jacques Basyn, President of the Caisse Nationale de Crédit Professionnel, 185, rue Joseph II, Brussels;
- Mr. F. De Neuter, General Manager of the Institut National de Crédit Agricole, 56, rue Joseph II, Brussels.

With regard to the Belgian Congo, I think the best man to see would be:

- Mr. Paul Charles, Governor of the Banque du Congo Belge, 14, rue Thérésienne, Brussels.

He could, if needed, bring your people in touch with other persons.

With best personal regards, believe me, dear Mr. Black,

very sincerely yours

Mr. Eugene R. BLACK,
President,
International Bank for
Reconstruction and Development,

WASHINGTON D.C.

MAY 18 REC'D

Brussels, May 13, 1950.



LE GOUVERNEUR

Dear Mr. Black,

I duly received your letters of April 5 and 6 to which I was unable to give personal consideration on account of several trips I had to make abroad. I think I could suggest you the following

names:

- Mr. Robert Vande Putte, President of the Société Nationale de Crédit à l'Industrie, 16, boulevard de Waterloo, Brussels;
- Mr. André De Guchteneere, General Manager of the Caisse Générale d'Épargne et de Retraite, 48, rue du Fossé aux Loups, Brussels;
- Mr. Jacques Basy, President of the Caisse Nationale de Crédit Professionnel, 185, rue Joseph II, Brussels;
- Mr. F. De Neuter, General Manager of the Institut National de Crédit Agricole, 56, rue Joseph II, Brussels.

With regard to the Belgian Congo, I think

the best man to see would be:

- Mr. Paul Charles, Governor of the Banque du Congo Belge, 14, rue Thérèse, Brussels.

He could, if needed, bring your people in

touch with other persons.

With best personal regards, believe me, dear

Mr. Black,

very sincerely yours

Mr. Eugene R. BLACK,
President,
International Bank for
Reconstruction and Development,

WASHINGTON D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MAY 16 8 34 AM 1950

154

FILE COPY

Develop. Corp.

May 1, 1950

Dear George:

I am attaching a list of some mixed corporations. We have a list of a number of such corporations but unfortunately we do not usually have many details. It is a project we propose to go into later on in the year.

The Bank is not anxious for too much publicity on the Industrial Bank in Turkey since it is still in a formulative stage.

Regards,

E. Harrison Clark
Assistant to the Director
Economic Department

Mr. George Vanderhoef
Department of Commerce
Washington 25, D. C.

Attachment

EHClark:am

FILE COPY

Develop. corp.

- 1) India - Industrial Finance Corp., mixed Government and private capital.
- 2) Iran - Planning Organization, calls for mixed Government and private capital, foreign and domestic.
- 3) Guatemala - Instituto Nacional de Fomento de la Produccion, capital Governmental but may operate enterprises or give financial assistance to private enterprises.
- 4) Mexico - Naccional Financiera, mixed capital, Government and private (domestic) plus Exim and IERD loans.
- 5) Chile - Corperacion de Fomento de la Produccion, mixed capital, Government and private (domestic) plus Exim and IERD loans.
- 6) Haiti - Societe Haitiano - Americaine de Developpement Agricole (Joint Haitian Government Exim Bank creation)
- 7) Bolivia - Corporacion Boliviano de Fomento (Joint Bolivian Government, Exim Bank creation)
- 8) Indonesia - Indonesian Recovery Bank (joint capital Netherlands and N.E.I. Some private capital probably involved)
- 9) Colonies - The British and French both have various colonial enterprises, partly Government, partly private.

NORGES BANK

BANQUE DE NORVÈGE

TELEGRAFADRESSE: HOVEDBANK

OSLO, April 28, 1950.

Mr. Eugene R. Black, President,
International Bank for Reconstruction and Development,
Washington 6, D.C.

Dear Mr. Black,

Referring to my letter of April 24, I would like to correct the information given on page 4 in the memo accompanying my letter. We stated there that the share capital of the Den Norske Industribank in Oslo amounts to 20 million kroner, and this corresponds to the text of the reprint of the law sent you, and which we received from the Industribank. However, by an additional law of June 17, 1949, Sec. 2 of the law on the Den Norske Industribank has been changed, raising the share capital of the bank from the previous amount of 20 million to 30 million kroner. As each share has a face value of 1000 kroner, there are now 30,000 shares, consisting of 2 series, viz. Series A comprising 15,300 shares, and Series B comprising 14,700 shares. By ordinary mail I sent you on April 24, a copy of the latest report, balance sheet and profit and loss account of the Den Norske Industribank (Beretning og Regnskap for 1949), and it will be seen from page 3 in that report that the rise in the share capital has taken place on July 1, 1949.

