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THE WORLD BANK
Washington, D.C.

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RETURN TO
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The World Bank Group
Archives

1069973

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Development Banks - Participations - Correspondence - Volume 1

Mr. Robert F. Skillings

September 23, 1965

P. M. Mathew *RM*

Foreign Shareholders of Development Finance Companies

Further to your September 8 memorandum to division chiefs on the above subject, I have given to Miss Viola revised lists of the foreign shareholders of NIDB, IFCT and MIDFL. There has been no change in the foreign shareholdings of CDC; I have so endorsed the list already in your file. We are unable to up-date the PDGP list at this time but will do so following the return of the mission (i.e., in mid-November).

HBThomas:mm

OFFICE MEMORANDUM

TO: The Files

DATE: September 21, 1965

FROM: William Diamond *W*SUBJECT: Conversation with William Miller, President of
Chase International

Mr. William Miller (accompanied by Messrs. Dorr, Fox, Martin and Palmer) visited me Friday afternoon, September 10, for a general review of the development finance companies in which Chase International has a shareholding. The occasion for the visit was obviously that Mr. Miller expected, in the coming several weeks, to have visits from the general managers or managing directors of all such institutions, and he wanted to prepare himself for those meetings.

Regarding IMDBI, Mr. Miller expressed satisfaction with the way things were going under the managership of Kheradjou. He said he hoped that he had given me, the week before, a satisfactory reply to my question about an increase in IMDBI's authorized share capital. I told him we understood entirely the wish of the Executive Committee (of which he is a member) to have authority to raise new share capital if the development of business results in pressure on the debt limitation. *Ex. IMDBI*

Regarding Nigeria, Miller was concerned, as we are, about the management situation after the departure of Raj next April. It appears he has little confidence in the capacity of Raj's presumed successor to carry on the business in an independent fashion. He asked whether there was any possibility of our persuading Raj to remain and I told him I thought this was out of the question. He said Kirke Paulding would be available from his present post in the Ivory Coast around January 1, and thought that Paulding would make a good general adviser to NIDB. I said simply that this was something worth thinking about. (Miller had raised this same question with Rosen around July 1, and had got the same reply.) Martin questioned the need of NIDB for new funds at this time. I told him we were convinced that a commitment of funds ^{would be} necessary around the turn of the year. In any event, he said having at our disposal new funds provided the kind of leverage that might be effective in minimizing governmental intervention in the affairs of NIDB. *- Ex. NIDB*

Regarding BIDI, Miller said he was satisfied with the way in which the affairs of that institution were progressing. He said that van Ravesteijn had recently attended a meeting of BIDI's Executive Committee and had had a long conversation with the Finance Minister, during which the Minister told him that he was satisfied with BIDI and in particular with the management of Blanc. I told Miller that Blanc was keeping us informed, in a general way, about the activities of the BIDI, and that we had raised with him the question concerning the wisdom of having changes in BIDI's policy statements accomplished simply by the Executive Committee. Miller said the Executive Committee had full powers. I replied that it was not a question of powers but simply of keeping in the picture the principal shareholders, *- Ex. BIDI*

and particularly those who had come into BIDI on the basis of a certain understanding regarding its policy orientation. I also told him that the Chairman of BIDI had raised with us the question of assistance in the training of staff. We had said we were prepared to be helpful, so long as requests to us came with the full knowledge and consent of the management.

Regarding IFCT, I told Miller about our worries. These were new to him. His man on IFCT's Board had given the impression that its affairs were going not too badly. His man had said that the Thai directors won't take advice from the foreign directors, and that the Thai directors always acted as a unit. I didn't comment on the first, but did on the second. I said I doubted that competitive commercial bankers would, or did, act as a unit in the way described. I promised to tell Miller more about this later. Miller said that the Siam Cement Company was setting up a development finance company. He knew no details.

- Ex. IFCT

As for Greece, Palmer said all the decisions necessary to arrange the IFC participation within the framework of a capital increase, had been taken at an Executive Committee meeting in June. He said Gondicas was now preparing legal documents for approval at a shareholders meeting in October. I told him nothing of our recent exchange with Gondicas.

- Ex. Greece

cc Messrs. Rosen
Mathew
Jeffries
Hanh
Howard Johnson
WDiamond:us

Messrs. Hanh, Jaffries, Mathew, Meja

September 8, 1965

Robert F. Skillings *RFS*

Foreign Shareholders of Development Finance Companies

As you know, we try to keep in our office an up-to-date file listing the foreign shareholders of each of the development finance companies with which we are associated. I recently noticed that this file is in some cases out of date. Would you please check the institutions in your division and, when necessary, have revised lists typed and given to Miss Viola.

cc: Mr. Diamond

RFSkillings:vmv

July 1, 1965

Mr. August Maffry
Senior Vice President
Irving Trust Company
International Division
One Wall Street
New York, N. Y.

Dear Gus:

Thank you for your note of June 23. I am glad that you were able to spend the time with us and to get to know better some of the people in the organization who are most familiar with the specific transactions we are doing. I found your thoughtful comments on the kind of relationships you would like to see between the development finance companies and their foreign shareholders to be very interesting. This whole topic is one on which our own thinking is in continuous development and, I believe, the motives of the various foreign shareholders going into development banks throughout the world have also been somewhat fluid. I find that these motives range from the desire to have an exclusive position in the development bank and the consequent willingness to put up a good deal of money when it is necessary to a wish to have a window into the country or a calling card, on a basis in which there is minimal financial commitment but the opportunity to get a bit of orientation on the area. Clearly you have given the subject more thought than many others and I found your comments helpful.

Your specific suggestion that it might be desirable to have someone delegated with the job of carrying on relationships between U.S. investment institutions and IFC is one on which I am in agreement. I am sorry that Howard Johnson's functions, apart from IFC, are in such volume that he cannot undertake this for us, but I have this problem very much in mind and hope to do something about it in the reasonable future.

With best personal regards,

Very sincerely yours,

Marty

Martin M. Rosen
Executive Vice President

cc - Mr. Diamond, Mr. Paterson, Mr. von Hoffmann
Mr. Richards, Mr. Cavanaugh, Mr. H. Johnson
MMRosen:dbs

6
as
me

IRVING TRUST COMPANY

ONE WALL STREET
NEW YORK 15, N. Y.

INTERNATIONAL DIVISION

AUGUST MAFFRY
SENIOR VICE PRESIDENT

June 23, 1965

Mr. Martin M. Rosen
Executive Vice President
International Finance Corporation
1818 H Street, N. W.
Washington, D. C.

cc-Diamond
Cavanaugh
Richards
H. Johnson
Taterson
vonHoffmann

Dear Marty:

I want to thank you and your associates, especially Bill Diamond, for a very rewarding day spent at IFC. It was particularly helpful for me to compare notes on the investments we have made through or in partnership with IFC. It was also helpful to hear of some things that may be coming along in which we might be interested.

As you gathered from my conversation with you, and as Bill Diamond and the others will have understood from my exchanges with them, my principal concern at the moment in our relations with IFC is to find a means of establishing a more effective liaison with IFC and with the development finance companies in which we are participating. It seems to me that participations by commercial banks in development finance companies in foreign countries should provide a means of access by these companies and their clients to the resources of the participating banks and more broadly to the resources of the American capital market. I am convinced that the mobilization of outside private capital in this and in other ways will in the long run be necessary to provide the resources needed by development finance companies around the world.

It occurs to me that one way of establishing a more effective liaison between the IFC and United States banks would be to make some one person responsible for bank relations. I believe it was thought at one time that Howard Johnson might perform this function, but I understand that this has not worked out because of Howard's necessary preoccupation

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COMMUNICATIONS
DIVISION

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Dear Marty:

Washington, D. C.
1818 H Street, N. W.
International Finance Corporation
Executive Vice President
Mr. Martin M. Rosen

[Handwritten notes]

June 23, 1965

INTERNATIONAL DIVISION

NEW YORK 12, N. Y.
ONE WALL STREET

EXECUTIVE VICE PRESIDENT
ADOLPH DUBOIS

IBANC TRUST COMPANY

6
IRVING TRUST COMPANY

Mr. Martin M. Rosen

- 2 -

6/23/65

with World Bank affairs. Actually, I think such a person might operate most effectively out of Washington where he would be familiar with all that is going on in IFC and in the development finance companies in which IFC is involved. By means of frequent visits to New York and other centers, as well as by correspondence and the use of the telephone, I should think a good deal might be done by way of bringing the banks and the IFC into a much closer working relationship.

With best regards,

Sincerely yours



August Maffry
Senior Vice President

W.B. Post?

April 15, 1965

Mr. Ray D. Thomas
Vice President
The Company for Investing Abroad
123 South Broad Street
Philadelphia, Pennsylvania

Dear Ray:

This is just to confirm that we shall be delighted to see you and Bill Anthony here on April 21. Bill Diamond and Dr. Klein will be expecting you in Bill's office at 11:00. Dr. Klein hopes very much that you will be able to have lunch with him, and Neil Paterson is looking forward to seeing you after lunch, at 2:15.

Best regards,

Yours sincerely,



Robert F. Skillings
Deputy Director
Development Finance Companies

cc: Messrs. Diamond, Paterson
Dr. Klein
Circ. (2)

RFSkillings:mhc

The Company for Investing Abroad

FIDELITY PHILADELPHIA TRUST BUILDING

TELEX: 215-569-9639
CABLE: COMINA, PHILADELPHIA
TELEPHONE: (215) KINGSLEY 6-5500



Mr. Robert Skillings, Assistant Director
Department of Operations
Development Finance Companies
International Finance Corporation
1818 H Street, N. W.
Washington, D. C. 20433

Dear Bob:

When I was in Washington a couple of weeks ago, you were kind enough to give me some of your time and to mention a few of the development finance company projects now under consideration.

I have had an opportunity here to review with my associates the situations you described to me. I would like to confirm that we are interested in the possibility of participating in a development finance company in Ecuador and would very much appreciate your keeping us in mind as the project develops.

Our interest in such an institution in Jamaica is negligible, but we would like to be kept aware of the projects you mentioned in the Dominican Republic and Tunisia.

On talking with Mr. William J. Anthony, Assistant Vice President of Fidelity-Philadelphia Trust Company, after my return from Washington, I find that he is planning to leave for South America during the first week in March, on a trip which will include Manizales, Colombia. In accordance with my discussion with you, I plan to call you on Monday, February 15th, to see if we can set a date for later that week when Mr. Anthony and I may call on you in Washington to discuss Corporacion Financiera de Caldas, S.A. As I believe I mentioned to you, Mr. Anthony plans to arrange his itinerary in such a way as to attend the March 31st shareholders' meeting.

Log 2/15
Return to Mrs Seal me
Copy sent Mr. Richards
Mr. Casanovi
M. Johnson
Dev Bank - Participations
PHILADELPHIA,
PENNSYLVANIA 19109

9 February 1965

cc Discard (O. A.)
Carago " "
Mejin
Sekse

Mr. Robert Skillings

-2-

9 February 1965

Let me thank you once again for having taken the time, from your busy schedule, to talk with me.

Best regards,

Sincerely yours,


Raymond D. Thomas
Vice President

RDT:sms

cc: Mr. William J. Anthony

Mr. Woods, Mr. Rosen

December 9, 1964

J.G.Beevor

JGB

Development Finance Companies - Commercial Bank Stockholders

On December 7 in New York I had a meeting with August Maffry of Irving Trust, mainly to talk about Nigeria, where he is a director of NIDB.

He said that so far he was disappointed with the business resulting from Irving's equity investment in development finance companies, namely, in Finland, Nigeria, Pakistan and the Philippines. The Irving management had approved these investments in the hope that new business, either commercial banking or investment business, would accrue as a result. I said that of these four institutions, the one in Pakistan was in fact the only one which was long established and operating on a substantial scale, and that as regards the other three it was rather early to form a judgment.

He said that as regards investment business, Irving International would be interested in participating in PICIC projects and he did not mind whether he was approached directly by PICIC or indirectly through IFC. I mentioned that PICIC usually looked for participants in projects involving more than about \$3 million, and that IFC was cooperating with PICIC on two or three large projects where participations would be welcomed.

As regards Nigeria, he recognized that he had already been invited by NIDB to take part in the underwriting of some sterling debentures of the new Textile Printers enterprise which Irving had declined on the grounds of the currency risk.

Maffry said that it so happened that the only substantial banking business which Irving had so far received from DFC sources, was from the Uganda Development Corporation, in which Irving had not yet made any investment. It is difficult, or impossible, for us to keep track of business, which commercial banks may derive as a result of their investments in DFC's. However, since it is important to maintain the interest of commercial banks in investing in DFC's, I think we might from time to time discreetly remind the managers of DFC's to bear in mind their commercial banking stockholders, whenever they have foreign banking business to place. As regards investment opportunities, we should certainly make greater efforts to offer such banking stockholders the chance to participate in joint projects on which we are working with one of the DFC's.

cc Messrs. Diamond, Paterson, von Hoffmann, Richards
JGBeevor:us

cc: Edge Co. 8

OFFICE MEMORANDUM

TO: Files

DATE: October 13, 1964

FROM: R. F. Skillings SUBJECT: Nicaragua and El Salvador
Interest of Western Bancorporation

1. Mr. Stanfield S. Taylor, Vice President of Western Bancorporation International Bank came in to see me this morning. He said that Western Bancorporation was seriously considering buying shares in the Nicaraguan financiera, and also taking a participation (smaller) in the new financiera in El Salvador. Mr. Taylor was very enthusiastic about the business prospects of both institutions (which he felt were better than those of Colombia). He is aware of the participation of Wells Fargo in the Nicaraguan company and says that Bank of America and Continental Illinois may also come in. He does not seem disturbed by the fact that there would be three west coast U.S. banks. He asked what the prospects were of IFC taking an interest in either Nicaragua or El Salvador.
2. I told him the history of the negotiations with Nicaragua and said that we were still keeping an open mind and after the financiera had been in business for a year or two, might well reconsider our position. In El Salvador we felt the company was young and the prospects for business too uncertain to warrant our being involved at this stage.
3. Mr. Taylor said that he would like to call on Mr. Diamond and Mr. Arango when he came to Washington again, and said also that he hoped we would come to see them in New York.

RFSkillings:anf/gn

cc: Messrs. Alter, Paterson, Diamond, H. Johnson, Arango
Mrs. Seal
Circulation (2)

Dev Bank - Participation
Original - Dev. Bank -
Gen.

To Files
From W. Diamond

MEMORANDUM

September 4, 1964

Visits to Bank of Tokyo

On Tuesday, I called on Mr. Sumio Hara, Vice President of the Bank of Tokyo, Mr. Kunio Miki, Managing Director, Mr. M. Toyama, Manager, International Investment Department and Mr. Ichiro Matsudaira, Managing Director, who is a member of the Board of MIDFL.

The Bank of Tokyo appears content with its investments in development finance companies (it has six of them), although it confesses that its contentment stems from expectations rather than results, for those investments are still relatively new. I was asked if we had any prospects for development finance companies in Latin America, in which the Bank of Tokyo is taking an increasing interest. It appears that it already has two (?) branches in Brazil and is a member of the organizing committee of the ADELA Investment Company.

I told the group about our present investments and our expectations and problems in the field of development finance companies in Latin America, and promised to keep the Bank of Tokyo informed of possibilities.

Mr. Matsudaira mentioned, apparently with some pleasure, that the Bank of Tokyo is now on the Board of two of the development finance companies in which it has investments, and expects, by rotation, to be on the Boards of two more next year. He also expressed pleasure about the continuance of the Bank of Tokyo on MIDFL's Board for another year.

I took the opportunity to say that we were unhappy about the regular presence of the Bank of Tokyo's Lagos representative on NIDB's Board. I referred to the background of, and reason for, Mr. Beevor's request that distinguished visitors of important shareholding companies be invited to sit in at all Board Meetings, and said that this was not intended as a device for putting an extra non-voting man on the Board. Mr. Matsudaira and Mr. Miki said they understood the point and added that the Bank of Tokyo had not instructed its Lagos representative to participate in all meetings; in any event, they promised to call him off.

