Folder Title: Development Banks - Meetings - Correspondence - Volume 1
Folder ID: 1070981
Series: Operations Policy and procedures
Dates: 01/20/1961 - 12/23/1963
Fonds: Central Files
ISAD Reference Code: WB IBRD/IDA ADMCF-04
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THE WORLD BANK
Washington, D.C.
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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org
January 1961 thru December 1963

THIS FILE IS CLOSED.

PLEASE CONSULT VOLUME 11
December 23, 1963

My dear Miss Ahmad Sartip:

I am very grateful indeed for your kindness in sending me a set of photos taken at the Teheran Conference. They are an excellent momento of my week in Iran.

May I also take this occasion to thank you again for your many kindnesses during the Conference. Its success was, to no small extent, the result of your intelligence and hard work.

I think Miss Carter has written to you recently on the subject you raised with me in October.

With best wishes for a Happy New Year.

Sincerely yours,

William Diamond
Director
Development Bank Services

Miss Minou Ahmad Sartip
Industrial and Mining Development Bank of Iran
P.O. Box 1501
20th Boulevard Elizabeth II
Teheran, Iran

cc: Mr. Fowler/Miss Carter
17th December, 1963.

Dear Mr. Diamond,

Re: Conference of Development Banks

As desired in your letter of December 21, 1963, I am enclosing here with a short note on a Conference of Development Banks which might be sponsored by IBRD/IFC.

This note also gives some possible items for inclusion in the Agenda of this Conference, if and when you should decide to hold one. These are, however, my very preliminary ideas. If and when you should decide to hold such a Conference, I shall be happy to send you more specific items.

With my kindest regards,

Sincerely yours,

(N.M. QUWAI)

General Manager.

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

P.S. One important result of such a Conference is likely to be that other development banks, now outside the fold, would be encouraged to approach IBRD/IFC for assistance. This should provide opportunity to re-organise such institutions and thus add to the number of live and effective development banks for promoting development in their respective countries.
Points for a possible Conference of Development Banks to be sponsored by IBRD/IFC

1) The Conference be restricted to executive heads of development banks which have been financed by IBRD and/or IFC. The intention is to bring together only such institutions where the problems are already known to IBRD and IFC and where through association of IBRD & IFC a degree of co-ordination is possible on major problems of policy. In other words this would be a family Conference and therefore capable of achieving maximum possible results.

2) To this Conference may also be invited other financial institutions which have provided funds to these development banks, such as AID, Export-Import Bank, KFW of Germany, CDFC of London, etc.

3) The Agenda items for the Conference need cover only major matters of common interest so that the effort is concentrated on fewer items of special importance to the sound growth of these institutions.

4) Agenda for the Conference might include the following:

a) Co-ordination with Governments

For the smooth working of any development bank proper co-ordination with Government of the country is most vital. It will be worthwhile to study the nature of co-ordination that exists between the development banks and the Governments in their respective countries and how it could be further improved. This would cover study of red tape procedures in different countries and how these could be smoothened out so far as the development banks are concerned. For example in Pakistan where a loan is granted by PICIC even for a new industry, which is within Government's overall planning, all Government sanctions for different purposes automatically follow. The participants should be able to profit from the Governmental procedures in force in different countries.
b) **Taxation of profits of Development Banks.**

At present in almost all countries development banks are more or less taxed on the same basis as ordinary commercial banking institutions without regard of their special role in the development field which adds to Government revenues in various ways through the establishment of new projects. Moreover such development institutions unlike commercial banks -

1) have to operate within restricted debt equity ratio, so that their ratio of profits to equity is already low;

2) operate generally on a lower margin between borrowing and lending rates; and

3) because of the long term nature of their operations, need larger reserves which could only be built out of profits.

In the matter of taxation there is therefore a good case for the development banks to be treated differently from ordinary banking institutions and business houses, especially to facilitate building up of reserves. It will be worthwhile to discuss the taxation structure in different countries as regards development banks and then make recommendations of the Conference.

c) **Training facilities for staff of Development Banks.**

There might be a special course by the Economic Development Institute of the I.B.R.D. exclusively for staff of development banks. The more advanced development banks could train the staff of newly established development banks at the same time further training their own staff with the IBRD and IFC and other more advanced development institutions. Wherever possible well established development banks might depute some of their specialised staff for a short period for actually working in newly established development banks to give...
them the necessary initial help to get going on sound lines. Some other measures for co-operation in this field could also be considered;

d) Augmenting the resources and strengthening the reserves of the Development Banks.

In this connection reference is invited to my suggestions separately made to IFC that each development bank might receive, if possible, one IDA or AID loan under certain conditions in order to further improve the profitability of these institutions provided the extra profits are ploughed back into reserves. There might be some other suggestions towards achieving the same objective;

e) Development of Stock Exchanges.

There are no Stock Exchanges in some of the countries where these banks operate. Ways and means be considered for promoting Stock Exchange so as to attract private savings into profitable industrial ventures and broaden the base of industrial ownership. This subject could also cover policy to be followed by the development institutions in investing in industrial equities and dis-investing such investments;

f) Promotional Role of Development Banks.

Arrangements for carrying out general industrial surveys in different sectors of industry and the preparation of feasibility studies for larger projects to stimulate investment, local and foreign, in possible sound ventures, particularly those based on local raw materials; and

g) Co-ordination with I.F.C.

i) joint financing of larger projects with IFC;

ii) joint under-writing with I.F.C. for large local issues of capital by private industrial companies; and

iii) acting as agents for supervision and end-use of industrial projects where direct loans are made by IBRD/IFC.
Dear Mr. Diamond,

Thank you very much for your letter dated November 21, 1963 regarding the Conference of Development Banks to be held in Venezuela in the Second half of February, 1964. I entirely agree with your views that unless at the time of the Conference any Senior Officer from PICIC happened to be near that area for other reasons there would not be much point in specially going all the long way for the conference. Nevertheless, we shall keep in very close touch with the proceedings of the Conference and through correspondence we will be requesting them to send us all the papers circulated for the Conference.

As regards the Conference suggested by me of development institutions where IBRD and IFC are concerned, I am writing to you separately.

With my best wishes,

Sincerely yours,

(N.H. U. Q. I. I.)
General Manager.

Mr. William Diamond,
Director,
Development Bank Services,
International Finance Corporation,
1818 H Street, N.W.,
Washington 25, D.C.
The letter is handwritten and appears to be a formal communication. It contains several paragraphs, but due to the handwriting style, it is difficult to transcribe accurately. The text includes names and dates, and it seems to be a formal letter or notice. Without clearer handwriting, a precise transcription is not possible.
COMMUNICATION: Telegram

DATED: December 3, 1963

From xQk

TO: Incoming from Paris - Mr. Leddy

FILED UNDER: OECD

SUMMARY: DAC - Development Banks
My dear Mr. Diamond,

It is a great pleasure indeed to receive your letter of the 18th November 1963.

2. I have no doubt that there shall be many more opportunities for us to meet and exchange ideas and for me particularly to gain experience as a result thereof.

3. I hope you have had time to have a look at the Paper that was submitted for the Tehran Conference since I sincerely await your comments and valuable suggestions.

With kindest personal regards,

Yours sincerely,

(D.R. Madhok)

Mr. William Diamond,
Director,
Development Bank Services,
International Finance Corporation,
1818 H Street, N.W.
Washington 25, D.C.
(U.S.A.)
My dear Mr. Diebold,

I am writing to express my appreciation for your efforts in the development of our country's economy. I have no doubt that your vision and leadership will continue to shape our future for years to come.

I hope you have the time to review the latest reports and stay informed of the latest developments in our field. I believe that you will find them of great interest.

With kind regards,

Yours sincerely,

D.R. Macdonald

[Signature]
CROSS REFERENCE SHEET

COMMUNICATION: Letter
DATED: Dees. 4th, 1963
TO: Mr. Rosen
    IFC
FROM: Mr. Uquaili
      PICIC
FILED UNDER: Pak-PICIC General
SUMMARY: Proposal for IDA loans to industrial development companies.
Dear Mr. Diamond,

We are happy to send you photos taken here in Tehran during the Second Regional Development Banks Conference.

We trust that these will prove of interest to you.

Yours sincerely,

Minou Ahmad Sartip

INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN
November 21, 1963

My dear Uquaili:

I have your letter of October 29 concerning your invitation to attend a conference on development banks to be held in Caracas in the second half of February. Perhaps Mr. Durrani, who raised the same question with me in Tehran, has told you my views. In any event, here they are.

The President of the Corporacion Venezolana de Fomento did indeed discuss this conference with us on several occasions during the past year. In fact, the agenda, which I still think is much too big and complicated for such a meeting as this, reflects some influence of our conversations. Mr. Rosen expects to be present for the conference and will indeed deliver a major speech. Perhaps someone else from the IFC will attend in addition to him. However, although we have played a small role in helping the sponsors plan the conference, and will participate in it, I cannot sincerely tell you that you ought to attend. In your place, I would not do so unless I happened to be nearby Caracas at that time for other reasons, or unless I had the time to devote to the general education to be derived from visiting a new part of the world. I think this statement pretty much sums up what I told Mr. Durrani and I hope you find it helpful in reaching your decision.

I also have your letter of November 2 concerning a conference of development banks sponsored by the Bank and the IFC and limited to those development financing institutions with which we are associated as investors or creditors. I have not forgotten this matter and have indeed discussed it with others here. As I told you when you were here, I am much more sympathetically inclined to
your proposal after having spoken to you than I was on the basis of the letter you originally wrote. Please give us a little more time to think this one through. In the meantime, I should be very grateful indeed if you would sketch out some of your own ideas concerning an agenda.

With best personal regards,

Sincerely yours,

William Diamond
Director
Development Bank Services

Mr. N. M. Uquaili
General Manager
Pakistan Industrial Credit & Investment Corporation Limited
P. O. Box No. 5080
Karachi 2, Pakistan

cc: Mr. Knapp
Mr. Rosen

WDiamond/daa
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**REMARKS**

Mr. Waals

Mr. Rose

Nov 27

Mr. M. Rosen

K see please.
Dear Sir,

From 28 October 1963, the Second Regional Conference of Development Banks in Asia, sponsored by this Bank convened in Tehran for four days.

Representatives from most of the development banks in Asia took part in the Conference. Also, representatives were invited from some foreign credit institutions and of your Corporation. Considering the role of IFC and their expanding operations with and through development banks, the presence of your representative was of special importance. Mr. William Diamond was, of course, known to most of those present, if not to all. Mr. Diamond's contributions in the sessions were most welcome; furthermore the delegates had the opportunity to discuss with him related matters and problems.

We take this opportunity to thank Mr. Diamond and IFC for this valued participation.

With best regards,

Sincerely,

Dr. W.A. van Ravesteijn
Managing Director.
Caracas, November 13 1963

Mr. Martin Rosen  
Executive Vice President  
International Finance Corporation  
1818 H Street  
Washington 25, D.C.

Dear Mr. Rosen,

It was a pleasure to see you once again during my short stay in Washington last week and want to thank you for your interest and collaboration in the International Meeting of Financial Institutions for Development.

I have already informed Mr. Charles M. Williams of Harvard University, of the convenience to get in touch with you to discuss the mentioned event, as well as to prepare a questionnaire that must be sent to Mr. Francisco Ortigas to enable him to prepare the necessary information for building up the case on the financial institutions for development.

We have taken due notice that your presentation must be made between Monday 17 and Wednesday 19 of February. The subject to be covered, in accordance with our conversation, would be relative to point 3º of the Agenda: Industrial Promotion. I suggest that you may cover among other points, if you think it is convenient, those discussed during our recent meeting at your office. Copy of the same is included in this letter.

Yours truly,

Luis Vallenilla  
President, Corporación Venezolana de Fomento

Enc.
INDUSTRIAL PROMOTION

a.- Methods and Techniques used in surveys for new projects.  
     Project selection criterions.

b.- Preparation of projects by development institutions.  
    Utilization of existing projects and use of government technical assistance.

c.- Public opinion and industrial promotion.

d.- Conclusions.
b) Export risk insurance.

c) Review of the principal organizations established for this purpose in different countries.

Note: This subject should be reviewed through written information previously submitted.

III. INDUSTRIAL PROMOTION.

Should financial institutions take active part in industrial promotion versus a passive attitude as lenders?

Discussions of specific cases related to methods and techniques used in surveys for new projects and the different criteria considered in project selection.

The importance of interchanging projects and industrial ideas not only among private and public financial corporations of a given country but with the same organizations in other countries, especially of the same geographical area.

Interchange of ideas and projects with international financial organizations.

Practical ways of securing these interchanges.

The importance of forming and developing specific departmental organizations within the financial institution for project preparation purposes.

Ways of detecting new ideas for industrial promotion purposes.

Utilization of outside specialized organizations for this end.

Technical assistance to promoters.

The importance of proper knowledge for presenting projects to international financial institutions and foreign investors.

Practical ways of making these requisites known to national financial organizations. Coordination meetings for this purpose.

Should Governmental and private financial organizations create these sounds industrial projects and try thereafter to promote them among private investors?

Difficulties involved.

Techniques involved. Techniques used in dealing with prospective investors. Organizations required for this purpose.
Difference in personnel requirements for the analysis and preparation of the industrial projects and for their promotion. Dangers involved in excessive industrial promotion while disregarding proper expansion of existing industry.

The fundamental importance of creating a national public information device for industrial promotion, financial and technical facilities granted by the Government and by a private financial enterprise for this purpose.

Public information about industrial possibilities.

IV. Technical assistance to industry by development institutions.

Dangers involved. In the utilization of non-experienced personnel for technical assistance programs.

The necessity of well-trained personnel as a way of developing confidence among assisted industries.

The extraordinary importance of preventive technical assistance to industrial enterprise as a means of avoiding future deterioration.

The importance of avoiding delayed technical assistance.

Principal areas of this assistance:

Accounting and financial statements, production know-how, internal control systems, marketing and sales, and management.

The cost to Government institutions to train and maintain a specialized staff of technical consultants.

Transferring part of these costs to the assisted industries.

Different training courses used.

The dangers of utilizing foreign experts which do not have a thorough knowledge of local environment.

Technical supervision as an aid to technical assistance.

How to overcome the resistance of small and medium industrial corporations to adopt recommendations.

Practical ways of enforcing the recommendations brought out as a result of technical assistance.
2nd Nov. 1963.

Dear Mr. Diamond,

Re: Conference of Development Banks

During my recent visit to Washington, we discussed the possibilities for arranging a Conference of the development banks under the auspices of the World Bank and IFC and restricted to development institutions financed by IBRD and/or IFC. I also gave you my reasons for the desirability for such a Conference. I hope you will now progress this matter further.

With my kindest regards,

Sincerely yours,

(N.M. UQUAILI)
General Manager.

Mr. William Diamond,
Director,
Development Bank Services,
International Finance Corporation,
1818 H Street, N.W.,
Washington 25, D.C.,
(U.S.A.)
2nd Nov. 1963

Dear Mr. Diamond,

Re: Conference of Development Banks

During my recent visit to Washington, we discussed the possibilities for arranging a conference of the development banks under the auspices of the World Bank and IDB and requested to development institutions financed by IDB and/or IDB. I also gave you my reasons for the desirability for such a conference. I hope you will now pursue this matter further.

With my kindest regards,

Sincerely yours,

[Signature]

General Manager

[Address]

[Date] 1963 NOV 5 AM 8:32
OFFICE MEMORANDUM

TO: Mr. Orvis A. Schmidt

FROM: Gerald Alter

DATE: November 1, 1963


I agree with you that there is no need to have a representative from this department present at the Caracas meeting unless someone appropriate needed to be there for some other reason as well.

We are scheduling an economic mission to Venezuela for early next year. You will recall my proposal for a fairly substantial mission assuming that we can get the right people from TOD and the Economic Staff. If this mission materializes I would plan to spend 1-2 weeks in Venezuela with the mission and if you wish I could attend some of these meetings although I am not eager to do so.
Mr. Robert F. Skillings  
Assistant Director  
Development Bank Services  
International Finance Corporation  
1818 H Street, N.W.  
Washington 25, D.C.

Dear Bob:

Attached you will find the text of several memoranda and letters. Would you please be good enough to have them typed up, delivered and circulated in the proper way.

It is only a week since I left Washington, but it seems to me very much longer. This results no doubt from the distances I have covered and the new faces I have seen. I hope the week has not seemed overlong to you; for if it does, it can only be because of overwork.

With best regards,

Sincerely yours,

(Sgd.) Bill

(William Diamond)

Enclosures

P.S. Some documents are being sent under separate cover.

Received in draft from Mr. Diamond in Teheran

October 31, 1963  
(Typed November 5, 1963)
Mr. Robert F. Skillings  
Assistant Director  
Development Bank Services  
International Finance Corporation  
1818 H Street, N.W.  
Washington 25, D.C.

Dear Bob:

Attached you will find the text of several memoranda and letters. Would you please be good enough to have them typed up, delivered and circulated in the proper way.

It is only a week since I left Washington, but it seems to me very much longer. This results no doubt from the distances I have covered and the new faces I have seen. I hope the week has not seemed overlong to you; for if it does, it can only be because of overwork.

With best regards,

Sincerely yours,

(Sgd.)  
Bill

(William Diamond)

Enclosures

P.S. Some documents are being sent under separate cover.
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**Remarks**

Circulated to:
- Mr. El Faramy  
- Mr. El Faramy  
- Mr. El Faramy  
- Mr. El Faramy  
- Mr. El Faramy  

DBS Staff to:
- Mr. El Faramy  
- Mr. El Faramy  
- Mr. El Faramy  
- Mr. El Faramy  
- Mr. El Faramy  

From:
- M. M. Ranan
LETTER

From: Mr. William Diamond
To: Mr. Martin Rosen.


Dear Marty,

On the plane from Madrid Saturday, I finally got to work on the statement which was expected of me Monday. Here it is.

Strange thing is, that Parekh's statement on the same day was very similar — even similar phrases.

Best regards,

[Signature]

encl.:

WD/sjd
Gentlemen, Hosts, Fellow Guests,

1. I am very happy indeed for the opportunity you have given the institutions I represent, and me personally, to join this distinguished group in the Second Regional Conference of Development Banks in Asia.

2. We in the World Bank and the IFC have been deeply involved with industrial development finance companies for 14 years. Several of you come from institutions in whose establishment we played a part, both in the original exploration which identified the need for an industrial investment company and in the subsequent discussions which charted its objectives, structure, policies and procedures. There are among you representatives of the first such company we helped promote and finance (the Industrial Development Bank of Turkey) and one of the most recent with which we have become associated (Malayan Industrial Development Finance Ltd.).

3. In the 14 years of our involvement with industrial finance companies we have committed more than a quarter of a billion dollars to them, the overwhelming bulk to Asian institutions. Of course, virtually all of this sum has come, and will continue to come, in the form of loans from the World Bank. But the IFC has become increasingly active in this field since it was empowered to invest in share capital. When my colleague, Mr. El Shamy spoke to you in Bombay last year, IFC had investments in only two development finance companies. Today, IFC has a share participation, or is about to take one, in nine (of which four are here today); and we are working towards participation in the share capital of several others.
Ownership of shares has opened up the possibility of our being represented on boards of directors; we have accepted several such seats and, with them, the responsibilities which board membership entails and the opportunities for close collaboration which it encourages. Joint Bank-IFC ventures in financing industrial development companies, the former by long-term loans and the latter by underwriting or subscribing to share issues, has greatly enhanced the contribution we can make to such institutions and tightened the relationship we can have with them.

4. About 40% of our quarter billion dollar commitment has been made in the past 15 months and in this same brief period we increased by about 50% the number of institutions with which we are associated as creditors or investors or both. This fact is, I believe, a reflection, on the one hand, of the growing activity of our older, more mature clients and of the increasing contribution they are making to the economic growth of their countries and, on the other hand, of the effect which this demonstration of their success is having in other countries.

5. Our large financial commitment to industrial finance companies has been accompanied by other types of commitment, notably in the field of personnel. We have helped find management, advisors and senior staff for development finance companies. Moreover a good many members of their staffs have spent a few months with us in training and members of our staff have spent considerable time with them. This technical assistance program, which we started in 1950, has now begun to pay off in a particularly valuable way, to which we have long looked forward. Some of you are beginning to share with us the burden of finding personnel and training staff for newer and less experienced institutions. For instance, the ICICI has already taken trainees from other institutions and is now deliberately enlarging its staff so as to have a surplus of trained engineers, financial analysts and economists whom it can second to new institutions. Last month we welcomed PICIC's offer to assist us in staff training. The foreign and international institutions which have invested their manpower resources in development finance companies can hope for no greater return on their investment than to see those institutions capable of taking up the responsibility of transferring their managerial and technical experience to others.

6. I must refer to another aspect of our involvement with development finance companies. In the countries in which effective institutions of this kind operate, IFC looks to them as partners in its ventures in direct industrial investment. We prefer to invest in partnership
with them, to doing so alone. We direct to them business which comes our way; we are ready to associate ourselves with them when they have a good proposition too large to be handled alone. We rely on them for the intimate knowledge of the market, the promoter, the project and the risks which we - many thousands of miles away - cannot have. In countries where there is a mature private industrial finance corporation, IFC's direct investments will be made increasingly in partnership with them.

7. The institutions with which we have developed the kind of close association I have described, have been set up on a more or less common pattern, which has two features on which we put great emphasis. The first is that the establishment and continuity of sound investment policies and of experienced management can be best assured by an institution whose share capital is wholly or predominantly held by private investors so that its operations will be carried out on sound business lines and with reference to economic rather than to political judgements. The second feature is that the institution, while predominantly national in ownership and voting control, can be greatly strengthened by participations from foreign investors, who can contribute contacts abroad and experience which are vastly more important than their participations themselves. I shall revert to this subject later on.

8. I have called attention to the intensity of our involvement with development finance companies because that involvement reflects the importance we attribute to them, which in turn reflects our conviction that the work they do lies at the heart of the development process.

9. The provision of finance - of share capital and of medium and long-term loans - is no doubt the hard core of the work of these institutions. But the importance of their contribution to industrial growth cannot be measured alone by the statistics of the finance they provide or induce others to put into industrial investment. For the shortage of capital is closely associated with other critical deficiencies which hamper industrialisation no less; the shortage of the experience needed to spot and seize an industrial opportunity and to plan, execute and operate an industrial enterprise. Dealing with those obstacles to growth lays upon development finance companies tasks which in the long run are, I believe, more important than the provision of capital. These institutions - properly set-up, managed and staffed and working in an environment conducive to investment -
capable of bringing together the elements essential to modern industrial production, of providing or helping to find the element that might be missing in a particular case, and of sparking the mixture. They can play a part in the search for investment opportunities. They have a special duty, through the standards they apply in dealing with their clients, to further that process which converts a vague and inadequate proposal into a well-planned, well-constructed, well-managed enterprise which contributes to the national income and yields an adequate profit to the investors, foreign or domestic, who have risked their savings in the enterprise. In this educational and disciplinary process, if I may call it that, the finance corporation is a missionary - and, like missionaries of other kinds, often works in a hostile environment and sees its work bear fruit but slowly.

10. Another central function of development finance companies is the fostering of a capital market. These institutions have a duty to conduct their activities in such a way as to encourage the mobilization of private savings, foreign and domestic; their diversion from traditional pursuits to new types of enterprise; the broader ownership of industrial securities; the popularization of new forms of investments; and all that these imply in the way of lobbying for favorable government policies and legislation, the creation of new institutions, the disciplining of enterprises, and the education of the public.

11. Finally may I call attention to the special role of development finance companies in stimulating the inflow of foreign capital and technique. They are gateways to your countries for foreign investors who necessarily lack the knowledge of local conditions which you can provide and they are sources of, or guides to, the capital or partnership which foreign investors often want or need. The gateways may be used in the other directions too. Developed finance companies can be means of cultivating contacts abroad with the capital and technical experience which your countries daily need. Those of you whose institutions have foreign participants have, I believe, found them invaluable eyes and ears on the world and an invaluable source of experience.

12. My president has called development companies one of the most useful dynamic means of furthering development. Their significance, he said, "goes beyond the immediate assistance they can offer industry, and beyond their wider contribution to the development of capital
markets in their countries. They offer one of the best possible means by which businessmen drawn from the developed and underdeveloped countries can work together in a mutually rewarding partnership - and such a partnership is an indispensable instrument of economic progress for the developing nations).

13. As I said before, your institutions and you personally are working at a job which is at the heart of the process of industrialisation. It is also, I believe, an exciting job. Investment banking is an old business. But it is a new business in your countries and carries with it those special functions and duties to promote economic growth, to which I have referred. You or your predecessors started out on a pioneering job with relatively little experience to guide you. It must be comforting to each of you to find others like yourselves doing a similar job in neighbouring countries, trying to cope with problems very like your own.

14. In the World Bank we felt long ago that an exchange of such experience was vital. In 1958, we sponsored a small conference of chief executive officers of development finance companies. Those who participated in it gained immeasurably. The ideas and theories and attitudes of some were confronted by the blunt facts experienced daily by others; the choices of one manager in dealing with his problems were illuminated by the experience of other managers in dealing with similar problems. You are, through this Conference, increasing the opportunity for that kind of vital exchange of views and experience. This pooling can only strengthen each of you, and thereby add greatly to your ability to contribute to the industrial growth of your own countries.

15. This Conference is not less important for us in the World Bank and the IFC. We learned in our 1958 conference that our own ideas and plans needed modification in the light of the experience of the men who had the daily job of running development companies. We placed the greatest value on our visits to you and on yours to us, precisely because those all too infrequent occasions give us the chance to learn from you and to pass on to you what we have learned from others. The articulation of your experience at this Conference, the consensus you might reach, even the differences of view that might emerge among you, will broaden and deepen our knowledge of the problems development companies face and of the ways of dealing with them effectively. This knowledge will make us more useful to each of you, and will make us more effective in helping other institutions to whom we are trying to pass on the new technology of development finance which you are evolving.
It is a matter of considerable satisfaction to me that the work which began at the First Conference in March 1962 at ICICI is now being carried forward to the next stage by the effort and enterprise of Industrial and Mining Development Bank of Iran which so readily took upon itself the task of convening this Second Conference of the Development Banks in Asia. May I say how much we all who have gathered here appreciate this opportunity of meeting in Tehran and enjoying the hospitality of the I.M.D.B.I. which has done so much to look after the delegates and make the conference a success. I have every hope that this conference will succeed in cementing the foundation which was laid at Bombay so that we, the Development Banks of Asia, may build in the years to come a grand edifice for the advancement of our common objective.