With kind regards,

sincerely yours,



NORGES BANK

BANQUE DE NORVÈGE

TELEGRAMADRESSE: HOVEDBANK

LUFPOST

Oslo, April 28, 1950.


Washington 6, D.C.
International Bank for Reconstruction and Development,
Mr. Eugene R. Black, President,

Dear Mr. Black,

Referring to my letter of April 24, I would like to correct the information given on page 4 in the memo accompanying my letter. We stated there that the share capital of the Den Norske Industribank in Oslo amounts to 20 million kroner, and this corresponds to the text of the reprint of the law sent you, and which we received from the Industribank. However, by an additional law of June 17, 1949, Sec. 2 of the law on the Den Norske Industribank has been changed, raising the share capital of the bank from the previous amount of 20 million to 30 million kroner. As each share has a face value of 1000 kroner, there are now 30,000 shares, consisting of 2 series, viz. Series A comprising 15,300 shares, and Series B comprising 14,700 shares. By ordinary mail I sent you on April 24, a copy of the latest report, balance sheet and profit and loss account of the Den Norske Industribank (Beretning og Regnskap for 1949), and it will be seen from page 3 in that report that the rise in the share capital has taken place on July 1, 1949.

With kind regards,

Sincerely yours,



MAY 1 10 32 AM 1950

RECEIVED
INTERNATIONAL BANK OF
RECONSTRUCTION AND DEVELOPMENT

NORGES BANK

BANQUE DE NORVÈGE

TELEGRAFADRESSE: HOVEDBANK

LUFTPOST

OSLO, April 24, 1950.

Mr. Eugene R. Black, President,
International Bank for Reconstruction and Development,
Washington 6, D.C.

Dear Mr. Black,

Thank you for your letter of April 5, 1950, signifying that the IBRD has been following with interest the activities of organizations, founded in different countries with a view to promoting the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means.

You are asking in your letter for information about such organizations in Norway, adding that you had in mind for example the Den Norske Industribank, and the Statens Fiskarbank.

✓
./.. A memorandum has therefore been set up by us, giving a short review of organizations providing long-term credits in Norway. In addition to this review, which follows as enclosure to this letter, ✓ one copy each of the respective laws or regulations ruling the activities of these organizations have been sent you by ordinary mail. As a matter of fact the text of these laws and regulations are in Norwegian only. If you should find any of these organizations of special interest to you, you no doubt would have an opportunity to have the text translated into English, for example by Miss Grace Werring in the IBRD Economic Department, or by the Norwegian trainee Mr. Erik Himle.

As a general remark I would like to add that short-term credits are supplied by the ordinary banking system, and that long-term credits in the form of mortgage loans for dwellings, etc. since long have been supplied by state-guaranteed banks, insurance companies, savings banks, and to some degree also by commercial banks.

NORGES BANK

BANQUE DE NORVÈGE

TELEGRAFADRESSE: HOVEDBANK

LUFTPOST

OSLO, April 24, 1950.

- 2 -

The bank which you mentioned in your letter and whose functions you thought might have some resemblance to the IBRD, viz. Den Norske Industribank, was meant to cover the need of industrial plants and hotels, etc. for medium-long credits, say 10-15 years, but as you will learn from section 12 of the law governing the activities of the bank, loans shall be repaid during a period not exceeding 25 years in the case of industrial firms, and 35 years in the case of power plants and hotels, etc.

In order to enable you to get a better insight in the Den Norske Industribank I have pleasure in enclosing to this letter^{x)} a copy of the latest report, balance sheet and profit and loss account of this bank.

It goes without saying that I should be glad to give you any additional information in case you would be interested to study Norwegian conditions in this field in more detail.

With kind regards,

Sincerely yours,



x) sent you by ordinary mail

Enclos.

159

BANCA D'ITALIA

IL GOVERNATORE

Rome, April 19, 1950

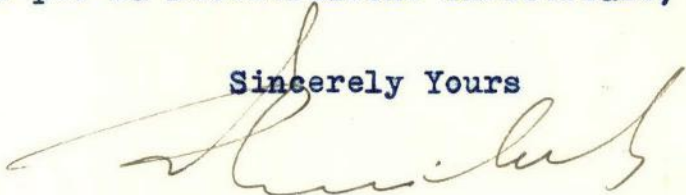
M.210

Dear Mr. Black,

I acknowledge receipt of your letter of April 5th in which you inform me that the International Bank for Reconstruction and Development deems advisable to inquire about the organizations which have been founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means. To this purpose, it is your intention to have one or more officials of the Bank visit some of the European organizations in question to get acquainted by personal contact with their operations.