I referred briefly to the plans for an Asian Development Bank. No one present expressed much interest, although Mr. Hara spoke at some length about the need for increasing foreign aid efforts in Asia.

cc Mr. Beevor, Mr. Matthew

WDiamond:us

Dev. Bank. Participation
August 13, 1964

Mr. Donald Frankenfield
Assistant Vice President
Philadelphia International Investment
Corporation
c/o Philadelphia National Bank
Philadelphia 1, Pennsylvania

Dear Mr. Frankenfield:

Here are the names and addresses of the Colombian
financieras which I promised on the phone this afternoon. The
three in which IFC has taken an equity participation are:

Corporacion Financiera Colombiana
Edificio Banco de Bogota
Carrera 10
Bogota, Colombia

Mr. Guillermo Herrera Carrizosa, President

Corporacion Financiera Nacional
Apartado Aereo 1039
Medellin, Colombia

Mr. Jose Gutierrez Gomez, President

Corporacion Financiera de Caldas
Apartado Aereo 460
Manizales, Colombia

Mr. Roberto Ocampo Mejia, President

The other two which I mentioned are:

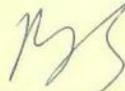
Corporacion Financiera del Valle
Cali, Colombia

Mr. Luis Bernardo Salcedo, President

Corporacion Financiera del Norte
Apartado Aereo 2747
Barranquilla, Colombia

Mr. Alvaro Jaramillo Vengoechea, President

Sincerely yours,



Robert F. Skillings
Assistant Director of Operations
Development Finance Companies

cc: Circulation (2)

RFSkillings:anf

FORM NO. 59
(2-55)

CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: July 1, 1964

TO: Files

FROM: A. G. Arango

FILED UNDER: CENTRAL AMERICA - Industrial Financing Corporation

SUMMARY:

Re: Visit of Mr. Raymond T. Gillen of Continental International Finance Corporation.

Expressing desire to participate in Financiera Centroamericana de Desarrollo.

Mr. Martin M. Rosen

May 27, 1964

William Diamond

WD

Visit from C. V. Starr & Co.

*(PAK)
(S. America)
etc*

Having consulted you, El Emary and Paterson, I called Mr. Bell of C. V. Starr and Company in New York and invited him to visit us next Thursday, June 4. This was agreeable to Mr. Bell.

Accordingly he and Mr. von Maur will arrive here at 10:30 that morning. They will come to me. I will take them for the first hour or so to Paterson. Thereafter they will visit El Emary. Shortly before lunch they will go to you, if that is convenient. I have asked them to stay with us for lunch and have said that should there be any need for further discussion in the afternoon they can arrange it with Paterson and El Emary in the light of the morning discussions.

Would you care to be host at lunch?

cc: Messrs. El Emary
Paterson
Skillings

WDiamond/dea

orig Pak - PICIC - gen.
X Alpha - STARR C.V.
Dev. Bank - Participations

FILES

May 27, 1964

William Diamond



Visit with Representatives of C.V. Starr Organization in New York

At the request of Howard Johnson, I met Friday morning with Mr. Kenneth N. Bell and Mr. John von Maur of C.V. Starr and Company Incorporated, 102 Maiden Lane, New York 5, N. Y.

The original object of this meeting was to explore Starr's interest in investment in Pakistan. It developed that Starr is accumulating a considerable fund of rupee resources in Pakistan which the Company is unable to take out of the country. It is seeking ways of investing these funds, which derive from Starr's insurance business in Pakistan, and wondered about how these funds could be invested side by side with, in conjunction with, or through PICIC. We explored this subject, and various alternatives and the problems raised by each, and agreed that we would try to make arrangements for Mr. Uquaili to call on Starr during his visit to the United States. Although Starr was not primarily interested in increasing its holdings of PICIC shares, it might be interested in doing so if it could pick some up. I told Starr that we were aware of one American shareholder who was interested in selling and they said they would be grateful if we informed that shareholder of Starr's interest. (Purcell is abroad until Thursday.)

Mr. Bell said that Starr is now in a lush position throughout the world; it is generating cash at a very high rate and is interested in finding new ways of investing those funds. Bell spoke particularly of Starr's interest in Latin America. It appears that Starr already has substantial interests in the Caribbean and is beginning to develop in Venezuela. It expects shortly to break into Colombia in a big way. With respect to Venezuela, Bell asked particularly about the prospects of purchasing from IFC's portfolio some of its holdings in Sivensa and Diablitos. Mr. Johnson also suggested that there might be other parts of our portfolio that would interest Starr. Starr also spoke of possible interests in finding investments in East Africa and Southeast Asia.

It appeared to us that it would be worth our while to become better acquainted with the Starr organization and it would be worth the while of Mr. Bell and of Mr. von Maur to visit Washington, in particular to speak to Neil Paterson and to Abdel El Emary about our activities in their areas. Accordingly I undertook to arrange a time convenient to Paterson and El Emary, for a visit from the Starr people. I promised to get in touch with Mr. Bell as soon as possible on this matter.

cc: Messrs. Rosen, H. Johnson, El Emary, Paterson, Skillings

WDiamond/dea

OFFICE MEMORANDUM

TO: FILES

DATE: May 27, 1964

FROM: William Diamond *W*SUBJECT: Visit to Chemical International

Last Friday morning (May 22) I called on Mr. John Wolf, Vice President of Chemical International. This institution is a shareholder in four of the development finance companies in which we have investments: in Venezuela, the Philippines, Nigeria and Finland.

I spent about an hour with Mr. Wolf bringing him up to date on the activities of these institutions to the extent I could do so. He said Chemical had considerable difficulty obtaining information about what was going on in them. I was surprised to learn that Chemical does not receive from its representative on the Board of the PDCP copies of Mr. Paulding's monthly report to his Board. I told Mr. Wolf about these reports and the purposes they were supposed to accomplish, and suggested he write to his Board member about them. I told him that we would, in due course and at an appropriate moment, suggest that the management of the Venezuelan and Finnish institutions might prepare similar reports for their boards. With respect to Nigeria, I informed Mr. Wolf, who had not been present at Mr. Beavor's lunch on Wednesday, about the proposals now in discussion concerning the creation of an Executive Committee and the choice of would-be candidates for the Deputy General Managership of the NIDB. I also informed him of the views which Mr. Beavor held with respect to both of these matters.

cc: Mr. H. Johnson (N. Y.)
Mr. Scoll
Mr. Mathew
Mr. Wyeth
Circulation (2)

WDiamond/dea

OFFICE MEMORANDUM

TO: FILES

DATE: May 26, 1964

FROM: William Diamond SUBJECT: Visit to Northwest International Corporation and to Chase International

1. I called on Jim Bush at the offices of Northwest International Bank Wednesday afternoon. Northwest is a shareholder in three of our development finance companies: in Finland, Venezuela and Nigeria. Considering the fact that the institution is only a year old, it has gone further and faster than any other financial institution in involving itself with developing finance companies.

2. Mr. Bush said that he is pleased with these three associations, that he considers Northwest's involvement in such institutions as a very important part of its work, that he hopes in the course of time to have an even deeper involvement with development finance companies. He asked that he be kept informed of any other opportunities in this field that come our way. I asked Mr. Bush whether there is any particular part of the world or any particular countries in which Northwest has a greater interest than in others; if there were we would keep him particularly in mind when opportunities arose in such places. He replied that there was no such place at the present time. Although the bulk of Northwest's investments and commitments were in Latin America at the present time, this was a result of accidental and historical circumstances and not of deliberate policy. He would be prepared to accept a development bank proposal anywhere in the world.

His view of development finance companies contrasted sharply with that of Mr. Rockhill of Chase, who thought they were "for the birds"; his only reason for getting in, is to protect Chase's interests or to further them in a non-financial way. He is not too happy about Chase's first effort at sponsorship - in Iran; and he is not enthusiastic about the second - in the Ivory Coast.

cc: Mr. Rosen
Mr. H. Johnson (N. Y.)

WDiamond/dea

Mr. Robert F. Skillings

April 1, 1964

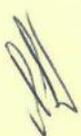
Ralph Wyeth

Foreign Shareholders of Development Finance Companies.

In reply to your memorandum of March 27, I enclose lists of foreign shareholders in the Development Finance Companies in Thailand, Taiwan and the Philippines.

Attachments.

cc: Circulation (2)



Foreign Shareholders in Development Finance Companies in Far East Division. (cont'd.)

I. THAILAND - Industrial Finance Corporation of Thailand
 Par value of Shares - ฿1,000. Paid-up Capital - ฿30 million

		<u>No. of Shares held</u>
Bank of America	1,090	
W.M. Moore	10	1,100
Bank of Tokyo Ltd.	<u>1,090</u>	
M. Koga	10	1,100
The Chartered Bank	<u>1,090</u>	
J.H. Delacour	10	1,100
Chase Int'l Invest. Corp.	<u>1,090</u>	
A. Noe	10	1,100
Commerzbank A.G.	<u>1,090</u>	
G. Fuchs	10	1,100
Hong Kong Bank	<u>1,090</u>	
N.H.T. Bennett	10	1,100
Manufacturers Hanover Trust Co.		1,100
Mitsui Bank Ltd.	1,090	1,100
S. Ohta	<u>10</u>	1,100
Wells Fargo Bank		1,100
Western Bancorporation		1,100
IBEC	240	
R.M. Hollander	<u>10</u>	250
Thai Investment Fund		200
Banque de l'Indochine		157
Foreign Commerce Bank Inc.		104
Indian Overseas Bank Ltd.		307
Mercantile Bank Ltd.		210
Sze Hai Tong Bank Ltd.		157
J.G. Beevor		10
		<u>12,395</u> shares
(41.4% of total issue)		
		= ฿12,395,000

Foreign Shareholders in Development Finance Companies in Far East Division (cont'd.)

II. TAIWAN - China Development Corporation
 Par value of Shares - NT\$1,000. Paid-up Capital - NT\$120 million

	<u>No. of Shares held</u>
Morgan Guaranty International Banking Corp.	<u>12,250</u>
(10.3% of total issue)	

Foreign Shareholders in Development Finance Companies in Far East Division (cont'd.)

III. PHILIPPINES - Private Development Corporation of Philippines
 Par value of Shares - ₱10. Paid-up Capital - ₱2.5 million

	<u>No. of Shares held</u>
American Express Co.	20,000
Bank of America	45,500
Bankers International Financing Co. Inc.	45,500
Boston Overseas Financial Corporation	31,000
Chemical International Finance Ltd.	45,500
Continental International Finance Corporation	45,500
First National City Overseas Investment Corp.	45,500
Irving International Financing Corporation	45,500
Lehman Bros.	20,000
Manufacturers Hanover International Finance Corporation	45,500
Morgan Guaranty International Finance Corp.	45,500
New York Hanseatic Corporation	20,000
Philadelphia International Investment Corp.	31,000
Wells Fargo International Corporation	31,000
The Chartered Bank	45,500
Hong Kong & S'hai Banking Corporation	45,500
Samuel Montagu	2,455
Bank of Tokyo Ltd.	45,500
Deutsche Bank A.G.	45,500
Hansen H.A.	1,600
Hansen Jul	1,000
Stanley, Edward. L.	1,500
Allen, Dwight G.	50
Carroll, Earl	1
Henry, Richard M.	1
Wilmer, Robert D.H.	1
	<u>705,608</u> shares

= ₱7,056,080

(28% of total issue of Class A & B Shares =
 94% of Class B Shares).

NOTE :

- (i) In the absence of any record of nationality of shareholders, nationality can only be deduced from names, which can be misleading but there is doubt only in the cases of small shareholders. The figure of 705,608 is too low rather than too high, as doubtful cases have been excluded.
- (ii) There being an active market in PDCP shares, there have probably been changes in the list dated January 20, 1964, from which the above information has been extracted. The evidence suggests that significant errors are possible, as some transactions appear to be sizeable.

Handwritten initials

Mr. Robert F. Skillings

March 30, 1964

P. M. Mathew *PM*

Foreign Shareholders of Development Finance Companies

Further to your memorandum of March 27, attached please find lists of the foreign shareholders of the Industrial and Mining Development Bank of Iran, the Malaysian Industrial Development Finance Limited, and the Nigerian Industrial Development Bank. The Development Bank of Ethiopia is entirely government owned.

HBThomas:lvr

PM

FOREIGN SHAREHOLDERS OF THE
INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN

<u>Name of Shareholder</u>	<u>No. of Shares</u>
Lazard Freres & Co.	18,125
Chase International Investment Corporation	18,125
Societe Financiere de Transports et d'Entreprises Industrielles	15,000
International Basic Economy Corporation	11,250
Banca di Credito Finanziario (Mediobanca)	11,250
Lazard Freres & Cie.	9,375
Banque de Paris et des Pays Bas	9,375
Sal. Oppenheim Jr. & Cie.	9,375
Deutsche Bank A.G.	9,375
The First Boston Corporation	7,500
Amsterdamsche Bank N.V.	7,500
Lazard Brothers & Co., Ltd.	3,750
Lloyds Bank Limited	3,750
Midland Bank Limited	3,750
English Electric Co. Ltd.	3,750
Simon Carves Limited	3,750
Nederlandsche Handel-Maatschappij N.V.	3,750
Hollandsche Bank-Unie N.V.	3,750
Montecatini Societe Generale per l'Industria Mineraria e Chimica Anonima	3,750
Fiat S.p.A.	3,750
TOTAL	<u>160,000</u>

FOREIGN SHAREHOLDERS OF THE
MALAYSIAN INDUSTRIAL DEVELOPMENT
FINANCE LIMITED

<u>Name of Shareholder</u>	<u>No. of Shares</u>
Malaya Developments Limited	25,000
The Chartered Bank	20,000
Hongkong and Shanghai Banking Corporation	10,000
Mercantile Bank Limited	10,000
Commonwealth Development Finance Co. Ltd.	6,400
The Eastern Bank Limited	5,000
Bangkok Bank Limited	2,452
Bank of America, International	2,452
The Bank of Tokyo Ltd.	2,452
Bankers International Financing Co. Inc.	2,452
Banque de L'Indochine	2,452
Deutsche Bank Aktiengesellschaft	2,452
The First National City Bank of New York, Kuala Lumpur	2,452
Manufacturers Hanover International Finance Corporation	2,452
Morgan Guaranty International Finance Corporation	2,452
The United Commercial Bank Limited	2,452
American International Assurance Co. Ltd.	2,402
Life Insurance Corporation of India	2,300
China Insurance Company Ltd.	1,930
Commercial Union Assurance Co. Ltd.	1,840
Sun Life Assurance Co. of Canada	1,720
The Indian Oversea Bank Ltd.	1,400
The Prudential Assurance Co. Ltd.	930
Oversea Assurance Corporation Ltd.	890
The New Zealand Insurance Co. Ltd.	860
The Manufacturers Life Insurance Co.	720
Union Insurance Society of Canton Ltd.	590
North British & Mercantile Insurance Co. Ltd.	550
Royal Exchange Assurance	550
Norwich Union Fire Insurance Society Ltd.	500
Phoenix Assurance Company Limited	500
The South British Insurance Co. Ltd.	490
Atlas Assurance Co. Ltd.	430
New India Assurance Company Ltd.	390
The Employers' Liability Assurance Co. Ltd.	310
Royal Insurance Co. Ltd.	300
Eastern United Assurance Corporation Ltd.	200
The London & Lancashire Insurance Co. Ltd.	200
Barlow & Co. (Malaya) Ltd.	180
Guardian Assurance Company Ltd.	180
Sime Darby (Malaya) Limited	180
General Accident Fire & Life Assurance Corporation Limited	160
Law Union & Rock Insurance Company Ltd.	160
Lombard Insurance Company Ltd.	160
National Employers' Mutual General Insurance Association Limited	160

<u>Name of Shareholder</u>	<u>No. of Shares</u>
Sun Insurance Office Limited	150
Eagle Star Insurance Company Ltd.	140
Harper, Gilfillan & Company Ltd.	140
Harrisons & Crosfield (F.M.) Ltd.	140
The London Assurance	120
The London and Oversea Insurance Co. Ltd.	120
The Wing On Fire & Marine Insurance Co. Ltd.	120
Wing On Life Assurance Co. Ltd.	120
Alliance Assurance Company Ltd.	110
The British India General Insurance Co. Ltd.	110
L'Union Fire, Accident & General Insurance Company Ltd.	100
Nanyang Insurance Co. Ltd.	100
China Underwriters Limited	90
The Century Insurance Co. Ltd.	80
The Yorkshire Insurance Co. Ltd.	80
American International Underwriters Ltd.	50
Indian Trade & General Insurance Co. Ltd.	50
Caledonian Insurance Company	40
Legal and General Assurance Society Ltd.	30
The Western Assurance Company	20
The Oriental Fire & General Insurance Co. Ltd.	10
Provincial Insurance Co. Ltd.	10
Ruby General Insurance Company Ltd.	10
United India Fire & General Insurance Co. Ltd.	10
	<hr/>
Subtotal	124,052
Unidentified foreign shareholders*	221
	<hr/>
Total	124,273
	<hr/>

* We are requesting a list of shareholders from MIDFL that indicates the nationality of each shareholder. Our present list includes a table summarizing the shares held by foreign and domestic shareholders but does not classify individual shareholders by nationality. The above list of foreign shareholders was prepared on the basis of personal knowledge within DBS.