I should like at the outset to apologize for the absence of our Chairman, Mr. G.L. Mehta whom Mr. Ravesteijn had very kindly invited to give the inaugural address. Mr. Mehta was very keen to be present on this important occasion but has not been able to do so mainly for reasons of health. He has, however, asked me to convey to this Conference his felicitations and his best wishes for its success.

It will be recalled that at the First Conference of March 1962 the Development Banks became acquainted with one another's operations, procedures and policies, thus utilizing the Conference for a kind of stock-
taking and for better mutual understanding. It seems to me that we may well take the present opportunity to consider what role Development Banks play or may be expected to play in the underdeveloped countries for the attainment of a higher rate of economic progress.

You would, I believe, expect me first to deal with the question in the context of our Indian experience. Fortunately, for me we have at this Conference, besides myself, two other representatives from India, Mr. K.C. Mittra, Managing Director of Refinance Corporation for Industry and Head of the Industrial Finance Section of the Reserve Bank of India and Mr. D.R. Madhok, General Manager of the Industrial Finance Corporation of India.

This is, perhaps, a measure of the importance we attach to Development Banking and of the progress which we have been able to make in this field in India. Thanks to the very active policy pursued by the Government of India, we have today two major Development Banks operating on an all-India level and 15 smaller regional Development Banks, one in every state of India. In addition, facilities have been created in the form of the Refinance Corporation for Industry operated by the Reserve Bank of India, for the banks and other lending institutions to advance industrial loans; and a guarantee scheme for small industrial loans made by banks has been in operation, also under the auspices of the Reserve Bank of India. In addition, several other specialised financing institutions have also been at work to meet the financial needs of small-scale industries on a hire-purchase basis, of medium sized industries for rehabilitation and of certain specific industries, the nature of whose operation precludes them from obtaining financial assistance from the established agencies. A pattern of financing agencies has thus been developed to suit the diverse needs of industry of different sizes for a vast country of the size of India.

The impact which these institutions and agencies have been able to make, although not very large in quantitative terms in relation to our country's needs, is quite substantial. India is now implementing her Third Five Year Plan, of which two years are already completed. In the context of the targets of financial outlay planned for the private sector as a whole in regard to industry, which is of the order of Rs. 250 crores (§ 500 million) a year, the combined total of sanctioned financial assistance by the Development Banks last year can be put at Rs. 75 crores (§ 150 million). This may not appear to be an impressive figure at first glance but it has to be remembered that Development Banks do not and are not meant to provide
the total finance required for development but such marginal amount as
would fill the gap in a given situation. Their role is that of catalysts
which serve to mobilise such larger capital from other sources. We have
estimated in ICICI that for every rupee which we put into a project, three
times that amount is contributed by other sources. I know the experience
of IFC of India is similar. Admittedly the ratio would be smaller in regard
to financing of projects which are less capital-intensive. A nation's eco-


dic development is achieved through the efforts of a large number of entre-
preneurs and institutions and development banks are only one of the means
through which economic progress is undertaken. It is necessary to recognise
that the development Banks can play only a limited role, because unduly high
hopes about their role are sometimes entertained or too much is expected of
them.

The test of the usefulness of the Development Banks lies only partly in the
quantum of their assistance; no less important is the number of enterprises
they are able to assist and particularly, the number of new projects and new
entrepreneurs they foster, who would not have come into being but for the
support of these institutions. For instance, the Development Banks operating
in India have been able, during the period of their existence, to render as-
sistance to a total number of 3,800 projects. This has helped to create di-
rect employment for about 300,000 persons. In terms of output, this has
meant, to give a few examples, additional annual production of over 100,000
tons of paper, over 500,000 tons of sugar, over 1.5 million tons of cement,
185,000 tons of steel tubes, 16,000 tons of steel wire ropes, 178 million
core yards of PVC and VLS wires and cables, 3,700 miles of power cables,
300,000 tons of superphosphates, constituting a significant proportion of
the total annual production of these commodities. That is more, they have
enabled the start of more risky forms of enterprises in non-traditional
fields, such as engineering and chemical products requiring new skills, thus
serving to broaden the industrial base of the country and making possible
the production of complicated capital goods. In short, Development Banks
play a vital, if somewhat modest, part in enabling a country's economy to
be more self-reliant and reach the take-off stage.

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Many countries in our region have development plans to accelerate the process of development. Besides helping to increase the planned output, Development Banks assist the process of planning itself because of their "project approach" and their detailed scrutiny of a scheme in regard to capital cost, cost of production, marketing, management, capital financing and profitability. Any form of national planning, to be practical and useful, needs to be buttressed by planning at the lower levels, which the operations of Development Banks seek to achieve by uncertaining the viability of industrial schemes. In the absence of such screening, there would obviously be the danger of larger wastage of capital and other resources which are in short supply.

Moreover, the financial discipline which Development Banks seek to enforce on their constituents is in itself an educative process of such value, which is essential in the context of the transition from a trading and agricultural economy to an industrial economy. If modern industry is based on modern science, Development Banks have to play their part in inculcating a scientific outlook in the newly developing industrial community.

This description of development banks' role in general terms does not mean that their operations are uniform in nature. Each Development Bank has to adapt its policies and practices to suit the particular conditions, both in time and place in which it operates. Not only does the situation vary from country to country but it differs as between different Development Banks in the same country and even for the same Development Bank from time to time. The operations of ICICI itself, during the short period of its existence of less than a decade, show how the demand on its rupee resources and foreign currency resources fluctuated at different periods and how also its underwriting operations varied in inverse relation to the buoyancy of the capital market; as also, how with the growth of the economy, we are trying to meet the needs of industry for balancing equipment.

Though the major part of the operations of the Development Bank is necessarily in the form of lending, it is essential to recognize that the function of Development Banks is to provide capital in such a form as may be required. Investment and underwriting of capital of industrial enterprises, therefore, constitute a significant field of their activity, having a very different kind of impact to that of term lending. In contrast to a direct lender-borrower arrangement involved in a loan transaction, any participation in the permanent capital of an enterprise has necessarily to be based on a close knowledge and continuous relationship with the investment market.
An investment in equity or preferred stock of a company would have to assume the possibility of there being a free capital market in which the investment could be liquidated in due course. Likewise, an underwriting operation would presume the existence of a large investing public and a stock market. The development of a capital market thus becomes an essential part of the activity of a Development Bank without which it would be futile to consider permanent investment, since, unlike an insurance company or a pension fund, a Development Bank cannot invest for keeps and must revolve its funds. We in India have been fortunate in having an organised and active investment market, which has made it possible for us to take considerable interest in investment and underwriting of capital issues. We also have in India stringent and comprehensive legislation to protect the interests of the private investors and a system of regulation of new capital issues and of stock exchange activity. Without such machinery and an active capital market, a Development Bank cannot extend its activity in the investment field and the extent to which it can go in this direction would depend upon the conditions ruling in the country concerned. In so far as a Development Bank is able to assist in this process of development of capital market it performs the function which the investment banker does in economically advanced countries. Thus, a Development Bank comes to perform certain functions, which are carried out by specialised agencies, such as issue houses and investment banking firms, in such developed countries.

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This takes us to the consideration of the role of the Development Banks in a perspective larger than as purveyors of credit. If Development Banks are to play their part adequately as the chosen instrument of development, the stress will have to be no less on development than on banking, because development comprises much more than mere financing.

It is, therefore, desirable that these banks initiate and engage themselves in such ancillary activities as would promote their wider objectives in the context of national economy. For instance, it is gratifying that the IMBDI took the lead early this year in convening the Tehran Investment Conference to consider steps necessary to develop the capital market and promote foreign investment in developing countries. We know how successful this Conference was particularly for development in Iran. To give you another instance, ICICI itself, under the stewardship of its Chairman, took steps which have led to the establishment of the Indian Investment Centre which
Development Banks have, no doubt, to satisfy themselves about the financial return on the projects they assist, as also about the reasonable return on their own total financing; but being a chosen instrument of development, they must necessarily orient their policy to take into account also the economic and welfare return to the community. To achieve this objective they must bring to bear on their activity a much wider vision than that of a pure banker.

If I am allowed to speculate, I would like to say that we, the young Development Banks of Asia, have vast new ground to break and there is a great deal that we can do to hasten the pace of development in our own countries and in our own region. To illustrate from Indian conditions, we do not yet have some kinds of specialised financial institutions such as the Unit Trust or the Mutual Fund to promote private savings, and the savings and loan association or the building society to finance private residential housing. This matter is engaging our Government’s attention and we would like to examine how far institutions such as the ICICI and IFCI, can participate in the promotion of such financial institutions which serve some specific productive purposes and thus broaden the financial base of the country. We have to regard Development Banks as conduits through which not only capital flows into productive fields but also fruitful ideas and schemes flow under proper direction so as to fertilise barren areas and convert them into economic pastures, green and beautiful.

For Development Banks, which are themselves of recent origin, this may appear to be unduly ambitious and like asking for the moon. Apart from the fact that even reaching for the moon is no longer regarded as a wild dream, the phenomenal progress and achievements of the World Bank during the last decade as the premier Development Bank in so many different directions, should itself serve as an inspiration to us all the young Development Banks.
of Asia — that we can be the focal points of constructive work and economic progress in our own areas. The decision taken at the World Bank's Annual Conference early in October show further if proof were needed, that the Bank is now proposing to turn its efforts into new directions like agriculture and education, besides liberalising its policy regarding industry. The circumstances of today demand that we undertake new tasks and assume new responsibilities which would bring economic welfare for our people.
OUTGOING WIRE

TO: WILLIAM DIAMOND
    HOTEL VANAK
    TEHRAN

DATE: OCTOBER 31, 1963

COUNTRY: (IRAN)

CLASS OF LT SERVICE:

TEXT:
Cable No.: 2

BANGKOK TO HONGKONG NOVEMBER 7 PANAM FLIGHT 2 NO LONGER HAS TRAFFIC RIGHTS
STOP YOU HAVE BEEN REBOOKED AND CONFIRMED ON CATHAY PACIFIC 728 LEAVING
BANGKOK ON SEVENTH 10:05 AM ARRIVING 1:30 PM

REGARDS

SKILLINGS

MESSAGE AUTHORIZED BY:
NAME ROBERT F. SKILLINGS
DEPT. IFC - DEVELOPMENT BANK SERVICES
SIGNATURE

CLEARANCES AND COPY DISTRIBUTION:

ORIGINAL (File Copy)

(IMPORTANT: See guide for preparing form)

Dear Mr. Diamond,

We have received invitation from the President, Corporacion Venezolana De Fomento, Caracas, Venezuela, for attending an International Conference of development banks being held at Caracas from the 17th to 22nd February, 1964.

I thought I would seek your advice about this Conference before making any commitment. I would particularly like to know whether the sponsors have consulted IFC before announcing such a Conference, whether IFC representatives are likely to attend this Conference and whether in your judgement it will be profitable for us to send our representative or representatives to this Conference. My own feeling is that a Conference of this size may not prove profitable from our viewpoint. However, I would appreciate your views and guidance.

Thanking you,

Sincerely yours,

(N.M. UQUAILI)
General Manager

Mr. William Diamond,
Director,
Development Bank Services,
International Finance Corporation,
1818 H Street, N.W.,
Washington 25, D.C.,
(U.S.A.)
Dear Mr. DiBona,

We have received invitation from the President, Corporation
Venezolana de Fomento, Caracas, Venezuela, for attending an
International Conference of Development Banks being held at
Caracas from the 17th to 22nd February, 1969.

I hope I would seek your advice support this Conference
I propose I would like to make any comments. I want particularly like to
know whether the representatives have contacted IFC before announcing
such a Conference. Whether IFC representatives who will be
attending this Conference and whether they would like to send their
representatives or representatives of the Bank to this Conference. My own feeling is that a Conference of this
type may not prove beneficial from our view point. However, I
would appreciate your views and guidance.

Thanking you.

[Signature]

(I.M. Uqaili)
General Manager

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

1969 NOV 4 AM 8:44
Re: International Meeting of Development Financing Agencies in Caracas
February 17-22, 1964

With reference to the cable of October 22, which Mr. Woods received from Mr. Vallenilla, President of the Venezuelan Development Corporation announcing the date of the meeting, I find that there is quite a long history.

Mr. Vallenilla called on Mr. Knapp on August 6, 1963 to deliver an invitation from Godofredo Gonzalez, then Venezuelan Minister of Development, inviting Mr. Woods, on the instructions of President Betancourt, to attend as a special guest the "First International Meeting of Finance Development Organizations" which his Government was proposing to organize through the Venezuelan Development Corporation.

In his letter the Minister stated that invitations were being sent to presidents and directors of public and private development institutions both in highly industrialized and in developing countries. The purpose of the meeting would be to enable the participants to analyze, discuss and exchange ideas and experiences on the role of financial development institutions and whenever possible, to arrive at practical conclusions on the various points of view, techniques and systems used by the outstanding public and private organizations." He also stated that the meeting would help achieve the greatest possible coordination between development organizations in each country and with similar institutions of other countries.

On September 17, 1963, Mr. Woods wrote the Minister that he could not fit a visit to Venezuela into his schedule but that "the World Bank and its affiliates will certainly wish to have appropriate representatives at the conference and you will be hearing directly from Martin M. Rosen, Executive Vice President, of the International Finance Corporation within whose purview lies the responsibility, on behalf of our organizations here, for our work in connection with development financing corporations."

Mr. Perez La Salvia, the new Venezuelan Minister of Development, sent Mr. Rosen an invitation on August 16. Mr. Rosen replied on September 3 that "I shall certainly do my best to be able to participate in what I know will be an important meeting subject to the final determination of the date of the meeting and the fact no unreasonable schedule conflicts are involved."

Subsequently both Mr. Beavor and Mr. Diamond received invitations to which Mr. Diamond replied on September 26 stating "Mr. Woods and Mr. Rosen have already replied to your invitations to them. As they indicate, the Bank and the IFC will be with you. But I hope you will leave it to us to let you know in due course who will represent us. Who it will be will depend on the date of the meeting and on the other commitments we have made in the meantime."

We have also received copies of the proposed Agenda, copy of which is attached, which apparently incorporates some of Mr. Diamond's suggestions.
OUTGOING WIRE

TO: DIAMOND
    HOTEL VANAK
    TEHRAN

DATE: OCTOBER 28, 1963

CLASS OF SERVICE: LT

COUNTRY: (IRAN)

TEXT:
    Cable No.: 1

    HOTEL PENINSULAR HONGKONG CONFIRMED

    SKILLINGS

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME ROBERT F. SKILLINGS

DEPT. IFC - DEVELOPMENT BANK SERVICES

SIGNATURE Robert F. Skillings

(CERTIFICATE OF INDIVIDUAL AUTHORIZED TO APPROVE)

de

CLEARANCES AND COPY DISTRIBUTION:

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ORIGINAL (File Copy)

(IMPORTANT: See guide for preparing form)
DATE OF WIRE: OCTOBER 27, 1963 1000
LOG NO.: RC 7
TO: CORINTFIN
FROM: TEHERAN

TEXT: 3 ARRIED DIAMOND

FAMILY NOTIFICATION HAS BEEN MADE
PLEASE BE ADVISED THAT THE DATE OFFICIALLY SET FOR THE INTERNATIONAL MEETING OF FINANCIAL INSTITUTIONS FOR DEVELOPMENT WILL BE FROM FEBRUARY 17 TO 22 1964 SINCERELY YOURS

PRESIDENT CORPORATION

IDENTICAL CABLE RECEIVED BY MR. WOODS
DATE OF WIRE: OCTOBER 22, 1963 555P
LOG NO.: ACR 4
TO: CORINTFIN MR. MARTIN ROSEN
FROM: CARACAS

TEXT:

PLEASE BE ADVISED THAT THE DATE OFFICIALLY SET FOR THE INTERNATIONAL MEETING OF FINANCIAL INSTITUTIONS FOR DEVELOPMENT WILL BE FROM FEBRUARY 17 TO 22 1964 SINCERELY YOURS

PRESIDENT CORPORATION

IDENTICAL CABLE RECEIVED BY MR. WOODS
Assuming IFC is represented, need we be also?

I am inclined to doubt we should send an IBRD representative unless someone appropriate needed to be there for some other reason as well.

From

Orvis A. Schmidt
Mr. Schmidt

Mr. Alter - assuming IFC is represented, need we be else?
I am inclined to think we should send one of our economic advisers unless someone appropriate wanted to be there.

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REMARKS

Mr. Vallenilla's cable does not require any action.

Mr. Matter suggests you might consider sending one of our Economic Advisers -- perhaps, Gerry Alter if it can be worked into the schedule.

For some other reason as well.
PLEASE BE ADVISED THAT THE DATE OFFICIALLY SET FOR THE INTERNATIONAL MEETING OF FINANCIAL INSTITUTIONS FOR DEVELOPMENT WILL BE FROM FEBRUARY 17 TO 22 1964 SINCERELY YOURS

PRESIDENT CORPORAFOM

IDENTICAL CABLE RECEIVED BY MR. ROSEN
IFC THAILAND WAS INVITED BUT HAVE REJECTED NEVERTHELESS AM CABLEING AGAIN TODAY MAYBE YOU SUPPORT REGARDS RAVESTELJN
APPRECIATE YOUR CABLE 15TH. RESERVATION VANAK CONFIRMED
TO: Van Ravesteijn
INMIDEL
TEHRAN

DATE: October 19, 1963

CLASS OF SERVICE: 4T

COUNTRY: IRAN

TEXT:
Cable No.:

IF YOUVE NOT YET DONE SO AND IF NOT TOO LATE HOPE YOU CAN INVITE YOM TANTSETTHI GENERAL MANAGER OF INDUSTRIAL FINANCE CORPORATION OF THAILAND REGARDS

DIAMOND

(This cable was sent by telephone on Saturday by Mr. Diamond and charged to IFC.)

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME WILLIAM DIAMOND

DEPT. IFC - DEVELOPMENT BANK SERVICES

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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FOR USE BY ARCHIVES DIVISION

ORIGINAL (File Copy)

(IMPORTANT: See guide for preparing form)

Checked for Dispatch:
DATE OF WIRE: OCTOBER 17, 1963 615P

LOG NO.: ACR 5

TO: CORINTFIN MR. WILLIAM DIAMOND

FROM: CARACAS

TEXT:

PLEASE BE ADVISED THAT THE DATE OFFICIALLY SET FOR THE INTERNATIONAL MEETING OF FINANCIAL INSTITUTIONS FOR DEVELOPMENT WILL BE FROM FEBRUARY 17 TO 22 1964 SINCERELY YOURS

PRESIDENT CORPORAFOIM
DATE OF WIRE: OCTOBER 17, 1963 615P
LOG NO.: ACR 5
TO: CORINTFIN MR. WILLIAM DIAMOND
FROM: CARACAS

TEXT:

PLEASE BE ADVISED THAT THE DATE OFFICIALLY SET FOR THE INTERNATIONAL MEETING OF FINANCIAL INSTITUTIONS FOR DEVELOPMENT WILL BE FROM FEBRUARY 17 TO 22 1964 SINCERELY YOURS

PRESIDENT CORPORATION

YOU MIGHT WANT TO MAKE NOTES OF THE CONFERENCE DATE.
OUTGOING WIRE

TO: VAN RAVESTEIJN
INMIDEL
TEHRAN

DATE: OCTOBER 15, 1963

COUNTRY: (IRAN)

TEXT:

ACCEPT YOUR INVITATION WITH PLEASURE STOP ARRIVING TEHRAN OCTOBER 27 AT 1:40 AM ON BOARD ALITALIA 462 STOP HAVE REQUESTED RESERVATION VANAK STOP IS THIS CONVENIENT STOP REGARDS

DIAMOND

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME WILLIAM DIAMOND

DEPT. IFC - DEVELOPMENT BANK SERVICES

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

ORIGINAL (File Copy)

CLEARANCES AND COPY DISTRIBUTION:

WDiamond/dea

For Use by Archives Division

Checked for Dispatch: 

(IMPORTANT: See guide for preparing form)
DATE OF WIRE: OCTOBER 13, 1963 1800

LOG NO.: RC 1

TO: CORINTFIN DIAMOND

FROM: TEHERAN

TEXT:

RE REGIONAL CONFERENCE. WILL HIGHLY APPRECIATE YOUR ACCEPTANCE TO DELIVER SHORT ADDRESS AT INAUGURAL SESSION. PLEASE CABLE REPLY RAVESTELJN

Accept your invitation with
September 26, 1963

My dear Mr. Vallenilla:

Mr. Beevor has asked me to thank you for the invitation you have extended to him to attend the International Meeting of Financial Institutions for Development in Caracas next February. And I should like to thank you for the similar invitation sent to me. I am particularly pleased to see that you have adopted some of the suggestions for agenda which we discussed a few months ago.

Mr. Woods and Mr. Rosen have already replied to your invitations to them. As they indicate, the Bank and the IFC will be with you. But I hope you will leave it to us to let you know in due course who will represent us. Who it will be will depend on the date of the meeting and on the other commitments we have made in the meantime.

I look forward to seeing you here next week.

With best regards,

Sincerely yours,

William Diamond
Director
Development Bank Services

Mr. Luis Vallenilla
President
Corporacion Venezolana de Fomento
Apartado de Correos No. 1129
Caracas, Venezuela

cc: Mr. Scoll
    Mr. Knapp
    Mr. Wishart

WDiamond: anf
September 17, 1963

Dear Mr. Minister:

On my return to my office here, I have duly received your letter of July 26 conveying an invitation from President Betancourt and the Council of Ministers to attend as a special guest the "First International Meeting of Finance Development Organizations" to be held in Venezuela next February. I regret the delay in replying to your letter but, as explained to Mr. Vallenilla by Mr. Knapp, I recently had to undergo some surgery and I have only now returned to my office here after a short period for convalescence.

I much appreciate the fact that President Betancourt and you have honored me with this invitation but I must regretfully decline. My calendar is already rather fully booked for the first part of 1964 and I shall not be able to include a visit to Venezuela at the time of the conference.

The World Bank and its affiliates will certainly wish to have appropriate representation at the conference and you will be hearing directly from Mr. Martin M. Rosen, Executive Vice President of the International Finance Corporation, within whose purview lies the responsibility, on behalf of our organizations here, for our work in connection with development financing corporations.

Again, my regrets at not being able to accept this invitation personally and with my sincere good wishes to President Betancourt and yourself.

Sincerely,

(Signed) George D. Woods

George D. Woods

His Excellency
Godofredo Gonzalez
Ministro de Fomento
Caracas, Venezuela

GcWishart:cml

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

Dear Mr. Diamond,

The Government of Venezuela, having decided to sponsor an international conference of financial development institutions during February 1964, has commissioned the Corporación Venezolana de Fomento, its own development institution, to organize this event. The Government wishes to express to you its strong desire for your active participation in this conference which it regards most highly.

In sponsoring this meeting, the Government has taken into consideration the important role that these financial development institutions, both public and private, play in the economic and social future of the developing nations.

Therefore, it would be of great interest to Venezuela and to the other developing countries to be able to analyze, discuss and exchange ideas and experiences in this field and, whenever possible, to arrive at practical conclusions on the various points of view, techniques and systems used by the outstanding public and private organizations. It is felt that this meeting, undoubtedly, would help achieve the greatest possible coordination between development organizations in each country and with similar institutions of other countries.

Invitations have been extended to the Presidents and Directors of Development Institutions selected in highly industrialized countries as well as those of the developing nations. We are pleased to report that a number of confirmations have been received.

...//...
Attached is a resume of the proposed Agenda. Naturally this is still subject to change and if you desire, we will be glad to receive your comments and observations.

The Government of our country, through the Corporación Venezolana de Fomento, will be most honored by your participation. Due to the importance and authority of the people invited we feel that the conference will mark an important step in the relations between financial development institutions and in furthering, at an international level, the well-being of the people who directly or indirectly benefit from the activities and decisions of these organizations.

We will continue to inform you about details in the organization of this meeting and in the meantime we remain,

Sincerely yours,

Luis Vallenilla
President, Corporación Venezolana de Fomento

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

Dear Mr. Diamond,

I am pleased to enclose a formal invitation for your participation in the International Meeting of Financial Institutions for Development.

You will notice from the Agenda - also included - that most of your suggestions have been incorporated. The subject of Export Promotion was not excluded due to the latent importance of such a subject to various Institutions being invited to the event.

We have already forwarded invitations to the several development institutions you were so kind to suggest.

I will be in Washington for the World Bank Assembly and I am looking forward to seeing you once again and for your continued support of this Meeting.

With my best personal regards,

Luis Vallenilla
Mr. Jack Beevor, Vice President
International Bank of Reconstruction
and Development
1818 H Street
Washington 25, D.C.
U.S.A.

Dear Mr. Beevor:

The Government of Venezuela, having decided to sponsor an international conference of financial development institutions during February 1964, has commissioned the Corporación Venezolana de Fomento, its own development institution, to organize this event. The Government wishes to express to you its strong desire for your active participation in this conference which it regards most highly.

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We will continue to inform you about details in the organization of this meeting and in the meantime we remain,

Sincerely yours,

Luis Valenilla
President, Corporación Venezolana de Fomento

Enc.
September 5, 1963

Dear Mr. Mansoor:

Thank you for your letter of August 26, 1963, and the two copies of the program and other information relating to the Second Regional Conference of Development Banks in Asia.

I look forward with much interest to reading this material.

Sincerely yours,

William Diamond
Director
Development Bank Services

Mr. Javad Mansoor
Assistant Managing Director
Industrial and Mining Development
Bank of Iran
P. O. Box 1801
20th Boulevard Elizabeth II
Tehran, Iran

WDiamond:mi:j
September 3, 1963

His Excellency
Hugo Perez La Salvia
Minister of Development
Ministry of Development
Caracas, Venezuela

Dear Mr. Minister:

Thank you very much for your letter of August 16, which was delivered to me by Mr. Armand, inviting me to attend the International Meeting on Financial Development Organizations which you are organizing for February 1964. As I told Mr. Armand, I appreciate the invitation and I shall certainly do my best to be able to participate in what I know will be an important meeting, subject to the final determination of the date of the meeting and the fact that no unresolvable schedule conflicts are involved.

With best personal regards,

Very sincerely yours,

Martin M. Rosen
Executive Vice President

cc - Mr. Paterson
Mr. Graves
Our Ref.  
Date August 26, 1963.