I shall be glad to dispose that the officials charged with this task should receive any possible assistance on the part of my staff and be able to obtain informations about the organization and the functions of these institutions as well as about the results achieved by them. Meanwhile - as to the two Italian Institutions mentioned by you - I think it would be useful to address yourself to the Managing Director of the Istituto Mobiliare Italiano, Dott. Silvio Borri and to the Managing Director of the Istituto per la Ricostruzione Industriale, Dott. Arturo Ferrari.

Sincerely Yours



Mr. E.R. BLACK
President
International Bank for Reconstruction
and Development

WASHINGTON 6, D.C.

160

Bf

1945-1946

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

MAY 16 8 37 AM 1950

Bank of England,

London, E.C. 2.

19th April 1950.

Dear Mr. President,

In reply to your letter of the 5th April, I enclose a brief note on the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, together with copies of the Chairmen's speeches and annual accounts, in the hope that these documents may provide a useful background for the conversations which your officials wish to have later this year with representatives of these two Organisations.

I have not attempted in the note to make my own assessment of the success of these two Corporations because I think it is too soon to pass judgment. Moreover, it is difficult to say how much of the business which they have done would have remained undone if the Corporations had not existed. However, you will notice that the Chairmen, in their speeches, have given rather detailed accounts of their experience hitherto and these are probably the best commentaries that can be obtained for the time being on the merits of the organisations.

As regards the forthcoming visits by your officials, I would suggest that you let me know in due course the dates for which these are proposed and the names of the individuals concerned and I will then arrange for them to be introduced to the appropriate people in the two Corporations. In the meantime, I would prepare the ground here by letting the respective Chairmen know of your intentions. I feel sure that they will be only too glad to give every facility for the discussions which you have in mind.

Yours sincerely,

R. Stoddard

Mr. Eugene R. Black.

Bank of England.

London E.C.2.

15th April 1950.

Dear Mr. President,

In reply to your letter of the 5th April, I enclose a brief note on the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, together with copies of the Chairman's speeches and annual accounts, in the hope that these documents may provide a useful background for the conversations which your officials wish to have later this year with representatives of these two organisations.

I have not attempted in the note to make my own assessment of the success of these two Corporations because I think it is too soon to pass judgment. Moreover, it is difficult to say how much of the business which they have done would have remained undone if the Corporations had not existed. However, you will notice that the Chairman, in their speeches, have given rather detailed accounts of their experience hitherto and these are probably the best commentaries that can be obtained for the time being on the merits of the organisations.

As regards the forthcoming visits by your officials, I would suggest that you let me know in due course the dates for which these are proposed and the names of the individuals concerned and I will then arrange for them to be introduced to the appropriate people in the two Corporations. In the meantime, I would prepare the ground here by letting the respective Chairmen know of your intentions. I feel sure that they will be only too glad to give every facility for the discussions which you have in mind.

Yours sincerely,



Mr. Eugene R. Black.

101

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND
DEVELOPMENT
APR 27 AM 1950

COLONIAL DEVELOPMENT CORPORATION

CHAIRMAN'S OFFICE

33, DOVER STREET

LONDON, W. 1

Mr. Eugene R. Black,
International Bank for Reconstruction and Development,
Washington 6, D.C.

AIR MAIL

18th April, 1950.

Dear Mr Black,

Thank you for your letter of 7th April, which I have received on my return from overseas.

You will no doubt be aware that up to 1939 the development of the Colonial Empire was largely carried out by private enterprise which still plays a large part through such institutions as London Banks and Finance Houses, large concerns like the United Africa Co. and newer Corporations such as the British Central Africa Co., and innumerable smaller concerns. Perhaps one of the best examples of Colonial development through private enterprise is Barclays Bank (D. C. & O.), and its associate Barclays Overseas Development Corporation Ltd., of which concern I was a director until I resigned on undertaking the Chairmanship of this Corporation.

Another field of finance is loans raised by the Colonies themselves on the open market through the agency of the Crown Agents to the Colonies in London. These are usually for some general purposes but occasionally for a specific project.