FOREIGN SHAREHOLDERS OF THE
NIGERIAN INDUSTRIAL DEVELOPMENT BANK LIMITED

<u>Name of Shareholder</u>	<u>No. of Shares*</u>
Chase International Investment Corporation	160,825
Commonwealth Development Finance Company Ltd.	103,550
Istituto Mobiliare Italiano	73,100
Bank of America	71,100
Colonial Development Corporation	50,000
The Bank of Tokyo, Ltd.	38,500
Commerzbank A.G.	38,500
Irving International Financing Corporation	38,500
Northwest International Bank	38,500
United Africa Co.	37,500
Societe Financiere pour les Pays d'Outre Mer S.A.	28,200
Bank of West Africa	25,000
Barclays DCO	25,000
British American Tobacco	15,000
Chemical Overseas Finance Co.	12,500
Imperial Chemical Industries	12,500
Transoceanic/AOFC Ltd.	12,500
Tube Investments	12,500
Vickers	12,500
Vivian Younger and Bond	12,500
Royal Exchange	11,000
Abyard Nominees (British and French Bank)	10,000
Dunlop Rubber Co.	10,000
General Electric Co.	10,000
Nigerian Tobacco	10,000
Glaxo Laboratories	7,500
Richard Thomas & Baldwins	7,500
Northern	6,000
Arthur Guinness Son & Co.	5,000
Associated Electrical Industries	5,000
British Bata Shoe Co.	5,000
C. T. Bowering & Co.	5,000
Costain (West Africa)	5,000
Dorman Long & Co.	5,000
English Electric & Marconi's)	
Wireless Telegraph Co.)	5,000
Joseph Lucas (Industries)	5,000
A. G. Leventis & Co.	2,500
Blue Star Line	2,500
British West Africa Corporation	2,500
John Holt Investment Co. Ltd.	2,500
Metal Containers of West Africa	2,500
Nigerian Dredging	2,500

* Preference Shares not included.

<u>Name of Shareholder</u>	<u>No. of Shares</u>
Paterson, Zochonis & Co.	2,500
Power Securities Corporation	2,500
Societe Commerciale de l'Ouest Africain	2,500
Taylor Woodrow (Nigeria)	2,500
Total Oil Products (Nigeria)	2,500
Union Trading Co.	2,500
W. P. Butterfield	2,500
White Cross	2,150
National Employers	1,500
London & Kano Trading Co.	1,250
Norwich Union Fire	1,250
West African Crusader	1,250
West African Provincial	1,250
Jantar Nigeria Co.	1,000
L. A. Nominees Ltd. (Yorkshire)	1,000
Royal	1,000
Law Union and Rock	750
New Africa	700
Legal and General	600
Century	500
Pearl	500
Phoenix	500
Gresham Life	300
Bank of Lagos	250
Eagle Star	250
Employers' Liability	250
London	250
Welfare	250
	<hr/>
Total	979,525
	<hr/>

Files

March 11, 1964

William Diamond

I called on and had lunch with John Dent of Balfour Williams on March 4. Dent is in charge of their Company's investments in Latin America and we reviewed their interests and activities vis-a-vis development banks. For the time being, these are restricted primarily to the two Financieras in Bogota and Medellin, but they are interested also in the Central American Financiera sponsored by the Bogota group and in the Ferreyros-Montero plant in Peru. Dent knew a good bit about the Bogota and Medellin Financieras and I discovered that this resulted not from the fact that Ashworth (the Balfour Williams man on the Board of the Financieras) keeps the head office well informed, but rather the fact that Dent himself had spent a few days in each of the Financieras in January of this year.

I found that Dent and we were not basically in disagreement on the subject of reserves and dividend policy; to the contrary, he sympathized by and large with our stress on conservative reserves policy but he placed somewhat more emphasis than I had done on the continuity of the dividend record, particularly in the light of the action of the dividend declared by Medellin. Moreover, he was unaware of the plans afoot to arrange for long-term lending to the Financiera and consequently, felt more strongly perhaps than we did the need to increase share capital promptly and continuously. He was pleased to learn of the plans for a World Bank loan and his man, Walker, who was with us, said that his view long had been that the fundamental weakness of the Financieras was the lack of long-term loan capital. Dent appeared to have a high opinion of Gutierrez-Gomez and Herrera-Carrizosa, but had a better opinion of the staff organization which the latter had built up. He was concerned about the possibility of lack of coordination between the two institutions, and was particularly concerned about the possibility of conflict in view of Balfour Williams presence on both Boards of Directors. He mentioned one case in particular which we ought to check on: It appears that both financieras are actively pursuing the establishment of a Nylon 8 plant in Medellin. This is not a case of collaboration but rather of competition, and it appears that one of the plants has already been licensed and the other is shortly to be so. I think we ought to raise this question with the Financieras. Dent has promised to keep in touch with us on Colombia; he will, from time to time write to us about the news he gets from Ashworth, if any.

With respect to Peru, I told him about our attitude with respect to quasi-equity and why we had had to become luke warm towards joining the Ferreyros-Montero group. At his request, I rehearsed the history of the Colombian Financiera in Central America. Dent did not seem enthusiastic about it, rather feeling that it was established on much too narrow a basis and that the scope of its operations was likely to be quite limited.

at this time,

WDiamond:anf

Mr. Martin M. Rosen

March 11, 1964

Robert F. Skillings

In the Board meeting yesterday the question arose how much IFC money was "locked in" because IFC had agreed to sell its shares in development finance companies only to nationals of the country concerned. The following table summarizes the position:

<u>Institution</u>	<u>Amount of Investment</u>	<u>Amount "Locked In"</u>
Malaysia - MIDFL	\$ 833,000	\$ 833,000
Morocco - BNDE	1,500,000	330,000 ^{1/}
Nigeria - NIDB	1,400,000	1,400,000
Philippines - PDGP	200,000	200,000
Thailand - IFCT	<u>190,000</u>	<u>140,000</u>
	\$ <u>4,123,000</u>	\$ <u>2,903,000</u>

The total amount of IFC investment in development bank companies, after the Thai operation, is \$15.5 million.

^{1/} Amount of reserve stock set aside as "first step".

RFSkillings/vmv

Mr. Robert F. Skillings

March 11, 1964

R. Wyeth

Your Memorandum of March 10 regarding IFC's Shareholdings in Development Banks.

Of the areas for which I am responsible, there is no development bank in Afghanistan, and IFC holds no shares in the China Development Corporation in Taiwan.

The position regarding the situation existing in the Philippines is set out below, and I am adding a paragraph regarding Thailand, although no investment has been made there yet, because we are likely to invest about P 4 million there very shortly:

- (1) Private Development Corporation of the Philippines - IFC's investment, after completion on March 20, 1964, P 800,000 - :
 - 1) Mr. Beevor is not a Director.
 - 2) IFC's entire shareholding is restricted in disposal to Philippine nationals only, in terms of paragraph 7 of the Articles of Incorporation.
- (2) Industrial Corporation of Thailand - IFC's investment, after completion of allotment, P 4,000,000 - :
 - 1) a. Mr. Beevor will be nominated as IFC's Director.
 - b. Ten shares will accordingly be registered in his name.
 - 2) The number of IFC's shares which will be restricted to sale to Thai nationals only, can be determined only after allotment. The figure is likely to be 2,885 (P 2,885,000) leaving 1,115 shares (P 1,115,000) for disposal without restriction.

Summary of Restricted Shareholdings

<u>Name of Institution</u>	<u>Value of Shares held</u>	<u>Value of Shares Restricted</u>	<u>Value of Restricted Shares in U.S.Dollars</u>
Private Development Corporation of the Philippines	P 800,000	P 800,000	US\$205,193
Industrial Finance Corporation of Thailand	P 4,000,000	P 2,885,000	US\$138,702
Total "Locked-in" Investment in Philippines and Thailand			<u>US\$343,895</u>

RWyeth:tm

Dev. Bank - Printing

February 12, 1964

Mr. William Diamond

E. Sekse *ES*

French Shareholders in ICICI, PICIC and PCDF

According to our files, none of the three above mentioned development banks has French shareholders. This is in reply to your question today.

ES:hl

Mr. William Diamond

February 12, 1964

P. M. Mathew *PM*

Shareholdings of French Institutions in Development Banks

The table below describes the shareholdings of French institutions in DBE, IMDBI, MIDFL & NIDB, which you requested I tabulate for you.

	<u>number of shares</u>	<u>% of foreign-held equity¹</u>	<u>% of total equity</u>
DBE - (no French shareholders)	-	-	-
IMDBI ² - Lazard Freres & Cie.	9,375	5.86	2.34
Banque de Paris et des Pays Bas	<u>9,375</u>	<u>5.86</u>	<u>2.34</u>
Total	18.750	11.72	4.68
MIDFL - Banque de L'Indochine	2,452	1.97	0.98
NIDB - Societe Commerciale de L'Ouest Africain ³	2,500	0.26	0.13

¹ Any IFC shareholding is not considered foreign in these percentage figures.

² IFC does not have an equity holding in IMDBI.

³ Societe Commerciale de L'Ouest Africain also holds 1,250 Preferred Shares which are not included in these figures.

HBThomas:lvr

TM



COMMERZBANK

AKTIENGESELLSCHAFT

AUSLANDS-DIREKTION

*Logged
2/7/64
Brd*
Der Bank Leiter
DUSSELDORF, den 4th February 1964
BREITE STRASSE 25
FERNRUF 8271

Jn/br

✓
Mr. William Diamond
Director
International Finance Corporation

1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Diamond,

A few days ago Mr. James H. Darton of your Paris Office visited us and advised us of his resignation from IFC.

During our conversation Mr. Darton mentioned that IFC is at present considering participations in a number of existing or proposed development banks. He could not give us any details, but he indicated that some of these institutions would probably be looking for foreign participations. This bank has already, as you know, a share in the development banks in Morocco and Nigeria and has expressed its interest in a similar institution in Thailand. Although not having come to a final conclusion we might wish to add a few more participations to our portfolio and would therefore ask you kindly to let us have some information as to IFC's plans in countries such as Turkey, Iran and Peru.

Looking forward to hearing from you,

Yours sincerely,

COMMERZBANK
Aktiengesellschaft

[Handwritten signature]

Vorsitzer des Aufsichtsrates: Hanns Deuß

Vorstand: Helmut Brands, Günther Ladisch, Paul Lichtenberg, Will Marx, Walter Meier-Bruck, Carl v. Mengden, Wilhelm Nuber, Heinrich Polke, Ernst Rieche, Bolko Graf von Roedern stellv. Robert Dhom, Gerhard Fuchs

*Logged Dev Participation
12/23
see*

FIRST PENNSYLVANIA

OVERSEAS FINANCE CORPORATION

PACKARD BUILDING
PHILADELPHIA 2, PA.

December 18, 1963

CABLE ADDRESS: PENCORP

*Do we have a
copy in IFC
reference to it?*

*Mr. Skills
Mr. Skills
Mr. Skills
Mrs. Skill*

Mr. Robert F. Skillings
Assistant Director
Development Bank Services
International Finance Corporation
1818 H Street, N. W.
Washington 25, D. C.

Dear Mr. Skillings:

I am pleased to acknowledge the receipt of your letter of December 6th, in which you outlined certain developments with respect to new development finance corporations in which we may participate.

We are now reviewing the IFC Memorandum on the reorganized Industrial Finance Corporation of Thailand, and will be pleased to revert to this matter at an early date.

Sincerely yours,
W. T. H. Huxtable
W. T. H. Huxtable

sn

Dev Bank Participations

December 6, 1963

Mr. W. T. H. Huxtable
First Pennsylvania Overseas
Financing Corporation
15th and Chestnut Streets
Packard Building
Philadelphia 2, Pennsylvania

Dear Mr. Huxtable:

Following our telephone conversation last Friday, I have reviewed the position with respect to new development finance corporations in which you might participate. Of all those you mentioned over the phone, it is the Industrial Finance Corporation of Thailand which, it seems to us, might be the most interesting for you at an early date. Mr. Rosen, the Executive Vice President of IFC, has written to Mr. Day about IFCT.

As I mentioned on the phone, there are four finance companies ("financieras") in Colombia in which IFC already has an equity participation or is considering one. I am attaching a list of these corporations with their addresses.

With regard to the Philippines, as you know, the formation of the Private Development Corporation of the Philippines has been completed. The shares held by IFC are of a class which may be owned only by residents of the Philippines or international organizations and consequently, they would not be available for sale to a foreign investor such as yourselves. In the case of the new development finance companies in Finland and Nigeria, both have reached a very advanced stage, and I am afraid that it is too late for new participants to come in now.

You may rest assured that we will keep you in mind as new proposals come forward and will let you know of anything we think might be of interest to you.

With kind regards,

Sincerely yours,

Robert F. Skillings
Assistant Director
Development Bank Services

Enclosure cc: Messrs. Diamond, Johnson, Filippi, Picciotto, Mathew, Seal
RFSkillings:anf

COLOMBIAN FINANCIERAS

Mr. Guillermo Herrera Carrizosa
President
Corporacion Financiera Colombiana
de Desarrollo Industrial
Edificio Banco de Bogota
Carrera 10
Bogota, Colombia

Mr. Jose Gutierrez Gomez
President
Corporacion Financiera National
Apartado Aereo 1039
Medellin, Colombia

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

Mr. Luis Bernardo Salcedo
President
Corporacion Financiera del Valle
Edificio Banco Cafetero 3 Piso
Cali, Colombia

Dev. Bank Participant
Original in IFC Files

Files

December 3, 1963

Robert F. Skillings

First Pennsylvania Overseas Finance Corporation

1. I was called on the telephone Friday morning, November 29, by Mr. W. T. H. Huxtable of the First Pennsylvania Overseas Finance Corporation, Packard Building, Philadelphia, Telephone, LOcust 8-1700, extension 8496. Mr. Huxtable called at the suggestion of Mr. Johnson (see Mr. Johnson's memo of November 6, 1963). IFC Files ✓
2. Mr. Huxtable said very enthusiastically that First Pennsylvania was anxious to become associated with IFC in development finance companies in countries in which they were interested. He expressed disappointment that they had not known about the Philippine operation in time to become an initial subscriber. He inquired what operations were in progress.
3. I promised to review the operations we had in progress and to let him know of any in which there might be room for an investor like First Pennsylvania. I also said I would send him the names and addresses of the four Colombian financieras in which we were interested.

cc: Messrs. Johnson, Diamond, Filippi, Picciotto

RFSkillings:anf

Dev Bank Participants

OFFICE MEMORANDUM

TO: Mr. Martin M. Rosen

DATE: November 26, 1963

FROM: William Diamond *WD*

SUBJECT: Development Bank "Participants"

- 1) *Mr. Skillings* *MJS*
- 2) *Mr. Solomon* (copy sent to 779 12-5-63)
- 3) *Central file*

*Mr. Johnson
 degree with the
 trouble about is
 committee which is an organizing
 meeting etc -*

1. Howard Johnson and I have discussed the treatment of "development Bank" "participants": to what extent should we keep them informed, about what, etc.
2. First of all, it appears to me that we have usually been using the term "participants" in the wrong sense, when we deal with development banks. For instance, in the case of IFCT at this moment, you are seeking foreign investors - to subscribe, as we propose to subscribe, to some shares. We are not looking for institutions to share our investment; nor are we trying to sell from our portfolio. Perhaps, in such cases as this, we can find another word, more suited to the idea: e.g. "investors" or "co-investors."
3. Secondly, it appears to me that we have no obligation to keep informed of the progress of the development bank those institutions which invest when we do or those to whom we may subsequently sell some of our shares. We certainly do have a moral obligation to exercise in a benevolent way such influence as we may have on the development bank: for its sake, for ours, and for that of those who invested with us. Moreover, good sense requires that we keep in touch with those who invest with us, because we shall want them to do so again. Keeping in touch involves exchanging notes on past investments; this we should do freely. But I do not think it advisable, nor do I think we are called upon, to send them regular reports on their investment.
4. In this connection, one should bear in mind that foreign investors are often on development bank boards, while we are not. They ought to keep as well informed as we - or better - in Badesco and the Colombian financieras. If we are on boards, we ought not, in any full and regular way, to pass on to others what we get through board memberships. We must be even more abstemious in passing on information we get because of the Bank's creditor relationship.
5. My recommendation, in short, is (a) to provide nothing on a regular basis to institutions which buy development bank shares with us or from us, but (b) to discuss our common affairs with such institutions informally from time to time.

cc: Mr. Richards
 Mr. Johnson
 Mr. Skillings
 Circulation (2)

WDiamond/dea

*Zapre
 Hephnum*

*Dev Bank - Part
Orig Dan Rep Dev Bank*

Files

November 7, 1963

R. Picciotto *RP*

Dominican Republic - SOPODECO Proposal

On October 31, 1963, Mr. Mathew called Mr. Walter Surrey in an attempt to obtain particulars on Messrs. Martinez Pina and Pablo Nadal, respectively President and General Manager of SOPODECO and sponsors of a development bank proposal for the Dominican Republic. Mr. Walter Surrey said that he had not heard of this proposal and that the two names were unknown to him. He added that he would try to find out about the background of the sponsors and get in touch with IFC subsequently.