Dear Mr. Diamond,

It gives me pleasure to enclose two copies of program and necessary information in relation to the Second Regional Conference of Development Banks in Asia.

With best regards,

Sincerely,

Javad Mansoor,
Assistant Managing Director.
Mr. William Diamond
Director, Development Bank Services
International Finance Corporation
Washington 25, D.C.

Dear Mr. Diamond,

I give you pleasure to enclose two copies of Program and necessary information in relation to the Second Regional Conference of Development Banks in Asia.

With best regards,

Yours sincerely,

[Signature]

[Assistant Managing Director]
Señor
Martin Rosen,
Vice-Presidente Ejecutivo de la
International Finance Corporation,
WASHINGTON, D. C.-

Estimado señor Rosen:

Por medio de la presente tengo a honra dirigirme a usted por encargo del Ciudadano Presidente de la República, señor Rómulo Betancourt, de acuerdo con Resolución tomada en Consejo de Ministros con fecha 19 de julio próximo pasado, para hacerle formal invitación a asistir, en calidad de invitado especial y como representante de esa importante organización, a la "I Reunión Internacional de Organismos Financieros de Fomento" que está promoviendo y organizando el Gobierno Nacional a través de su organismo financiero de fomento, la Corporación Venezolana de Fomento, a celebrarse durante el mes de febrero de 1.964.

En relación al temario provisional y otros detalles de la reunión, ya el doctor Luis Vallenilla, Presidente de la Corporación Venezolana de Fomento, tuvo el gusto de referirse en su reciente visita a Washington, significándole así mismo, que oportunamente le serán enviadas informaciones ulteriores a este respecto.

Aprovecho la ocasión para reiterar a usted mis sentimientos de alta consideración y aprecio.

Hugo Pérez La Salvia
Ministro de Fomento

HPLS/ldt.-
Dear Mr. Rosen:

By means of this letter I have the honor of addressing you on behalf of the President of the Republic Senor Romulo Betancourt, in accordance with the resolution taken by the Council of Ministers this past July 19, to offer you a formal invitation to attend, as a special guest and representative of your important organization, the international meeting of financial development organizations which is promoted and organized by the national government through its financial development organization, la Corporacion Venezolana de Fomento, scheduled for the month of February, 1964.

With relation to the provisional agenda and other details of the meeting, Dr. Luis Vallenilla, President of la Corporacion Venezolana de Fomento, has already had the pleasure of referring to these in his recent visit to Washington, at which time he indicated that further information in this respect would be sent in the future.

I take this occasion to reiterate my feelings of great respect and appreciation.

Sgd. Hugo Perez La Salvia
Minister of Development
REUNION INTERNATIONAL MEETING
DE INSTITUTOS DEVELOPMENT FINANCIEROS FINANCING AGENCIES

Organizada por la Corporación Venezolana de Fomento
El gobierno de Venezuela ha comisionado a la Corporación Venezolana de Fomento para organizar una reunión de los organismos financieros de desarrollo, tanto de carácter internacional, como de carácter nacional, públicos o privados. Tal reunión tendrá como finalidad el intercambio de opiniones y experiencias de los distintos participantes y eventualmente el desarrollar nuevas fórmulas de cooperación en forma regular o permanente.

Son obvias las ventajas que para la mejor utilización de los instrumentos financieros de desarrollo pueden derivarse del intercambio mencionado y la aceleración que podría obtenerse del uso de diversas experiencias en los organismos existentes.

La reunión tendrá lugar en Caracas en la primera quincena del mes de febrero de 1964 y la Corporación Venezolana de Fomento tiene la responsabilidad de su organización.

A continuación se expresa el anteproyecto de temas a ser cubiertos en la Reunión.
MERCADO DE CAPITALES Y

VALORES INDUSTRIALES

a. Aspectos del mercado de capital en los países poco desarrollados y en particular en los países latinoamericanos. Dificultades de canalización y ahorro en estos mercados y especialmente resistencia de la orientación del ahorro a los valores industriales.

b. Análisis de los diversos mecanismos utilizados para la creación del mercado de capitales. Dificultades encontradas y éxitos obtenidos. Consideración detallada del funcionamiento y sistema de recompra de certificados de participación industrial.

c. Canalización de fondos privados locales en forma de préstamos hacia los nuevos proyectos.

d. Canalización de inversiones privadas nacionales hacia nuevos proyectos.

e. Canalización de fondos públicos internacionales hacia nuevos proyectos.

f. Canalización de fondos privados de otros países hacia nuevos proyectos.

g. Conclusiones.
2. PROMOCION INDUSTRIAL

PREPARACION DE PROYECTOS


b. Prioridades en proyectos industriales. La preparación de proyectos por organismos públicos de fomento. La colaboración en este aspecto con el sector privado. Uso y complemento de proyectos ya existentes en el sector privado incluyendo suministro de asistencia técnica por parte del Estado en su confección.

c. Aspectos de opinión pública en torno a la promoción industrial.

3. FINANCIAMIENTO DE NUEVOS PROYECTOS INDUSTRIALES POR ORGANISMOS PUBLICOS DE FOMENTO

a. Crédito puro y simple. Condiciones de este crédito.


c. Operación mixta, crédito y suscripción de acciones.
4. LA ASISTENCIA TECNICA A LA INDUSTRIA

POR PARTE DE LOS ORGANISMOS DE FOMENTO

a. Planteamiento del problema. Necesidad de canalizar, como sistema preventivo, la asistencia técnica hacia las empresas industriales.

b. Métodos de asistencia técnica utilizados.


d. Utilización de expertos extranjeros.

e. Entrenamiento de expertos locales.

5. PRESTAMOS POR PARTE DE LOS ORGANISMOS DE FOMENTO A EMPRESAS

a. Plazos concedidos por los organismos de fomento, tanto públicos como privados, según se trate de financiar activos fijos, refinanciar deudas preexistentes, capital de trabajo, etc.

b. Ratas de interés. Subsidio indirecto a las empresas industriales por parte del Estado mediante el cobro de intereses a ratas inferiores a las predominantes en el mercado. Estímulos fiscales.

c. Plazos y formas de amortización.

d. Experiencia en la recuperación de los créditos concedidos a em
presas industriales por parte de organismos de fomento públicos y privados.

6. EL PROBLEMA DE LA SUB-CAPITALIZACION DE EMPRESAS INDUSTRIALES
a. Planteamiento del problema.
b. Experiencia en los diversos países en cuanto al monto de los activos que, en las empresas promovidas, se financian normalmente con fondos provenientes del capital social y proporción en que participan las utilidades no distribuidas y las reservas de capital en el ensanche de los activos.
c. Causas de la subcapitalización de las empresas industriales en países menos desarrollados. Dificultades.
d. Consolidación de las empresas mediante aumento de sus capitales permanentes.
e. Sistemas usados por diversos organismos de fomento para encarar estos problemas. Suscripción en aumento de capitales en las industrias existentes o en formación; el sistema de reporto.

7. MEJOR DISTRIBUCION DE LA RIQUEZA NACIONAL
a. Dificultad en prestar ayuda financiera a través de organismos de
fomento privado y aún del Estado, a personas y empresas que no tengan medios económicos suficientes, aún cuando posean la capacidad técnica y administrativa necesaria.

b. Requisitos establecidos en cuanto al límite de ayuda financiera derivados de la inversión hecha por los prestatarios y las garantías ofrecidas. Estudiar si estas limitaciones pueden contribuir a una concentración de riqueza en lugar de una diversificación de la misma y en qué medida. Experiencia en diversos países al respecto.

c. Sistemas e instrumentos utilizados por organismos de fomento para incorporar a potenciales empresarios sin mayores medios económicos en el proceso industrial. Arrendamiento de Activos Fijos con Opción de Compra.

d. El problema de la concentración de la propiedad industrial en grupos exclusivos y su tendencia.

e. Instrumentos seguidos por organismos de fomento para propiciar la ampliación de la tenencia de acciones por parte de numerosos inversionistas.

f. Sistematización de la colocación de acciones industriales en el público.

g. Participación de los trabajadores en el capital de las empresas.

Actitud de los Sindicatos y de los empresarios.
8. ORGANIZACION ADMINISTRATIVA DE

LOS ORGANISMOS DE FOMENTO


9. DESCENTRALIZACION INDUSTRIAL


b. Instrumentos seguidos por organismos de fomento para crear incentivos a la descentralización industrial. Incentivos fiscales. Experiencia en este sentido.

c. Coordinación de estos instrumentos con la labor de otros organismos del Estado (creación de carreteras, puertos, ferrocarriles, capacitación de personal, etc.) y de los organismos de fomento privados (establecimiento de sucursales en la provincia, otras facilidades crediticias, etc.).

d. Conclusiones.
10. COORDINACION ENTRE ORGANISMOS DE FOMENTO PUBLICOS Y PRIVADOS

a. Necesidad de coordinar las actividades financieras entre los organismos de fomento de ambos sectores.
b. Operaciones financieras realizadas en la forma de sindicatos mixtos.
c. Los comités mixtos. Análisis de proyectos.
d. Intercambio de proyectos.
e. Métodos especiales utilizados para estos fines de coordinación.

11. LAS COMPANÍAS FINANCIERAS DE DESARROLLO

a. Descripción de estas compañías en diversos países. Su origen.
   Estructura de su capital. Fuentes de financiamiento. Objetivos.
   Organización. Política económica.
c. Su aporte a la economía nacional. Perspectivas futuras.

12. PROMOCION DE LAS EXPORTACIONES

a. Sistemas financieros utilizados para promover exportaciones de productos industriales.
b. El seguro de los riesgos de exportación.
c. Sistemas y organismos creados al efecto en diversos países.
d. Conclusiones.
THE VENEZUELAN GOVERNMENT has commissioned the Corporación Venezolana de Fomento (Venezuelan Development Corporation) to organize a meeting of development financing agencies, national and international as well as public and private. The objective of the meeting will be an exchange of information by participants and discussion of their individual experiences in the field, with an eye toward the development of new formulas of cooperation on a regular and permanent basis.

The advantages to be gained from such a discussion are obvious, particularly with respect to more effective utilization of such agencies for financing development and to the added impetus they will derive from the widely varied experiences to be reviewed at the meeting.

The meeting will be held in Caracas during the first half of February, 1964, under the sponsorship of the CVF, which will make the necessary arrangements.

Following is a draft of the agenda to be considered at the meeting:
1. **Capital market and industrial stocks.**

   a. Aspects of the capital market in developing countries, specifically Latin America. Difficulties of channeling savings to the capital market and particularly the resistance against diversion of savings into the acquisition of industrial stock.

   b. Analysis of different methods used for the creation of capital markets. Difficulties encountered, gains achieved. Detailed discussion of the system and functioning of repurchase of industrial certificates of participation.

   c. Channeling of local private funds into loans for new projects.

   d. Channeling of domestic private investment into new projects.

   e. Channeling of international public funds into new projects.

   f. Channeling of private investment from other countries into new projects.

   g. Conclusions.
2. Industrial Promotion - Project Preparation


   c. Public opinion and industrial promotion.

3. Financing of New Industrial Projects by Public Development Agencies

   a. Credit pure and simple. Credit terms.


   c. Mixed operations -- credit and stock subscription.

4. Technical Assistance to Industry by Development Agencies

   a. Statement of the problem. Need to provide technical assistance to industrial projects as a means of protection of loan.
b. Methods of technical aid used.


d. Use of foreign experts.

e. Training of local experts.

5. **Development Agency Loans to Enterprises**

   a. Terms granted by development agencies, both public and private, in cases of financing fixed assets, re-financing existing debts, working capital, etc.

   b. Interest rates. Indirect subsidies by the government to industry through interest rates lower than prevailing rates. Fiscal incentives.

   c. Duration and terms of amortization.

   d. Experience in recovery of loans to industry by public and private development agencies.

6. **Problem of Under-Capitalization of Industrial Enterprises**

   a. Statement of the problem.

   b. Experience in different countries with respect to amount of assets normally financed in industries being promoted with
funds from capital stock and the part played by undistributed earnings and capital reserves in increasing assets.

c. Causes of under capitalization in industrial enterprises in developing countries. Difficulties.

d. Strengthening of enterprises through expansion of permanent capital.

e. Systems followed by different financing agencies in dealing with these problems. Increase of stock subscription in existing firms or in those being organized. Report system.

7. **Better Distribution of National Wealth**

a. Difficulties of extending financial aid through private, and even public, development agencies to persons or firms that lack adequate economic means although possessing the requisite administrative and technical ability.

b. Requirements with respect to the limit of financial aid from investments made by borrowers and guarantees offered. Determination of whether such limits may lead to concentration of wealth in place of its diversification, and to what extent. Experience of different countries.
c. Ways and means used by development agencies to incorporate into the industrial process potential businessmen without substantial economic resources. Lease of fixed assets with purchase option.

d. The problem of concentration of industry ownership among restricted groups.

e. Means used by development agencies to broaden the ownership of stock by large numbers of stockholders.

f. Systematic placement of industrial stock among the public.

g. Sharing by workers in capital stock. Attitudes of labor and managements.

8. Administrative Organization of Development Agencies


9. Industrial Decentralization

a. Statement of the problem. Tendency toward industrial concentration in metropolitan areas. Causes. Problems created by this situation.

b. Methods followed by development agencies in establishment of incentives for decentralization. Fiscal incentives. Experience in this respect.
c. Coordination of these methods with work of other government agencies (construction of highways, ports, railroads; personnel training, etc.) and of private development agencies (establishment of branches in the interior, additional credit facilities, etc.)

d. Conclusions.

10. Cooperation of Public and Private Development Agencies

a. Need to coordinate financial operations of development agencies of both sectors.

b. Financial operations carried out on a mixed basis.

c. Mixed committees. Study of projects.

d. Exchange of projects.

e. Special methods used to obtain coordination.

11. Financial Development Companies


b. Experience. Difficulties encountered and achievements registered.
c. Their contribution to the national economy. Future prospects.

12. Export Promotion

a. Financial systems used to promote export of industrial products.

b. Export risk insurance.

c. Systems and agencies established for this purpose in different countries.

d. Conclusions.
August 15, 1963

Dear Mr. Vallenilla:

When you called on Mr. Knapp on August 6, he explained to you that Mr. Woods had had to undergo an operation and is not expected to be back in his office for a few weeks.

I am glad to be able to tell you that Mr. Woods is making good progress. As soon as he returns here, I shall see that Minister Gonzalez's letter inviting him to be a special guest at the "First International Meeting of Finance Development Organizations" is laid before him.

In the meantime, we shall be grateful if you will explain to the Minister the reason for the delay in Mr. Woods' acknowledging and replying to his letter of invitation.

Yours sincerely,

G. C. Wishart
Personal Assistant to Mr. Woods

Mr. Luis Vallenilla, President
Corporacion Venezolana de Fomento
Apartado de Correos 1129
Caracas, Venezuela

GCWishart:mel
Mr. Luis Vallenilla, President of the Venezuelan Development Corporation, called on me this morning, to present to me the attached letter inviting you to attend a conference which they are sponsoring in Caracas next February, to bring together for general discussions representatives of public and private development corporations all over the world.

Mr. Vallenilla said that he hoped there would be delegations from the World Bank and from the IFC, but that he attached particular importance to your personal participation.

I told him that I was sure you would be immensely interested in the subject matter of the conference but that I could not say whether it would be possible for you to accept this engagement in the light of your other commitments and responsibilities. Mr. Vallenilla hopes to receive an answer from you at the earliest possible date.

cc: Mr. Rosen, Mr. Schmidt
Mr. Luis Vallenilla, President of the Venezuelan Development Corporation, called on me this morning, to present to me the attached letter inviting you to attend a conference which they are sponsoring in Caracas next February, to bring together for general discussions representatives of public and private development corporations all over the world.

Mr. Vallenilla said that he hoped there would be delegations from the World Bank and from the IFC, but that he attached particular importance to your personal participation.

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cc: Mr. Rosen, Mr. Schmidt
Mr. Geographic, Mr. Shadid

9. Pima Office

Mr. Geographic, I regret to announce that the General Development Corporation, now in its third quarter, is forced to present to the Association of General Development, Inc., to notify them of the necessity to terminate your participation in the General Development Corporation. This is due to the fact that your company has not been able to meet the financial needs of the organization.

I regret to inform you that your company will have to cease operations as of the date of this letter. The General Development Corporation will continue to operate with the remaining funds available.

Sincerely,
Mr. Geographic

[Handwritten note:]
Mr. Geographic, Mr. Shadid

[Signature]

[Handwritten note:]
1963 Aug 13 AM 10:32

[Handwritten note:]
CORRESPONDENCE
GENERAL FILES
RECEIVED
July 29, 1963

My dear Willem:

Forgive my long delay in replying to your letter of June 30. Gasem has no doubt told you the reason for the delay.

It is very thoughtful of you to set aside a room for my discussions with various Asian development banks, and to let those banks know that such a discussion will be possible. The opportunity to have such meetings will be particularly important this year, when the Bank and IFC are not inviting guests to their Annual Meetings.

Samii told me, when he was here two months ago, that I was not expected to make a presentation on any of the items on the agenda. Is this still correct? In any event, I should be grateful for a copy of the agenda and of any papers that are presented for discussion at the meetings.

With best personal regards to you and to Gasem,

Sincerely yours,

William Diamond
Director
Development Bank Services

Mr. W. A. van Ravesteijn
Managing Director
Industrial and Mining Development
Bank of Iran
P. O. Box 1801
Tehran, Iran

cc: Mr. Reid
Mr. Johnson

WDiamond/dea
Republic of Venezuela

MINISTRY OF DEVELOPMENT

No. 22907

Caracas, 26 July 1963

Mr. George Woods
President
World Bank
Washington, D.C.

Dear Mr. Woods:

I am writing upon instructions received from the President of the Republic, Mr. Romulo Betancourt, and pursuant to the Resolution of the 19th July of the Council of Ministers, to invite you to attend as a special guest and representative of the important organization working under your guidance, the "First International Meeting of Finance Development Organizations", which this Government has initiated and organized through the instrumentality of its finance development agency, the Development Corporation of Venezuela. The meeting will be held in February 1964.

I shall take pleasure in personally delivering in the near future to you, the agenda and other relevant information on the Meeting with Dr. Luis Vallenilla, the President of the Development Corporation of Venezuela, when we visit Washington.

With renewed assurances of my high consideration, I am

Yours sincerely,

(signed)

Godofredo Gonzalez,
Minister of Development

TRANSLATION SECTION 832/63
Translated From: Spanish - 8/12/63 By: AB:nm
Caracas,

Señor
George Woods,
Presidente del Banco Mundial,
WASHINGTON, D.C.

Estimado señor Woods:

Por medio de la presente tengo a honra dirigirme a usted por encargo del Ciudadano Presidente de la República, señor Rómulo Betancourt, de acuerdo con Resolución tomada en Consejo de Ministros con fecha 19 de los corrientes, para hacerle formal invitación a asistir, en calidad de invitado especial y representante de la importante organización que usted dirige, a la "I Reunión Internacional de Organismos Financieros de Fomento" que está promoviendo y organizando el Gobierno Nacional a través de su organismo financiero de fomento, la Corporación Venezolana de Fomento, a celebrarse durante el mes de febrero de 1964.

En relación al temario e informaciones conexas con esta reunión, tendré el gusto de suministrársele personalmente, en unión del doctor Luis Valleni-lla, Presidente de la Corporación Venezolana de Fomento, próximamente en la ciudad de Washington.

Aprovecho la ocasión para reiterar a usted mis sentimientos de alta consideración y aprecio.

[Signature]
Godofredo González,
Ministro de Fomento.

GG/rf
INTERNATIONAL MEETING OF DEVELOPMENT AGENCIES

Organizada por la Corporación Venezolana de Fomento
El Gobierno de Venezuela ha comisionado a la Corporación Venezolana de Fomento para organizar una reunión de los organismos financieros de desarrollo, tanto de carácter internacional, como de carácter nacional, públicos o privados. Tal reunión tendrá como finalidad el intercambio de opiniones y experiencias de los distintos participantes y eventualmente el desarrollar nuevas fórmulas de cooperación en forma regular o permanente.

Son obvias las ventajas que para la mejor utilización de los instrumentos financieros de desarrollo pueden derivarse del intercambio mencionado y la aceleración que podría obtenerse del uso de diversas experiencias en los organismos existentes.

La reunión tendrá lugar en Caracas en la primera quincena del mes de febrero de 1964 y la Corporación Venezolana de Fomento tiene la responsabilidad de su organización.

A continuación se expresa el anteproyecto de temas a ser cubiertos en la Reunión.
1. MERCADO DE CAPITALES Y

VALORES INDUSTRIALES

a. Aspectos del mercado de capital en los países poco desarrollados y en particular en los países latinoamericanos. Dificultades de canalización y ahorro en estos mercados y especialmente resistencia de la orientación del ahorro a los valores industriales.

b. Análisis de los diversos mecanismos utilizados para la creación del mercado de capitales. Dificultades encontradas y éxitos obtenidos. Consideración detallada del funcionamiento y sistema de recompra de certificados de participación industrial.

c. Canalización de fondos privados locales en forma de préstamos hacia los nuevos proyectos.

d. Canalización de inversiones privadas nacionales hacia nuevos proyectos.

e. Canalización de fondos públicos internacionales hacia nuevos proyectos.

f. Canalización de fondos privados de otros países hacia nuevos proyectos.

g. Conclusiones.
2. PROMOCION INDUSTRIAL

PREPARACION DE PROYECTOS


b. Prioridades en proyectos industriales. La preparación de proyectos por organismos públicos de fomento. La colaboración en este aspecto con el sector privado. Uso y complemento de proyectos ya existentes en el sector privado incluyendo suministro de asistencia técnica por parte del Estado en su confeción.

c. Aspectos de opinión pública en torno a la promoción industrial.

3. FINANCIAMIENTO DE NUEVOS PROYECTOS INDUSTRIALES POR ORGANISMOS PUBLICOS DE FOMENTO

a. Crédito puro y simple. Condiciones de este crédito.

b. Suscripción de acciones. Operaciones de "underwriting", re-co locación de las acciones en el público. Sus dificultades.

c. Operación mixta, crédito y suscripción de acciones.
4. LA ASISTENCIA TÉCNICA A LA INDUSTRIA
POR PARTE DE LOS ORGANISMOS DE FOMENTO

a. Planteamiento del problema. Necesidad de canalizar, como sistema preventivo, la asistencia técnica hacia las empresas industriales.

b. Métodos de asistencia técnica utilizados.


d. Utilización de expertos extranjeros.

e. Entrenamiento de expertos locales.

5. PRESTAMOS POR PARTE DE LOS ORGANISMOS DE FOMENTO A EMPRESAS

a. Plazos concedidos por los organismos de fomento, tanto públicos como privados, según se trate de financiar activos fijos, refinanciar deudas preexistentes, capital de trabajo, etc.

b. Ratas de interés. Subsidio indirecto a las empresas industriales por parte del Estado mediante el cobro de intereses a ratas inferiores a las predominantes en el mercado. Estímulos fiscales.

c. Plazos y formas de amortización.

d. Experiencia en la recuperación de los créditos concedidos a em
presas industriales por parte de organismos de fomento públicos y privados.

6. EL PROBLEMA DE LA SUB-CAPITALIZACIÓN DE EMPRESAS INDUSTRIALES

a. Planteamiento del problema.
b. Experiencia en los diversos países en cuanto al monto de los activos que, en las empresas promovidas, se financian normalmente con fondos provenientes del capital social y proporción en que participan las utilidades no distribuidas y las reservas de capital en el ensanche de los activos.
c. Causas de la subcapitalización de las empresas industriales en países menos desarrollados. Dificultades.
d. Consolidación de las empresas mediante aumento de sus capitales permanentes.
e. Sistemas usados por diversos organismos de fomento para encarar estos problemas. Suscripción en aumento de capitales en las industrias existentes o en formación; el sistema de registro.

7. MEJOR DISTRIBUCIÓN DE LA RIQUEZA NACIONAL

a. Dificultad en prestar ayuda financiera a través de organismos de
fomento privado y aún del Estado, a personas y empresas que no tengan medios económicos suficientes, aún cuando posean la capacidad técnica y administrativa necesaria.

b. Requisitos establecidos en cuanto al límite de ayuda financiera derivados de la inversión hecha por los prestatarios y las garantías ofrecidas. Estudiar si estas limitaciones pueden con tribuir a una concentración de riqueza en lugar de una diversificación de la misma y en qué medida. Experiencia en diversos países al respecto.

c. Sistemas e instrumentos utilizados por organismos de fomento para incorporar a potenciales empresarios sin mayores medios económicos en el proceso industrial. Arrendamiento de Activos Fijos con Opción de Compra.

d. El problema de la concentración de la propiedad industrial en grupos exclusivos y su tendencia.

e. Instrumentos seguidos por organismos de fomento para propiciar la ampliación de la tenencia de acciones por parte de numerosos inversionistas.

f. Sistematización de la colocación de acciones industriales en el público.

g. Participación de los trabajadores en el capital de las empresas. Actitud de los Sindicatos y de los empresarios.
8. **ORGANIZACION ADMINISTRATIVA DE
   LOS ORGANISMOS DE FOMENTO**


9. **DESCENTRALIZACION INDUSTRIAL**
   
   
   b. Instrumentos seguidos por organismos de fomento para crear incentivos a la descentralización industrial. Incentivos fiscales. Experiencia en este sentido.
   
   c. Coordinación de estos instrumentos con la labor de otros organismos del Estado (creación de carreteras, puertos, ferrocarriles, capacitación de personal, etc.) y de los organismos de fomento privados (establecimiento de sucursales en la provincia, otras facilidades crediticias, etc.).
   
   d. Conclusiones.
10. COORDINACION ENTRE ORGANISMOS DE FOMENTO PUBLICOS Y PRIVADOS

a. Necesidad de coordinar las actividades financieras entre los organismos de fomento de ambos sectores.

b. Operaciones financieras realizadas en la forma de sindicatos mixtos.

c. Los comités mixtos. Análisis de proyectos.

d. Intercambio de proyectos.

e. Métodos especiales utilizados para estos fines de coordinación.

11. LAS COMPAÑÍAS FINANCIERAS DE DESARROLLO


c. Su aporte a la economía nacional. Perspectivas futuras.