Prior to the setting up of the C.D.C. the principal State or quasi-State institution for Colonial development was the C.D. & W.* fund voted by Parliament. This fund, which is administered by the Secretary of State for the Colonies, provides loans or grants to the Colonies for their 10-year development plans, and the

162

allocations are more specifically administered in the Colonies themselves by development organisations or Corporations set up for the purpose. The grants are mainly used for non-profit earning undertakings, such as roads, schools, hospitals, land settlement, etc. Principles of application of the C.D. & W. funds can be found in the British Colonial Office's annual reports of which you no doubt have copies.

In 1948 the C.D.C. was set up by Parliament to cover (mainly but not exclusively) the field of Colonial development between the non-profit earning schemes of the C.D. & W. fund and those which show the more substantial and speedier returns demanded by Private Enterprise. When I say "not exclusively" I mean that the Corporation is not debarred from undertaking a project because it looks attractive enough for private enterprise. We do not subscribe to the view, which is sometimes expressed, that private capital flows by a natural or economic law into every good opportunity. Sometimes such opportunities are overlooked by private enterprise, or the judgment of private enterprise and this Corporation may be to some extent at variance. Again, private enterprise may prefer to go in only if it can hold hands with the Corporation or vice versa, and therefore there is no hard and fast dividing line between the Corporation and Private Enterprise.

The borrowing and other powers of the C.D.C. are best defined in the Act of Parliament, of which a copy is enclosed, in which it will be seen that C.D.C. schemes have to show a profitability sufficient to cover the interest on their Treasury loans and their other overheads and expenses over a period of years. This Act also legislates for the O.F.C.*, a separate Corporation set up to produce food in under-developed areas of the Colonies or elsewhere. This is to some extent in contrast with the operations of the C.D.C. The principal distinctions are:-

- 1) The C.D.C. operates undertakings only in certain dependent territories of the U.K. and not in

Dominions or foreign countries, while the O.F.C. has no such territorial restriction.

- 2) The C.D.C. operates as much for the benefit of the Colony as to improve the world trade pattern, while the O.F.C. operations are confined to the transcendent aim of producing food.

I shall of course be very happy to give you, if I can, any more specific information you desire.

Yours sincerely
Trefgarne

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

APR 24 9 59 AM 1950

April 7, 1950

The Right Honorable
The Lord Trefgarne
Colonial Development Corporation
33 Dover Street
London, W.1, England

Dear Lord Trefgarne:

R
I had occasion to write to some of the Governors of Central Banks in Europe, asking them for information on organizations founded in their respective countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital, or by other means. The field of such financial institutions is often very similar to that of the International Bank for Reconstruction and Development itself, which in many cases fulfills the same purpose in the international field as these organizations fulfill in their own countries. I therefore thought that any information the Governors could provide us on this subject would be very useful to the Bank, especially as we fully realize that owing to different circumstances prevailing in the various countries, the character and background of each organization will be very different.

Inasmuch as this will be even more the case with respect to institutions functioning in colonies and dependent territories, I would very much like to be informed about the functions and developments of such over-seas institutions, and I would appreciate it if you could see your way to let me have whatever information you can on institutions of that kind with which you are familiar, and perhaps let us know how to get material from which we can form an opinion on what they are doing.

I hope to be in England in May and I would very much like to have the pleasure of seeing you.

With kind regards,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Reply: Apr 18, 1950

April 6, 1950

Dr. M. W. Holtrop
President
Nederlandsche Bank
Amsterdam, The Netherlands

Dear Dr. Holtrop:

With reference to my letter of April 5 on institutions which occupy themselves with long-term financing in your country, I would be very much interested to get your views on the functions of the new financial institution of the same nature that is now being founded in Indonesia.

I am sure that any information you can give me in this connection will be very helpful to us.

Sincerely yours,

(Signed) Eugene R. Black
Eugene R. Black

DCrenadeIongh/mct

Reply: May 24, 1950

April 6, 1950

Mr. Maurice Frere
Gouverneur
Banque Nationale de Belgique
Brussels, Belgium

Dear Mr. Frere:

With reference to my letter of April 5 on institutions which occupy themselves with long-term financing in your country, I would be very much obliged if you could also give me the same information on similar institutions working in the Belgian Congo.

I assure you that your assistance in this matter will be greatly appreciated.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

DCrenadeLongh/mct

Reply: May 13, 1950

April 6, 1950

Mr. W. Baumgartner
Gouverneur
Banque de France
Paris, France

Dear Mr. Baumgartner:

With reference to my letter of April 5 on institutions which occupy themselves with long-term financing in your country, I would be very much obliged if you could also give me the same information on similar institutions working in French dependent territories.