- cc. Messrs. Mathew
- Grayson
- Trujillo
- Bochenski

RP:lg

Dev Bank Participants

Mr. Martin M. Rosen

November 5, 1963

Robert F. Skillings *MS*

Quasi-Equity

1. The following investment finance companies in which we are interested have quasi-equity in the sense of a long-term interest-free or low interest loan from government subordinated to equity and all other forms of debt:

- India
- Malaya
- Nigeria
- Pakistan
- Philippines

2. The Finnish Industrialization Fund has junior low dividend redeemable equity which accomplished the same purpose.

3. Among the companies under active consideration, only in Liberia, Thailand and the Ivory Coast would there be quasi-equity in the narrow sense.

4. You were quite correct that ICICI in addition to quasi-equity has received a 4 1/2% loan from the government, which is not subordinated to equity. However, in the case of PICIC, both government loans are fully subordinated.

RFSkillings/vmv

Files

October 29, 1963

Howard C. Johnson

Visit from Mr. Dhon and Mr. Jacobs of Commerzbank

At their request, Mr. Robert Dhon of the Board of Management of Commerzbank responsible for foreign business, and Mr. Clas P. Jacobs, Director, called on me today. They are interested in learning more about how to participate in World Bank loans and reasons for the development of participations in America. I was able to explain the problems of portfolio sales and participations and tell them why American banks have found it useful to participate.

We also discussed ways in which IFG could participate with Commerzbank. In this connection I asked them what countries they were particularly interested in, and they expressed an interest in development banks and in industrial projects in which Commerzbank is involved in:

Nigeria
Kenya
West Africa
Sudan
Ethiopia
Morocco
Tanganyika
Tunisia

They would not be interested in the Ethiopia pulp and paper project because of their interest in German projects in Ethiopia in this industry.

cc: Messrs. Rosen and de Lesseps

E. Lomay + Diemer

H.C. Johnson/vch

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum
DATED: Oct. 9, 1963
TO: Files

FROM: Howard C. Johnson

FILED UNDER: U. S. - Potential Investors

SUMMARY:

EXTRACT:

The Detroit Bank and Trust Company^{IN}

".....Just within the last two years they have entered foreign business with loans in Mexico and Japan, on which they make 3% more interest than on domestic loans and now have about \$25 million.

I explained to him in general terms the role that World Bank ~~and~~ loans and IFC participations play in the expanding foreign business of American banks, and suggested that participation in a World Bank loan in Mexico might be an excellent starter for their bank. ✓

He has a particular interest in Pagliai's operations and has participated in Intercontinental's loan for the shipyard. "

October 25, 1963

Mr. Robert Skillings

Howard C. Johnson

Development Bank Participations

At our lunch next Wednesday it would be useful if we could be prepared to tackle the definition of IFC's relation to each development bank as far as follow-up is concerned. I assume we all think it would be desirable to have a list of participants in each development bank and the amount of their participation, and that we also should have a definition of our obligation in each particular development bank towards the participants. Judging from the way in which these have been handled, I assume it is not the same in each case.

If we should agree that this is a desirable course of action, then we might discuss who could implement it.

H.C. Johnson/vch

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: October 10, 1963

TO: IFC

See also memo on this subject from
Mr. Bochenski to Mr. Piciotto dated
October 23, 1963.

Ack Nov 5/63

FROM: Sociedad P ular Para El Desarrollo Economico, C. Pora. (SOPODECO)
Santo Domingo, Dominican Republic.

FILED UNDER: *x* Development Banks: Participations

x to: Alpha (SOPODECO)

SUMMARY: *orig* " " Dominican Republic General Negotiations
" " " Development Bank *[initials]*

" A Group of professionals, industrialists, businessmen and other persons interested in promoting the development of financial and industrial firms for the purpose of stimulating the private sector to contribute more actively to the economic development of the country has recently set up the SOPODECO."

Gives functions as follows:-

"We would appreciate your advising us whether there is a possibility of IFC's participating in such a private development bank, on terms subject to negotiation, ~~negotiated~~ and if so to what extent."

*Dres Bank Pending
actions*
~~1. Diamond~~
2. Files

OFFICE MEMORANDUM

TO: ~~Mr. Howard Johnson~~

DATE: October 5, 1963

FROM: William Diamond

SUBJECT:

Darton seems to have given the correct replies to the questions raised with him by the Dresdner Bank (see his memorandum to you of October 2). ✓ Do I need to do anything about this?

*Don't think so
Thanks
Hcj*

WD/rty

OFFICE MEMORANDUM

TO: Mr. Howard Johnson

DATE: October 2, 1963

FROM: James H. Darton

SUBJECT: Dresdner Bank.

I had a talk today to Dr. Gustav Glück who is the head of this bank's foreign activities in Frankfurt and, if his health holds (he has had two heart attacks in the last year), is likely to become the top man in the bank.

He was disturbed that the Deutsche Bank had been asked to participate in the Finnish Industrialisation Fund, whereas the Dresdner had not; and he added that, although there would be no point in a participation by two German banks in this operation, he would like to know if he could be informed of any similar projects in the future.

I replied that the approach had in this case been made by Waris and we had not been responsible for deciding which European banks might be invited to join; but as we would always welcome the cooperation of the Dresdner Bank, I asked Glück for some indication of the kind of projects which might interest him. I went on to say that, although we had been very glad at his decision to buy a Femsa maturity, his bank had since said on various occasions that it was not interested in any other industrial projects, unless they had some kind of German flavour. And when I originally asked him to participate with us in the Colombian financieras, he had indicated that this type of business did not interest him either. (Although he was later bludgeoned into taking a small participation by the Chairman of Phoenix-Rheinrohr, an important client.)

He confirmed that he would not wish to consider any industrial projects which had no German connection. As far as development banks are concerned, he asked if he could be kept informed about future projects in the pipe-line, as although he did not expect to be an important buyer, there might sometimes be client relationships which would make him wish to come in with us. Such client relationships are always changing, so that it is difficult to give us any definite lead in advance. He appreciated that, as a matter of policy, we would not wish to make proposals indiscriminately to him, but if we could try to keep him advised periodically on an informal basis, either by telephone, a visit or any other means, he would appreciate it very much. I informed him of the development banks in which we have already invested, as well as those which are at present under consideration.

cc: Mr. William Diamond

Mr. S. R. Cope (through Mr. Wilson)

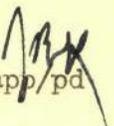
September 19, 1963

J. Burke Knapp

The ideas outlined by Sven Viig in the attached letter seem to me to be very constructive. He does not refer to the development banks in Spain and Finland, but I suppose that he is familiar with them. It seems to me that we should certainly provide technical assistance and a Bank loan in circumstances such as these, and I would hope that the IFC could also consider an equity participation.

Please discuss Viig's proposal with IFC and keep me posted.

Attachment


JBKnapp/pd

Dev Bank Investigation

Orig: UK Investors (1963)

The Files

September 16, 1963

J.G. Beevor

U.K. INVESTORS - NOTES OF LONDON VISIT

While in London (after home leave) I had meetings with the following institutions, mostly from September 9th to 12th.

1. Treasury : Sir William Armstrong: brief talk on IFC progress and prospects, especially in development banking and underwriting.
2. Bank of England: Governor (August 29) and Deputy Governor (August 12); similar talks as in 1 above.
3. CDFC: A.S.G. Hoar on Malaya (MIDFL); India, underwriting possibilities. Pakistan, Sui Gas northern extension and proposed CDFC investment; and tax problems.
4. CDC (now renamed Commonwealth Development Corporation): Talk with W. Rendell on Tanganyika, Kilombero Sugar; Nigeria, Arewa; and visit to Washington of his Chairman and A. Gaitskill for Annual Meeting week.
5. Barclays Bank D.C.O. Talk at lunch with J. Crossley (Chairman), F. Seebohm (Deputy Chairman) and others, mainly on Africa, including Nigeria (Arewa and ICON).
6. Standard Bank. Sir C. Hawker (Chairman) and C. Hamilton (Deputy Chairman) (both ex-Bank of England): mainly on East Africa and development banking possibilities in Africa.
7. M. Samuel & Co., merchant bankers. Lord Bearsted (Chairman), P. Samuel (also a Director of Shell), R.C.G. Jarvis, and others; becoming interested in the Philippines and Spain.
8. Anglo-American Corporation. Sir Keith Acutt, Deputy Chairman, and head of their London organization, formerly their senior director in Rhodesia. Talk on Rhodesia, problems resulting from dissolving the Federation; new potential interest in Malaya; first appointment of new U.S. representative Maurice Rush.
9. Pooley & Co., cement consultants. Talk about progress on Ismail Cement with Ridge, at suggestion of William Jenkins (see separate note). Pooleys are also working on Cemento Andino (Peru).
10. Burmah Oil Co. W. Eadie (Chairman) and W. MacLaghlan (formerly Senior Representative in Assam). Discussed Sui Gas northern extension, on which IBRD report may be available in October, and possibility of IFC being needed to join PICIC in underwriting local rupee issue to Pakistani public.

11. Robert Fleming & Co., merchant bankers, with large cluster of associated investment trusts; also financial advisers to Burmah Oil; discussed with Richard Fleming (also Director of Burmah, Barclays Bank, C.D.F.C., etc.) prospects of U.K. investment institutions, especially if related to Burmah Oil, joining with IFC in underwriting of Sui Gas northern extension issue. Not encouraging, but door not finally closed.

12. Baring Bros. & Co. Lunch talk with Reid, Phillimore, Giles, J. Baring, N. Baring and others; discussed possibilities of participation in underwriting rupee issues in India or Pakistan. Barings are trustees for IBRD on SGTG (Sui Gas) Debentures and for some of the steel loans; they are also financial advisers to the Inchcape Group, which has varied investments in India.

13. J. Henry Schroder, Wagg & Co. Similar talk with A. Hood; not interested in India-Pakistan issues at present.

14. India-Pakistan Burmah Association. Sir P.J. Griffiths, Director General, and G. Tyson, Secretary. Similar talk as in 12 and 13; also discussion of general background in India and Pakistan.

15. Federation of British Industries. A. Shenfield (in absence of Sir Norman Kipping, Director-General. General talk on IBRD/IFC activities.

cc Messrs. Rosen, El-Emary, Richards, Hall, Darton (Paris)

JGBeevor:us

Mr. J. Filippi

September 9, 1963

C. A. Johnson *CAJ*

Foreign Shareholders in ICICI, India, and IMDBI, Iran

1. India - Industrial Credit and Investment Corporation of India

Foreign Shareholdings: 29% as of March 1963

United Kingdom, 18%: The Chartered Bank, C.D.F.C. Ltd.,
The Hong Kong & Shanghai Banking
Corp., National & Grindlays Bank
Ltd., other small holdings.

U.S.A., 6%: Bank of America, Olin Mathieson Chemical
Corp. John D. Rockefeller III, other small
holdings.

Germany, 4%: Deutsche Bank A. G., Dresdner Bank A. G.

Japan, 1%: Bank of Tokyo, Mitsui Bank.

2. Iran - Industrial and Mining Development Bank of Iran

Foreign Shareholdings: 40% as of December 31, 1962

U.S.A., 14%: Lazard Freres & Co., Chase Int. Investment
Corp., IBEC, The First Boston Corporation.

United Kingdom, 5%: Lazard Brothers & Co., Lloyds Bank
Ltd., Midland Bank Ltd., English
Electric Co. Ltd., Simon Carves Ltd.

France, 5%: Lazard Freres & Cie, Banque de Paris et des
Pays Bas.

Belgium 3%: Sofina

Germany, 5%: Sal. Oppenheim Jr. & Cie., Deutsche Bank
A. G.

Netherlands, 3%: Amsterdamsche Bank N. V., Nederlandsche
H.M.N.V., Hollandsche Bank-Unie N.V.

Italy, 5%: Banco di Credito Finanziario, Montecatini
S.G.p.A., Fiat S.p.A.

CAJohnson:amj

cc: Circulation Files (2)

Mr. J. Filippi

September 9, 1963

George A. Apcar *GAA*

Foreign Shareholders in CDC (China); PICIC (Pakistan);
FDCP (Philippines); and, IFCT (Thailand).

1. CHINA - China Development Corporation (as of June 30, 1963)

Foreign Shareholding: 10.2%

U.S.A.: 10.2% - Morgan International Banking Corporation 10.2%

2. PAKISTAN - Pakistan Industrial Credit & Investment Corporation Limited
(as of June 30, 1963)

Foreign Shareholding: 40%

U.S.A.: 11%

	No. of Shares	
International Basic Economy Corp.	69,446	
Bank of America	118,054	
Trans Oceanic AOFI Ltd.	90,277	
David Rockefeller	27,779	
John D. Rockefeller	23,810	
Henry J. Kaiser Company	104,166	
The American Express Company Inc.	3,969	437,501

U.K.: 11%

The Commonwealth Development Finance Co. Ltd.	77,729	
Imperial Chemical Industries Ltd.	29,167	
Associated Electrical Industries Ltd.	6,700	
English Electric Co. Ltd.	6,700	
The General Electric Co. Ltd.	6,700	
Chartered Bank London	50,604	
National and Grindlays Bank Ltd, London	112,875	
Eastern Bank Limited, London	21,292	
Mercantile Bank Limited, London	21,292	
Norwich Union Life Assurance Society, England	10,937	
Norwich Union Fire Insurance Society, Ltd.	4,958	
Prudential Assurance Co. Ltd, London	22,338	
Royal Exchange Assurance, London	6,562	
Royal Insurance Co. Ltd., Liverpool	4,687	
The Northern Assurance Co. Ltd., London	3,500	

U.K. (Cont'd.)

Scottish Union & National Insurance Co. Ltd., Edinburgh	3,500	
Commercial Union Assurance Co. Ltd. London	5,250	
Eagle Star Insurance Co. Ltd., London	3,500	
Atlas Assurance Co. Ltd., London	3,500	
Guardian Assurance Co. Ltd., London	3,500	
London & Lancashire Insurance Co. Ltd., London	3,500	
Alliance Insurance Co. Ltd., London	3,500	
The Employer's Liability Assurance Corporation Ltd., London	3,500	
The South British Insurance Co. Ltd., Auckland	1,750	
Caledonian Insurance Co., Edinburgh	1,750	
Union Insurance Society of Canton Ltd., Hong Kong	1,750	
Pearl Assurance Co. Ltd., London	875	
The Yorkshire Insurance Co. Ltd., Yorkshire	875	
The London Assurance, London	1,750	
Phoenix Assurance Co. Ltd., London	875	
Western Assurance Co., Toronto	3,500	
The Liverpool & London & Globe Insurance Co., Ltd.	1,875	430,791

Japan: 7%

Bank of Tokyo Limited	24,312	
Bank of Kobe Limited	24,305	
The Kai-Ichi Bank Limited	24,305	
The Daiwa Bank Limited	24,305	
The Fuji Bank Limited	24,305	
The Mitsui Bank Limited	24,305	
The Mitsubishi Bank Limited	24,305	
The Nippon Kongyo Bank Limited	24,305	
The Industrial Bank of Japan Ltd.	24,305	
The Sanwa Bank Limited	24,305	
The Tokai Bank Limited	24,305	
The Sumitomo Bank Limited	24,305	291,667

Germany: 6%

Dresdner Bank	5,833	
Deutsche Bank	233,333	239,166

I.F.C.: 5%	200,000	200,000
		<u>1,599,125</u>

3. PHILIPPINES - Private Development Corporation of the Philippines (PDCP)
(as of August 31, 1963)

Foreign Shareholding: 28%

U.S.A.: 20.7%

	<u>Approximate %</u>
American Express Co.	0.8
Bank of America	1.8
Bankers International Financing Co. Inc.	1.8
Boston Overseas Financial Corporation	1.3
Chemical International Finance Ltd.	1.8
Continental International Finance Corporation	1.8
First National City Overseas Investment Corp.	1.8
Irving International Financing Corporation	1.8
Lehman Bros.	0.8
Manufacturers Hanover International Finance Corporation	1.8
Morgan Guaranty International Finance Corp.	1.8
New York Hanseatic Corporation	0.8
Philadelphia International Investment Corp.	1.3
Wells Fargo International Corporation	1.3

U.K.: 3.6%

The Chartered Bank	1.8
Hong Kong & S'hai Banking Corporation	1.8
Samuel Montague	

Japan: 1.8%

Bank of Tokyo Ltd.	1.8
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Germany: 1.8%

Deutsche Bank A.G.	1.8
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4. THAILAND - Industrial Finance Corporation of Thailand
(as of December 31, 1962)

Foreign Shareholding: 32% (Capital structure being reorganized.)