12. PROMOCION DE LAS EXPORTACIONES

a. Sistemas financieros utilizados para promover exportaciones de productos industriales.

b. El seguro de los riesgos de exportación.

c. Sistemas y organismos creados al efecto en diversos países.

d. Conclusiones.
THE VENEZUELAN GOVERNMENT has commissioned the Corporación Venezolana de Fomento (Venezuelan Development Corporation) to organize a meeting of development financing agencies, national and international as well as public and private. The objective of the meeting will be an exchange of information by participants and discussion of their individual experiences in the field, with an eye toward the development of new formulas of cooperation on a regular and permanent basis.

The advantages to be gained from such a discussion are obvious, particularly with respect to more effective utilization of such agencies for financing development and to the added impetus they will derive from the widely varied experiences to be reviewed at the meeting.

The meeting will be held in Caracas during the first half of February, 1964, under the sponsorship of the CVF, which will make the necessary arrangements.

Following is a draft of the agenda to be considered at the meeting:
1. **Capital market and industrial stocks.**

   a. Aspects of the capital market in developing countries, specifically Latin America. Difficulties of channeling savings to the capital market and particularly the resistance against diversion of savings into the acquisition of industrial stock.

   b. Analysis of different methods used for the creation of capital markets. Difficulties encountered, gains achieved. Detailed discussion of the system and functioning of repurchase of industrial certificates of participation.

   c. Channeling of local private funds into loans for new projects.

   d. Channeling of domestic private investment into new projects.

   e. Channeling of international public funds into new projects.

   f. Channeling of private investment from other countries into new projects.

   g. Conclusions.
2. **Industrial Promotion - Project Preparation**


c. Public opinion and industrial promotion.

3. **Financing of New Industrial Projects by Public Development Agencies.**

a. Credit pure and simple. Credit terms.


c. Mixed operations --credit and stock subscription,

4. **Technical Assistance to Industry by Development Agencies.**

a. Statement of the problem. Need to provide technical assistance to industrial projects as a means of protection of loan.
b. Methods of technical aid used.


d. Use of foreign experts.

e. Training of local experts.

5. Development Agency Loans to Enterprises

a. Terms granted by development agencies, both public and private, in cases of financing fixed assets, re-financing existing debts, working capital, etc.

b. Interest rates. Indirect subsidies by the government to industry through interest rates lower than prevailing rates. Fiscal incentives.

c. Duration and terms of amortization.

d. Experience in recovery of loans to industry by public and private development agencies.

6. Problem of Under-Capitalization of Industrial Enterprises

a. Statement of the problem.

b. Experience in different countries with respect to amount of assets normally financed in industries being promoted with
funds from capital stock and the part played by undistributed earnings and capital reserves in increasing assets.

c. Causes of undercapitalization in industrial enterprises in developing countries. Difficulties.

d. Strengthening of enterprises through expansion of permanent capital.

e. Systems followed by different financing agencies in dealing with these problems. Increase of stock subscription in existing firms or in those being organized. Report system.

7. Better Distribution of National Wealth

a. Difficulties of extending financial aid through private, and even public, development agencies to persons or firms that lack adequate economic means although possessing the requisite administrative and technical ability.

b. Requirements with respect to the limit of financial aid from investments made by borrowers and guarantees offered. Determination of whether such limits may lead to concentration of wealth in place of its diversification, and to what extent. Experience of different countries.
c. Ways and means used by development agencies to incorporate into the industrial process potential businessmen without substantial economic resources. Lease of fixed assets with purchase option.

d. The problem of concentration of industry ownership among restricted groups.

e. Means used by development agencies to broaden the ownership of stock by large numbers of stockholders.

f. Systematic placement of industrial stock among the public.

g. Sharing by workers in capital stock. Attitudes of labor and managements.

8. *Administrative Organization of Development Agencies*


9. *Industrial Decentralization*

a. Statement of the problem. Tendency toward industrial concentration in metropolitan areas. Causes. Problems created by this situation.

b. Methods followed by development agencies in establishment of incentives for decentralization. Fiscal incentives. Experience in this respect.
c. Coordination of these methods with work of other government agencies (construction of highways, ports, railroads; personnel training, etc.) and of private development agencies (establishment of branches in the interior, additional credit facilities, etc.)

d. Conclusions.

10. Cooperation of Public and Private Development Agencies

a. Need to coordinate financial operations of development agencies of both sectors.

b. Financial operations carried out on a mixed basis.

c. Mixed committees. Study of projects.

d. Exchange of projects.

e. Special methods used to obtain coordination.

11. Financial Development Companies

a. Description of such companies in different countries.

Their origin. Capital structure. Sources of finances.


b. Experience. Difficulties encountered and achievements registered.
c. Their contribution to the national economy. Future prospects.

12. **Export Promotion**

a. Financial systems used to promote export of industrial products.

b. Export risk insurance.

c. Systems and agencies established for this purpose in different countries.

d. Conclusions.
OFFICE MEMORANDUM

TO: Mr. John G. Beevor

FROM: George A. Apcar

DATE: July 11, 1963


The following is the background on Mr. van Ravesteijn's letter to Mr. Diamond of June 30, 1963.

1. On April 20, 1963, a letter was received from IMDBI informing us that the Second Regional Conference of Development Banks in Asia would be held in Teheran, commencing October 28 through October 30.

2. On April 26, 1963, Gasam Kheradjou acknowledged receipt of the above and stated "Bill Diamond is just now away on a mission to South America and will not be back until the middle of May. He will be glad, I am sure, to have these papers so well in advance of the Conference, as he is the most likely IFC representative at the Conference".

3. On May 13, 1963, IMDBI followed-up with a request for IFC's or IBRD's assistance in the form of a "small grant of about $5,000 towards a rather heavy cost of publication".

4. On May 24, 1963, IFC informed IMDBI that "financial contribution by the World Bank or IFC in respect of the publication of these papers is not the kind of thing our technical assistance allocations cover, and the feeling here is that the Development Banks themselves should bear these costs".

5. I have spoken to Mr. Brakel of the Bank Area Department and we believe that the purpose of the IMDBI letter is to obtain confirmation that there will be IFC/IBRD representation at the Conference. In Mr. Brakel's opinion it is unlikely that the Bank will send a representative to the Conference.

6. Can we now inform IMDBI that IFC will be represented and would welcome the opportunity of taking part in discussions with members of participating banks?
Mr. William Diamond,
Director,
Development Bank Services,
International Finance Corporation,
Washington 25, D.C.

Dear Mr. Diamond,

Concerning the Second Regional Conference of Development Banks in Asia, we have thought it useful if a separate office could be provided at the conference hall for any discussions that the development banks may wish to hold with the representatives of IFC-IBRD, since we think that this opportunity would be welcomed by the participating development banks. If you would have no objection, we could inform the participating banks beforehand so that they could prepare themselves in cases where they would wish a discussion with you.

May I hear from you at an early date on this subject?

With best regards,

Sincerely,

W.A. van Ravesteijn,
Managing Director.
Date
June 30, 1968

Mr. William Dillingham
Director
Development Bank Services
Inter-American Finance Corporation
Washington 25, D.C.

Dear Mr. Dillingham,

Concerning the second Regional Conference of Development Credit Banks in Africa, we have arranged it nearest it a separate meeting. A report of the Conference will be prepared by the Conference. If you have any questions, please do not hesitate to ask.

May I hear from you on this matter?

With best regards,

Sincerely,

[Signature]
May 24, 1963

Dear Mr. van Ravesteijn:

This is in reply to your letter of May 18, 1963, concerning the possibility of IBRD or IFC contributing to the cost of the publication of the forthcoming Tehran Conference of Asian Development Banks.

We agree, of course, that the papers, deliberations and conclusions resulting from the Conference would be of general interest to development banks everywhere and will doubtless make a valuable contribution in this field. I regret to say, however, that financial contribution by the World Bank or IFC in respect of the publication of these papers is not the kind of thing our technical assistance allocations cover, and the feeling here is that development banks themselves should bear these costs. I hope this does not cause you too much inconvenience in your plans for the Conference.

My leave plans are firm now and I shall be arriving in Tehran in the first part of July. I am very much looking forward to seeing you and Mehdi.

With best personal regards,

Yours sincerely,

A. Gasem Kheradjou
Assistant Director
Development Bank Services

Mr. W. A. van Ravesteijn
Managing Director
Industrial and Mining Development
Bank of Iran
P.O. Box 1801
Tehran, Iran

AGKheradjou:anf

cc: Mr. Mehdi Semii
Dear Mr. Kheradjou,

We have already sent IFC material prepared in relation to the Second Regional Conference of Development Banks in Asia. We are well on our way in making the necessary preparations and we think that the Conference will serve a very useful purpose, especially that IFC also will take part as a full participant.

One major contribution of such conferences is the set of publications which will result from the papers, deliberations and conclusions. We have experienced during our Investment Conference the wide appeal that these publications have. In this connection, we have thought to approach you informally whether IFC or in general the IBRD family would be in any position to assist the forthcoming Conference with a small grant of, let us say, $5,000, towards the rather heavy costs of the publications. This Conference is, of course, of particular interest to IFC since it is composed of development banks and deals with their problems, workings, coordination and cooperation.

If you feel that this is feasible and IFC would feel disposed to assist the Conference publications, we shall be most happy to supply any information you may require.

With best regards,

Sincerely,

W.A. van Ravesteijn,
Managing Director.
Dear Mr. Kelder:

We have already sent IPC material prepared in relation to the second Regional Conference of Development Banks in Athens. We are well on our way in making the necessary preparations and we think that the Conference will make a very meaningful contribution, especially since IPC alone will take part as a full participant.

One major contribution to such conferences is the set of publications which will result from the papers, conferences, and discussions. We have expressed our interest in participating in the Conference and were pleased that the first publication, the Technical Co-operation and Developmental Banks, was available in Athens.

We believe that IPC at present, the IBRD family, would go in this field and that the Conference, in fact, would be an opportunity to disseminate information and knowledge to IPC alone, in trips to African conferences and to other African and international conferences.

If you feel that this is feasible and IPC would feel pleased to assist the Conference in this manner, we would be most

With best regards,

Sincerely,

[Signature]

May 21, 1963

W.A. van Nieuwkoop
Manager, Finance
General Offices
Regained

My dear Ghasem,

It was nice and encouraging to receive your cable. I hope everything shall work out for the best. As I write, the matter is still pending and certain discussions are still going on the outcome of which will finally determine the whereabouts of my desk from the next week on.

I cannot write to you about myself and the events that led up to my frantic cable to you. However, I like to assure you that everybody here is more than enthusiastic about you.

What I want to talk to you about now, and that very informally, is "Regional Development Bank Conference" in October. You already know about it and in future you will have to do a lot about it, anyway.

It is quite a costly business, even though as the case of the Bombay Conference, participants will pay for themselves. The biggest item of cost consists of printing and publications. It occurred to me that, the conference being of general interest to development banks and having both academic and practical value for all of us including IFC, it would not be unreasonable if not all the cost were borne by IMDBI.

In other words, given IMDBI's rather sensitive position here when we have to be very careful about our expenses, we would greatly welcome any contribution towards the heavy expenditure for the conference. We do not expect anybody to foot a penny of entertainment, transport or rental expenses; only, perhaps, expenses of publications. Do you think IFC could contribute, say, $5,000,00? It would be a great help.

Will you just feel the grounds, write to me personally and tell me what we have to do about it?

Thanks a lot and all the best.

Mr. Ghasem Kheradjou
I.F.C.
1818 H. Street 25 Washington D.C.
U. S. A.

Our Ref.

Date 13th May, 1963

294, Boulevard-Karaj, Tehran-Iran
P. O. Box 1801
Cable - INMIDEL

Corporation registered in Tehran, Comp. Reg. No. 6907, Comm. Reg. No. 9809, with capital of 400,000,000 Rials, fully-paid
April 26, 1963

Dear Mehdi:

Thank you for your letter of April 20, addressed to Mr. Diamond advising us of the schedule of meetings for the Tehran Conference of Development Banks in Asia and for the outline of the papers to be submitted.

Bill Diamond is just now away on a mission to South America and will not be back until the middle of May. He will be glad, I am sure, to have these papers so well in advance of the Conference, as he is the most likely IFC representative at the Conference.

I expect he will be in touch with you in due course in connection with the paper to be submitted.

Sincerely yours,

A. Gasem Kheradjou
Assistant Director
Development Bank Services

Mr. Mehdi Samii
Associate Managing Director
Industrial and Mining Development Bank
of Iran
P.O. Box 1801
Tehran, IRAN

AGKheradjou:anf
DATE OF WIRE: APRIL 20, 1963 1130P

LOG NO.: ACR 8

TO: INTRAFRAD

FROM: HOTEL MACUTO SHERATON LAGUAINA

TEXT:

1

WILSON SCHMIDT ARRIVED AND EXCEPT FOR GUAYANA TRIP WEDNESDAY AND THURSDAY
STAYING MACUTO SHERATON UNTIL FRIDAY NOON. WILL TELEPHONE MATTER MONDAY 9.15AM

SCHMIDT

FAMILY NOTIFICATIONS BEING MADE
Dear Sirs,

Following our correspondence on the Second Regional Conference of Development Banks in Asia, it gives me pleasure to bring the following to your attention:

Our work and preparations on the Conference are progressing satisfactorily. I am happy to announce that the formal date of the Conference has been determined to be the 28th October 1963 in Tehran. The Conference is expected to last for four days. The tentative schedule of meetings is attached for your consideration.

As it can be determined from the schedule attached, the Conference shall have a plenary session and two committees. At the plenary session, the papers submitted on the theme-topic shall be discussed. Also, any general remarks the Delegations may have would be delivered there. The reports of the committees shall come to the plenary session for consideration and any final conclusions can be reached at the session.

At the committee meetings, two subjects shall be discussed: Capital-Loan Ratio, and the Role of Capital Market. For these two subjects no papers are asked to be submitted, but an outline shall be sent to you at a later date in order to form the guidelines for those discussions.

The subject for the theme-topic is "Development Banks and Promotion of Industry". A paper is asked from each Delegation to be submitted on the subject for a total length of approximately 7,500 words.

A full outline for the paper is attached herewith.

The date for mailing the papers is the 15th of August 1963.

We shall be sending to you other information in relation to the Conference and full particulars for the Delegations in a very near future.

With best regards,

Sincerely,

Dr. W.A. van Ravesteijn, Managing Director.

Corporation registered in Tehran, Comp. Reg. No. 6907, Comm. Reg. No. 9509, with capital of 400,000,000 Rials, fully-paid
Mr. William Diamond,
Director,
Development Bank Services,
I.F.C.,
Washington 25, D.C.

Dear Mr. Diamond,

In regard to the Second Regional Conference of Development Banks in Asia, we have recently sent a letter to the banks invited, fixing the date of the Conference at 28 October 1963; also we have sent to them the outline for the papers to be submitted on the theme-topic and the schedule of meetings of the Conference. It gives me pleasure to send you a copy of the above mentioned letter along with the attachments.

With best regards,

Sincerely,

Mehdi Samii
Associate Managing Director.
In regard to the Second Regional Conference of Development Banks in Asia, we have recently sent a letter to Mr. William Diamond, Director, Development Bank Service, I.B.C., Washington DC, D.C.

Dear Mr. Diamond,

I am writing to inform you of the Conference of the Second Regional Conference of Development Banks in Asia. We have sent a letter to the Director, Development Bank Service, I.B.C., Washington DC, D.C. regarding the conference.

I would like to discuss the outline of the conference with you. If you have any questions or concerns, please feel free to contact me.

With best regards,

Sincerely,

[Signature]

Associate Managing Director

APR 24, 1963 8:31
PRELIMINARY AGENDA

THE SECOND REGIONAL CONFERENCE OF DEVELOPMENT BANKS IN ASIA

ORGANIZED BY

THE INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN

28, 29, 30, 31 October 1963 at the Royal Hilton Hotel, Tehran.

Monday 28 October.
- Morning: Plenary Session Inauguration
- Afternoon: Plenary Session General Discussion

Tuesday 29 October.
- Morning: Plenary Session General Discussion
- Afternoon: Committees

Wednesday 30 October.
- Morning: Plenary General Discussion
- Afternoon: Committees

Thursday 30 October.
- Morning: Plenary Report of the Committees
- Afternoon: Closing, A program of visits.

IMDBI 815.
1. In your experience, what are the main favorable factors and what are the main obstacles in industrial growth?

2. What are the measures essential in order to promote industrial development in a country?

3. What are your views on the extent to which a development bank may engage in or develop the following:
   a. Project promotion and development
   b. Technical assistance; what type and to what extent?
   c. Relations with government research and promotion agencies,
   d. Collaboration with local financial institutions.

4. What in your views and experience is the most fruitful relationship between the public and the private sector for the promotion of industrial development?

5. In the light of the discussion under (4), how far does a development bank need a general industrial program as a guide to its own activities and what are your own policies as to setting up of industrial priorities? What is your approach to assembly operations? Do you have a formulated policy? Are there legal limitations?

6. In what way can the terms of lending and the procedures of a development bank affect the development of new industries?

7. How far is the internal organization of a development bank of importance for the fulfillment of its tasks?
8. What importance is to be attached to the attraction of foreign investment in a country? Which do you consider the main advantages of foreign investment? In what way can a development bank influence, help or promote the attraction of foreign investment?

9. What in your view, are the main advantages of cooperation with foreign and international lending agencies? What difficulties have you encountered?

10. What are your views on the multiplicity of developmental lending agencies in a country?

11. To your opinion, of what importance are the tax policies of the government to the promotion of industry?

12. How do you treat the working capital requirements of a project? How far and under what circumstances can the granting of working capital loans be considered as a development bank's contribution to the promotion of industry?

Note: It is suggested that the total length of the paper to be about 7,500 words. Questions 1 and 2 to be treated with about 700 words each, and the other 10 questions averaging around 600 words each.
Dear Dr. van Ravesteijn:

I have just returned from India and have read your letter of March 17 concerning IMDBI Investment Conference. Thank you very much for the kind sentiments you have expressed about my small contribution.

It was indeed a pleasure and an education to participate in this Conference. I should like to congratulate you, Mehdi and the staff of IMDBI for the excellent arrangements and organization of the Conference and the balanced selection of subjects and speeches. I confess I was pleasantly surprised at the very good attendance at all sessions which indicates the high esteem in which the investing public holds IMDBI.

I should very much like to thank you for your hospitality, which I enjoyed on several occasions. I have already expressed my thanks to Mehdi in an informal letter but I should again like to convey my thanks to him officially.

With kindest regards,

Sincerely yours,

A. Gasem Kheradjou
Assistant Director
Development Bank Services

Dr. Willem A. van Ravesteijn
Managing Director
Industrial and Mining Development Bank of Iran
P.O. Box 1801
Tehran, Iran

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**From:** IFC Files, Room 912

**Remarks:**

Thanks for the bank file. I would be interested to read your paper on project development.
Mr. Martin M. Rosen,
International Finance Corporation,
Washington 25, D.C.

Dear Mr. Rosen,

We have just concluded our Investment Conference which proved to be a complete success. We owe much of this success to the guest speakers who provided the Conference with much experience and knowledge of how the same things are done elsewhere.

Your kind assent to the participation of Mr. Ghassem Kheradjou as IFC representative is a special case for special appreciation from our part. Mr. Kheradjou not only presented the Conference with an excellent paper on Project Development, but his participation in the discussions proved of great interest to all present. I wish to take this opportunity to thank you and IFC to have made it possible for us to benefit from Mr. Kheradjou's wide knowledge.

I am sending you a full file of all the Conference papers which I think will be of interest to you.

Sincerely,

Dr. W.A. van Ravesteijn
Managing Director.
Mr. Martin M. Rosen,

International Finance Corporation,

Washington, D.C.,

Dear Mr. Rosen,

We have just concluded our Investment Conference which proved to be a complete success. We owe much of this success to the great speakers who provided the content - each with much experience and knowledge of the same.

I am sending you a full file of all the conference papers which I think will be of interest to you.

Sincerely,

[Signature]

[Title]

[Name]

[Date] 1963

[Address]
Mr. Ghassem Kheradjou,
C/O I.F.C.,
Washington 25, D.C.
U.S.A.

Dear Sir,

Our Investment Conference proved to be an unqualified success which we could not have achieved were it not for your kind acceptance along with our other guests to take the time to participate and the excellent paper you had prepared.

May I take this opportunity to thank you personally and on behalf of I.M.D.B.I. and express our sincere appreciations. I am also enclosing a final statement we have issued on the Conference for your record.

With best and warmest regards,

Sincerely

W.A. van Ravesteijn
Managing Director.
March 11, 1963

Mr. N. M. Uquaili
General Manager
Pakistan Industrial Credit and
Investment Corporation Limited
P. O. Box No. 5080
Karachi 2, Pakistan

Dear Mr. Uquaili:

In Mr. Knapp's absence, I am replying to your letter of February 27 suggesting the sponsorship of a second Conference of Development Banks, along the lines of the first we sponsored in 1958.

This thought has occurred to us on more than one occasion since 1958. But two factors have deterred us from taking the action you suggest. In the first place, an effective conference needs to be fairly small in size - else it is impossible to have a useful discussion. Even for the 1958 meeting, we had a very difficult time limiting the attendance to around 15. The problem of choosing participants would be greater today. In the second place, we hoped that development banks themselves would take the initiative in sponsoring regional conferences, which could be kept within a reasonable scope.

Our hope was rewarded last year, when the first conference of Asian Development Banks was held in Bombay. As you know, it was decided at that time to repeat these conferences every 12 to 18 months. The second conference, which is being sponsored by the Industrial and Mining Development Bank of Iran, is scheduled for October 1963, shortly after the Bank's Annual Meeting.

To be sure this is not a world-wide conference, and no doubt the regions have much to learn from each other. For the time being, we try to act as a link. We do not exclude the idea of another world-wide conference one day, but our sincere conviction is that this would be less useful to you than the regional conferences you have started in Asia.
You said you would have some ideas for an agenda. Your colleague in IMDBI, Mr. van Havesteijn, has been working out an agenda for the conference in Tehran; and I am sure he would welcome any suggestions you might have.

With best wishes,

Yours sincerely,

G. M. Wilson
Vice President

cc: Mr. Knapp
    Mr. Diamond
    Mr. Stevenson

Dear Mr. Knapp,

Sub:- Conference of Development Banks

While I was at Washington last month I suggested that IBRD or IFC might sponsor a Conference of Development Banks. The last Conference was sponsored by IBRD in 1958. Since then Development Banks in various countries have gained considerable experience and more of such banks have been established in number of under-developed countries. I think it would be very useful if they meet again to discuss their problems, policies and techniques for the benefit of each other.

Such a Conference might be held either immediately after the meetings of the IBRD and IFC in September next or if more time is required for preparing the Agenda, etc., then it might be held early next year.

If a decision is taken to hold such a Conference, I might be able to suggest few items for inclusion in the Agenda.

With my kindest regards,

Yours sincerely,

(N.M. UQUAII)
General Manager.

Mr. J. Burke Knapp,
Vice President,
I.B.R.D.,
1818 H St., N.W.,
Washington D.C.
Pakistan Industrial Credit & Investment Corporation Limited

27th Feb. 1969

Mr. M. Karrar

Subject: Conference of Development Banks

While I was at Washington last month I suggested that IBD or IFC might sponsor a conference of Development Banks. The last conference was sponsored by IADB in 1968. Since then IBD Conference in various countries have gained considerable experience and more of such banks have been established in number of under-developed countries. I think it would be very useful if they meet again to discuss their problems, policies and recommendations for the benefit of each other.

Such a conference might be held either immediately after the meetings of IBD and IFC in September next or in more time, if IBD is ready for participating in the Agenda, etc. Then it might be held early next year.

If a decision is taken to hold such a conference, I might be able to suggest few items for inclusion in the Agenda.

With my kinder regards,

Yours sincerely,

General Manager

(Handwritten Signature)

Mr. T. Khan, Karrar
Vice President
I.B.D.
187 N.W. 2nd
Washington, D.C.
OUTGOING WIRE

TO: Mehdi Samii
INMIDEL
Tehran

DATE: February 25, 1963

CLASS OF SERVICE: Night letter

COUNTRY: IRAN
TEXT:

YOURLET 25 THANKS STOP COULD MYSELF PREPARE PERSIAN TEXT IN TEHRAN BEFORE MEETING.

KHERADJOU

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME: AGKheradjou
DEPT.: Development Bank Services
SIGNATURE: [Signature]

CLEARANCES AND COPY DISTRIBUTION:

ORIGINAL (File Copy)

For Use by Archives Division

Checked for Dispatch: [Signature]

INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
DATE OF WIRE: FEBRUARY 25, 1963 1300
LOG NO.: RC 3
TO: CORINTFIN FOR KHERADJOU
FROM: TEHERAN

TEXT:
RYL 20 PREFER YOU SPEAK PERSIAN. SHALL WE PREPARE TEXT PLEASE REPLY
REGARDS

MR. DIAMOND

ORIGINAL AB
February 20, 1963

Dear Dr. Van Ravesteijn:

Following my cable of February 7, 1963, I am sending a copy of the talk I have prepared for the Investment Conference organized by IMDBI. I have written this in English for your records, but if the conference is bi-lingual, it would be more appropriate for me to speak in Persian.

I appreciate very much your extending this invitation to me to participate in the conference which gives me an opportunity to be of some service to IMDBI and affords the pleasure of meeting many old friends.

As I indicated in my cable, I shall be in Tehran for a few days leave before the conference begins, and I plan to leave on a mission to India on March 15. I shall be sending Mehri Sanii my arrival time as soon as travel arrangements are final.

With best regards.

Yours very sincerely,

[Signature]

A. Gasa Kheradjou
Assistant Director
Development Bank Services

Dr. Willem Van Ravesteijn
Managing Director
Industrial and Mining Development Bank
P. O. Box 1801
Tehran, Iran

Enc:

AGKheradjou/ms
Our Ref.

Date February 13, 1963.

Mr. Gh. Kheradjou,
International Finance Corporation,
1818 H Street, N.W.,
Washington 25, D.C.

Dear Mr. Kheradjou,

Pursuant to our correspondence on the Investment Conference and in view of the convening of the Government's Economic Conference, we have delayed the dates of our conference for one week, of which you have already been notified.

It gives me pleasure now to send you the revised tentative program of the Investment Conference to convene on 9th of March 1963.

With highest regards,

Sincerely,

[Signature]
Dr. W.A. van Ravesteijn
Managing Director.