I assure you that your assistance in this matter will be greatly appreciated.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

DCrenadeIongh/mct

APR 5 1950

Mr. Maurice Frere
Gouverneur
Banque Nationale de Belgique
Brussels, Belgium

Dear Mr. Frere:

The I.B.R.D. has been following with interest the activities of organizations which have been founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purposes in the international field as these organizations fulfill in their own countries.

We realize that owing to the different circumstances prevailing in the various countries, the character and background of each organization will be different. Various reasons may have led to the founding of such institutions, and in some cases, also, organizations which were created to meet a particular crisis or in consequence of a war have since changed their character and have turned to new tasks. In some cases the founding of these institutions may have been prompted by insufficiency of local money markets; in others by lack of adequate investment activity; or sometimes by lack of interest on the part of the usual private sources of financing in certain types of new enterprises. While some countries have tried to solve such difficulties by founding institutions handling a great variety of business, other countries have founded highly specialized organizations handling particular types of activities.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

It is our intention to have one or more officials of the Bank visit some of the European organizations in question this year to get further acquainted by personal contact with their operations. In Belgium I have in mind, for example, the Societe Nationale de Credit a l'Industrie. I would thank you if you could give me the names of the persons whom you think our officials might usefully see in your country

6

Reply: May 13, 1950

on this subject. Any information about the organization, management, and functions of this or any similar institution, either public or private, would also be greatly appreciated.

In addition, I would be very pleased to have any general comments which you might be prepared to give me in this matter, including your views as to how successful such an institution has been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

DCrenade Iongh/JBKnapp/mct

APR 5 1950

Mr. Gunnar Jahn
Governor
Norges Bank
Oslo, Norway

Dear Mr. Jahn:

The I.B.R.D. has been following with interest the activities of organizations which have been founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We realize that owing to the different circumstances prevailing in the various countries, the character and background of each organization will be different. Various reasons may have led to the founding of such institutions, and in some cases, also, organizations which were created to meet a particular crisis or in consequence of a war have since changed their character and have turned to new tasks. In some cases the founding of these institutions may have been prompted by insufficiency of local money markets; in others by lack of adequate investment activity; or sometimes by lack of interest on the part of the usual private sources of financing in certain types of new enterprises. While some countries have tried to solve such difficulties by founding institutions handling a great variety of business, other countries have founded highly specialized organizations handling particular types of activities.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

We would like to become better acquainted with some of the European organizations in question. In Norway I have in mind, for example, the Norske Industrie Bank and the Norske Fiskar Bank. Any information about the organization, management, and functions of these

Reply April 24, 1950; Apr 28, 1950

(5)

or any similar institutions, either public or private, would be greatly appreciated.

In addition, I would be very pleased to have any general comments which you might be prepared to give me in this matter, including your views as to how successful such institutions have been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black
Eugene R. Black

DCrenadeIongh/JBurkeKnapp/mct

APR 5 1950

Dr. M. W. Holtrop
President
Nederlandsche Bank
Amsterdam, The Netherlands

Dear Dr. Holtrop:

The I.B.R.D. has been following with interest the activities of organizations which have been founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We realize that owing to the different circumstances prevailing in the various countries, the character and background of each organization will be different. Various reasons may have led to the founding of such institutions, and in some cases, also, organizations which were created to meet a particular crisis or in consequence of a war have since changed their character and have turned to new tasks. In some cases the founding of these institutions may have been prompted by insufficiency of local money markets; in others by lack of adequate investment activity; or sometimes by lack of interest on the part of the usual private sources of financing in certain types of new enterprises. While some countries have tried to solve such difficulties by founding institutions handling a great variety of business, other countries have founded highly specialized organizations handling particular types of activities.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

It is our intention to have one or more officials of the Bank visit some of the European organizations in question this year to get further acquainted by personal contact with their operations. In Holland I have in mind, for example, the Maatschappij tot Financiering van het Nationaal Herstel N.V. and the Participatie-Maatschappij. I would thank you if you could give me the names of the persons whom you think our officials might usefully see in your country on this

Reply: May 24, 1950

subject. Any information about the organization, management, and functions of these or any similar institutions, either public or private, would also be greatly appreciated.