U.S.A.: 8%	- Bank of America (Int'l.)	4%
	- IBEC	4%
U.K.: 10%	- Chartered Bank	5%
	- Hong Kong & S'hai Banking Corporation	5%
Japan: 3%	- Mitsui Bank	

Netherlands: 3%	- Nationale Handelsbank N.V.
France: 3%	- Banque de l'Indochina
Switzerland: 2%	- Foreign Commerce Bank
India: 3%	- Indian Overseas Bank Ltd.

GAApcar/vjw

cc: Circulation Files (2)

Mr. W. Diamond

September 9, 1963

Henry B. Thomas *HBT*

Foreign Shareholders

Further to your memo of September 6, below are given the present foreign shareholders in the two Colombian Development Banks (CFN and CFC) and the Malayan Development Bank (MIDFL) and the expected foreign shareholders in MIDFL, after the IFC investment and in the proposed Nigerian Development Bank (NIDB).

CFN - present foreign shareholders

Balfour Williamson (Bank of London & South America)
Bankers International Financing Corporation

CFC - present foreign shareholders

Balfour Williamson (Bank of London & South America)
Banco Frances e Italiano
Burkhardt & Co. (de Essen)
Brown Boveri
Deutsche Bank de Duesseldorf
Didier - Werke A.G.
Klaus Dykerhoff
Dresdner Bank - Duesseldorf
Hochtief A.G.
Kloeckner Humboldt Deutz A.G.
Hermann Kuehl
Manufacturers Hanover
Phoenix Rheinrohr International
Sal Openheim Jr. & Cie.
Siemag Maschinenbau
Credito Bursatil S.A. - Mexico
Ibero Amerika Bank

MIDFL - present and future foreign shareholders

(a) Present foreign shareholders

Malaya Developments Ltd. (Colonial Development Corp. subsidiary)
Chartered Bank
Hong Kong & Shanghai Banking Corporation
Mercantile Bank
Eastern Bank
Harper Gilfilan & Co. (representing 33 British Insurance Companies)
Commonwealth Development Finance Company

(b) Present foreign shareholders who will increase their investment

American International Co. Ltd., Singapore
Bankok Bank
Bank of America
Bank of Tokyo
Banque de l'Indochine
First National City Overseas Investment Corp.
Morgan Guaranty International Finance Corporation
United Commercial Bank Ltd.

(c) Future foreign shareholders

Bankers International Finance Company Inc.
Deutsche Bank
Manufacturers Hanover Trust

NIDB - future foreign shareholders

(a) Present foreign shareholders in ICON

(1) African companies owned by non-British concerns

Union Trading Co. (Swiss owned)
Nigerian Dredging (Dutch owned)
Total Oil Products (Nigeria) (French owned)

(2) Uncertain ownership

A.G. Leventis & Co.
Bank of Lagos (?Swiss owned)

(3) American shareholders

Chemical Overseas Finance Co.
Transoceanic/AOFC Ltd.

(4) Continental shareholders

SCOA

(5) African companies owned by British concerns

West African Crusader
Employers' Liability
National Employers
New Africa
West African Provincial
Royal Exchange
Costain (West Africa)
John Holt Investment Co. Ltd.
London & Kano Trading Co.
Metal Containers of West Africa

Paterson, Zochonis & Co.
Taylor Woodrow (Nigeria)
United Africa Co.
Nigerian Tobacco

(6) British shareholders

Abyard Nominees (British and French Bank)
Bank of West Africa
Barclays DCO
Colonial Development Corporation
Commonwealth Development Finance Company Ltd.
Century
Eagle Star
Gresham Life
Law Union and Rock
Legal and General
London
Northern
Norwich Union Fire
Pearl
Phoenix
Royal
Welfare
White Cross
L.A. Nominees *L.A. (Yorkshire)*
Associated Electrical Industries
Blue Star Line
C.T. Bowring & Co.
British American Tobacco
British Bata Shoe Co.
British West Africa Corporation
W.P. Butterfield
Dorman Long & Co.
Dunlop Rubber Co.
English Electric & Marconi's
Wireless Telegraph Co.
General Electric Co.
Glaxo Laboratories
Arthur Guinness Son & Co.
Imperial Chemical Industries
Jantar Nigeria Co.
Joseph Lucas (Industries)
Power Securities Corporation
Richard Thomas & Baldwins
Tube Investments
Vickers
Vivian Younger and Bond

HBThomas:mmm

(Continued on page 4)

Cleared with Mr. Mathew

cc: Mr. Howard Johnson

(b) Other future foreign shareholders

Chase International
Commerzbank
Istituto Mobiliare Italiano
Irving International
Mediobank
Bank of America & FCOG
SFOM

OFFICE MEMORANDUM

TO: Files

DATE: September 9, 1963

FROM: G.H. Fleming and P.M. Mathew ^{PM}

SUBJECT: Kreditanstalt fur Wiederaufbau - Talks with Dr. Engel

Dr. Engel, Director of KfW's Development Bank Department and Mr. Moritz, Assessor at KfW, visited Mr. Diamond on September 3 (Mr. Mathew, Mr. Glynn and Mrs. Fleming were also present) to review the situation with respect to the LBIDI; visited Mr. Rosen on the same day for a general review; and saw Mr. Diamond on September 5.

1. Liberia Mr. Mathew gave a summary of what had happened on the project since the Bank fur Gemeinwirtschaft had dropped out as a major sponsor in June. Dr. Engel is unenthusiastic about proceeding but sees no choice from the German point of view - unless IFC drops out. Mr. Diamond told him we had not dropped out, that we would participate if the quasi-equity problem is solved and if we were not saddled with soliciting a substantial amount of external capital. However we still considered the ball in Liberia's court. Engel was surprised the Commerzbank had approached us.

2. Cameroon KfW had made a loan to the Banque Camerounaise. They considered its head a very able fellow - "oriented towards Ehrhardt's views".

3. Ethiopia Dr. Engel enquired whether we were planning to locate a substitute for Dr. Butkins who would be leaving at the end of the month. We informed Dr. Engel of the Ethiopian Government's proposal to set up a new development bank. We said that we were not sure that the Government was really interested in DBE, and were waiting for initiative on the Government's part, after our suggestion to the Assistant Minister of Finance in June last that a senior Ethiopian be found to run DBE. Dr. Engel said that Kreditanstalt's line of credit was ready to be signed up, but that in the light of the management problem and our views on DBE in general, it is likely that he would wait for a while before taking final steps.

4. Cyprus Dr. Engel enquired whether we had any interest in the Cyprus development bank recently established. We said we had offered some comments on the proposal but had no interest in it now since it had been set up on a basis different from our advice.

5. Thailand Dr. Engel confirmed that KfW and the German Government had OK'ed the loan to IFCT. Negotiations were likely to take 2-3 months. We said that we were going ahead too. We explained the existing problems:

(a) the reluctance to admit that IFCT needed expert advice; (b) the question of financing the cost of the advisor proposed; and (c) apparent lack of awareness of the need to plan ahead for a new General Manager.

6. Training for KfW Staff Dr. Engel asked whether IFC would be willing to give training to junior staff of KfW for 2-3 months. Mr. Rosen replied that though we had short training programs these had to be limited to underdeveloped countries since our facilities were limited. We would be prepared to take on our staff for periods in excess of 2 years staff members of KfW; and return them to KfW.

7. Advisors and Senior Staff for Development Banks Dr. Engel said that he had problems in finding Advisors and Senior Staff for client institutions which sought assistance in this respect, and asked what our experience was. We confirmed that we too experienced great difficulty. He said that KfW was developing a program by which university graduates would be seconded to client institutions for service for one or two years. We referred to a similar program in the USA organized by MIT and Harvard with financial assistance from the Ford Foundation. We also mentioned the program we were sponsoring with ICICI for building up reserve capacity in this field.

8. Exchange of information on operational techniques Dr. Engel suggested that a meeting at staff level should be arranged in the future for exchange of information between KfW and us on sub-project appraisal, follow-up etc. We welcomed this idea.

cc: Messrs. Kruihof, Melmoth, McIvor
Filippi/Apcar, Scoll

ROUTING SLIP

Date

NAME

ROOM NO.

Mr. Bevan (1)

~~*Mr. Starnes*~~ (3)

~~*Mr. Johnson*~~ (2)

File, Central

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

P. G. El Emery

Dev. Bank Participation

Mr. Beevor
Mr. Diamond

OFFICE MEMORANDUM

TO: Mr. John G. Beevor

DATE: June 12, 1963

FROM: James H. Darton

SUBJECT: Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit
(Entwicklungsgesellschaft), Cologne.

JUL 2 1963

On June 11 I visited this organisation in Cologne, and attach an explanatory booklet as well as a copy of its Charter. The Chairman is our old friend Mr. F.H. Ulrich of the Deutsche Bank, Düsseldorf. The two managers are at present only part-time:
1) Dr. B. Tilemann, a lawyer living in Emden and formerly a Director of the Frisia Oil Refinery established by Duttweiler,
2) Dr. M. Lohmann, a young lawyer who is the Bonn representative of the Deutsche Revisions- und Treuhandgesellschaft. Mr. A. Brandts, a retired official of Rheinstahl, acts as Adviser permanently living on the spot. There is a total staff of 23.

I was received by Dr. Lohmann and Mr. Brandts. They are most appreciative of the fact that we gave them - through Mr. Richards - copies of our draft Investment Agreement and other legal documents for their personal and confidential use. Having been formed last September they are still feeling their way, and are clearly concerned at the difficulties of getting established. Their only investment so far has been in the Tanganyika Development Finance Company, of which we are already informed. They are taking a 1/3 interest (on behalf of the German Government) in the Kenya Development Company, the local Government and CDC also taking 1/3 each. In addition, they may participate with CDC in the Uganda Development Company.

The attached booklet shows that their policy is very similar to ours, but the size of their investments is likely to be smaller. The average will probably be DM500,000 - 1,000,000, though they are willing to go up to DM3 million in suitable cases.

There is every indication of much goodwill towards IFC. In response to their question I said that we would be happy to consider participations with them in privately-sponsored German projects requiring more finance than the Entwicklungsgesellschaft could itself provide.

Much keenness was shown in learning our operating methods, and I was asked if e.g. Lohmann and Brandts could visit us in Washington in order to obtain a closer impression of the way in which we operate. I replied that we would greatly welcome this. I think it might be a good move if we wrote an official letter to Ulrich, as Chairman, referring to my visit to Cologne, and saying that if the Entwicklungsgesellschaft liked to send someone to Washington, we would be happy to receive them.

*Letter written by
on 6/20
June 20
1963.*

Attachments: 2

DEUTSCHE BANK

AKTIENGESELLSCHAFT

Handwritten notes:
1. ~~Mr. B...~~
2. Mr. H. Johnson
3. 1/20/62

Activity in 1962 a short summary



Supervisory Board

(Presiding Committee)

Erich Bechtolf, *Chairman*

Dr. Adolf Lohse, *Deputy Chairman* · Dr Clemens Plassmann, *Deputy Chairman*

Board of Managing Directors

Hermann J. Abs · Dr Hans Feith · Fritz Gröning · Manfred O. von Hauenschild · Dr Hans Janberg
Dr Karl Klasen · Heinz Osterwind · Dr Walter Tron († 14. 12. 1962) · Franz Heinrich Ulrich
Dr Wilhelm Vallenthin

Managements of the Foreign Departments of Central Offices

DUSSELDORF

Königsallee 55

Erich Bindert

Hans-Otto Thierbach

Hans Rosentalski

FRANKFURT (MAIN) 1

Junghofstraße 5-11

Dr Paul Krebs

Dr Otto G. Pirkham

Ernst Lederer

Alfred Moos

Karl Cremer

Dr Ulf Siebel

HAMBURG 11

Adolphsplatz 7

Dr Johannes Feske

Walter Wernicke

Hans Woydt

Principals in Charge of the Departments dealing in Gold, Foreign Exchange, Notes and Coins

DUSSELDORF

(telex 8581411)

Julius Wittmaack

FRANKFURT (MAIN) 1

(telex 411747)

Hans J. Jacoby

HAMBURG 11

(telex 213991)

Heinrich Elsner

1962

Balance Sheet - Image of the German Economy

In 1962, the gross national product of the Federal Republic rose by 4.1% in real terms. The economy continued to expand although at a slower pace. Undistributed profits as a whole declined whereby considerable deviations from the overall trend could be determined in individual industries.

The development of the economy is reflected in the figures of the DEUTSCHE BANK. The balance sheet total in 1962 rose by 4.9% to DM 13.2 billion*); in the preceding year, the corresponding increase had amounted to 12.1%. Turnover expanded by 6.6% to DM 465 billion. Credit transactions brought higher earnings. The bank's foreign business rose to about the same degree as the foreign trade volume of the Federal Republic. In the securities department increased receipts from the high volume of trading in bonds did not compensate the decline in earnings from share transactions.

Total Deposits DM 11.7 Billion Increase in Deposits DM 0.6 Billion

Deposits rose by 5% to DM 11.7 billion. This expansion was the result of an increase in the deposits of non-bank customers by DM 720.3 million and a decrease in the deposits of other banks by DM 165.5 million. The rise in individual types of deposits was as follows:

Current Accounts	+ DM 209.9 million
Time Deposits	+ DM 115.0 million
Savings Deposits	+ DM 395.4 million
Total	<u>+ DM 720.3 million</u>

Growth Rate of Savings Deposits 16.6%

Savings of private households remained at a high level in 1962. Around 9% of disposable income was saved in a variety of ways. Our institution registered an increase in savings deposits of 16.6%. On Dec. 31, 1962, savings deposits accounted for 28% of all deposits made by non-bank customers — as compared to just under 26% one year before.

Cash Ratio

At 10.4% the cash ratio remained almost unchanged. As lendings exceeded concurrent deposits, overall liquidity decreased slightly and amounted to 40.2%.

*) 1 billion = 1,000,000,000

Lendings Rose by 11% to DM 8.9 Billion

Credit requirements of the economy continued to rise. However, a shift of emphasis to medium and long-term loans was observed during the year under review. The volume of credits granted by our institution expanded by DM 884.6 million or 11% and totalled DM 8.9 billion. In this increase discounts had a share of DM 119.7 million; advances for up to 4 years: DM 735.6 million; and long-term loans: DM 29.3 million. Of total lendings, 54.2% were granted to industry, trade and crafts, 21.0% to commerce and 24.8% to other borrowers.

Business in small personal loans continued to expand vigorously. The total amount of small personal loans granted since this service was introduced in May 1959, exceeded the DM 1 billion mark in the year under review. The average credit amount of these loans was DM 1,300. As in the past, losses were negligible. Since June 1962, our bank also grants personal loans for specified purchases. This new credit facility serves the financing of private and commercial needs ranging from DM 2,500 to DM 6,000; up to 36 months are allowed for repayment. Small personal loans and loans for specified purchases supplement each other in their objectives.

Security Holdings Increased to DM 1.1 Billion

Holdings in securities were increased by DM 98.4 million to DM 1.1 billion. About two-fifths of these additions were bonds, the remainder was made up of shares and other securities.

Another DM 10 Million for Additional Depreciation on Bank Premises and Property

The extension of our branch network as well as the modernization and rationalization of existing facilities constantly require substantial investments. In 1962, new investments in bank premises and property totalled DM 18.2 million. Besides normal depreciation our bank again wrote off an additional DM 10 million from profits after taxes. The value of bank property appears in the balance sheet at DM 161.2 million. New office furniture and equipment acquired in 1962 in the amount of DM 19.4 million was again fully written off.