Industrial and Mining Development Bank of Iran

204, Boulevard-Karaj, Tehran-Iran
P. O. Box 1801
Cable - INMIDEL

Corporation registered in Tehran, Comp. Reg. No. 6907, Comm. Reg. No. 9509, with capital of 400,000,000 Rials, fully-paid
AGENDA

INVESTMENT CONFERENCE

ORGANIZED BY:

THE INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN
(IMDBI)

TO BE HELD IN TEHRAN

NINTH - TWELFTH MARCH 1963
SATURDAY 9TH MARCH

Time

A. Morning Session:

9.30  
- Inauguration of the Conference
  H.E. The Prime Minister
- Investment and Development
  H.E. The Minister of Finance
- Investment and Industry
  H.E. The Minister of Industry and Mines

10.45  
- Importance of Investment, Purpose and Scope of the Conference
  Dr. W.A. van Ravesteijn
  Managing Director, IMDBI.

B. Afternoon Session:

14.30  
- Savings
  Dr. Reza Moghadam
  Deputy Governor of the Central Bank of Iran

15.30  
- Investment Banking
  Mr. W.S. Miller
  Vice President of Chase International Investment Corporation
  and member of the Board of Directors of IMDBI.

16.30  
- Development of Capital Market, European Experience.
  Dr. Paul Krebs
  Deutsche Bank, Frankfurt.

SUNDAY 10TH MARCH

A. Morning Session:

10  
- Experience in Stock Exchange
  Mr. J.S. Raj
  Deputy Managing Director of the Industrial Credit and
  Investment Corporation of India Ltd.

11  
- Stock Exchange
  Mr. J. Mansoor
  Manager, Investment and Industrial Relations Department of
  IMDBI.
B. Afternoon Session:

14.30  - Project Development
       Mr. Gh. Kheradjou
       Assistant Director, Development Bank Services Department
       of the International Finance Corporation.

15.30  - Problems of Public Sector Investment in Iran
       Dr. Khodadad Farmanfarmaian

MONDAY 11TH MARCH

A. Morning Session:

10     - Encouraging Foreign Private Investment in Iran
       Eng. E. Homayounfar
       Director of the Center for Attraction and Protection of
       Foreign Investment in Iran.

11     - IMDBI as an Attractor of Foreign Investment
       Mr. James S. Adams
       A partner, Lazard Freres & Co. of New York.

11.30  - Problems of Private Investment in Iran
       Dr. H. Alai
       Manager, Economics Department, IMDBI.

B. Afternoon Session:

14.30  - Summary and Conclusions
       Dr. Khodadad Farmanfarmaian

15     - Closing Statement
       Mr. M. Samii
       Associate Managing Director, IMDBI.

TUESDAY 12TH MARCH

For those who may wish to participate, a round-table discussion shall
be held on the deliberations of the Conference starting at 9.30 A.M.

IMDBI 777.
February 11, 1963

Dear Willem:

Thank you for your letters of January 21 to me and January 28 to Mr. Rosen.

I had, of course, anticipated your reaction to Mr. Bengeloun's approach. I am writing to him separately to tell him of your kind offer to receive him separately some time in the future.

You asked, in your letter to Mr. Rosen, about the dates of the Annual Meeting. It will be later than usual this year, from September 30 to October 4. With this knowledge in hand, I hope you can proceed with your conference planning.

I have read with interest the outline of the paper that you want each of your participants to submit (incidentally, I assume that this does not include us). Your letter also referred to outlines for the two topics for committee discussion. These were not enclosed in your letter, but you may be sure that we will comment on them as soon as they arrive.

With respect to your general outline, I do have a question with respect to the first two items. I fear that they may be a little too general and that you may not get comments (especially within the scope of 700 words) which will be useful to development bank managers. I suspect, however, that you really intended those two questions to be an introduction, and no more than that, to the paper which each participant will write. I think those papers are likely to be very useful documents.

With all best wishes,

Sincerely yours,

William Diamond
Director
Development Bank Services

Mr. Willem A. van Ravesteijn
Managing Director
Industrial and Mining Development Bank
P. O. Box 1801
Tehran, Iran
WDiamond/dea
OUTGOING WIRE

TO: VAN RAVESTEIJN

DATE: FEBRUARY 7, 1963

CLASS OF SERVICE: LETTER TELEGRAM

COUNTRY: (IRAN)

TEXT:
YOURGAB FEBRUARY 2 THANKS STOP YOURLET JANUARY 14 HAVE NOW RETURNED WASHINGTON AND PLANNING ARRIVE TEHRAN FEW DAYS BEFORE CONFERENCE STOP SHALL WRITE SHORTLY SENDING PAPER REGARDS

KHERADJOU
CORINTFIN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:
NAME: Gasem Kheradjou
DEPT.: IFC - Development Bank Services

SIGNATURE: (Signature of Individual Authorized to Approve)

CLEARANCES AND COPY DISTRIBUTION:
G. Kheradjou/mg

ORIGINAL (File Copy)
(IMPORTANT: See guide for preparing form)

Checked for Dispatch: 0
**INCOMING WIRE**

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<td>FROM:</td>
<td>TEHERAN</td>
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<td>TEXT:</td>
<td>REGRET WE MUST DELAY ONE WEEK INVESTMENT CONFERENCE AT REQUEST OF GOVERNMENT IN VIEW IMPORTANT ECONOMIC CONFERENCE EARLIER SCHEDULED BUT NOW FIXED CONCURRENT OUR TIMING. SINCERELY HOPE STARTING MARCH NINTH CONVENIENT TO YOU. REGARDS RAVESTELIN</td>
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**ROUTING**

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ORIGINAL JM
Mr. Martin Rosen,
The International Finance Corporation,
1719 H Street, N.W.,
Washington 25, D.C.

Dear Martin,

Thank you very much for your letter of 31 December and your suggestions on the outline of our theme topic for the Second Regional Conference of Development Banks in Asia.

First, I like to inform you that we have already sent a letter of invitation to the Industrial Finance Corporation of Thailand, upon your suggestion, and are awaiting further news on the establishment of the Private Development Corporation of the Philippines.

I am sending you, attached, a preliminary outline for the papers to be submitted to the Conference on the theme topic "The Development Banks and Promotion of Industry"; you will recognize your own suggestions. Also, I am sending you preliminary outlines of two topics for committee discussions (we dropped the other two) namely: Capital-Loan Ratio and The Role of the Capital Market. I hope you will give them further thought and send us whatever suggestions you may have.

On another related matter, I like to draw you attention to the timing of the Conference: I wrote to you in my first letter that it will be held following IBRD-IMF conferences. Therefore, it becomes important as the time draws nearer to determine the definite dates; would it be possible for you already to give us an indication in what week of September IBRD-IMF Conferences will be held? This would assist us greatly, and will enable us to proceed with our arrangements. Otherwise, the work on the Regional Conference is moving ahead and it appears that we could expect full participation.
Dear Mr. Martin Jones

The International Finance Corporation

I am pleased to inform you that we have already sent a letter of invitation to the Minister of Finance and the Minister of Trade of the Philippines.

I am writing you attached a preliminary outline for the Regional Conference on the theme topic "The Importance of Balanced Trade and Promotion of Industrialization". I am sending you a draft copy of the outlines which will be discussed at the conference. I am also enclosing a copy of the conference Flyer which I hope you will give them further thoughts and send us whatever comments you may have.

On another related matter, I would like to draw your attention to the timing of the conference. I wrote to you in my letter that it will be held following the IMF, World Bank Conference. This conference is as important as the time of year and we are planning to have an international in the year of the Conference. The IMF, World Bank Conference will be held this coming year and we are planning to have an international in the year of the Conference. The IMF, World Bank Conference will be held this coming year and we are planning to have an international in the year of the Conference. The IMF, World Bank Conference will be held this coming year and we are planning to have an international in the year of the Conference. The IMF, World Bank Conference will be held this coming year and we are planning to have an international in the year of the Conference. The IMF, World Bank Conference will be held this coming year and we are planning to have an international in the year of the Conference. The IMF, World Bank Conference will be held this coming year and we are planning to have an international in the year of the Conference.
I am also very happy of your favorable reaction to IFC's full participation in the Conference. We shall have the pleasure of Mr. Kheradjou's presence during our Investment Conference to which we are looking forward.

With best regards,

Sincerely,

Dr. W.A. van Ravesteijn
Managing Director.
INVESTMENT & INDUSTRIAL RELATIONS DEPT.

PRELIMINARY AGENDA

THE SECOND REGIONAL CONFERENCE OF DEVELOPMENT BANKS IN ASIA
ORGANIZED BY

THE INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN

12, 13, 14, 15 October 1963 at the Royal Hilton Hotel
Tehran.

Saturday 12 October.
Morning: Plenary Session
Afternoon: Plenary Session

Inauguration
General Discussion

Sunday 13 October.
Morning: Plenary Session
Afternoon: General Discussion
Commitees

Monday 14 October.
Morning: Plenary
Afternoon: General Discussion
Commitees

Tuesday 15 October.
Morning: Plenary
Afternoon: Report of the Commitees
Closing.
A program of visits.

J. Mansoor
Mr. Bill Diamond,
International Finance Corporation,
1618 H Street, N.W.,
WASHINGTON 25, D.C.

Dear Bill,

Thanks very much for your letter of Jan. 18. I would have liked so much to be accommodating in this but I am afraid we see no way to comply with Mr. Bengeloun's request. As you felt yourself already this could cause some embarrassing complications for us, both practical and political. I feel you will have full appreciation for our standpoint.

We would of course very much like to be in any other way of assistance to Mr. Bengeloun. Would or could it appeal to him if we offered him the opportunity to spend say a week or ten days with our Bank, so as to enable him to get familiar with some of our procedures and problems, which could be useful for him in his own operations. In this way he will hear and see probably as much as in attending the Development Banks' Conference and even in a more direct and personal way.

If you think this suggestion might have any merit I gladly leave it to you to sound him out on possibilities. As to timing, in view of our rather overburdened program in the next months: (Investment Conference, Annual Report, Shareholders' and Board Meetings and Norouz in between) as regards us, some time in the first half of July would look very appropriate. By that time it might be rather warm here, but I do not think that need frighten him off. We did not communicate in any way with Mr. Bengeloun.

I was very happy to learn from Martin Rosen's letter that there might be a chance to have you here for the Asian Development Banks' Conference. I sincerely hope that this will materialize. We are busy preparing the detailed agenda for the conference and will send it promptly for further perusal to Martin Rosen. We feel that the Conference can be a very interesting meeting place of minds on the subjects we are going to suggest and it looks as if the attendance is going to be quite impressive.

Looking forward to see you again and with kindest regards,

Yours sincerely,

[Signature]

[Address]

Cable: INMIDEL

Corporation registered in Tehran, Comp. Reg. No. 4907, Comm. Reg. No. 9509, with capital of 400,000,000 Rials, fully-paid
The text on the page is not legible due to the quality of the image. It appears to be a typewritten document, but the content cannot be accurately transcribed.
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**REMARKS**

**From**

A. G. Khuradgou
January 21, 1963

Dear Mr. van Ravesteijn:

In the absence of Mr. Kheradjou, I am writing to thank you for your letter of January 14, 1963.

Mr. Kheradjou should return to Washington in the first week of February, at which time your letter will be brought to his attention.

Sincerely yours,

P. M. Mathew

Mr. W. A. van Ravesteijn
Managing Director
Industrial and Mining Development
Bank of Iran
P.O. Box 1801
Tehran, Iran

P.M.Mathew/mg
Dear Mr. Kheradjou,

Further to my letter dated December 24, 1962, it gives me pleasure to send to you the final agenda for the Investment Conference, subject to the consent of H.E. The Prime Minister.

May I also take this opportunity to refer to the paper which you are preparing for presentation to the Conference, and mention the fact that, in order to have adequate time for use to process and prepare all the papers to be submitted for the Conference, we must reserve at least three weeks; therefore, I should like to request that your paper be kindly sent to us in such a way that we would be in receipt of it in the beginning of the second week in February.

I hope this does not cause you an inconvenience.

With highest regards,

Sincerely,

W.A. van Ravesteijn,
Managing Director.

204, Boulevard-Karaj, Tehran-Iran
P. O. Box 1801
Cable - INMIDEL
Mr. G.P. Krehl
International Finance Corporation
1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Krehl:j

Further to my letter hereof December 24, 1963, I am writing to give you the final decision for the lowest

meet conference subject to the consent of H.E. The Prime Minister.

May I also take this opportunity to refer to the

paper which you are preparing for presentation to the Conference,

and mention the fact that, in order to have adequate time for me to

prepare and review my notes, I would also like to request of you, as far as possible, to

limit your remarks to matters for which you have prepared in advance. Since you will be

receiving my notes, we would be grateful if you would kindly send them to me in such a way

that we may be in receipt of it in the beginning of the second

week in February.

I hope this does not cause you any inconvenience.

With perhaps regards,

Sincerely,

[Signature]

[Stamp] 1963 Jun 21 N.H. 78

[Stamp] Confidential

[Stamp] Secret

[Stamp] IMPORTANT
January 7, 1963

Dear Mr. van Ravesteijn:

Thank you for your letter of December 21, extending a formal invitation to IFC to send a representative to IMDRI Investment Conference and informing us of the date of the Conference and the subject and scope of the talk you wish our representative to give at the Conference.

As Mr. Dimond wrote to you the other day, Gassem Kheradjou is now in IFC as Assistant Director in the Development Bank Services Department and will be available March 1 to 5 to attend the Conference. He is leaving shortly on a mission for IFC in West Africa, but he will be back in Washington early February and will be in touch with you about the date of his arrival in Tehran.

With kindest regards,

Sincerely yours,

Martin M. Rosen
Executive Vice President

Mr. W.A. van Ravesteijn
Managing Director
Industrial and Mining Development
Bank of Iran
20th Boulevard-Karaj
Tehran
Iran

cc. Mrs. Fleming
Mr. Hall

G Kheradjou:lg
December 31, 1962

Dear Willem:

I am delighted to learn of your progress in arranging for the Second Conference of Development Banks in Asia. You are wise to lay your plans so far in advance; the time for thought regarding your agenda will, I am sure, pay off in useful discussion.

Your decision to invite certain government-owned development banks is, I believe, justified. But I do have one reservation on that score: the number of participants may become too large to permit a good discussion, unless you plan to have most of the discussion take place in small groups. Although you have already invited 17 banks, I should like to suggest two more: the Industrial Finance Corporation of Thailand, whose General Manager is Mr. Tom Tantsetthi; and the Private Development Corporation of the Philippines, which will come into existence early next year (with a World Bank loan and an IFC participation). I shall let you know the name of its chairman as soon as he is chosen.

I also applaud your effort to avoid having each participant use up the meeting's time with a description of his own institution, and your decision to concentrate the discussion around a single theme. The role of development banks in promoting industry is a good theme. I would hope that, in preparing your agenda, you can break this general subject down into very specific and precise items so that the participants can keep their papers and discussions down to earth.

We have noticed that a good many institutions consider that their mere existence, and their willingness to provide long-term finance, constitute "promotion" of industry, especially when they have a monopoly position, as they so often do. This is in a sense true, but I assume that what you have in mind concerns a more activist kind of promotion. Among the specific points you might wish to consider under this general theme are: the stimulation of foreign investment; methods of stimulating the capital market; technical assistance to clients in formulating projects; collaboration with other financial institutions; relations with governmental industrial research and promotion agencies; relation between terms of lending and industrial promotion.
I note that you propose to have committee discussions, but two of the subjects you have listed under this head do not appear to be related to the general theme of industrial promotion. One is the "debt-equity ratio," which is itself an important subject; and the other is "maintenance problems and the task of development banks," the meaning of which is not clear to me.

These are only a few notes on your theme. We would be glad to comment in greater detail, when you have your draft agenda worked out.

As for IFC participation in the conference, you may be sure we will be there. As you may know, I finally succeeded in kidnapping Gasem Kheradjou away from the Bank to become Assistant Director in Bill Diamond's Development Bank Services Department. Diamond or Kheradjou or maybe both will be there for the entire period of the conference.

I appreciate very much your suggestion about using the conference for IFC discussions with individual development banks of Asia. The Annual Meetings are indeed a strain, and discussions there can be only very brief. I still regret the fact that you and Mehdi and I were able to meet together only so briefly last September. It would probably be wrong to attempt to postpone the discussions with development banks until your conference, but it will be a relief to know that talks not completed at the Annual Meeting can be resumed a month later in Iran, on a more leisurely basis.

With best wishes for the New Year,

Sincerely yours,

Martin M. Rosen
Executive Vice President

Mr. Willem A. van Ravesteijn
Managing Director
Industrial and Mining Development Bank
P. O. Box 1801
Tehran, Iran

cc: Mr. Kheradjou
CIRCULATION:

Mr. Apcar  o/r

Mr. Huehne  916

Mr. Johnson

Mrs. Fleming  return

Mr. Pisciotta

Mr. Mathew
OFFICE MEMORANDUM

TO: Mr. Apcar, Mr. Huehne, Mr. Johnson, Mrs. Fleming and Mr. Picciotto

FROM: P. M. Mathew

DATE: December 26, 1962

SUBJECT: Regional Conference of Development Banks in Asia, Held Bombay March 29 - 31, 1962

The attached papers being a report of and papers presented at the Regional Conference of Development Banks in Asia held at Bombay under the ICICI's auspices from March 29 to 31, 1962, will be filed in Central Files after circulation.

List of Papers

2. List of Papers.
3. Development Finance Corporation of Ceylon
   1. Notes on Development Banking.
4. China Development Corporation
   2. Notes on Development Banking in China.

Industrial Finance Corporation of India
3. Functions, Procedures and Activities: Industrial Finance Corporation of India.
5. Follow up and Supervision of Loans by Long-term Financing Institutions.
6. The National Industrial Development Corporation Ltd.

Industrial and Mining Development Bank of Iran
7. The Role of Entrepreneurship.
8. Identifying Industries for Development.

The Industrial Bank of Iraq
9A. The Industrial Bank of Iraq.
9B. The Role of Entrepreneurship in Industrial Development with Special Reference to Iraq.

The Japan Development Bank
Banque de Credit Agricole Industriel et Foncier

11. Industrial Finance in Lebanon.

Nepal Industrial Development Corporation


Industrial Development Bank of Turkey

16. The Role of Entrepreneurship in the Industrialization of Turkey.
17. Industrial Development Bank of Turkey.

The Industrial Credit and Investment Corporation of India Limited

18. Entrepreneurship and Planning in India.

Attachments.

PMMathew:lg
Dear Sir,

The Industrial and Mining Development Bank of Iran is pleased that you have kindly acceded to its request to participate, as a contributor, in the Investment Conference which it is sponsoring, and which is scheduled to convene in Tehran, beginning on the morning of Saturday, March 2nd and concluding on Monday, March 4th 1963.

The purpose of this Conference is to stress the importance of investment for the economic development of a developing country like Iran; to discuss ways and means of increasing private savings available, and mobilizing and channelling them into investment undertakings as an integrated part of the total national effort towards achievement of higher living standards; and finally, to stimulate discussion regarding the measures which ought to be taken to create the right investment climate in this country.

An attempt has been made to organize the Conference on the basis of three broad considerations:

i) Papers relating to the sources of investment, that is, the investable surplus or the available savings;

ii) Papers relating to the mechanism that channelizes the investable surplus or savings from its passive or dormant form into investment activity, which leads to growth;

iii) Papers relating to investment activity, its form and direction.
Attached you will find a schedule of the Conference, the order of the topics to be presented, and the names of the participants. You will note your own paper on "Project Development" is scheduled to be delivered on the afternoon of Sunday, March 3rd.

Since we hope to minimize overlapping between various papers, which are by nature related to one another and maintain a logical sequence in the presentation of the various papers, the following is suggested for your consideration, regarding the coverage of your paper.

In connection with your paper on "Project Development", it is important for the purpose of this Conference to point out that an investment bank acts, not only on projects submitted by individual investors alone, but also that it acts as a functionalized investor itself in preparing sound projects, and then proceeding to find investors who may be persuaded to invest in that project. In both cases, there are certain basic criteria used in determining the "bankability" of projects, i.e. economic soundness, technical soundness and financial soundness. It is extremely important for the audience of this Conference to discuss the application of these criteria in the evaluation of projects and the type of data and information required for this purpose and why evaluations of this nature are essential and to the ultimate benefit of all concerned.

We expect your presentation to take about half-an-hour or forty-five minutes, and we hope that there will be some opportunity for the members of the audience to raise some questions regarding your paper for fifteen to thirty minutes. Please prepare and present with your paper a separate one-page summary of your presentation.

Also, outside of the regular schedule of the Conference, there shall be held a round table discussion the following morning, Tuesday March 5th, on the proceedings and conclusions of the Conference to which all those who may wish to attend are cordially invited.

Please write for any further information you may require regarding any aspect of this Conference.

Sincerely yours,

W.A. van Ravesteijn
Managing Director.
Mr. M.L. Rosen,
International Finance Corporation,
1818 H Street, N.W.,
Washington 25, D.C.

Dear Mr. Rosen,

It gives me pleasure to attach the schedule of the Investment Conference, about which we discussed while in Washington and the formal invitation letter, giving the subject and scope of the paper and talk to be given by your representative.

You may remember that at that time, the name of Mr. Kheradjou came up in our discussion to act as your representative. Therefore, may I kindly request that you pass on the attached with any other remarks or recommendations that you may have to Mr. Kheradjou if he is still considered by you, or some other representative as you may wish to send.

I will certainly appreciate hearing from you on this particular point i.e., appointment of a definite representative by IFC at your earliest convenience so as to enable us to enter his name on the schedule of Conference.

With my best regards,

Sincerely yours,

W.A. van Havesteijn
Managing Director.

Industrial and Mining Development Bank of Iran
INVESTMENT & INDUSTRIAL RELATIONS DEPT.

PROPOSED AGENDA

INVESTMENT CONFERENCE

2nd, 3rd and 4th March 1963

Saturday 2nd March.

A. Morning Session:
- Opening Speech
- Investment and Development
- Importance of Investment, Purpose and Scope of Conference

H.E. the Prime Minister
H.E. the Minister of Finance
Dr. W.A. van Ravesteijn

B. Afternoon Session:
- Savings
- Investment Banking
- Development of Capital Market, European Experience

Dr. Reza Moghadam
Mr. W.S. Miller

Sunday 3rd March.

A. Morning Session:
- Experience in Stock Exchange
- Stock Exchange

Mr. J.S. Raj
Mr. J. Mansoor

B. Afternoon Session:
- Project Development
- Problems of Public Sector Investment in Iran

Representative from International Finance Corporation.
Dr. Kh. Farmanfarmaian

Monday 4th March.

A. Morning Session:
- Encouraging Foreign Private Investment in Iran
- Problems of Private Investment in Iran

Eng. Homayounfar
Dr. H. Alai

B. Afternoon Session:
- Summary and Conclusions
- Closing Statement

Dr. Kh. Farmanfarmaian
Mr. M. Samii

IMDBI 758.
PROPOSED AGENDA

INVESTMENT CONFERENCE

2nd, 3rd and 4th March 1963

Saturday 2nd March.
A. Morning Session:
- Opening Speech
- Investment and Development
- Importance of Investment, Purpose and Scope of Conference

B. Afternoon Session:
- Savings
- Investment Banking
- Development of Capital Market, European Experience

Sunday 3rd March.
A. Morning Session:
- Experience in Stock Exchange
- Stock Exchange

B. Afternoon Session:
- Project Development
- Problems of Public Sector Investment in Iran

Monday 4th March.
A. Morning Session:
- Encouraging Foreign Private Investment in Iran
- Problems of Private Investment in Iran

B. Afternoon Session:
- Summary and Conclusions
- Closing Statement

IMDBI 758.
Dear Martin,

When in Washington I think we mentioned to you that we are making preliminary arrangements for following up the first conference of Development Banks in Asia held in late March of the current year in Bombay, with a second one, to be held on our invitation in Teheran sometime in October 1963. The invitations have gone out in the meantime, and they have met with almost unanimous enthusiasm and positive answers.

It appears already that the number of institutions represented at this second conference will substantially surpass the Bombay total, due partly to the fact that new development banks have been established since. Another reason is that after consultation with some of our sister institutions, it appeared recommendable, contrary to the system followed in the case of the Bombay conference, also to invite some of the governmental development banks in cases where they play a role comparable to that of the private ones.

I enclose a list of the institutions so far invited (those having accepted already are indicated by asterisks).

We are preparing a program for the conference, which will be distributed to the invitees well ahead of the meeting date.
We look forward to your comments on these items and would much appreciate your suggestions on any other points occurring to you which might be useful to consider in view of this conference.

Mehdi joins me in sending you our best regards.

Sincerely,

Willem A. van Ravesteijn.

encl.: 
A LIST OF BANKS WHO HAVE ACCEPTED TO ATTEND THE
SECOND REGIONAL CONFERENCE

1. The Industrial Development Bank Ltd., Burma.
+ 4. Industrial Credit and Investment Corporation of India Ltd.
5. The Industrial Finance Corporation, New Dehli.
7. The Industrial Bank, Iraq.
+ 8. The Japan Development Bank.
+ 10. Malayan Industrial Development Finance Ltd.
+ 12. Pakistan Industrial Credit and Investment Corporation Ltd.
15. Banque Industrielle, Syria.
16. Industrial Development Bank, Turkey.
The theme topic shall be:

"Development Banks & Promotion of Industry".

The purpose of putting this topic in the center of the discussions of the conference is to have an exchange of thoughts on the basic points of approach for a development bank to the problems of promoting industry in a developing country and the practical consequences of the approach as regards the procedures and operations of a development bank.

In an endeavour to keep the discussions in line with our basic purpose and to avoid the generalities and confusion, we are preparing a scheme of points specifically to be treated in the paper to be presented by each of the participating banks to the conference.

Topics for committee discussions:
- Capital - Loan Ratio, a follow up on the discussion of the First Conference
- The Role of the Capital Market
- Foreign Exchange Loans
- Maintenance Problems & task of Development Banks

For each of the above topics, IMDBI shall prepare an outline to become a guide for the discussions.
August 11, 1962

Dear Mr. Mehta:

Thank you for sending me a copy of the Report on the proceedings of the Regional Conference of Development Banks in Asia which was held in March 1962.