In addition, I would be very pleased to have any general comments which you might be prepared to give me in this matter, including your views as to how successful such institutions have been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

DCrenadeIongh/JBurkeKnapp/mct

Int'l Dev. Corp.
APR 5 1950

Mr. C. B. Cobbold
Governor
Bank of England
London, England

Dear Mr. Cobbold:

The I.B.R.D. has been following with interest the activities of organizations which have been founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We realize that owing to the different circumstances prevailing in the various countries, the character and background of each organization will be different. Various reasons may have led to the founding of such institutions, and in some cases, also, organizations which were created to meet a particular crisis or in consequence of a war have since changed their character and have turned to new tasks. In some cases the founding of these institutions may have been prompted by insufficiency of local money markets; in others by lack of adequate investment activity; or sometimes by lack of interest on the part of the usual private sources of financing in certain types of new enterprises. While some countries have tried to solve such difficulties by founding institutions handling a great variety of business, other countries have founded highly specialized organizations handling particular types of activities.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

It is our intention to have one or more officials of the Bank visit some of the European organizations in question this year to get further acquainted by personal contact with their operations. In Great Britain I have in mind, for example, the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation. I would thank you if you could give me the names of the persons whom you think

Reply - Apr 19, 1950

our officials might usefully see in your country on this subject. Any information about the organization, management, and functions of these or any similar institutions, either public or private, would also be greatly appreciated.

In addition, I would be very pleased to have any general comments which you might be prepared to give me in this matter, including your views as to how successful such institutions have been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

D-Crena de Iongh/J.Burke Knapp/mct

APR 5 1950

Mr. W. Baumgartner
Gouverneur
Banque de France
Paris, France

Dear Mr. Baumgartner:

The I.B.R.D. has been following with interest the activities of organizations which have been founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purposes in the international field as these organizations fulfill in their own countries.

We realize that owing to the different circumstances prevailing in the various countries, the character and background of each organization will be different. Various reasons may have led to the founding of such institutions, and in some cases, also, organizations which were created to meet a particular crisis or in consequence of a war have since changed their character and have turned to new tasks. In some cases the founding of these institutions may have been prompted by insufficiency of local money markets; in others by lack of adequate investment activity; or sometimes by lack of interest on the part of the usual private sources of financing in certain types of new enterprises. While some countries have tried to solve such difficulties by founding institutions handling a great variety of business, other countries have founded highly specialized organizations handling particular types of activities.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

It is our intention to have one or more officials of the Bank visit some of the European organizations in question this year to get further acquainted by personal contact with their operations. In France, I have in mind, for example, the Credit National Pour Faciliter la Reparation des Dommages Causes Par la Guerre and Fonds d'Investissements Pour le Developpement Economique et Social. I would thank you if

you could give me the names of the persons whom you think our officials might usefully see in your country on this subject. Any information about the organization, management, and functions of these or any similar institutions, either public or private, would also be greatly appreciated.

In addition, I would be very pleased to have any general comments which you might be prepared to give me in this matter, including your views as to how successful such institutions have been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black
Eugene R. Black

DCrenadeIongh/JBurkeKnapp/mct

APR 5 1950

Doctor Donato Menichella
Governatore
Banca d'Italia
Rome, Italy

Dear Doctor Menichella:

The I.B.R.D. has been following with interest the activities of organizations which have been founded in a number of countries to promote the development of their economy by providing financial assistance in the form of long-term credits, equity capital or by other means. The field of such financial institutions is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purpose in the international field as these organizations fulfill in their own countries.

We realize that owing to the different circumstances prevailing in the various countries, the character and background of each organization will be different. Various reasons may have led to the founding of such institutions, and in some cases, also, organizations which were created to meet a particular crisis or in consequence of a war have since changed their character and have turned to new tasks. In some cases the founding of these institutions may have been prompted by insufficiency of local money markets; in others by lack of adequate investment activity; or sometimes by lack of interest on the part of the usual private sources of financing in certain types of new enterprises. While some countries have tried to solve such difficulties by founding institutions handling a great variety of business, other countries have founded highly specialized organizations handling particular types of activities.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and might, in some cases, usefully cooperate with them. Knowledge of their form of organization and operating procedures may also prove very useful to us when we are called upon by other member countries for advisory assistance in connection with establishing or guiding the activities of their development institutions.

It is our intention to have one or more officials of the Bank visit some of the European organizations in question this year to get further acquainted by personal contact with their operations. In Italy I have in mind, for example, the Istituto Mobiliare Italiano and the Istituto per la Ricostruzione Industriale. I would thank you if you could give me the names of the persons whom you think our officials

might usefully see in your country on this subject. Any information about the organization, management, and functions of these or any similar institutions, either public or private, would also be greatly appreciated.