Balance Sheet as of December 31, 1962

with comparative figures — in summary form —

	31. 12. 1962 in millions of DM	31. 12. 1961 in millions of DM	change in millions of DM
ASSETS			
Cash in hand	129.6	112.5	+ 17.1
Balances with Deutsche Bundesbank	1,065.9	1,036.3	+ 29.6
Balances on Postal Cheque Account	28.5	44.9	— 16.4
Balances with other Banks (Nostro Balances)	805.0	667.8	+ 137.2
Matured Bonds, Interest and Dividend Coupons	22.9	9.8	+ 13.1
Uncleared Cheques on other Banks	65.6	89.4	— 23.8
Bills Discounted	2,139.7	2,287.7	— 148.0
Treasury Bills and Non-Interest-Bearing Treasury Bonds	448.4	641.1	— 192.7
Medium Term Interest-Bearing Notes	111.3	176.4	— 65.1
Quoted and Unquoted Investments	1,087.5	989.1	+ 98.4
Claims on Federal and Laender Authorities under Currency Reform Laws of 1948	496.1	493.9	+ 2.2
Consortium Participations	218.8	243.3	— 24.5
Advances	5,566.9	4,831.3	+ 735.6
Long-Term Lendings	638.8	603.5	+ 29.3
Loans on a Trust Basis at Third Party Risk	88.8	77.1	+ 11.7
Investments in Subsidiaries and Associated Companies	108.5	96.6	+ 11.9
Bank Premises and Property	161.2	158.4	+ 2.8
Other Assets	10.7	9.0	+ 1.7
Transitory Items	1.4	1.2	+ 0.2
	13,195.6	12,575.3	+ 620.3
LIABILITIES			
Deposits	11,676.9	11,122.1	+ 554.8
a) Current Accounts	5,574.8	5,425.7	+ 149.1
b) Time Deposits	3,324.0	3,313.7	+ 10.3
c) Savings Deposits	2,778.1	2,382.7	+ 395.4
Borrowed Funds (Nostro Liabilities)	8.7	14.4	— 5.7
Own Acceptances in Circulation	61.1	53.3	+ 7.8
Loans taken at Long Term	317.7	291.6	+ 26.1
Loans on a Trust Basis at Third Party Risk	88.8	77.1	+ 11.7
Capital	300.0	300.0	—
Reserves	360.0	340.0	+ 20.0
Pension Reserve Fund	168.7	153.0	+ 15.7
Reserves for Special Purposes (including Taxes)	139.1	157.0	— 17.9
Other Liabilities	1.2	1.0	+ 0.2
Transitory Items	25.4	17.8	+ 7.6
Profit	48.0	48.0	—
	13,195.6	12,575.3	+ 620.3
Liabilities arising from Guarantees, including those in re- spect of Bills of Exchange and Cheques, as well as from Indemnities	1,646.5	1,618.0	+ 28.5
Endorsement Liabilities on Bills of Exchange in circulation	525.9	234.6	+ 291.3

51 New Offices

In November 1962, our bank announced the establishment of its 500th office. At the close of the year, we had a total of 508 offices distributed over the area of the Federal Republic. We are represented in Berlin by the BERLINER DISCONTO BANK with 36 branch offices, in Kiel by Bankhaus WILH. AHLMANN with 5 branch offices and in the Saar by the SAARLÄNDISCHE KREDITBANK with 11 banking offices.

Foreign Business

In 1962, exports of the Federal Republic rose by 3.9% to DM 53 billion, whereas imports expanded by 11.6% to DM 49.5 billion. At DM 102.5 billion exports and imports combined were 7.5% above the results for 1961.

The bank's transactions with foreign countries continued to develop favourably; payments effected through our institution for goods and services continued to rise. The requirements of our domestic customers for short and medium-term credits to finance their foreign trade transactions could again be fully met. In addition, the bank helped and counselled its customers in the procurement of longer-term credits for export financing. As in previous years, our foreign correspondents were granted substantial credit lines. — Business in gold, foreign exchange, notes and coins expanded considerably. — In 1962, the bank opened a representative office in Tokyo. — The participations which we hold in foreign banks proved beneficial in the counselling of our customers on problems concerning investments abroad. In the past financial year, our bank acquired participations in two development banks, in Morocco and Colombia, and in three commercial banks located in Gabon, Cameroon and on the Ivory Coast.

Security Transactions

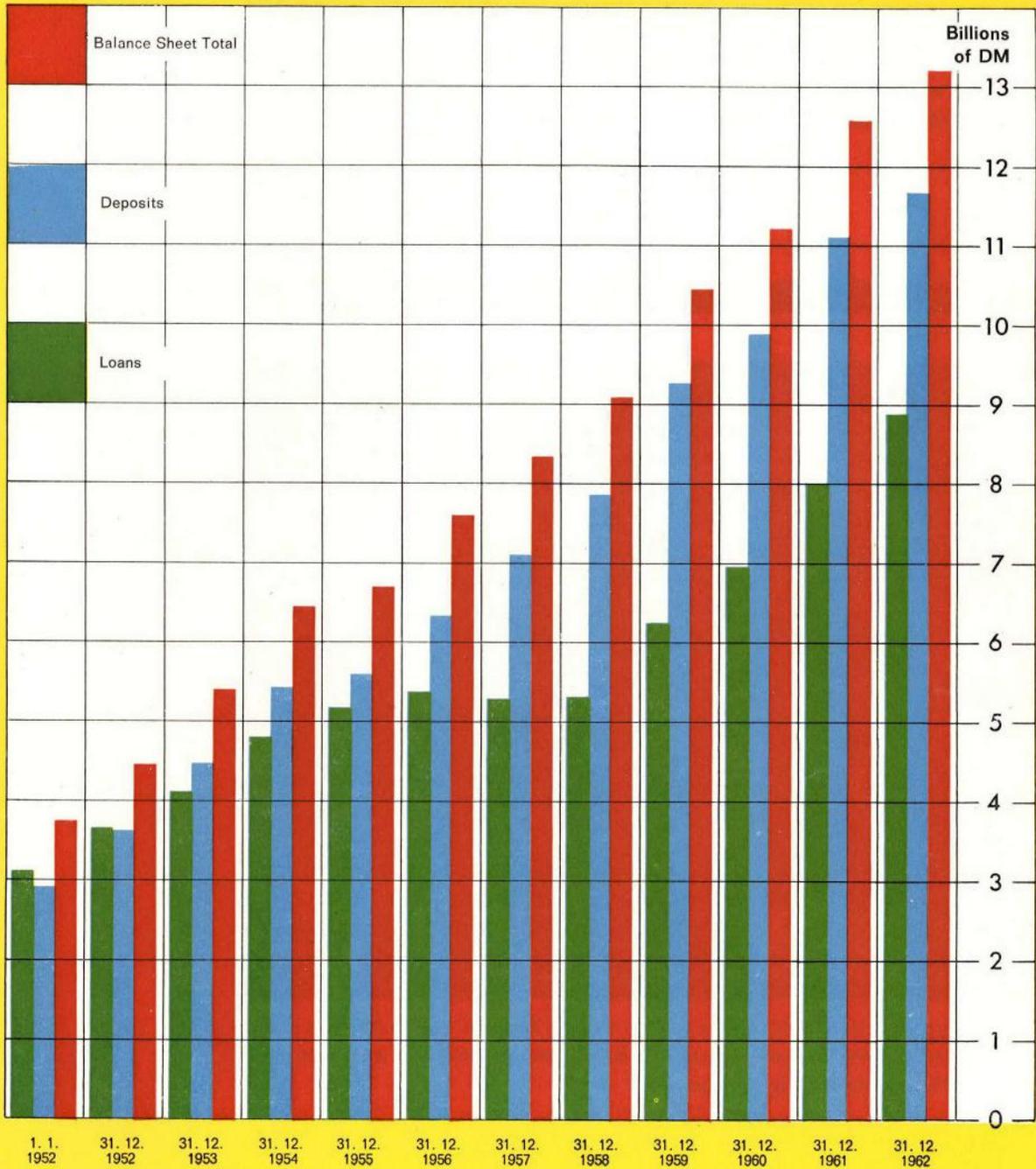
Stock Market Trends not without Effect -

Holders of Investment Certificates Remained Firm

1962 proved to be a disappointing year on the German stock exchanges. The share price index dropped by about 24%. At the same time dividend payments increased from 13.17% in December 1961 to 13.65% in December 1962 so that the average yield recovered from 2.49% to 3.44%. — As indicated by record new placings — above all of fixed interest-bearing securities — in the amount of DM 13.5 billion, capital market resources proved to be quite abundant.

In line with the situation on the stock exchange, trading in shares declined. Holders of investment certificates issued by our associated Funds INVESTA, INTERVEST,

Development of the most important Balance Sheet Items



AKKUMULA, and VALEUROP were influenced only negligibly by the downward trend of quotations. On the contrary, in many cases they took the opportunity to acquire additional certificates at reduced offering prices. Thus, the number of outstanding INVESTA-certificates rose from 8,735,300 to 9,367,200 units in the year under review. Our bank's transactions in fixed interest-bearing securities showed a marked increase and its share in the first placing of bonds continued to develop favourably.

With respect to consortium business, the Bank participated — for the most part as leader or joint leader — in 148 new issues and introductions to the stock exchange of securities of domestic and foreign companies.



Signing of the agreement on the Osaka-Loan — the first Japanese Loan in Germany and at the same time the first Japanese loan placed in Europe after the War — in the Board Room of the DEUTSCHE BANK AG at Frankfurt/Main.

Expenditure and Receipts

Wage and salary costs rose by 6.9% to DM 236.2 million. Besides the hiring of new employees and the extension of additional fringe benefits, this was also due to the increase in contractually agreed wages and salaries effected on July 1, 1961; in 1962 the full impact of this rate increase became evident. Expenditure for social and welfare purposes as well as pensions rose to DM 39.5 million.

Other operating expenses rose to DM 70.8 million. Higher maintenance costs for banking offices and current expenditure on furniture and equipment in connection with the establishment of new offices were mainly responsible for this increase.

The number of our employees rose by 2.4% to 21,333; at the same time the volume of work continued to grow unabatedly. As part of our efforts to rationalize operational procedures, several electronic data processing machines were installed in the past financial year. The bank hopes to be able to cope with the rising volume of work through increased mechanization.

At DM 98.8 million taxes and similar disbursements were DM 27.9 million lower than in the preceding year. Receipts out of interest and discounts were higher than in the year before; the decline in gross receipts which was registered nonetheless was due to increases in expenditure for staff and office equipment, decreases in receipts out of regular securities and consortium transactions as well as special depreciation allowances which became necessary because of our engagements to maintain the operating efficiency of the stock markets; this is in the interest of both our customers and shareholders.

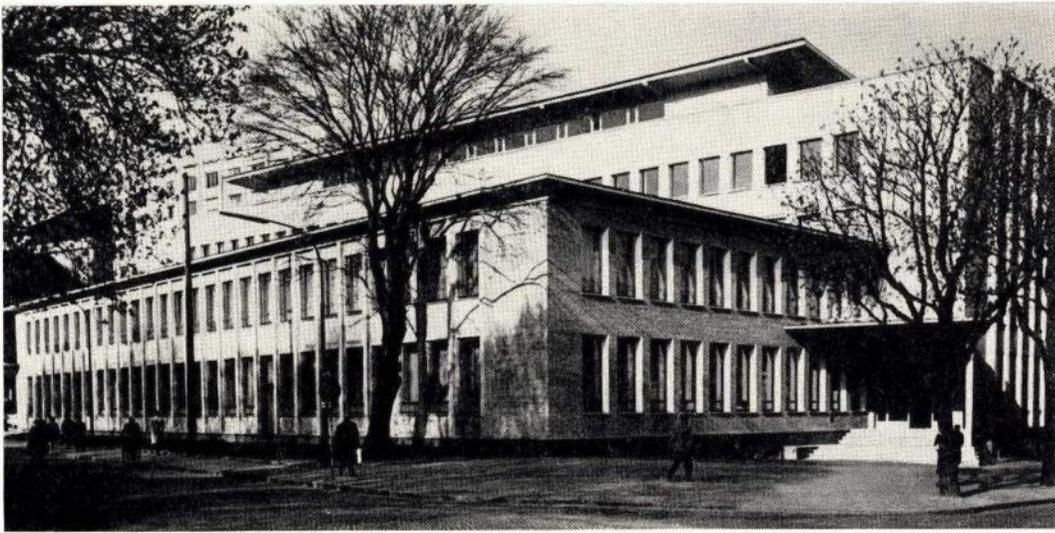
For the purpose of covering expenses, the surplus from interest and discount earnings was entered in the Profit and Loss Account at DM 248.3 million and commissions, fees and other earnings at DM 275.0 million. All other income was again applied to internal reserves, value adjustments, reserves for special purposes and depreciation.

Proposals for the Annual Meeting

It is proposed to the annual shareholders' meeting which is to take place in Düsseldorf on May 8th:

1. to transfer the sum of DM 20 million to the Voluntary Reserve and
2. to use the remaining profit of DM 48 million for the distribution of a dividend of 16% on the capital of DM 300 million.

After the transfer to the Voluntary Reserve has been approved, the bank's capital resources will amount to DM 660 million. These are composed as follows: Capital DM 300 million, Statutory Reserve DM 50 million, and Voluntary Reserve DM 310 million.



More than 500 offices of the DEUTSCHE BANK in the Federal Republic of Germany serve our customers. Only a few buildings date from the period prior to World War I. They reflect the style of their period, but times and styles have changed. The outward appearance of buildings erected in recent years alone makes it evident that the doors of our bank are open to all who wish to become our customers. The 500 offices in a variety of sizes and types conform to the specific requirements of their location.

The new building of our regional head branch at Freiburg (above) was erected in 1956/57, as the old building no longer sufficed for the growing volume of business. The Leverkusen branch (centre) was built in 1958 in the new business centre of the town. The photograph below shows one of our 30 offices in Hamburg. With its steadily increasing network of branches, the DEUTSCHE BANK puts itself within easy reach of its customers, thus following a tradition which began in 1871 with the opening of its first branch in Berlin.