I have read this with interest and am appreciative that you forwarded it to me.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

Mr. G. L. Mehta
The Industrial Credit and Investment Corporation of India Limited
163, Backbay Reclamation
Bombay 1, India

JVR:cm1
July 27, 1962
Your Reference Sec.A/

Mr. J. S. Raj
Deputy General Manager
Industrial Credit and Investment
Corporation of India Limited
163, Backbay Reclamation
Bombay 1, India

Dear Mr. Raj:

Thank you very much for the report on the proceedings of the Regional Conference of Development Banks in Asia and for the photographs enclosed with your letter of July 11. I appreciate your thoughtfulness in sending the photographs which are a welcome addition to my albums.

Sincerely yours,

L. von Hoffmann

cc: Circulating(2)
July 23, 1962

Dear Mr. Diamond:

I write with reference to your letter of July 18, 1962 addressed to our Chairman, Mr. G. L. Mehta. As requested by you, we are sending by separate post (via air mail book-post) two sets of the papers submitted at the Regional Conference of Development Banks in Asia and also ten copies of the Report of the Proceedings of the Conference.

Yours sincerely,

J. S. Raj
Deputy General Manager

Mr. W. Diamond
Director
Industrial Development Bank
Services Department
International Finance Corporation
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.
July 26, 1962

To:
The National Science Foundation

Re: Conference on Science and Education

Dear Sirs,

I am writing to express my interest in attending the conference on Science and Education. I believe that this event will provide valuable insights into the intersection of science and education, and I am eager to contribute my expertise and perspectives on the subject.

I have been involved in the field of science education for several years, and I have observed a growing need for interdisciplinary approaches to teaching and learning. I am particularly interested in exploring how science can be integrated into the curriculum in a meaningful way.

I would be grateful for the opportunity to participate in this conference and to network with other professionals in the field. I am available to attend on any of the dates you specify, and I am willing to travel to reach the venue.

Thank you for considering my application. I look forward to hearing from you.

Sincerely,

[Your Name]
Dear Mr. Black,

I have pleasure in sending you a copy of the Report on the proceeding of the Regional Conference of Development Banks in Asia, held in end March 1962. I hope you will find it of interest.

With kind regards,

Yours sincerely,

(G.L. Mehta)

Mr. Eugene Black
President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.
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**Remarks**

Please see Ron Jeffries' note below. Mr. Rosen does not want these photographs as he has already been sent a set. So they are yours if you would like them.

*From:* George Wishart

*To:* Mr. SVOBODA

*Date:* 27. VII. 62.
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**REMARKS**

If these are surpluses to Mr. Rosen's collection, perhaps they can be sent on to Mr. Sooboda to room 600, since he also attended this conference.
July 17, 1962

Dear Sirs:

We have pleasure in enclosing 5 copies of photographs taken during the Regional Conference of Development Banks in Asia held in March 1962 under the auspices of this Corporation. We are sending by separate post 5 copies of the Report of the proceedings of the Conference.

Yours faithfully,

J. S. Raj
Deputy General Manager

International Development Association
1818 H Street, N.W.
Washington, 25 D.C.
U.S.A.
July 17, 1962

Dear Sirs:

We have pleasure in enclosing 5 copies of photographs taken during the Regional Conference of Development Banks in Asia held in March 1962 under the auspices of this Corporation. We are sending by separate post 10 copies of the Report of the proceedings of the Conference.

Yours faithfully,

J. S. Raj
Deputy General Manager

International Bank for Reconstruction and Development
1818 H Street
Washington 25, D.C.
U.S.A.
July 17, 1962

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Yours faithfully,

J. S. Raj
Deputy General Manager

Enclosures:

International Finance Corporation
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.
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<td>Mr. Lord (Legal)</td>
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Remarks:

answered July 9, 1963

From: IFC FILES - ROOM 912
July 11, 1962

Dear Mr. Hoffmann:

We have pleasure in enclosing herewith 3 copies of photographs taken during the Regional Conference of Development Banks in Asia. We hope they will be welcome additions to your album.

We are sending under separate cover (via air mail) one copy of the Report on the Proceedings of the Conference. An additional copy of this Report will be sent by surface mail.

Please let us know if you require additional copies of the Report.

Yours faithfully,

J. S. Raj
Deputy General Manager

Enclosures:

Mr. Ladislaus Von Hoffmann
Investment Officer
International Finance Corporation
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.
July 11, 1959

Dear Mr. Hollmann:

We have pleasure in enclosing herewith 3 copies of a presentation prepared for the Industrial Cor-
ter of Development Banks. We hope that
will be welcome to your view.

We are sending under separate cover (via air
we refer to page 9 of the report on the proceedings of
the conference). The additional copies of this report
will be sent on separate mail.

Please let us know if you require additional
copies of the report.

Yours faithfully,

[Signature]

[Name]
Deputy General Manager

[Letterhead]

[Address]
July 2, 1962

Mr. Paul Monk
128 Yale
Claremont
California.

Dear Mr. Monk:

Your letter to Mrs. Boskey of June 22, 1962, has been referred to me insofar as the report on the Bombay Conference of Asian development banks is concerned. The report is still under print, but we are told that it will soon be in circulation. I am sure that if you write to the Industrial Credit and Investment Corporation of India, they will forward you one at the same time as they forward copies to us here.

Yours sincerely,

A.G. El Emary
Director
Development Bank Services

AGHS/nty

cc: Mrs. Boskey
128 Yale
Claremont, California
June 22, 1962

Mrs. Shirley Boskey
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Dear Mrs. Boskey:

You will perhaps remember me from our previous correspondence relative to my study of industrial development corporations in India.

The regional conference of development banks in Asia held last March, under the auspices of the Industrial Credit and Investment Corporation of India, at Bombay is of interest to me.

I was wondering whether you attended the conference or might have access to publications which were prepared for the conference or resulted from it.

Murray D. Bryce, in his book Industrial Development, mentions the IBRD study Synthesis of Replies to Development Bank Questionnaire (1958). Is most of this material contained in your book Problems and Practices of Development Banks, or would it be available to me on loan?

Sincerely,

Paul Monk
June 8, 1962

Mr. S. U. Durrani
Chief of Operations
Pakistan Industrial Credit &
Investment Corporation Limited
Jubilee Insurance House
McLeod Road
P. O. Box 5080
Karachi 2, Pakistan

Dear Mr. Durrani:

Many thanks for the paper you sent me on "Practical means of stimulating and widening the private capital market for industrial investments" which you delivered at the Cento Conference on Industrial Development Banking held in Istanbul during the past week. The paper has been distributed among my colleagues, and we have read it with much interest.

With kind regards,

Yours sincerely,

Raymond J. Goodman
Department of Operations
South Asia & Middle East

RJGoodman:rmeq
June 5, 1962

Mr. S. U. Durrani  
Pakistan Industrial Credit & Investment  
Corporation Limited  
Jubilee Insurance House  
McLeod Road  
P.O. Box No. 5080  
Karachi 2, Pakistan

Dear Durrani,

Thank you very much for your letter of May 20 with which you enclosed one of the papers which you will be presenting at the Cento Conference on Industrial Development Banking. I have read this paper with much interest.

I hope the conference proves to be interesting and profitable.

With all best wishes,

Yours sincerely,

H. B. Ripman  
Chief, Industry Division  
Department of Technical Operations
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**TEXT:**

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ARRIVED ISTANBUL HILTON REGARDS

HUEHNE

**ROUTING**

ACTION COPY: MR. EL EMARY

INFORMATION COPY:

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*NO FAMILY NOTIFICATION NECESSARY*
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**LOG NO.:** RC 11

**TO:** EL EMARY CORINTFIN

**FROM:** BANGKOK

**TEXT:**

ARRIVING WASHINGTON JUNE 6. HUEHNE LEAVING FOR TURKEY TODAY

FAMILY NOTIFICATION IS BEING MADE
May 30, 1962

Mr. Raymond J. Goodman,
Department of Operations,
South Asia & Middle East,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Goodman,

I have been deputed to attend the Cento Conference on Industrial Development Banking being held at Istanbul from 4th June to 9th June 1962. The Pakistan Delegation is required to present two subjects at this Conference and I enclose a copy of one of the papers for your information.

With kindest regards,

Yours sincerely,

(S. U. Durrani)
Mr. Mrs. Mr. Goodwin

Dear Mr. Goodwin,

I am writing to inform you that I have received your letter dated June 1st, 1962. I understand that you are interested in attending the Conference on International Relations next month. I am afraid I will not be able to attend due to personal reasons.

Yours sincerely,

[Signature]
Practical means of stimulating and widening the private capital market for industrial investments.

(By S.U. Durrani, Chief of Operations, P.I.C.I.C.)

Adequate and readily available capital is an essential requirement of Industrial development. While existing enterprises can partly finance their requirements from internal generation of funds, a new industrial enterprise has to raise its capital from the market. Thus, whether it is for the expansion of an existing enterprise or for setting up a new industrial unit, the entrepreneur, in whole or in part, has to depend on the market for his capital.

It is now recognised that economic development cannot be brought about by merely injecting into the economy the various physical factors of development. On the contrary it is essential that conditions are first created which encourage and are conducive to economic growth. In other words a healthy development climate has to be created. This presupposes appropriate Government action and the establishment of and encouragement to various agencies, both official and private, which promote development. Planning has now come to be regarded as a 'sin qua non' of national development programmes and in formulating plans not only has the provision of the various physical factors of development to be taken into account but a suitable climate has also to be created so that these physical factors can operate in favourable conditions. The capital market being one of the agencies of development has to be a part of such planning and incentives and institutional facilities for its growth will have to be considered. Additionally, in so far as planned development will result in healthy industrial growth and accelerated capital formation the capital market would as a consequence
inevitably grow.

In most underdeveloped countries where per capita income is low, the rate of capital formation is tardy. Private savings are not readily diverted to industry because of preference for traditional forms of investment such as bullion, land and real estate which are deemed to offer greater security, besides being regarded as socially desirable. In any programme of industrial development, therefore, one of the essential conditions is the existence of a capital market and it is necessary that the development and stimulation of such a market is planned to keep pace with industrial development programmes.

In the ultimate analysis the quantity of available savings must determine the extent of industrial investment. The growth in savings necessarily depends upon the pursuit of economic policies which make for sound internal conditions. A politically stable Government following sound fiscal policies which, while providing incentives to growth, avoids an inflationary situation, would stimulate the development of a capital market. Additionally, the encouragement that the Government offers to the private sector would establish conditions where the investor would derive confidence from Government support to industries.

Capital formation will find encouragement in a country which provides rational taxation and tariff concessions to industry and restrains undue expansion and mushroom growth under a policy of regulated development. If such a policy is followed, the investor's confidence would grow and as more and more industries are successfully established, the task of obtaining capital would become relatively easier.
In the field of Governmental action taxation policy can greatly influence industrial investment. A high rate of taxation can prove a disincentive because it would minimise profits and would reduce dividends and appreciation in share values. In framing taxation policies it needs to be appreciated that industrial units would yield increased revenues over the years not from high rates of taxes or a variety of taxes but from sustained industrial development which would have the effect of steadily augmenting industrial profits yielding increasing tax revenues. This is a lesson which the industrialisation of advanced countries indicates.

In Pakistan the Government has afforded a number of fiscal incentives to industries. These incentives are briefly enumerated below:-

1. The income tax has been reduced from 55% to 45%.
2. There is a tax holiday for new industrial units ranging from 4 to 8 years.
3. Initial depreciation allowances are allowed at the rate of 25% on plant and machinery and 15% on factory buildings in addition to normal depreciation.
4. The inter-corporate dividend tax has been reduced to 10%.
5. Share-holders are exempt from tax on bonus shares.
6. There is no capital gains tax.

Since one of the largest source of capital is the undistributed profit earnings of operating companies, abolition or reduction in inter-corporate dividend tax can provide a great incentive to the capital market and is a measure which should attract the attention of Governments. Similarly, the abolition or reduction of tax on
bonus shares can attract investment in industrial equities. The steps taken by the Government in this direction have greatly improved the investment climate in Pakistan by assuring a fair return on successful and well managed enterprises.

Government tariff policy is also important in the context of industrial investment. While protection to an irrational cost structure cannot be supported for lack of economic justification, a judicious tariff policy assuring reasonable protection to newly established industries can ensure success of an enterprise and give confidence to the investor. The existence of a competent and sensitive tariff mechanism can therefore act as a great stimulant to industrial investment. In Pakistan the Tariff Commission is an active agency and protection has been afforded to several industries against foreign competition. The Commission can periodically review the protection given by it so that industrial enterprises do not indefinitely become dependent on protection.

In most developing countries, Government deem it necessary to impose price and distribution controls. Whereas such controls are essential because of shortages care has to be exercised to see that a fair return is assured to industry. A relevant example in Pakistan is that of the Sugar Industry. The incidence of a complex structure of price and distribution controls slowed the development of this industry. A gradual relaxation of these controls has now set in and we have already begun to witness considerable eagerness on the part of the investors to establish new sugar factories.

An uninformed criticism has often been made that profit should not be frittered away on dividends but should be utilised for
development. The notion that dividend distribution is tantamount to frittering away of profits is misleading. Such a view is based upon a misunderstanding of the processes of joint stock enterprise. Capital is contributed by the small and large investor with a view to earn a return on his savings and the very basis of equity investment is the expectation that he will receive back as dividend a reasonable share of profits. Any attempt to formulate a public policy of control on dividends which fails to take into account this basic character of equity investment would be a backward step because it would have the effect of discouraging the flow of savings into risk bearing investments. Risk and reward go hand in hand and to deny the latter is to refuse to pay the price which risk bearing demands. Government action, if at all necessary, should strictly be based on a fair and reasonable relationship between net earnings and amounts distributed as dividend. Tax free dividends can act as a further incentive. In Pakistan there is no statutory limitation to declaration of dividends and this has in a large measure contributed to the popularity of industrial investment in the country. While total tax exemption is not available to dividend income in Pakistan, the first Rs 1000/- of such income has been exempted from tax in order to encourage the small investors.

In developing countries, however, the existence of an internal capital market alone cannot promote industrial development. Industrialisation presupposes import of capital equipment which in turn is linked with availabilities of foreign exchange. While part of the requirements can be met out of foreign loans and deferred payment arrangements, commonly known as suppliers credits, consideration has
to be given to creating favourable conditions for attracting foreign capital for investment in share capital of joint stock enterprises.

When reference is made to the creation of a climate within a country suitable for foreign investment what is meant is removal of impediments which prevent inflow of private foreign capital. It may also mean a fair degree of internal stability to inspire confidence for future operations of a company. It also takes into account the prevailing political philosophy because of fears in regard to nationalisation, which may be the outcome of political thinking that may prevail in the country concerned. Very often a vigorous publicity of the investment opportunities available to foreign capital is of value in attracting foreign investments. Risk capital no doubt presupposes freedom to repatriate the capital as well as to remit income earned on such capital. Taxation is also an important consideration because in the absence of adequate arrangements double taxation would be involved on income earned on such investments. In Pakistan capital of approved industrial undertakings to the extent invested together with any profits ploughed back into the industry can be repatriated. In addition agreements for avoidance of double taxation have been entered with several countries. An Investment Promotion Bureau has also been established by the Government to assist foreign investors and to expeditiously deal with all governmental formalities which form a pre-requisite to foreign investment.

Foreign capital also flows in with a view to expansion of industrial undertakings already operated by foreign interests and sometimes paradoxically resulting from import restrictions. Restrictive import policies often compel foreign suppliers to install manufacturing
facilities in countries where before the imposition of restrictions they were freely able to sell their goods. However, while recognising the great value of foreign investments, it must always be realised that the major part of the effort must necessarily be internal and the importance of foreign capital lies not so much in its size which can never be large but as a catalyst which promotes industrial development.

Having referred to Government measures that influence the formation of capital and which attract foreign capital, I would like to say a few words about the various sources from which capital flows into industry. In the first place there is the small saver. As the ranks of the small investor expand with increasing employment and rise in national income, his savings should contribute substantially to the creation of industrial capital. Mobilising the small man's savings for industrial investment must admittedly be a slow process as it involves breaking down of old habits. Incentives can be provided in the shape of insurance facilities, tax free Government saving schemes, prize bonds and attractive saving programmes of commercial banks. In some countries it is understood that commercial banks are offering, with Government permission, income tax free premiums in addition to interest on deposits held for stated minimum periods. In underdeveloped countries the small man's savings are normally intended for the future provision of necessities and of these necessities the most important is that of shelter. These savings are normally hoarded which apart from making them unproductive run the additional risk of depreciation in value in an inflationary situation. If however, suitable opportunities exist for investment which can be easily realised in time of need and where
a fair return and a reasonable capital appreciation is assured, there is every reason to believe that the savings of the small investor will be attracted to industrial investment. Institutional facilities for mopping up the savings of the small investor can play a useful role in developing the capital market. Of such institutions, apart from investment trusts and insurance companies to which I will refer later, cooperative societies can be an important part. Since cooperatives are closely related to the rural sector they can serve a useful purpose in diverting a part of the rural savings towards industrial investments.

A well developed capital market, however, does not presuppose the existence merely of the personal investor but more significantly the existence of a network of specialised institutions and agencies interested in promising investments. In industrially advanced countries specialised savings agencies like insurance companies and investment trusts collect personal savings and make investments in capital issues of existing as well as new industrial concerns. Specialisation is the distinguishing characteristic of modern economic society and various forms of savings institutions have to be formed and developed to meet the needs of development finance.

An examination of new capital issues in developed countries would show that only a few of the entirely new companies go to the market for raising capital. This capital is raised from institutions such as investment trusts who examine the project and provide the initial capital which they later offer to the market after nursing it for a few years, by which time the company is able to establish itself with a good profit record. A well organized capital market is
made up of a complex of agencies which are always on the look out for investment in new ventures and are prepared to take the initial risk in anticipation of future support from small investors who might be more willing to subscribe to the capital when the enterprise starts operating profitably.

The most fertile source of institutional investment consists of undistributed profits of existing industrial concerns. A part of this is, of course, ploughed back into the industry itself and a part is available for investment in new ventures. This significant source of capital can be readily attracted to new financing ventures by judicious adjustments in inter-corporate taxation. Ventures promoted by successful enterprises have the added advantage of claiming the confidence of the investing public and more readily attracting their savings into such enterprises. PICIC's analysis of the financial position of existing industrial enterprises indicates that a substantial portion of the capital requirements of industry could be met out of internal generations.

Commercial banks can also play an important role in industrial development. They are the most important single factor in mobilising savings and to that extent a source of provision of funds to the capital market. In addition, commercial activity helps capital formation and is the first step towards industrial development. In so far as the commercial banks finance the requirements of trade and commerce they stimulate growth of industry. Commercial banks also contribute directly to industrial development by providing working capital requirements of industry, thereby enabling quicker turnover of capital funds. In Pakistan commercial banks have played an important
role in stimulating economic activity. Independence dawned under chaotic economic conditions and it was largely through the stimulus provided by commercial banks and the risks they assumed that commercial stability was brought about. In addition, for several years they were the only source of industrial financing and they gave what in effect were medium term loans by renewing promotes which in the case of commercial banks are restricted to 6 months maturity. The experience in Pakistan shows that commercial banks can successfully be geared to provide medium term capital for industry.

Another potent source of investment can be the insurance companies. Increasing emphasis on life insurance would increase premium income and make available sizable funds for investment in industries. As investment by insurance companies is controlled by Government in a number of countries, endeavour should be made not to place too many restrictions on investments by insurance companies in sound industrial ventures. Life insurance is becoming increasingly popular in Pakistan and Government, by raising the tax free investment allowance from 20% to 30% of personal incomes provided at least 10% is utilised for payment of life insurance premia, has given a great fillip to the insurance industry in Pakistan. To the extent that premium income is being augmented, additional capital will become available for potential investment in industries.

The promotion of investment trusts should also be given priority by underdeveloped countries. These trusts play a notable part in the provision of industrial capital. They offer an outlet for private savings through investment in the capital of the investment trusts. Not only do the investment trusts canalise a part of the savings of the
people but they promote the growth of new industries by taking
initiative in investing the funds in new and growing concerns and by
operating as underwriters. That is, they assist the process of both
savings and investment, thereby accelerating the development of
industry. In underdeveloped countries where the private investor is
not conversant with investment techniques such investment trusts can
play a significant role. These trusts however, will be able to achieve
results only if suitable incentives are given and in this connection
it seems essential that they be exempted from inter-corporate taxation.
It is also essential that the management of investment trusts be
independent of industrial interests so that their operations are
conducted on merits. Realising the importance of this source the
Government of Pakistan is at the moment actively engaged in promoting
an investment trust. This trust would be controlled by private
enterprise, while at the same time receiving sizable assistance from
Government.

Another feature of an organized capital market is the facility
available for underwriting of new capital. One form of underwriting
is the placement of shares through brisk canvassing by brokers. This
is possible where a well developed stock exchange exists. In addition,
underwriting of capital can be handled by development banks, commercial
banks, insurance companies and investment trusts or a consortium of
some or all of these. The underwriting operation undertaken by these
institutions not only assure capital to industry but because such
underwriting is done after a scientific appraisal of the projects
concerned the small public investor finds greater confidence in
investing his savings in these ventures. With regard to participation
of commercial banks in underwriting operations opinion can be divided and the extreme view taken that provision of risk capital cannot be the function of banks trading with depositor's money. While this may be true in advanced countries, in developing countries all resources should be geared for purposes of development and participation by commercial banks in underwriting capital requirements of soundly conceived projects should be encouraged. In Pakistan commercial banks are beginning to make investments in industrial equities and it would not be difficult to encourage them to underwrite new issues of shares. In fact the constitution of the National Bank of Pakistan is proposed to be amended specifically enabling that bank to underwrite shares. In a recent issue of a new cement factory, PICIC has underwritten shares in collaboration with some leading commercial banks of the country.

I would now like to say a few words about the role of development banks in fostering the capital market. In the first place it is commonly recognised that a development bank invests its funds only in sound projects which prove to be productive and profitable. These projects generally command the respect and confidence of the investors. One of the greatest impediments to the development of a capital market is that the common investor has no means of evaluating that an enterprise would be successful and any investment made is in the nature of a leap in the dark. This is not the position when a project receives the blessings of a development bank.

The bank through its sponsorship of particular ventures which it regards as well run can engender greater trust on the part of the public in these ventures. In Pakistan our experience has been that
capital issues of projects financed by PICIC have invariably been successful. In fact PICIC has in several instances made it a condition of its financing that entrepreneurs make a public issue of their common stock. This has helped in broadening the capital market. PICIC's example would serve to illustrate that a development bank has the ability to encourage distribution of equity of successful enterprises and thereby create a climate for industrial investments.

It has been said earlier in this paper that in the case of new enterprises the investor is shy of risking his money until such time as the success of the enterprise is established. In such cases it is necessary to arrange for private subscriptions of shares. A development bank can play a useful role by participating in the equity of thoroughly appraised projects and at a later stage marketing these shares to the public. The performance of this function by a development bank is all the more important in a less developed country because of lack of specialised investment institutions. A development bank has the added advantage of not necessarily participating in the equity at the outset. It is a common practice with PICIC to give convertible loans. This practice serves in widening the capital market by converting loan capital into share capital and since a development bank invariably rotates its investments these shares eventually find their way to the market and serve to broaden it.

Another activity which a development bank can undertake is the underwriting of shares. Underwriting, I must emphasise, serves a dual purpose. It assures capital to an enterprise while at the same time it activates investment in that enterprise by the confidence that it creates in the public investor due to the association of the
development bank with the enterprise. PICIC's underwriting operations have been successful and it is the intention of PICIC to increasingly participate in underwriting operations as more and more capital floatations take place in the wake of Pakistan's Second Five Year Plan.

Underwriting is a sophisticated mechanism. It requires to be specially developed so that it could answer fully to the needs of a developing economy. A development bank can take the lead in building up syndicates of underwriters. Development banks are equipped to make detailed feasibility studies of projects and once projects have been appraised and found feasible, commercial banks, insurance companies and investment trusts are generally willing to associate themselves with underwriting of their equity. That this is possible was demonstrated in a recent issue of shares in Pakistan. In fact PICIC has received enquiries from banks, insurance companies and established stock exchange brokers with regard to possibilities of their participation with PICIC in underwriting issues of sound projects. By pooling of resources, large underwriting operations, normally outside the resources of a development bank, become possible.

Consideration must also be given to regulating the stock exchanges with a view to minimising speculative activities and manipulation of prices. For the easy flow of public savings towards industrial development it is vital that the investor has a feeling of confidence and is assured that the interests of the investing public are being adequately safeguarded. Stock Exchanges are normally located in large industrial and commercial centers and in order to attract investment from those who live in the smaller towns and villages a network of facilities that would make security operations possible on a
widespread basis would also greatly help in widening the capital market.

The capital market is to a certain extent self-generating. Investments once made will generate further investments. In the provision of capital for growth of industry almost half of the new capital formation can be met from internal resources of joint stock companies. Further capital can be raised by attracting the savings of the common man both directly and indirectly through savings and finance institutions. New institutional agencies such as finance corporations, investment trusts and insurance companies can further assist companies in raising the required capital; and improved facilities for underwriting can constitute new landmarks in the progress of a capital market. The need for industrial capital is limitless and the scope for tapping savings of the people is indeed large.
May 30, 1962

Mr. Hugh B. Ripman,
Chief, Industry Division,
Department of Technical Operations,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Ripman,

I have been deputed to attend the Cento Conference on Industrial Development Banking being held at Istanbul from 4th June to 9th June 1962. The Pakistan Delegation is required to present two subjects at this Conference and I enclose a copy of one of the papers for your information.

With kindest regards,

Yours sincerely,

(S.U. Durrani)
Practical means of stimulating and widening the private capital market for industrial investments.

(By S.U. Durrani, Chief of Operations, P.I.C.I.C.)

Adequate and readily available capital is an essential requirement of Industrial development. While existing enterprises can partly finance their requirements from internal generation of funds, a new industrial enterprise has to raise its capital from the market. Thus, whether it is for the expansion of an existing enterprise or for setting up a new industrial unit, the entrepreneur, in whole or in part, has to depend on the market for his capital.