In addition, I would be very pleased to have any general comments which you might be prepared to give me in this matter, including your views as to how successful such institutions have been in your country in promoting investment and economic progress.

With many thanks,

Sincerely yours,

(Signed) Eugene R. Black
Eugene R. Black

DCrenadeIongh/JBurkeKnapp/mct

FILE COPY

Dev Corp

Mr. Crena de Iongh

April 5, 1950

Mr. J. Burke Knapp

Industrial Finance Companies

*- 704
Outstanding*

I am attaching for your possible interest a memorandum setting forth the functions of the two British industrial finance companies, and a copy of a recent report of the Belgian Societe Nationale de Credit a l'Industrie.

JBKnapp:dbb

181

FILE COPY

Intl. Dev. Corps.

Mr. Crena de Iongh

March 31, 1950

Mr. J. Burke Knapp

I would suggest that you make reference to the following institutions in your draft letters for Mr. Black's signature to the Governors of the Western European central banks.

Belgium

Societe Nationale de Credit et de l'Industrie

France

Credit National Pour Faciliter la Reparation des Dommages Causes Par
la Guerre
Fonds d'Investissements Pour le Developpement Economique et Social
(F.I.D.E.S.)

Italy

Istituto Mobiliare Italiano
Istituto per la Ricostruzione Industriale

Netherlands

Maatschappij tot Financiering van het Nationaal Herstel N.V.
Participatie-Maatschappij

Norway

Den Norske Industrie Bank
Den Norske Fiskar Bank

U. K.

Finance Corporation for Industry
Industrial and Commercial Finance Corporation

We are assembling additional information concerning these and similar institutions in the Western European countries.

I have not included Denmark in the above list since there seems to be no comparable kind of institution there.

JBKnapp:dbb

Mr. J. Burke Knapp, Asst. Director, Economic
Dept.
D. Crena de Iongh, Treasurer

March 22, 1950

I am sending you herewith a preliminary draft of a letter Mr. Black could write on the subject of development companies. As I will be away on Monday and Tuesday, I would appreciate it if I could have your comments as soon as possible and if we could discuss the matter before the end of the week so that I could send the draft to Mr. Black this week.

I think it would be best that the President should write his letter to the ^{European} Governors of the I.B.R.D., who in some cases are the Governors of the Central Banks and in other cases the Ministers of Finance.

I am informed that Sweden hasn't a development corporation and I believe that Switzerland has none either. For that reason I think the Bank should not go outside the circle of its own members.

Attachment

DCrenadeIongh/mct

The I.B.R.D. has been following with interest the activities of organizations which have been founded in a number of countries to promote the development of their economy by providing long-term credits, equity capital or by other means.

The field of such development organizations is often very similar to that of the I.B.R.D. itself, which in many ways fulfills the same purposes in the international field as these organizations fulfill in their own countries. It is for this reason that the I.B.R.D. is making a study of such organizations. We realize that owing to the different circumstances prevailing in the various countries, the character and background of each organization will be different. The reasons for the founding of the various organizations may have been quite different, and in some cases, also, the organizations which were born as children of a crisis or in consequence of a war have since changed their character and are filling useful needs under changed circumstances.

In some cases insufficiency of local money markets, in other cases lack of adequate capital formation and sometimes lack of interest on the part of the usual private sources of financing in certain types of new enterprises may have prompted the founding of development organizations. While some countries have tried to solve such difficulties by founding institutions handling a great variety of cases, other countries have founded highly specialized organizations handling special types of activities.

We are sure that the I.B.R.D. can learn much from the methods used by organizations founded by our members and in other countries and might, in some cases, usefully cooperate with them.

I would be very pleased to have your general comments on the above and I would also be very grateful if you would give me your views as to the functioning of such institutions in your own country.

It would also interest me to learn the composition of their management and their relation to your Government.

It is furthermore our intention to have one or more officials of the Bank visit some of the European organizations in question this year to get further acquainted by personal contact with their operations. For that reason I would thank you if you could give me, when replying, the names of the institutions that would be of interest to us and of the men our officials should see in your country on this subject.

FILE COPY

*International
Develop Corp.*

March 20, 1950

Dear Harry

I understand that on the occasion of Garner's recent visit to you in London, he mentioned to you the preliminary thinking that was being done by the Bank on the subject of the establishment of an International Development Corporation.