CENTRAL OFFICES: DÜSSELDORF · FRANKFURT (MAIN) · HAMBURG
BRANCH OFFICES at the following places:

Aachen	Detmold	Hameln	Lübeck	Salzgitter-
Aalen (Württ)	Dillenburg	Hamm (Westf)	Lübeck-Travemünde	Gebhardshagen
Achim (Bz Bremen)	Dinslaken (Niederrhein)	Hanau	Lüdenscheid	Salzgitter-Lebenstedt
Ahlen (Westf)	Dorsten	Hannover	Lüneburg	Salzgitter-Thiede
Ahrensburg (Holst)	Dortmund	Hattingen (Ruhr)	Lünen	Salzgitter-Watenstedt
Alfeld (Leine)	Dülken	Hausen/ über Offenbach (Main)	Maikammer	Schüttorf
Alsdorf (Kr Aachen)	Düren	Heidelberg	Mainz	Schwäbisch Gmünd
Altena (Westf)	Düsseldorf	Heidenheim (Brenz)	Mannheim	Schwelm
Alzey	Düsseldorf-Benrath	Heilbronn (Neckar)	Marl (KrRecklinghausen)	Schwenningen (Neckar)
Andernach	Duisburg	Helmstedt	Meinerzhagen (Westf)	Schwetzingen
Aschaffenburg	Duisburg-Beeck	Hemer	Memmingen	Sennestadt/über Bielefeld
Attendorn	Duisburg-Hamborn	Herford	Menden (Sauerl)	Siegen
Augsburg	Duisburg-Meiderich	Herne	Mettmann	Singen (Hohentwiel)
Backnang	Duisburg-Ruhrort	Herten (Westf)	Minden (Westf)	Soest
Bad Driburg (Westf)	Ebingen (Württ)	Hilden	Misburg	Solingen
Bad Dürkheim	Einbeck	Hildesheim	Mönchengladbach	Solingen-Ohligs
Baden-Baden	Elmshorn	Höhr-Grenzhausen	Moers	Solingen-Wald
Bad Godesberg	Eltan-Beek	Höxter	Mosbach (Baden)	Speyer
Bad Harzburg	Emden	Hohenlimburg	Mülheim (Ruhr)	Sprockhövel (Westf)
Bad Hersfeld	Emmerich	Homburg (Niederrhein)	München	Stolberg (Rheinl)
Bad Homburg v d Höhe	Emsdetten	Hückelhoven	Münster (Westf)	Stuttgart
Bad Oeynhausen	Ennepetal (Westf)-	(Kr Erkelenz)	Neheim-Hüsten	Stuttgart-Bad Cannstatt
Bad Oldesloe	Milspe	Hüls (b Krefeld)	Neu Isenburg	Traben-Trarbach
Bad Pyrmont	Eschweiler	Iburg	Neumünster	Triberg (Schwarzw)
Bad Sachsa (Südharz)	Essen	Idar-Oberstein	Neunkirchen (Kr Siegen)	Trier
Bad Salzuflen	Esslingen (Neckar)	Ingelheim (Rhein)	Neuss	Tübingen
Bad Wildungen	Ettlingen (Baden)	Ingolstadt (Donau)	Neustadt (Weinstr)	Ulm (Donau)
Bamberg	Euskirchen	Iserlohn	Neuwied	Unna
Barsinghausen	Fellbach (Württ)	Itzehoe	Niederlahnstein	Velbert (Rheinl)
Beckum	Flensburg	Jülich	Norden	Verden (Aller)
Bielefeld	Frankenthal (Pfalz)	Kaiserslautern	Nordhorn	Viersen
Bismarck	Frankfurt (Main)	Kamp-Lintfort	Nürnberg	Villingen (Schwarzw)
Bergisch Gladbach	Frankfurt (Main)-Höchst	Karlsruhe	Nürtingen	Waldbrol
Bergneustadt	Freiburg (Breisgau)	Kassel	Oberhausen (Rheinl)	Walsum (Niederrhein)
Bernkastel-Kues	Friedrichshafen	Kehl	Oberkirch (Baden)	Wanne-Eickel
Beuel	Fürth (Bay)	Kempten (Allgäu)	Oesede (Bz Osnabrück)	Warendorf
Biberach (Riss)	Fulda	Kettwig	Offenbach (Main)	Wattenscheid
Biedenkopf	Garmisch-Partenkirchen	Kierspe (Westf)	Offenburg (Baden)	Wedel (Holst)
Bielefeld	Garstedt (Bz Hamburg)	Kleve	Olpe	Weidenau (Sieg)
Bingen (Rhein)	Geesthacht	Koblenz	Opladen	Weil (Rhein)
Bocholt	Geislingen (Steige)	Köln	Osnabrück	Weingarten (Württ)
Bochum	Geldern	Köln-Mülheim	Osterode (Harz)	Weinheim (Bergstr)
Böblingen (Württ)	Gelsenkirchen	Konstanz	Paderborn	Werdohl
Bonn	Georgsmarienhütte (Kr Osnabrück)	Krefeld	Papenburg	Wesel
Bottrop	Gernsbach (Murgtal)	Krefeld-Uerdingen	Peine	Wesseling (Bz Köln)
Brackwede (Westf)	Gevelsberg	Kreuztal (Kr Siegen)	Pforzheim	Wickrath (Niers)
Brand (Kr Aachen)	Giessen	Laasphe	Pinneberg	Wiesbaden
Braunschweig	Gifhorn	Lahr (Schwarzw)	Pirmasens	Wiesloch
Bremen	Gladbeck (Westf)	Landau (Pfalz)	Ratingen	Wilhelmshaven
Bremerhaven	Goch	Langenfeld (Rheinl)	Ravensburg	Wipperfürth
Bretten (Baden)	Göppingen	Langenhagen (Han)	Recklinghausen	Wissen (Sieg)
Bruchsal	Göttingen	Lauterbach (Hess)	Regensburg	Witten
Brühl (Bz Köln)	Goslar	Leer (Ostfriesl)	Remscheid	Wittlich
Brunsbüttelkoog	Grevenbroich	Lengerich (Westf)	Remscheid-Lennep	Wolfenbüttel
Büderich	Gronau (Westf)	Leverkusen	Rendsburg	Wolfsburg
Burg (Düsseldorf)	Gütersloh	Leverkusen-Schlebusch	Reutlingen	Worms
Burghausen	Gummersbach	Lippstadt	Rheinberg (Rheinl)	Würzburg
Burghausen	Haan (Rheinl)	Löbberich	Rheine (Westf)	Wuppertal-Elberfeld
Celle	Hagen	Lörrach	Rheinfelden (Baden)	Wuppertal-Barmen
Coburg	Hamburg	Ludwigsburg	Rheinhausen	Wuppertal-Cronenberg
Darmstadt	Hamburg-Altona	Ludwigshafen (Rhein)	Rheydt	Wuppertal-Ronsdorf
Datteln (Westf)	Hamburg-Harburg		Rodenkirchen (Bz Köln)	Wuppertal-Vohwinkel
Deidesheim			Rüsselsheim (Hess)	Wylar (Kr Kleve)
Delmenhorst			Säckingen	Zell (Mosel)
			Salzgitter-Bad	Zweibrücken

BERLINER DISCONTO BANK

AKTIENGESELLSCHAFT

BERLIN 30, 36 Sub-Branches

Bankhaus J. WICHELHAUS P. SOHN AG.

WUPPERTAL-ELBERFELD

REPRESENTATIVE OFFICES ABROAD:

ARGENTINA: Buenos Aires · BRAZIL: São Paulo, Rio de Janeiro · CHILE: Santiago · COLOMBIA: Bogota · JAPAN: Tokyo · MEXICO: Mexico 1, D. F. · MIDDLE EAST: Cairo (UAR) · TURKEY: Istanbul-Beyoglu · VENEZUELA: Caracas

Bankhaus WILH. AHLMANN

KIEL

5 Sub-Branches

GEFA Gesellschaft für Absatzfinanzierung m. b. H.

Instalment Credit Institution · Offices: Wuppertal-Elberfeld, Berlin, Hamburg, Ulm

SAARLÄNDISCHE KREDITBANK

AKTIENGESELLSCHAFT

SAARBRÜCKEN, 11 Branches

June 11, 1963

Bundesverband des Privaten
Bankgewerbes (E.V.)
5 Köln 1
Mohrenstrasse 35/37

Dear Sirs:

This is to reply to your letter No. 4161 dated May 21, 1963, advising us of your interest in development finance corporations and requesting IFC informational material thereon.

I enclose for your information a number of press releases issued at the time of an IFC investment on Bank or IDA loans for a number of these institutions. These releases set out some of the particulars of these corporations and, I hope, they meet part of your needs. In addition to investments already made, however, IFC has currently under study a number of proposals for setting up or converting existing finance corporations in a number of member countries. I should like to mention among these countries Nigeria and Liberia in Africa, Malaya and Thailand in Asia, Nicaragua, Colombia, Peru and Venezuela in Latin America. If you could indicate the countries in which you have particular interest, we would be glad to send you, when any particular proposal has reached an advanced stage and has become better defined, copies of the memoranda which we prepare for the confidential information of IFC Management.

Sincerely yours,



William Diamond
Director
Development Bank Services

Enclosures

AGKheradjou:anf

OUTGOING WIRE

TO: CARL WINGVIST
PLAZOTEL
BUENOS AIRES

MAT

DATE: JUNE 11, 1963

CLASS OF SERVICE: ~~FULL RATE~~ *IBF* *you*

COUNTRY: (ARGENTINA)

TEXT:
Cable No.:

REURCAB JUNE 5 LOOK FORWARD WITH PLEASURE SEEING YOU JUNE 17 STOP
MENAPACE AND DEL CANTO WILL ALSO BE AVAILABLE REGARDS

DIAMOND

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME WILLIAM DIAMOND

DEPT. IFC-DEVELOPMENT BANK SERVICES

SIGNATURE *William Diamond*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

AGKheradjou/dea

Agk

ORIGINAL (File Copy)

(IMPORTANT: See guide for preparing form)

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Checked for Dispatch: *[Signature]*

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: CARL WINGVIST
PLAZOTEL
BUENOS AIRES

MAT

DATE: JUNE 11, 1963
CLASS OF SERVICE:
~~WILL RATE 187 F~~

COUNTRY: (ARGENTINA)

TEXT:
Cable No:

REURCAB JUNE 5 LOOK FORWARD WITH PLEASURE BEING YOU JUNE 17 STOP
MENAPACE AND DEL GANTO WILL ALSO BE AVAILABLE REGARDS

DIAMOND

DO NOT BE TRANSMITTED

sent after hr. 6/11

MESSAGE AUTHORIZED BY:

NAME WILLIAM DIAMOND

DEPT. IFC-DEVELOPMENT BANK SERVICES

SIGNATURE *[Signature]*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

AGK/reted/jon/da

ORIGINAL (The Copy)

(IMPORTANT: See guide for preparing form)

For Use by Archive Division

Checked for Dispatch

INCOMING WIRE

DATE OF WIRE: JUNE 5, 1963 2000
 LOG NO.: WU 8
 TO: WILLIAM DIAMOND COR.INTFIN
 FROM: RIO DE JANEIRO
 TEXT:

ROUTING	
ACTION COPY:	MR. DIAMOND
INFORMATION COPY:	
DECODED BY:	

EXPECT ARRIVE WASHINGTON JUNE 16TH AND SHOULD APPRECIATE SEEING YOU
 AND IF POSSIBLE JORGE DEL CANTO PLUS FOR EXAMPLE MENAPACE OF BID ON
 17TH. IF THIS DAY NOT ACCEPTABLE KINDLY CABLE ADVISE ME CARE PLAZOTEL
 BUENOS AIRES REGARDS

CARL WINGVIST

*Euskilda Bankg
 Sweden*

Mr. Khadjan

*Can you call del Canto of Funds
 Menapace of BID, tell them of
 Wingquist's request & ask if they are
 free on 17th?
 Done Wd*

*Participations
Wingvist-represent
Zalkala Bank*

INCOMING WIRE

DATE OF WIRE: **JUNE 5, 1963 2000**

LOG NO.: **WU 8**

TO: **WILLIAM DIAMOND CORINTFIN**

FROM: **RIO DE JANEIRO**

TEXT:

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ACTION COPY:	MR. DIAMOND
INFORMATION COPY:	
DECODED BY:	

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CARL WINGVIST

**BUNDESVERBAND
DES PRIVATEN BANKGEWERBES (E.V.)**

5 KÖLN 1 · MOHRENSTRASSE 35/37 · FERNSPRECHER (0221) 21 99 01 · FERNSCHREIBER 8882 730 · DRAHTANSCHRIFT: PRIVATBANKEN KÖLN

AKT.-Z.: W 06 - vFr/vdH

5 KÖLN 1, DEN May 21, 1963

TGB. NR.: 4161

POSTSCHLISSFACH 146

BITTE BEI ANTWORT ANZUGEBEN

International
Finance Corporation
1818 H. Street, N.W.

Washington 25, D.C.
USA

*Mr Diamond
Please
handle this*

Dear Sirs,

We should like to ask you for your assistance in the following matter:

Due to Germany's growing participation in the aid to less-developed countries the question of how to channel financial resources into these countries is steadily gaining importance.

As the national organisation of the commercial banks in the Federal Republic of Germany we are interested in the role of the banking sector in providing capital for economic development.

Since development banks are becoming an important factor in the formation and distribution of capital in less-developed countries we are trying to make a survey on these particular financing institutions. This study is intended for statistical purposes. The International Finance Corporation

1963 MAY 21 6:15 PM

COMMUNICATIONS
GENERAL LITER
RECEIVED

- 2 -

Ack June 11, 1963

BUNDESVERBAND
DES PRIVATEN BANKGEBIETES (E.V.)

5 KÖLN 1. MONATSWAHRUNG 1963 - VERBANDSNUMMER (0221) 219901 - VERBANDSNUMMER 8882700 - DRUCKARTBEZEICHNUNG: PRIVATBANK KÖLN

2 KÖLN 1. DRK MAY 21, 1963
POSTLEISTUNGSSACH 148

ART.NR.: W 06 - VRT/48H
TGR.NR.: 4181
BITTE BEI ANFRAGE ANSCHREIBEN

Handwritten signature:
Mrs. [unclear]
[unclear]

International
Finance Corporation
1818 H. Street, N.W.
Washington 25, D.C.
USA

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1963 MAY 24 PM 12:42

RECEIVED
GENERAL FILES
CORRESPONDENCE

lately became a major promotor of this type of banking; we therefore wonder whether you could provide us with information showing the development banks (private or state owned) and particularly the ownership of their stock-capital, i.e. partnership of US and European banks in these institutions, by country.

We might add that we possess already two books on this subject:

- "Problems and Practice of Development Banks" by Shirley Boskey, and
- "Development Banks" by William Diamond.

Although Diamond's book contains a list of development banks it does not show their ownership relations.

Your cooperation would be very much appreciated. Thanking you in advance we remain

Yours very sincerely

BUNDESVERBAND DES PRIVATEN BANKGEWERBES (E.V.)



(Dr. Szagunn)



(Dr. Schmidt)

Dev Banker Gen.
Apk
Svenska Handelsbanken

TEL.-ADR.:
HANDELSBANK



OP/BG

Stockholm, May 21st, 1963

no ack. necessary.

BY AIR MAIL

Mr. A. Gasem Kheradjou, Assistant Director
Development Bank Services
International Finance Corporation
1818 H Street, N.W.

Our ref.:
Foreign Relations

WASHINGTON 25, D.C. U.S.A.

Dear Mr. Kheradjou,

This is to acknowledge the receipt of your letter of the 8th inst. in reply to ours of the 11th January addressed to Dr. El Emary.

We thank you for the copies of the press releases which give an idea of the types of banking institutions in developing countries in which your organization have been investing, and we shall certainly be glad to take up your offer to contact you whenever we might have some interest in a project in some particular country.

We remain,

Yours very truly,

SVENSKA HANDELSBANKEN

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Small printed text below the circular stamp.

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Large block of faint, mirrored text in the upper left quadrant.

Printed text in the upper right quadrant.

Printed text in the middle right section.

Main body of faint, mirrored text, appearing as bleed-through from the reverse side of the page.

Faint printed text above the signature area.

Handwritten signature or initials in the center of the page.

1963 MAY 23 PM 3: 32

RECEIVED
GENERAL FILES
CORRESPONDENCE

OFFICE MEMORANDUM

TO: FILES

DATE: April 18, 1963

FROM: William Diamond *WD*

SUBJECT: Central America, Malaya, Thailand, China

Mr. F. J. Hellman, Executive Vice President of Wells Fargo Bank, visited me yesterday.

As Mr. Rosen had suggested earlier, I reviewed in detail the background and present status of proposals for financieras in Central America. He is specifically interested in the proposals in El Salvador and Nicaragua and has been in touch with the sponsors. He was not aware of the Central American (Panama) proposal. Wells Fargo is interested in investments in such institutions in any country in which it has substantial business, or the prospect of it, and this includes all Central American countries. Wells Fargo is not anxious for an exclusive U.S. position, but wants if possible to be the only West Coast investor. (Its participation in de Sola's El Salvador proposal depends in part on the willingness of Chase, which reportedly has promised \$200,000, to accept another U.S. shareholder.)

Mr. Hellman said Wells Fargo may take up some CDC shares.

He also expressed a vague interest in Malaya and a strong interest in Thailand. I don't think there is much point in writing to him about MIDFL, but he should be approached in due course about IFCT. He knows Yom well, considers him something of an empire-builder, capable and shrewd, but erratic.

cc: Mr. Rosen
Mr. George Martin (N.Y.)
Mr. Mathew
Mr. Apcar
Mr. Picciotto

WDiamond/dea

OFFICE MEMORANDUM

*Dev Bank Participation
+ Alpha Lockheed Aircraft
cc to IFC Japan 1.*

TO: Files

DATE: April 18, 1963

FROM: A. G. Kheradjou *AKH*

SUBJECT: Visit from Mr. McDougall and a Mr. Awar of Lockheed Aircraft

Mr. T. A. McDougall, Director, Market Development, Lockheed Aircraft International, Inc., accompanied by a Mr. Sami A. Awar, came to see me on April 17. Mr. McDougall said that Lockheed Aircraft was considering going into the business of financing or arranging finance for industrial projects or development banks in underdeveloped countries in addition to providing technical and managerial assistance for such enterprises. He wanted to know what IFC could do to help him in this.

I explained to him our principles and procedures and told him as far as I could see we could cooperate in two ways:

1. If Lockheed, in association with domestic and foreign entrepreneurs, prepared a project and financing for it and needed IFC financial assistance, they could bring the proposal to us;
2. They could let us know the countries in which they have particular interest and whenever we have either a development bank or industrial project, we would contact them to see whether they would be interested in participating.