It is now recognised that economic development cannot be brought about by merely injecting into the economy the various physical factors of development. On the contrary it is essential that conditions are first created which encourage and are conducive to economic growth. In other words a healthy development climate has to be created. This presupposes appropriate Government action and the establishment of and encouragement to various agencies, both official and private, which promote development. Planning has now come to be regarded as a 'sin qua non' of national development programmes and in formulating plans not only has the provision of the various physical factors of development to be taken into account but a suitable climate has also to be created so that these physical factors can operate in favourable conditions. The capital market being one of the agencies of development has to be a part of such planning and incentives and institutional facilities for its growth will have to be considered. Additionally, in so far as planned development will result in healthy industrial growth and accelerated capital formation the capital market would as a consequence
inevitably grow.

In most underdeveloped countries where per capita income is low, the rate of capital formation is tardy. Private savings are not readily diverted to industry because of preference for traditional forms of investment such as bullion, land and real estate which are deemed to offer greater security, besides being regarded as socially desirable. In any programme of industrial development, therefore, one of the essential conditions is the existence of a capital market and it is necessary that the development and stimulation of such a market is planned to keep pace with industrial development programmes.

In the ultimate analysis the quantity of available savings must determine the extent of industrial investment. The growth in savings necessarily depends upon the pursuit of economic policies which make for sound internal conditions. A politically stable Government following sound fiscal policies which, while providing incentives to growth, avoids an inflationary situation, would stimulate the development of a capital market. Additionally, the encouragement that the Government offers to the private sector would establish conditions where the investor would derive confidence from Government support to industries.

Capital formation will find encouragement in a country which provides rational taxation and tariff concessions to industry and restrains undue expansion and mushroom growth under a policy of regulated development. If such a policy is followed, the investor's confidence would grow and as more and more industries are successfully established, the task of obtaining capital would become relatively easier.
In the field of Governmental action taxation policy can greatly influence industrial investment. A high rate of taxation can prove a disincentive because it would minimise profits and would reduce dividends and appreciation in share values. In framing taxation policies it needs to be appreciated that industrial units would yield increased revenues over the years not from high rates of taxes or a variety of taxes but from sustained industrial development which would have the effect of steadily augmenting industrial profits yielding increasing tax revenues. This is a lesson which the industrialisation of advanced countries indicates.

In Pakistan the Government has afforded a number of fiscal incentives to industries. These incentives are briefly enumerated below:

1. The income tax has been reduced from 55% to 45%.
2. There is a tax holiday for new industrial units ranging from 4 to 8 years.
3. Initial depreciation allowances are allowed at the rate of 25% on plant and machinery and 15% on factory buildings in addition to normal depreciation.
4. The inter-corporate dividend tax has been reduced to 10%.
5. Share-holders are exempt from tax on bonus shares.
6. There is no capital gains tax.

Since one of the largest source of capital is the undistributed profit earnings of operating companies, abolition or reduction in inter-corporate dividend tax can provide a great incentive to the capital market and is a measure which should attract the attention of Governments. Similarly, the abolition or reduction of tax on
bonus shares can attract investment in industrial equities. The steps taken by the Government in this direction have greatly improved the investment climate in Pakistan by assuring a fair return on successful and well-managed enterprises.

Government tariff policy is also important in the context of industrial investment. While protection to an irrational cost structure cannot be supported for lack of economic justification, a judicious tariff policy assuring reasonable protection to newly established industries can ensure success of an enterprise and give confidence to the investor. The existence of a competent and sensitive tariff mechanism can therefore act as a great stimulant to industrial investment. In Pakistan the Tariff Commission is an active agency and protection has been afforded to several industries against foreign competition. The Commission can periodically review the protection given by it so that industrial enterprises do not indefinitely become dependent on protection.

In most developing countries, Government deem it necessary to impose price and distribution controls. Whereas such controls are essential because of shortages care has to be exercised to see that a fair return is assured to industry. A relevant example in Pakistan is that of the Sugar Industry. The incidence of a complex structure of price and distribution controls slowed the development of this industry. A gradual relaxation of these controls has now set in and we have already begun to witness considerable eagerness on the part of the investors to establish new sugar factories.

An uninformed criticism has often been made that profit should not be frittered away on dividends but should be utilised for
development. The notion that dividend distribution is tantamount to frittering away of profits is misleading. Such a view is based upon a misunderstanding of the processes of joint stock enterprise. Capital is contributed by the small and large investor with a view to earn a return on his savings and the very basis of equity investment is the expectation that he will receive back as dividend a reasonable share of profits. Any attempt to formulate a public policy of control on dividends which fails to take into account this basic character of equity investment would be a backward step because it would have the effect of discouraging the flow of savings into risk bearing investments. Risk and reward go hand in hand and to deny the latter is to refuse to pay the price which risk bearing demands. Government action, if at all necessary, should strictly be based on a fair and reasonable relationship between net earnings and amounts distributed as dividend. Tax free dividends can act as a further incentive. In Pakistan there is no statutory limitation to declaration of dividends and this has in a large measure contributed to the popularity of industrial investment in the country. While total tax exemption is not available to dividend income in Pakistan, the first Rs 1000/- of such income has been exempted from tax in order to encourage the small investors.

In developing countries, however, the existence of an internal capital market alone cannot promote industrial development. Industrialisation presupposes import of capital equipment which in turn is linked with availabilities of foreign exchange. While part of the requirements can be met out of foreign loans and deferred payment arrangements, commonly known as suppliers credits, consideration has
to be given to creating favourable conditions for attracting foreign capital for investment in share capital of joint stock enterprises.

When reference is made to the creation of a climate within a country suitable for foreign investment what is meant is removal of impediments which prevent inflow of private foreign capital. It may also mean a fair degree of internal stability to inspire confidence for future operations of a company. It also takes into account the prevailing political philosophy because of fears in regard to nationalisation, which may be the outcome of political thinking that may prevail in the country concerned. Very often a vigorous publicity of the investment opportunities available to foreign capital is of value in attracting foreign investments. Risk capital no doubt presupposes freedom to repatriate the capital as well as to remit income earned on such capital. Taxation is also an important consideration because in the absence of adequate arrangements double taxation would be involved on income earned on such investments. In Pakistan capital of approved industrial undertakings to the extent invested together with any profits ploughed back into the industry can be repatriated. In addition agreements for avoidance of double taxation have been entered with several countries. An Investment Promotion Bureau has also been established by the Government to assist foreign investors and to expeditiously deal with all governmental formalities which form a pre-requisite to foreign investment.

Foreign capital also flows in with a view to expansion of industrial undertakings already operated by foreign interests and sometimes paradoxically resulting from import restrictions. Restrictive import policies often compel foreign suppliers to install manufacturing
facilities in countries where before the imposition of restrictions they were freely able to sell their goods. However, while recognising the great value of foreign investments, it must always be realised that the major part of the effort must necessarily be internal and the importance of foreign capital lies not so much in its size which can never be large but as a catalyst which promotes industrial development.

Having referred to Government measures that influence the formation of capital and which attract foreign capital, I would like to say a few words about the various sources from which capital flows into industry. In the first place there is the small saver. As the ranks of the small investor expand with increasing employment and rise in national income, his savings should contribute substantially to the creation of industrial capital. Mobilising the small man's savings for industrial investment must admittedly be a slow process as it involves breaking down of old habits. Incentives can be provided in the shape of insurance facilities, tax free Government saving schemes, prize bonds and attractive saving programmes of commercial banks. In some countries it is understood that commercial banks are offering, with Government permission, income tax free premiums in addition to interest on deposits held for stated minimum periods. In underdeveloped countries the small man's savings are normally intended for the future provision of necessities and of these necessities the most important is that of shelter. These savings are normally hoarded which apart from making them unproductive run the additional risk of depreciation in value in an inflationary situation. If however, suitable opportunities exist for investment which can be easily realised in time of need and where
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A well developed capital market, however, does not presuppose the existence merely of the personal investor but more significantly the existence of a network of specialised institutions and agencies interested in promising investments. In industrially advanced countries specialised savings agencies like insurance companies and investment trusts collect personal savings and make investments in capital issues of existing as well as new industrial concerns. Specialisation is the distinguishing characteristic of modern economic society and various forms of savings institutions have to be formed and developed to meet the needs of development finance.

An examination of new capital issues in developed countries would show that only a few of the entirely new companies go to the market for raising capital. This capital is raised from institutions such as investment trusts who examine the project and provide the initial capital which they later offer to the market after nursing it for a few years, by which time the company is able to establish itself with a good profit record. A well organized capital market is
made up of a complex of agencies which are always on the look out for investment in new ventures and are prepared to take the initial risk in anticipation of future support from small investors who might be more willing to subscribe to the capital when the enterprise starts operating profitably.

The most fertile source of institutional investment consists of undistributed profits of existing industrial concerns. A part of this is, of course, ploughed back into the industry itself and a part is available for investment in new ventures. This significant source of capital can be readily attracted to new financing ventures by judicious adjustments in inter-corporate taxation. Ventures promoted by successful enterprises have the added advantage of claiming the confidence of the investing public and more readily attracting their savings into such enterprises. PICIC's analysis of the financial position of existing industrial enterprises indicates that a substantial portion of the capital requirements of industry could be met out of internal generations.

Commercial banks can also play an important role in industrial development. They are the most important single factor in mobilising savings and to that extent a source of provision of funds to the capital market. In addition, commercial activity helps capital formation and is the first step towards industrial development. In so far as the commercial banks finance the requirements of trade and commerce they stimulate growth of industry. Commercial banks also contribute directly to industrial development by providing working capital requirements of industry, thereby enabling quicker turnover of capital funds. In Pakistan commercial banks have played an important
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Another potent source of investment can be the insurance companies. Increasing emphasis on life insurance would increase premium income and make available sizable funds for investment in industries. As investment by insurance companies is controlled by Government in a number of countries, endeavour should be made not to place too many restrictions on investments by insurance companies in sound industrial ventures. Life insurance is becoming increasingly popular in Pakistan and Government, by raising the tax free investment allowance from 20% to 30% of personal incomes provided at least 10% is utilised for payment of life insurance premia, has given a great fillip to the insurance industry in Pakistan. To the extent that premium income is being augmented, additional capital will become available for potential investment in industries.

The promotion of investment trusts should also be given priority by underdeveloped countries. These trusts play a notable part in the provision of industrial capital. They offer an outlet for private savings through investment in the capital of the investment trusts. Not only do the investment trusts canalise a part of the savings of the
people but they promote the growth of new industries by taking initiative in investing the funds in new and growing concerns and by operating as underwriters. That is, they assist the process of both savings and investment, thereby accelerating the development of industry. In underdeveloped countries where the private investor is not conversant with investment techniques such investment trusts can play a significant role. These trusts however, will be able to achieve results only if suitable incentives are given and in this connection it seems essential that they be exempted from inter-corporate taxation. It is also essential that the management of investment trusts be independent of industrial interests so that their operations are conducted on merits. Realising the importance of this source the Government of Pakistan is at the moment actively engaged in promoting an investment trust. This trust would be controlled by private enterprise, while at the same time receiving sizable assistance from Government.

Another feature of an organized capital market is the facility available for underwriting of new capital. One form of underwriting is the placement of shares through brisk canvassing by brokers. This is possible where a well developed stock exchange exists. In addition, underwriting of capital can be handled by development banks, commercial banks, insurance companies and investment trusts or a consortium of some or all of these. The underwriting operation undertaken by these institutions not only assure capital to industry but because such underwriting is done after a scientific appraisal of the projects concerned the small public investor finds greater confidence in investing his savings in these ventures. With regard to participation
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are beginning to make investments in industrial equities and it would
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In fact the constitution of the National Bank of Pakistan is proposed
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It has been said earlier in this paper that in the case of new enterprises the investor is shy of risking his money until such time as the success of the enterprise is established. In such cases it is necessary to arrange for private subscriptions of shares. A development bank can play a useful role by participating in the equity of thoroughly appraised projects and at a later stage marketing these shares to the public. The performance of this function by a development bank is all the more important in a less developed country because of lack of specialised investment institutions. A development bank has the added advantage of not necessarily participating in the equity at the outset. It is a common practice with PICIC to give convertible loans. This practice serves in widening the capital market by converting loan capital into share capital and since a development bank invariably rotates its investments these shares eventually find their way to the market and serve to broaden it.

Another activity which a development bank can undertake is the underwriting of shares. Underwriting, I must emphasise, serves a dual purpose. It assures capital to an enterprise while at the same time it activates investment in that enterprise by the confidence that it creates in the public investor due to the association of the
development bank with the enterprise. PICIC's underwriting operations have been successful and it is the intention of PICIC to increasingly participate in underwriting operations as more and more capital floats take place in the wake of Pakistan's Second Five Year Plan.

Underwriting is a sophisticated mechanism. It requires to be specially developed so that it could answer fully to the needs of a developing economy. A development bank can take the lead in building up syndicates of underwriters. Development banks are equipped to make detailed feasibility studies of projects and once projects have been appraised and found feasible, commercial banks, insurance companies and investment trusts are generally willing to associate themselves with underwriting of their equity. That this is possible was demonstrated in a recent issue of shares in Pakistan. In fact PICIC has received enquiries from banks, insurance companies and established stock exchange brokers with regard to possibilities of their participation with PICIC in underwriting issues of sound projects. By pooling of resources, large underwriting operations, normally outside the resources of a development bank, become possible.

Consideration must also be given to regulating the stock exchanges with a view to minimising speculative activities and manipulation of prices. For the easy flow of public savings towards industrial development it is vital that the investor has a feeling of confidence and is assured that the interests of the investing public are being adequately safeguarded. Stock Exchanges are normally located in large industrial and commercial centers and in order to attract investment from those who live in the smaller towns and villages a network of facilities that would make security operations possible on a
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May 4, 1962

Dear Mr. Hatton:

Thank you very much for your kind letter of April 27, and the enclosures therein.

My plans at the present time are to arrive in Istanbul on June 3 and, I would be most appreciative of your reserving a room for me at the Hilton Hotel from June 3 through June 9. I shall write you again if my travel plans are altered in any way.

It will be a pleasure meeting you and, I am looking forward to attending the CENTO Industrial Development Banking Conference.

Sincerely yours,

H. Huesne

Mr. Charles S. Hatton
Economic Advisor
United States Economic Coordinator
For CENTO Affairs
Ankara, Turkey
April 27, 1962

Dr. Herbert Huehne
Industrial Development Banking Division
International Finance Corporation
1818 H Street, N. W.
Washington 25, D. C.

Dear Dr. Huehne:

I am delighted to hear that you will represent the IFC at the CENTO Industrial Development Banking Conference at Istanbul June 4 through June 9. The Conference will meet at the Municipal Palace just behind the old Roman Aqueduct. We have a block reservation of single rooms at the Hilton Hotel and unless I hear from you to the contrary, will reserve one for you starting June 3.

This office, as per our offer, is sending you a round trip open ticket authorization, which is to be delivered to you through Pan American Airways. You are also entitled to per diem compensation that approximates fifteen dollars per day.

In order to give you an idea of the agenda, I am enclosing two copies of the topics worked out with the CENTO region country experts. You will also find enclosed a copy of the report of last year's conference.

You will find the meetings worthwhile and I know will contribute a great deal to the success of this undertaking.

Participation last year by the IBRD (David L. Gordon and L. M. Svoboda) was greatly appreciated by bankers from the whole region.

I look forward to meeting you in June.

Cordially,

Charles S. Hatton
Economic Advisor
OUTGOING WIRE

TO: CHARLES HATTON
ACTING US ECONOMIC COORDINATOR FOR CENTO AFFAIRS
ANKARA

DATE: APRIL 25 1962
CLASS OF SERVICE: N/L

COUNTRY: TURKEY

TEXT:

REURCAB 24TH OUR LETTER 23RD ADVISES DR HERBERT HUEHNE WILL
BE OUR REPRESENTATIVE AT CENTO INDUSTRIAL DEVELOPMENT
BANKING CONFERENCE ISTANBUL

EL EMARY
CORINTFIN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME A.G. El Emary
DEPT. D.B.S.
SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CHECKED FOR DISPATCH:

ORIGINAL (File Copy)

(IMPORTANT: See guide for preparing form)
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<td>CORINTFIN MR. EL EMARY</td>
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**TEXT:**

REQUEST NAME OF OFFICER YOUR DIVISION WHO IS TO PARTICIPATE IN CENTO INDUSTRIAL DEVELOPMENT BANKING CONFERENCE ISTANBUL JUNE 4 THROUGH 9 1962 SEE EARLIER CORRESPONDANCE FOR DETAILS PARTICIPATING COUNTRIES REQUESTING WE SUPPLY NAME UPON CONFIRMATION WILL SUPPLY INVITATIONAL TRAVEL AUTHORIZATION AND PER DIEM AT THE EXPENSE OF THIS OFFICE

CHARLES HATTON ACTING US ECONOMIC COORDINATOR FOR CENTO AFFAIRS
April 23, 1962

Mr. Charles S. Hatton
Economic Advisor
United States Economic Coordinator
for CENTO Affairs
Ankara, Turkey.

Dear Mr. Hatton:

With reference to your letter of March 19 to Mr. Rosen, and to Mr. Beevor's reply of March 28 regarding our presence at the CENTO Industrial Development Banking Conference, I am glad to inform you that Dr. Herbert Huehne of the Development Bank Services Department will be able to attend the Conference as an observer.

I would like to have been able to attend the Conference myself, but owing to previous engagements, I shall be deprived of the pleasure of going to the Conference and meeting you there. However, Dr. Huehne has been dealing with the questions of development banks for the last two years. He, I am sure, will be of use and will benefit from the deliberations and discussions at the coming Conference.

Before going to Turkey, Dr. Huehne will be visiting the Thailand Development Bank and the Burma Industrial Development Bank. He will leave Washington on May 10, 1962.

I am sure that the Conference will prove to be a success. The proposed agenda is full of interesting questions and I shall look forward to reading the papers, as well as the minutes, of the discussions that will take place during the Conference meetings.

Yours very truly,

A.G. El Emary
Director
Development Bank Services

AGEE/rtY
Cleared with Mr. Rosen

cc: Messrs. Rosen, Wilson (IBRD), Mr. Hall.
April 12, 1962

Dear Mr. Mehta:

I have just returned to Washington after my most enjoyable visit to Bombay. In retrospect I feel that the Conference was a most illuminating experience and the arrangements were perfect. I should like to congratulate you most warmly on the idea, as well as on the very efficient way in which it was executed. I greatly enjoyed the opportunity of meeting you, and should like to pass on through you to Mr. Parekh, Dr. Raj and to your very capable staff my warm appreciation of their most successful effort in organizing the Conference.

With kind regards,

Yours sincerely,

A. G. El Emary
Director
Development Bank Services

Mr. G. L. Mehta
Chairman
Industrial Credit and Investment Corporation of India Ltd.
163 Backbay Reclamation
Bombay 1, India
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**Remarks**

**From**

[Signature]
OFFICE MEMORANDUM

TO: IFC Files
FROM: A.G. El Emary
DATE: April 10, 1962
SUBJECT: Comments on the Regional Conference of Development Banks in Asia.

Organization.

ICICI organized the conference. The organization was such that they did not leave anything to be desired.

Attendance.

The countries which attended the conference were: Burma, Ceylon, China, India, Iran, Iraq, Japan, Lebanon, Malaya, Nepal, Pakistan, Philippines, Syria and Turkey.

The privately owned development banks were not the only banks represented at the conference; government owned banks were also there. General development banks were represented alongside the industrial development banks.

Subjects.

The questions discussed were:

1. Role of Entrepreneurship
2. Identifying Industries for Development
3. Problems of Development Banks:
   (a) Technical Aspects of Appraising a Project
   (b) Security vs. Profitability
   (c) Problems of Financial Resources, Rates of Interest, Taxation

Different notes on one problem or another were presented to the conference by the different representatives. Summary minutes and reports, together with copies of the notes presented, will be forwarded to us.

On almost all the subjects, the representatives gave accounts of the practices used in their respective banks. There were questions asked to have some clarification on one point or another. It was a comparative study, without giving preference to one system over another, but it was useful. Certain representatives expressed interest in the experiences of the other banks.

It was worth noticing that, with the exception of Lebanon, Malaya and Philippines, the development banks were financing only those industries that were included in the government development plan and, in the cases where there was no such detailed plan, the development bank financed only those enterprises that were given licences by the planning committee.
There were also some suggestions made by the Pakistani delegate, Mr. Uquali, that aim at bringing about close collaboration between IBRD/IDA and IFC, and the development banks.

1. The Bank/IDA channel their loans through the development banks.

2. IFC study jointly with the development banks some of the big projects and invest jointly in them, either through loans or equity participation or both.

3. IFC and the development banks would go into the underwriting operations jointly.

There is nothing new in these suggestions insofar as we are concerned, but they looked new to a good number of the representatives present. I took that opportunity to make it clear that these suggestions are being considered by our institutions.

There were two other points raised in the meetings that are worth considering. They were raised by some of the state finance corporations in India and by development banks in the small countries.

1. The State Finance Corporation in India finances the small industries up to one million rupees in each case and, lately, they were allowed to go up to two million rupees. But in the majority of cases, they lend between 200,000 to 500,000 rupees (40,000 to 100,000 dollars). They usually came across the foreign currency difficulty. They propose that they would be given a loan in foreign currency (by IBRD or IDA), which they would use within certain agreed upon limits. We shall very likely come across this problem with some of the development banks in the very small countries and something may have to be done in this respect.

The Bank usually fixes an amount below which the development bank can agree to sub-lend without the prior approval of the Bank. But what is required here is something more. A revolving fund loan to be put at the disposal of the development bank in the small country that the bank can utilize for small industries, not exceeding $25,000 in foreign currency, for example, but without the full study that is required in the big projects and, sometimes, without the usual required security. The borrower's integrity and reputation are the main security in these cases.

2. The small development banks assert that they cannot hire the technicians necessary for a thorough study of the
projects applying for loans. They say that they can employ one or two engineers for general purposes, but when it comes to specialized engineers in one branch or another, they cannot, because of shortage in their means, employ such a large number of specialized engineers and technicians. They, therefore, propose that when a project is presented to them, the study of which would necessitate a specialized skill, they can apply to the international institutions to nominate the required technician and pay for his services out of a special fund. To this fund, together with the international finance institutions, the advanced countries, from whose citizens the technicians or the consultants will be drawn, may subscribe.
April 2, 1962

Mr. Eugene R. Black
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Black,

By the time this letter reaches you Mr. Rosen and Mr. El Emery may have already met you and acquainted you with the proceedings of the Regional Conference of Development Banks in Asia held in Bombay from March 29 to 31. I thought, however, that you would like to have a preliminary report on what happened. The Conference went off very well. Except for Ceylon, which was unable to attend for various reasons, practically all the private Development Banks in the arc from Turkey to Japan sent delegates. Apart from the main sessions in which we had a useful interchange of views, the panel discussions offered an opportunity for getting down to the practical problems of Development Banks.

I am grateful to you for the personal interest you have taken in this Conference from the time I mentioned the idea to you in Washington last September. It was also very kind of you to have deputed a high level delegation to represent the Bank and its affiliated institutions. The deliberations of the Conference benefited greatly from their presence, and I am sure they also found the Conference useful and their visit worthwhile.

I am sending under separate cover copy of speeches delivered by Shri P.C. Bhattacharya and myself, a copy of the programme and some clippings of press reports on the Conference.

Thanking you once again for your good wishes,

Yours sincerely,

(G.L. Mehta)
Mr. G. M. Wilson,
Director,
S. Asia & Middle East,
I.B.R.D.
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.

Dear Geoffrey:

Following are some highlights of Martin Rosen's discussions here. He will arrive in the States soon after this letter but goes immediately to New York for the meeting of the Economic and Social Council, and it may be several days before you have a chance to discuss his visit, so this will give you a preview.

I enclose a copy of his official program in Delhi. In addition to the GOI contacts listed, he met with the U.S., German, French and Japanese ambassadors and the U.K. High Commissioner and with representatives of private business interests. He addressed the luncheon session on March 25 of the annual general meeting of the Federation of Indian Chambers of Commerce and Industry. In Bombay, he met Reserve Bank and State Bank officials, Tatas and other private parties, and attended the inauguration of the Development Bank's conference sponsored by ICICI. He left for Calcutta this morning.

His discussions have been exploratory and primarily concern the general framework of IFC operation in India; discussions of specific projects are being held mainly by Mr. von Hoffmann, who preceded Rosen and will stay on after he leaves. The burden of Rosen's message was that IFC hopes to find it possible to make a larger contribution in India in the future, now that it is able to invest in equity shares; that the
Dear Mr. Wilson,

I am writing to convey the highlights of our recent discussions.

Following the meeting of the Board of Directors of the International Bank for Reconstruction and Development held at the Bank's headquarters in Washington, D.C., the following points were noted:

1. Over the last few months, the Bank has made significant progress in implementing its strategy to support developing countries. The Bank has approved several new projects, totaling $5 billion, which will allocate funds to sustain economic development in South Asia and Eastern Europe.

2. The Bank's standing committee on economic development has recommended that the Bank increase its lending to developing countries by 25% in the next fiscal year.

3. The Bank's management has agreed to establish a new division to focus on environmental sustainability, which will be headed by Mr. Johnson.

I am sending you a copy of our official program in support of these initiatives. Please feel free to call me if you have any questions or need further information.

Yours sincerely,

[Signature]

Bank of America

[Date]
direct contribution IFC can make, however, in terms of covering the foreign exchange costs of specific industrial projects is quite limited - with total uncommitted resources at present of $60 Million, IFC's own investments in India could be only marginal importance in view of India's needs: that IFC's assistance in other ways could probably be much more important, such as arranging transactions which would bring private financial investors into India along with IFC, and possibly eventual assistance to some better-known Indian concerns in selling securities in foreign markets.

In general he tried to get the Indians to raise their rates from the present exclusive pre-occupation with the industrial investor who participates in joint ventures for specific projects, and to think instead about the possibilities of attracting the financial investor, who represents the major untapped source of funds for India. This would take time and effort, and may perhaps be impossible in the near future, but it seems to be the direction in which India should move. The financial investor in most cases would not be interested in fixed interest securities, but would want a chance, either through equity or perhaps convertible debentures, to share in the growth of the concern. This might require changes in the tax structure, and would certainly require complete freedom for the investor to get out as easily as he comes in. Rosen cited the successes of Italy and, more recently, Japan in attracting private financial capital, which has made a major contribution to solving the payments problems of those countries.

The Indian reaction to this ranged from keen interest on the part of perceptive officials like L. K. Jha, to open suspicion of the foreign financial investor on the part of the Industries Minister. Most of the people whose reactions I heard, including the private businessmen, could think of little else beside how much money IFC might give for specific projects. Much more missionary work, even after Marty's highly persuasive presentations, will have to be done. (Marty's suggestions on the usefulness of raising interest rates to levels more nearly reflecting the productivity and scarcity of capital also fell on largely un receptive ears.)