Garner has asked us to send you a memorandum on the subject which has just been prepared, and I enclose two copies.

With kind regards,

Yours ever,

W.A.B. Iliff

Enclosures: 2

Sir Henry Wilson Smith, K.C.B., K.B.E.
H.M. Treasury
Great George Street
London, S.W. 1
ENGLAND

WABIliff:dh
3/20/50

Bank Financing Through Development Corporations

Re Item I A of the Agenda.

Some of the loans granted by the Bank to date have not been given direct to / the member governments, the organizations or companies actually carrying out a project but have been made through the intermediary of a locally established development corporation. It has been suggested that consideration be given to the question whether as a matter of policy the Bank should in appropriate cases make its future loans through the intermediary of such organizations. There are two main reasons which may be advanced in favor of such a policy:

- (1) The existing organizations have a considerable knowledge and experience in the field of long-term financing in their respective countries;
- (2) Experience has shown that the lack of local currency is in many cases a considerable obstacle to the carrying out of a project. Development corporations which are dealing with this subject all the time may prove, therefore, to be the best instrument to ensure that the local currency will be forthcoming. They might also serve as the proper medium for the development and establishment of local capital loans.

In cases where development corporations have only recently been established, the first argument mentioned above loses much of its force but as a rule the management of these newly created corporations includes businessmen having long experience in financial, commercial and industrial fields in the country concerned.

The Bank has a gigantic world-wide task to perform and in selecting its professional staff endeavors to obtain the services of the best men available. Such men, however, cannot be expected to know all the local conditions in the various countries and the Bank may, therefore, by working through development corporations profit by their local experience.

The above is not intended to be a comprehensive argument on this subject but

merely some general thoughts set down to serve as a basis for discussion.

I may add, however, that as the reasons leading to the establishment of the various development companies differed greatly from case to case, and their methods of operation differ too, it would be necessary for the Bank to make a detailed study of this subject, which might show how to make the best use of the services of the development corporations.

I attach a list of some of the companies in question. There are, of course, many more.

D. Crena de Iongh

Attachment

January 4, 1950

Argentina: Banco de credito Industrial

Belgium: Societe Nationale de Credit a l'Industrie

Canada: Industrial Development Bank

Chile: Corporacion de Fomento de la Produccion

Colombia: Caja de Credito Agrario, Industrial y Minero
Institute de Fomento Industrial
Caja Colombiano de Ahorros

France: Credit National pour Faciliter la Reparation des Dommages causes
par la Guerre

Germany: Kreditanstalt fur Wiederaufbau

Mexico: Nacional Financiera, S.A.

Netherlands: Maatschappij tot Financiering van het Nationaal Herstel N.V.
Maatschappij voor Industrie-financiering (now incorporated in the
first-mentioned)
Participatie-Maatschappij (for equity financing)

Peru: Corporaciones Peruana del Santa, del Amazonas de Aeropuertos y
Aviacion Comerical, de Abastecimientos, and de Turismo

Union of South
Africa: Industrial Development Corporation of South Africa, Ltd.
Fisheries Development Corporation of South Africa, Ltd.

United
Kingdom: Finance Corporation for Industry
Industrial and Commercial Finance Corporation
Colonial Development Corporation
Overseas Food Corporation

Venezuela: Corporacion Venezolona de Fomento

Dev Corp.

Mr. Walter Hill

13 April, 1948

G.L. Sandelin

Mr. Schmidt suggested that you might be interested in the accompanying memorandum which contains such information as I have been able to uncover regarding S.E.R.I.A.C.

GLS/emc

Mr. O.A. Schmidt

12th April 1948

G.L. Sandelin

re: S.E.R.I.A.C.

The Société d'Études et de Réalisations Industrielles Agricoles et Commerciales is a limited corporation founded June 17, 1946. Its charter expires June 17, 2045. The company's activities include industrial, agricultural, commercial and financial operations in the countries of the Middle East and neighbouring areas. Its operations can be extended to other countries, but only if justified by its activities in the Middle East.

The company is capitalized at 44 million francs represented by 44,000 shares of stock having a nominal value of 1000 francs each.

The head office of S.E.R.I.A.C. is in Paris. Agencies are located in Beyrouth, Istanbul, Le Caire and Téhéran. M. Pierre Denis is president.

It appears that S.E.R.I.A.C. is a government-sponsored company. No definite information to this effect is available, but the government is directly represented in the company's management and many of the directors are associated with nationalized enterprises.

GLS/emc