INCOMING WIRE

DATE OF WIRE: APRIL 16, 1963 1425

LOG NO.: RC 13

TO: CORINTFIN

FROM: AMSTERDAM

TEXT:

ROUTING	
ACTION COPY:	MR. BEEVOR <i>[Signature]</i>
INFORMATION COPY:	
DECODED BY:	

*UFC Files
R NOTE*

FOR BEEVOR

MANY THANKS YOUR LETTER. ARRIVE 4 MAY WASHINGTON FOR 4 DAYS WOULD APPRECIATE MEETING WITH YOU TO DISCUSS PLANS FOR DEVELOPMENT BANKS AND POSSIBILITIES PARTICIPATION OUR COMPANY

DEWAAL

Mr. Rosen

Files

April 11, 1963

G. Herwig

NOFM - Development Banks

Het Financieele Dagblad, Amsterdam, of April 9, 1963, reports:

" According to a letter written by Ministers Zylstra, Luns and de Pous to the Chairman of the Second Chamber in the Hague, the Government of the Netherlands intends to promote Dutch partnership in internationally established development banks in underdeveloped countries. This stimulant of the Government covers only those cases where there exists a participation by the International Finance Corporation and a substantial part of the money needed for such investments is supplied by contributions from Dutch industry and trade. It is intended to make available for this purpose an amount of Fl. 5 million for the year 1963. All participations will take place through the Nederlandse Overzee Financierings Maatschappij. "

GH/rty

cc: Messrs. Beevor
Diamond ✓

Circ. Folder

→
Mr. Rosen

This is named Leifhinde
He will find out &
speak to you.

LD

Mr. De Pous
Chairman

(IFC files)

Mr. De Pous
Please talk
to Leifhinde and find out
what this is all about.

Mr. J.G. Beevor

April 2, 1963

G. Herwig //

Tanganyika

Mr. H. de Waal of NOF telephoned me this morning from Amsterdam. As a result of your letter to him of January 23, 1963, NOF has since been seriously studying the possibility of taking part in Development Banks, and the Dutch Minister of Finance, Dr. Zylstra, will make a proposal to Parliament in the near future to open the possibility for NOF to take up equity and give loans to such Development Banks. Prince Bernhard of the Netherlands, with whom this has also been discussed, showed himself greatly in favor of this sort of investment for NOF.

The permission to be given to NOF will be under two conditions: (a) NOF will only take part in those Development Banks in which IFC also participates, and (b) the Dutch business sector should provide NOF with part of the money needed for these investments.

During the recent visit of Mr. George Kahama, Minister of Commerce and Industry of Tanganyika to Holland, NOF was requested to participate in the Tanganyika Development Finance Company, to which NOF agreed in principle on the condition that its participation should be on an equal footing of ƒ 500,000 with the other principal shareholders which are GDC, Kreditanstalt für Wiederaufbau and the Tanganyikan Government.

To strengthen NOF's position on the occasion of the forthcoming proposal to Parliament, Mr. de Waal would very much like to be informed by telegram not later than April 6, whether IFC will be engaged in participating in the Tanganyika Development Finance Company. In the event a decision has not yet been taken in this respect, Mr. de Waal would like a telegram stating that, if IFC should be asked to participate in this Development Bank, favorable consideration would be given to such a request.

GH/rty

cc: Messrs. El Emary
Diamond
MacKenna
Kruithof, IBRD

Circ. Folder

*Dev Bank Participants
China: Frank King*

PO Central Files

UNITED CALIFORNIA BANK

LOS ANGELES 54, CALIFORNIA

*Henry A. Harwood
V.P.
Western Bank*

VICTOR R. ROSE VICE PRESIDENT

March 29, 1963

Mr. William Diamond, Director
Development Bank Services
International Finance Corporation
1818 H Street, N.W.
Washington 25, D.C.

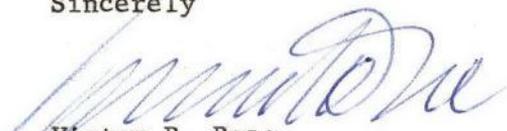
Dear Mr. Diamond:

Thank you for your letters of March 8, and March 25, advising me of the proposals, as you see it today, in Malaya and Nigeria. We continue to be interested in these new Development Bank projects. However, as explained to you in Washington, although we have an Edge Act banking corporation established in New York (Western Bancorporation International Bank) we do not have as yet a finance company. This is currently under study and I trust that before long it will materialize. Until it does, however, it would appear our interest would be in participating in the financing of early maturities on loans that you may give to these banks.

Mr. Hugh Darling now with the International Department of the Riggs National Bank, is joining our Bank as an assistant vice president around the middle of April. I talked to him today by telephone and told him that after severing his relationship, before reporting here, he should spend some time with you to become thoroughly acquainted with your pending program. I advised him that I would so inform you and I trust that before too long we have some positive results.

I am leaving for Europe the second week in April and shall be gone for approximately two months. In the meantime, Mr. I.C. Quindland, Vice President, shall be in charge of the International Division and I am sure that you shall find him most co-operative. I look forward to communicating with you upon my return.

Sincerely



Victor R. Rose
Vice President

*Sorehan
Ted. es.*

Dev Bank Letter

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INCOMING WIRE

DATE OF WIRE: MARCH 23, 1963
REG NO.: RC 9
TO: CORINTFIN
FROM: PARIS

[Handwritten signature]

ROUTING	
ACTION COPY:	MR. ROSEN
INFORMATION COPY:	
DECODED BY:	

TEXT:

7 FOR ROSEN.

MR. WOODS WILL TALK WITH KREBS MONDAY REGARDING DEVELOPMENT BANK PARTICIPATIONS. SUGGEST YOU HOLD LETTER TO ABS UNTIL WE ADVISE YOU BY CABLE THEREAFTER

WISHART

DBS Professional Staff

March 4, 1963

W. Diamond *WD*

Development Banks: potential participants

From time to time you are asked to draft a letter (usually for Mr. Rosen's signature) to a potential investor in a development bank sending him a copy of a descriptive note on the bank.

Such letters should always contain the following language.

"Dear Mr. X:

You will recall that in the course of our conversation some time ago, you said you would be interested in the possibility of equity investments in _____ and particularly in the proposal we were working on for the establishment of a development bank there. I promised to let you know something about the latter as soon as it had been outlined in fairly definite form. I think it has reached that point now and I am therefore sending you, for your confidential information, a copy of a memorandum prepared for Management's use here. It sets out the main elements of the proposal as we see it today."

cc: Messrs. Rosen, Bell, Kheradjou, Mathew, Apar, Huehne, Johnson, Picciotto, Mrs. Fleming

W.Diamond:mbc

C



RESTRICTION NOTICE

Print Form

File Title Development Banks - Participations - Volume 1	Barcode Number 1069973
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Document Date 12 February 1962	Document Type Memorandum
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Correspondents / Participants G.C. Wishart to IFC files

Subject / Title Development Banks - Possible German Participation

Exception Number <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input checked="" type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D
--

Reason for Restriction Information provided by a third party in confidence.

The items identified above have been restricted in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn By A. Miller	Date 2 September 2011
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*Dev Bank Gen
Particip*

January 23, 1963

Mr. Harry de Waal
Nederlandse Overzeese Financierings-Maatschappij N.V.
Willemsparkweg 93
Amsterdam, Holland

Dear Harry:

Geert Herwig has told me, on his return from his recent visit, that you had asked him on a personal and unofficial basis whether there might be any opportunities for NOF to consider some investments in development banks, in which IBRD and IFC are taking part.

The answer, so far as we are concerned, is that we should greatly welcome it if you did express an interest in an equity investment in any such development banks.

I enclose a memorandum on the general lines which we follow in helping to establish such institutions. You may also like to see the two enclosed recent press releases concerning a combined operation of an IBRD loan and an IFC investment for the Moroccan Development Bank. A similar combined operation has recently been approved, though not yet formally announced, for a new development bank in the Philippines. We are studying proposals for new institutions and investments in existing or reorganized institutions in several different countries. You might also like to see the attached note of the principal outstanding World Bank loans and IFC investments as they stand today.

Yours sincerely,

JGB
J.G. Beevor

Enclosures *

cc Mr. Diamond/Mathew
Mr. Hall/Herwig
Mr. Darton (Paris)

JGBeevor:us

other enclosures: Press Release No 62/11 and No. 63/1 (Morocco)
The Concept of Private Management with Government
Support 10/18/62.

DEVELOPMENT BANKSStatus of IBRD Loans, IDA Development Credits and IFC
Investments as at December 31, 1962

Borrower	Date	Original Amounts
		\$
Industrial Credit & Investment Corporation of India Ltd.	1955-62 (4 loans)	60,000,000
Industrial Mining & Development Bank of Iran	1959	5,200,000
Banque National pour le Developpement Economique, Morocco	1962	15,000,000
Pakistan Industrial Credit & Investment Corp. Ltd.	1957-61 (3 loans)	29,200,000
Industrial Development Bank, Turkey	1950-53 (2 IBRD loans)	18,000,000
-do-	1962 (IDA credit)	5,000,000
China	1961 " "	5,000,000
<u>IFC Equity Investments</u>		
<u>Colombia</u>		
Corporacion Financiera Colombiana de Desarrollo Industrial	1961	2,023,730
Corporacion Financiera Nacional	1961	2,000,000
Morocco, BNDE	1962-63 (completed Jan. 1963)	1,500,000

The foregoing list does not include IBRD loans to development banks in Austria and Ethiopia, which are of a somewhat special nature. Nor does it include an IBRD loan and IFC equity investment in a new private development corporation in the Philippines, which have been approved but not yet signed up.

DEVELOPMENT FINANCE INSTITUTIONS

The Concept of Private Management with Government Support

Introduction

1. Institutions for financing the establishment and growth of private industry are now widely recognized as an important factor in economic development. More and more countries, in which industrial development appears practicable, have established such institutions or are considering the best methods of doing so. The object of this memorandum is to explain the pattern which the World Bank and its affiliate, the International Finance Corporation, believe to be in most circumstances the best. This pattern is intended to create an institution which will be both dynamic and prudent, and will be able to grow and to raise additional financial resources without being a constant drain on the government's own funds.

2. Some countries have formed such institutions, often referred to as "development banks", with public funds and government control. Government-controlled institutions are obviously exposed to the risk that sooner or later there is a government, which influences the management of the institution to make unsound investments in industry for political reasons. The result in many cases has been that sound economic judgments take a second place and public funds are applied to unprofitable enterprises; this leads to waste of public resources and retards rather than promotes economic development.

3. There are no doubt some special cases, where a government may decide, for reasons of national policy, to create an industry which is likely to be unprofitable for a long period but has a national importance which may ultimately justify it. There are also some cases where a government-controlled development bank is given a charter to operate on economic and profitable lines and under an autonomous management, which is allowed to carry out that policy without political pressures. But these cases are exceptions to a general rule, which is that sound financing of private industry is usually best achieved by a development bank operated on private business lines.

The Pattern hitherto favored by World Bank and IFC

4. The experience of the World Bank and the IFC has caused them to favor the establishment of "development banks", with a national character and with government approval and cooperation, but with private management and mainly private capital, and operating on sound business lines. In numerous cases over the past ten years, for instance in India (1955), Pakistan (1957), Iran (1959) and the Philippines (1962), the World Bank, in cooperation with the government concerned, and with the private sector, has helped in creating development banks on this pattern.

5. The first feature is a voting share capital (equity) subscribed (i) as to the majority by local private investors, and (ii) as to the minority by foreign private investors. The association of foreign private investors can be of great help to the institution, not only for the capital which they provide, but also for their investment experience and by providing useful contacts with foreign countries.

6. The second feature is a special government financial contribution in the form of a long-term loan in its national currency, either free of interest or at a nominal rate of interest, the loan being subordinated to the share capital. This is commonly referred to as "quasi-equity". The amount of the quasi-equity should be at least as great as, and preferably greater than, the amount of the true equity capital.

7. There are three reasons for obtaining this quasi-equity capital :-

(i) One reason is to provide the institution with funds which, immediately invested, yield an assured minimum income and thus make it possible to build up the necessary organisation and staff in the early years.

(ii) Another reason is to encourage private investors to invest in the equity capital, since the government loan provides considerable leverage to the common shares.

(iii) The third reason is the addition which such quasi-equity makes to the borrowing power of the development bank, and hence to its profitability. The long-term, subordinated loan can be considered as an addition to the true equity capital for the purpose of calculating the amount of debt which the development bank can prudently incur.

8. An appropriate ratio for the borrowing powers of a financial institution of the kind under consideration (unlike an industrial enterprise) is generally considered to be 3:1, and may in some cases be even higher. If an institution has an equity capital of X and quasi-equity of $1\frac{1}{2}$ X, it has a base of $2\frac{1}{2}$ X for borrowing purposes; and with a loan-equity ratio

of 3:1 it can then borrow up to a total of $7\frac{1}{2}$ X. With such a prospective capitalization, and with such resources invested on sound business criteria, the development bank has a good prospect of operating profitably. It can then hope to sustain its own growth by the issue of additional equity capital in subsequent years.

9. Without some such special governmental assistance, private investment in the equity of the development bank is virtually impossible to secure. Investors are well aware of the risks involved in the financing of private enterprises, particularly new ones, which usually take a long time to show a return.

10. The institution will need sources of foreign exchange as well as local currency. If the government of the country is prepared to give its guarantee, one source of foreign exchange borrowings may be the World Bank. If it is satisfied with the management and performance of the institution in the course of the first loan, the World Bank can be a continuing source of further lending. In two cases it has already made four successive loans to a development bank over a period of five or six years. The institution must, of course, operate to the satisfaction of the World Bank as lender and of the government as guarantor, if it is to be eligible to continue to obtain World Bank loans.

11. Additional sources of loan funds in foreign exchange may be available from other institutions, usually in connection with foreign aid programs. It is, however, seldom possible to raise conventional loan capital for development banks from private foreign investors.

12. The foregoing points are the main elements of a pattern which has been followed with satisfactory results in several countries over a period of years. As already mentioned, this pattern is designed to create a dynamic institution, capable of growth and expansion, so as to raise new funds for new investments.

13. The International Finance Corporation, an affiliate of the World Bank, may also be prepared to make equity investments, whether or not the World Bank is making a loan to the institution. The IFC can also help in suitable cases to find foreign private investors, as well as local private investors, to contribute to the equity capital.

14. Experienced and competent management is essential to success. IFC, on behalf of itself and the World Bank, will be willing to help the institution to find experienced managers and staff, and within the limits of possibility, will provide training facilities for senior personnel.

Modified Pattern appropriate in Certain Cases

15. The pattern described above may need modification in countries where little local private capital can be found for a development bank. In such cases, the World Bank and IFC have been considering modifications to meet the circumstances without departing from the main principles. If some foreign private capital can be found, but little local private capital is initially available, the remaining equity subscription could be provided by IFC and the government, each having not more than 25% of the equity capital. IFC and the government would each agree to reduce their holdings progressively by sales pro rata to local private investors, as and when they can be found.

16. This modification can sometimes be applied in a re-organisation of an existing government-controlled institution, as well as in the establishment of a new institution. Each case has to be considered in the light of circumstances, but it is not considered sound to depart from the fundamental principles that the government should not hold a majority of the shares and that the Board of Directors, which appoints the management of the institution, must be predominantly private in composition.

17. A government contribution in national currency to a privately managed institution is an essential feature for the reasons mentioned above. The government thus has a continuing interest in the development bank and is entitled to be kept in close touch with its progress and policies. The responsibility for management and operations is in private hands, but the government loan, together with any World Bank loan or IFC investment, should normally ensure that the private management will function in accordance with the broad national interests of the country.

*Dear Barclays
Washington*

BARCLAYS BANK D.C.O.

TELEGRAPHIC ADDRESS
"BARCLADOM, LONDON"

HEAD OFFICE
54 LOMBARD STREET
LONDON E.C.3

24th October, 1962.

Dear Mr. Rosen,

I much enjoyed meeting you in Washington the other day and hearing about your plans for encouraging development corporations. We would be very interested to learn of any way in which we might be invited to participate and I assume that in most cases this need not involve a very large sum.

It would give us great pleasure to discuss the matter further if you are in London, and I hope that you would be able to come and lunch with us at the Bank.

Again many thanks for sparing me the time.

Yours sincerely,

Sedric L. Sebastian

Mr. Martin M. Rosen,
Executive Vice-President,
International Finance Corporation,
1818 H Street, N.W.,
WASHINGTON, 25, D.C.,
U.S.A.