As to the nature of IFC's direct operations, Marty explained that IFC would usually insist on an equity feature, perhaps equity-plus-loan or, where desirable, convertible bonds; that any straight loan portion could not be expected to be made available at less than 7%; that joint operations with ICICI and also with the Industrial Finance Corporation could be probably be arranged in appropriate cases; and that IFC could probably assist in underwriting new issues in India, though at present, with equity so easy to raise in the Indian market, this does not seem a pressing need.
Mr. Mathrani was considerably cheered by Marty's indication that he is willing to consider some joint operations with the Industrial Finance Corporation. Mathrani wanted a line of credit, of course, but what Marty is willing to consider is the use of IFC India as a conduit for investments, like the Japan Development Bank procedures, with IFC/Washington establishing a direct relationship with the borrower and carrying out its own project appraisal as necessary in addition to IFC/India's appraisal.

L. K. Jha asked for a letter on the above points, which Marty said he could send only after talking with the IFC Board and with the people in the Bank - though he agreed to get Jha's reaction on some portions of the letter in draft before he, or at least before von Hoffmann, leaves India.

With best regards,

Sincerely yours,

(Stokes M. Tolbert)

Enc:

Copy to Mr. Rosen at Grand Hotel, Calcutta, India.
Programme of engagements in Delhi
Fix ed for Mr. M.M. Rosen, Executive Vice President of the International Finance Corporation, Washington.

March 1962:

Tue 20
07.05 Arrive by BOAC 718
15.00 Meeting with the Economic Secretary - (Shri L.K. Jha) - Room 128, North Block.
17.00 Call on the Finance Minister in Parliament House.

Wed 21
16.00 Call on the Minister for Industry (Shri Manubhai Shah) at his residence, 12 Tughlak Road.
20.15 Dinner by Chairman, Industrial Finance Corporation (Shri K.P. Mathrani) at Hyderabad House.

Thu 22 Holiday - Holi.

Fri 23
09.30 Meeting with Secretary, Commerce & Industry (Shri S. Ranganathan) and S/s T. Swaminathan, R.V. Subrahmanian and V.K. Ramaswami.
11.30 Meeting with the Controller of Capital Issues (Shri M.K. Venkatachalam) Room 6, Bombay Mutual Building.
15.00 Meeting with the Chairman, Industrial Finance Corporation (Shri K.P. Mathrani) - II floor, Reserve Bank Building.
20.30 Dinner by the Economic Secretary at Ashoka Hotel.

Sat 24
10.00 Meeting with Joint Secretary, Economic Affairs Department (Shri Y.T. Shah) and Shri V.K. Ramaswami, Room 123-C, North Block.
11.30 Meeting with the Secretary, Iron & Steel (Shri N.N. Wanchoo), Room 193, Udyog Bhavan.
15.00 Meeting with the Economic Secretary (Shri L.K. Jha), Room 128, North Block.
16.30 Meeting with the Secretary, Company Law Administration (Shri D.L. Mazumdar), Reserve Bank Building.

Returned to US in April 41.
OFFICE MEMORANDUM

TO: Files
FROM: C. H. Davies
DATE: March 30, 1962

SUBJECT: Dr. Haus' Question on Private Development Banks

1. At the March 15 IFC Board Meeting Dr. Haus, apropos of the Venezuelan private development bank project (paragraph 10 of February Status Report), and remarking that development plans must normally be made and carried out by governments, asked:

   (a) Whether development banks must be profitable institutions.

   (b) Whether private development banks can provide satisfactory assistance in the execution of governmental development plans.

2. Mr. Rosen, in reply, asked Dr. Haus whether he could wait until Dr. El Emary, who had only just joined IFC and would be attending the ICICI development bank conference in India at the end of the month, could make a presentation to the Board at the "next" meeting.

3. At the March 29 Board Meeting Dr. Haus reminded the Chairman of his questions. Mr. Beevor said that he hoped Mr. Haus could wait until the next meeting, when Mr. Rosen and Dr. El Emary would be back.

CC: Messrs. Beevor, Mendels, El Emary (on return).
With the Compliments of

G. L. MEHTA

The Industrial Credit and Investment Corporation of India Ltd.

BOMBAY 1.
The moving spirit behind the Conference of Asian Development Banks, which opens in Bombay today, is Mr. G. L. Mehta, one of India’s best known public men. He is at present Chairman of the Industrial Credit and Investment Corporation.

Under the able guidance of Mr. Mehta, the ICICI has developed over the last few years into one of the leading financial institutions in the country with a high reputation for sound financial practices, many of them evolved by itself. The importance which the ICICI attaches to its seminal influence on industrial development in general and industrial finance in particular is not a little due to the vision of its Chairman.

With his varied abilities and wide experience, Mr. Mehta is able to guide the institutions under his control, and mould them in such a manner that their effectiveness is increased several fold. Yet, Mr. Mehta is always quick to give credit to the men under his control. In speaking of the ICICI, for instance, with a style that has every justification, Mr. Mehta repeatedly emphasizes the important part played in the building up of the institution by a team of fine workers for each of whom he has a good word.

The Government of India has not been slow to recognize the value of a man of Mr. Mehta’s abilities to the country. This is seen in the large number of offices he holds today. He is Chairman of the Capital Issues Control Advisory Committee, the Indian Shipping Board, in Hindustan Shipyard and also of the newly formed Indian Investment Centre. It will be remem...

...hers that Mr. Mehta was appointed Chairman of the Third Finance Commission, and that he withdrew at the last moment when he felt that ill-health might prevent him from devoting the necessary attention to the job.

The chairmanship of the Indian Finance Commission would, however, have rested lightly on Mr. Mehta’s shoulders. The variety of positions he has held at different times during his career makes it almost impossible to do full justice to him within the compass of a few hundred words. How can one cover so briefly the career of a man who has been President of the Federation of Indian Chambers of Commerce and Industry, member of the Constituent Assembly, President of the Indian Tariff Board, member of the Planning Commission and Indian Ambassador to the United States? Yet in listing these positions one would still have made no reference to the various Indian delegations to international conferences of which he was a member from time to time or to the 22 long years of his association with the Scindia Steam Navigation Company. Whipple was President of the Indian Chamber of Commerce or Commissioner for the Port of Calcutta. Mr. Mehta has played his role with equal distinction and ability. In every, single case, he has succeeded in getting the job done and getting it done well.

If all this gives the impression of a man with tremendous drive and capacity to get things through, it would be entirely right; yet it would describe just one facet of Mr. Mehta’s personality. Another striking aspect is his ability to get on with people. Wherever he has gone, he has made friends. These qualities stood him in good stead when he was Indian Ambassador to the United States. He made friends not only for himself but also for India. A measure of his success in Washington was the testimonial dinner given to him prior to his departure from the United States. This dinner, first ever given to a foreigner in the U.S. capital, was sponsored by a national committee of leading American citizens, including Congressmen, politicians, administrators and business and labour leaders of all schools of thought in his ambassadorial assignment. Mr. Mehta did much useful work, particularly in connection with the negotiations for American aid for India’s Second Five-Year Plan. He was, in fact, persuaded to stay on for a further period, when he was about to return to India in 1956 because these negotiations had to be carried out and aid for the Indian Plan obtained. He agreed to stay because there was a job to be done—an attitude of mind which has always determined his actions.

Even now, Mr. Mehta takes a deep interest in international affairs. His articles have been published in such eminent journals as the Atlantic Monthly, Foreign Affairs and the Saturday Review. One is interested to find that in the midst of multifarious activities, Mr. Mehta has always found time for literary pursuits. He has written much both in English and in Gujarati—though not always in his usual vein. Only a powerful, talented and forceful personality could have made such significant contributions to so many different aspects of Indian life.
Institutional Character Essential For Industry’s Success, Says G. L. Mehta

By A Staff Reporter

BOMBAY, March 28.

The industrial organisations in India cannot succeed unless they shed their proprietary nature and assumes an institutional character, Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India Ltd., said here today.

Mr. Mehta, who was the chief guest at the annual dinner meeting of the Bombay Management Association, stated in the light of growing trends of complex industrial structure, both in India and elsewhere in the world, the trained personnel had come to play a nucleus role.

Mr. Mehta emphasised that vertical mobility needs to be introduced in the industrial structure of the country, whether private or public. The chief mobility is nepotism and it should be removed for gaining up efficiency.

Not only the evil of over-centralisation should be got rid of by the delegation of authority at various levels but the relations between the superiors and subordinates required to be developed on the basis of comradeship, he said.

The important goal before the management movement was to imbibe a right-type of attitude in the minds of personnel at the higher echelons of industrial organisations which would enable them to work with their subordinates in a team spirit, with a sense of self-discipline for striving towards attaining common objectives.

Welcoming Mr. Mehta, Dr. K. S. Basu, president of the Association, traced the origin of the management movement in India.

Mr. N. S. Podchbanwala, Vice President, proposed a vote of thanks.

The office-bearers of the Association
Asian Development Banks' Meet Begins Today

By A Staff Reporter

BOMBAY, March 28.--Delegates from development banks of 13 Asian countries, and international credit institutions, Reserve Bank of India and the Government of India will attend the Regional Conference of Development Banks in Asia which begins its three-day session here tomorrow.

Mr. P. C. Bhattacharyya, Governor of the Reserve Bank of India, will inaugurate the conference which has been sponsored by the Industrial Credit and Investment Corporation of India.

Mr. G. S. Mehta, Chairman of the ICICI, during his visit to the U.S. in September last, discussed with the World Bank the proposal for holding such a conference in India, which it welcomed. Delegates of development banks of members-countries of the World Bank will now attend the meeting.

Mr. Mehta, who is to preside over the conference, told pressmen today that the conference would enable an interchange of ideas on problems common to development banks in Asia.

The conference will discuss on Friday "The Role of Entrepreneurship in Economic Development" and "Identifying Industries for Development." It will also discuss the technical aspects of appraising a project for financial assistance by a development bank.

On Saturday, the conference will discuss broader issues like the relative role of security and profitability in determining assistance to a project, the problems of financial resources and proper balance between debt and equity for a development bank, the extent of spread between the borrowing and lending rates of a development bank and the tax treatment of development banks. The concluding session of the conference will be held on Saturday afternoon and Mr. B. S. Berve, Minister of Maharashtra, will address the session.

Mr. Martin M. Rosen, Executive Vice-President and Mr. Faddispat Von Hoffman, Investment Officer, International Finance Corporation, will attend the first two sessions of the conference.

Besides India, delegates from development banks of the following countries are attending the conference: Burma, Ceylon, Taiwan, Iran, Iraq, Lebanon, Malaysia, Nepal, Pakistan, Philippines, Syria and Turkey. Japan and Indonesia will be represented by observer delegates.

The Indian delegation would consist of Mr. D. R. Mudholkar, General Manager, and Mr. Baldev Pawar, Manager, T.F.C., Mr. R. N. Pochkhamwala, Managing Director, Bombay State Financial Corporation, Mr. S. Rajaratnam, Secretary, The Madras Industrial Investment Corporation, and Mr. M. R. Adikari, Managing Director, West Bengal Financial Corporation. The ICICI delegation will consist of Mr. H. T. Parekh, General Manager, Mr. J. S. Raj, Deputy General Manager, Mr. C. Doshmal, Secretary, and Chief Accountant and Mr. S. S. Mehta, Technical Adviser.
Development Banks in Asia

DISCUSSION ON AID PROBLEMS

By A Staff Reporter

Delegates from the development banks of the thirteen Asian countries and fraternal delegates from international credit institutions, Reserve Bank of India and the Government of India will meet in Bombay on Thursday for a three-day session.

Mr. P. C. Bhattacharyya, Governor of the Reserve Bank of India will inaugurate the Regional Conference which has been sponsored by the Industrial Credit and Investment Corporation of India.

Mr. G. L. Mehta, Chairman of the I.C.I.C.I., during his visit to the USA in September last year, discussed with the World Bank the proposal for holding such a conference in India.

The World Bank welcomed the proposal and delegates of development banks from countries which are members of the World Bank are attending the meeting.

Mr. Mehta who will preside over the conference told pressmen that the Conference would enable an interchange of ideas on problems common to development banks in Asia.

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The concluding session of the Conference will be held on Saturday afternoon and Mr. S. G. Bhave, Finance Minister of Maharashtra, will address the session.
DEVELOPMENT BANKS CONFERENCE

Credit-Worthiness Must Guide Lending Policy, Says RBI Governor

By A Staff Reporter

BOMBAY, March 29.

The problem of selecting industrial projects for allocating the limited financial resources of development banks of Asia was highlighted at the first Regional Conference of Development Banks in Asia, which commenced its three-day session in Bombay today.

Inaugurating the conference, Mr. P. C. Bhattacharyya, Governor of the Reserve Bank, said that the prevailing over-emphasis on security against loans should be corrected in favour of an adequate assessment of the "earning potential" for determining the credit-worthiness of a project.

The sponsor of the conference, Mr. G. L. Mehta, the ICICI Chairman, said that the requirements of capital in developing countries exceed their internal availability.

He added that such imbalance reflects equally the nature of under-development of the Asian nations, the scope for international co-operation and the need to select "viable projects" for allocation of resources.

The role of the Government and the Reserve Bank in sponsoring and aiding the establishment of development banks for financing industry in India was highlighted by Mr. Bhattacharyya and Mr. Mehta. They emphasised the special role of the World Bank and its affiliates in providing an increasing measure of assistance to such banks.

IMPORTANT CATALYSTS

Mr. A. El Emary, Director of the Development Bank Services Department of the International Finance Corporation, said that development banks were established in the post-war period as "important catalysts of development" and the World Bank and its affiliates have entrusted the International Finance Corporation with the job of looking after them.

Mr. Bhattacharyya said that the appraisal of a project was the most comprehensive of lender's tasks, involving an assessment of such factors as managerial competence of a borrower, technical feasibility of a project, marketability of manufacturers, and financial appraisal.

He said: "I hope that the endeavours will contribute to evolving techniques of appraisal suitable to Asian countries-so that security considera-
The Governor of the Reserve Bank, Mr. P. C. Bhattacharyya, inaugurating the Regional Conference of Development Banks in Asia on Thursday. Seated on the dais (from left) are: Mr. Martin Rosen, Executive Vice-President of the International Finance Corporation, Mr. Soe Nyun, Chairman of the Industrial Bank of Burma, Mr. G. L. Mehta, Chairman of the Conference, Mr. A. El Emamy, Director of International Development Bank Services Department of the International Finance Corporation, Mr. R. C. Dodiyal, Secretary and Chief Accountant of ICICI, and Mr. W. W. Russel of the Commonwealth Development Finance Company.

**DEVELOPMENT BANKS CONFERENCE**

Continued from Page 1, Col. 4

and the cost of borrowing by the development banks determined the profitability of their operations.

In most developing countries, development banks lend at low interest in consonance with the low profitability of the borrowing concerns and, therefore, they extended their activity to underwriting capital issues and purchasing shares.

**LIMIT TO LENDING**

Mr. Mehta said that the ratio between owned and borrowed funds of a development bank varied with the soundness of its lending operations. Even so, there was a limit to the size of lending operations and the earnings of a development bank and tax concessions such as those prevailing in Pakistan should prove helpful.

Mr. Soe Nyun, Chairman of the Industrial Development Bank of Burma, said that the IDB was set up only six months ago, and he was relying on friendly assistance—financial, technical and managerial—to get over the Bank's teething troubles.

Mr. Wilfred Russel of the Commonwealth Development Finance Company Ltd, proposed a vote of thanks.

**PROBLEMS DISCUSSED**

At the afternoon session, delegates from 13 out of the 15 invited nations exchanged ideas on the problems of development banking.

Delegates stated that there is an overall shortage of capital resources—in terms of internal currency and foreign exchange—the capital markets in most countries are underdeveloped and industrialists had to be offered loans at low rates of interest.

The World Bank, and other international and foreign agencies have been helpful in providing the development banks with foreign exchange resources.

The development banks rely heavily on the Government for external resources and are handicapped by a shortage of technical and managerial personnel.

**CAPITAL ISSUES**

Development banks in many countries have made it their aim to foster the development of capital markets by encouraging public limited companies to make capital issues to the public.

The development banks underwrite such issues and tie the quantum of their loan assistance to a proportion of capital raised from the public. A major difficulty in many countries is the absence of an entrepreneurial class and the development banks offer loans at interest rates below the prevailing in the market in order to encourage the development of industries in the private sector. Such incentive-interest rates yield the banks little income and increase their dependence on the Government for finance.

Delegates suggested that there should be a free flow of technical and managerial personnel to the less developed countries on a larger scale than has been organised by the World Bank.

All delegates felt that a development banks' conference is useful for promoting an exchange of ideas and should therefore, be held annually.

Another suggestion was that Asian development banks should exchange operational reports and industry studies.
ROLE OF DEVELOPMENT BANKS IN ECONOMIC GROWTH

R.B.I. Governor On Basic Similarities in Asia

By A Staff Reporter

BOMBAY, March 29: The vital role of the development banks in promoting economic growth of developing countries was emphasized by Shri B. R. A. Guv, Governor of the Reserve Bank of India, on the occasion of the Conference of Development Banks in Asia which began its three-day session here today.

Dr. Guv, in his address, said that there was no doubt to be in consonance with prevailing conditions and trends of thought from country to country. Differences existed in degree of commercialization of their capital market. In most under-developed countries, it might be necessary to offer loans on fairly simple terms.

Mr. Mehta said that the terms which a development bank was able to offer also determined at once the resources it was able to raise, its profitability and the strengthening of its own position in the eyes of many countries. Governing bodies of countries needed to see that a development bank had the assurance that the funds would be channelled into projects which were both viable and suitable for sustainable development.

He said that a development bank which was able to function as a member of a financial community must be able to channel its resources to the projects which gave the best returns, and could also help in developing countries.
Asian Banks Move for Pooling Ideas

Development Problems of Region for Study

By A Staff Reporter

Bombay, March 29:—The Regional Conference of Development Banks in Asia which began its three-day session here today devoted itself to a discussion on the problems of development banks in Asia and their contribution to the economic progress of their respective countries.

The Conference, first of its kind, was inaugurated in the morning by the Governor of the Reserve Bank, Mr. P. C. Bhattacharyya. Besides Mr. Martin Rosen, executive vice-president of the International Finance Corporation, delegates from Burma, Taiwan, Iran, Iraq, Japan, Malaya, Nepal, Pakistan, Syria, Turkey and India spoke at the afternoon session which was presided over by the Chairman of the Industrial Credit and Investment Corporation of India, Mr. G. L. Mehta, who is Chairman of the Conference.

The afternoon's discussions are understood to have disclosed that the development of local capital markets was one of the major functions of the banks. This helped not only the growth of the banks themselves but broadened the sources of funds for industry.

The delegates are said to have agreed on the vast scope for interchange of ideas. The system is new to the region, the ages of the banks vary from six months in the case of Burma to 18 years for Iran. The A.C.I.C.I., first of its kind in the region, was established in 1948.

The banks' lack of resources, major difficulty, is made up by fund Governments as well as the World Bank and allied organisations. The other big difficulty is the lack of skilled personnel who have to be sought for in advanced countries.

The rate of interest charged by the banks varies from 4 per cent to 9 per cent, but as a promotional measure some banks charge interest lower than obtaining in the capital market.

The delegates are understood to have welcomed the idea of holding the Conference and to have suggested periodical meetings for exchange of information in the light of individual experience.

Mr. P. C. Bhattacharyya told the morning's inaugural session that the Conference represented a further step in the process of fostering mutual discussion of problems germane to development banks. Mr. G. L. Mehta, in his welcome speech, referred to the wider role of development banks in Asian economy.
Technical Appraisal Of Projects Before Aid Vital

BHA TTACHARYYA SETS TASK BEFORE ‘ENGINES OF GROWTH’

By A Staff Reporter

A PROPER appraisal of projects from the technical point of view before rendering financial assistance was the most important task of development banks, said Mr. P. C. Bhattacharyya, Governor of the Reserve Bank, in Bombay on Thursday.

He was inaugurating the first regional conference of development banks in Asia sponsored by ICICI.

The appraisal of loan applications had many facets such as the assessment of managerial competence, economic prospects of the borrower’s products, technical feasibility of the project and financial scrutiny. A balance had to be maintained between the development criterion and the criterion of commercial profitability while selecting projects for financial assistance. Thus the question of “identification of projects” had to be tackled, he added.

While commercial banking had a fairly long history in most of the countries in Asia, investment or development banking was a comparatively new form of activity, Mr. Bhattacharyya said. The Governments had, therefore, to take the initiative in the establishment of development banks.

A large part of the credit for this was due to the pioneering role of the World Bank which had collaborated with the Governments concerned in establishing a number of development banks in Asia, he averred.

Welcoming Mr. Bhattacharyya and the delegates to the conference, Mr. G. L. Mehta, chairman of ICICI, said that a development bank should not become “stereotyped” but should have improving perspectives. In the post-war era, development banks had to be accepted as a chosen instrument for initiating development in addition to providing capital and skills for such development. However, each country had to evolve its own pattern in accordance with its conditions and needs, he observed.

Development banks could make a valuable contribution in finding adequate resources for development and making the most effective use of them.

Mr. Morarji Desai, the Union Finance Minister, in a message to the conference, said that development banks were vital to the Asian countries that were trying to compress into the span of a few years what had taken decades to achieve elsewhere.

Mr. Soe Nyun, chairman of the Industrial Development Bank, Burma, and Mr. A. El Emary, of the International Finance Corporation, also spoke.

Mr. W. W. Russell, of the Commonwealth Development Finance Company, U.K., proposed a vote of thanks.

SHORTAGE OF FUNDS

The discussion during the full session of the conference revealed that development banking was new to the region and that the scope for interchange of experience was very great. However, in the working of the corporations, many delegates felt that they were hampered by a shortage of funds and dearth of skilled personnel. The lack of financial resources was being filled by recourse to Government funds and funds from international and national agencies. Because of the lack of personnel, many development banks had to recruit top personnel from advanced countries or had to ask international agencies for lending them such personnel.

In some ways a development bank was an expression of a mixed economy. It could combine the best of both the public and private sectors—a sense of service and an emphasis on public interests along with initiative and enterprise, i.e., profitability harnessed to economic growth. However, it should be autonomous, i.e., free from Government interference as well as pressures of powerful private interests, Mr. Mehta said.

In most under-developed countries, development banks should offer finance on fairly easy terms, he observed.

A development bank, in a sense, ensured planning at the project level, Mr. Mehta remarked. It not only provided finance but sought to instil discipline in the promoters by insisting on the financial soundness of the projects.
Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India, addressing the inaugural session of the Regional Conference of Development Banks in Asia held in Bombay on Thursday.

Seated from left to right are: Mr. Soe Nyun, Chairman, the Industrial Development Bank of Burma, and Mr. P. C. Bhattacharyya, Governor of the Reserve Bank of India. Seated behind is Mr. R. C. Doodhmal, Secretary of the ICICI.

Indian Express
30-1-62

SETTING PACE OF INDUSTRIAL ADVANCEMENT IN ASIA

Bhattacharyya Elucidates Functions Of Development Banks

By A Staff Reporter

THE three-day Regional Conference of Development Banks in Asia was inaugurated by Mr. P. C. Bhattacharyya, Governor of the Reserve Bank of India, in Bombay on Thursday.

Mr. Bhattacharyya struck an optimistic note that the conference would devise ways and means to enhance the usefulness of the development banks in accelerating the industrial growth of Asian countries on a sound and enduring basis.

The object of the conference, sponsored by the Industrial Credit and Investment Corporation of India, is to enable interchange of ideas on problems common to development banks in Asia.

Mr. Bhattacharyya, tracing the origins of development banking, said that the credit for this was due to the pioneering role of the International Bank for Reconstruction and Development, which collaborated with the Governments concerned in establishing a number of such banks in Asia.

RESERVE BANK'S ROLE

Dealing with the various aspects of the working of the development banks, he said that the financial appraisal of a project was the most important task of the lender's bank. He hoped that the conference would contribute to evolving techniques of appraisal suitable for application in the participating countries.

He said that the role played by the Governments vis-à-vis development banks in Asian countries was much more comprehensive than was the case with similar institutions in the industrially-advanced countries of the West.

NURSING THE BANKS

In addition to taking its initiative in establishing such banks, the Governments of Asian countries, he said, had to show such institutions during the early period of growth until they attained financial viability. Hence, notwithstanding the diversities in political, economic and social environments of several Asian countries, there were certain basic similarities in the functions and organisations of these banks in Asia.

Mr. Bhattacharyya said that deliberations on the vexed question of "identification of projects" for receiving financial assistance from among schemes which had been accorded priority would be watched by him with great interest.

Ernst, welcoming the Governor and other guests Mr. G. L. Mehta, Chairman of the ICICI, said, that a development bank does not only provide finance but seeks to inculcate discipline in the promoters and by insisting on standards, brings into being projects which are sound financially.

By carrying out an independent examination of a project, it ensured the viability of an enterprise.

MIXED ECONOMY FEATURE

"This are by-products of the operations of a development bank which are equally important to a developing economy. A developing bank ensures planning at the project level," he said.

Stating that the conference was the first of its kind in India, Mr. Mehta said that the deliberations would prove useful in enabling the participants to understand the working of development banks and bring about financial discipline and continuity.

Mr. Mehta added that in some ways, a development bank was an expression of a mixed economy.

It could combine the best of both public and private enterprise, he said.

Mr. Mehta said that any critical comments or proposals of the conference should be made to the Reserve Bank of India which would take them into consideration.

In reply, Mr. Soe Nyun, chairman of the Industrial Development Bank of Burma, expressed the hope that such conferences would benefit the participating countries in knowing the managerial and technical aspects of industries better.

Mr. A. G. El Emamy, Director of the Industrial Development Bank Services Department, International Finance Corporation, associated himself with the sentiments expressed earlier by Mr. G. L. Mehta.

MESSAGES received from Mr. Morarji Desai, Union Finance Minister, and Mr. Eugene Black, President of the World Bank, were read by Mr. Mehta.

Mr. Desai in his message said that the deliberations of the conference would be extremely fruitful.

When the representatives were back in their respective countries, they would be able to help and sustain industrial development there with increased vigour and richer expertise.

I wish the conference all success," Mr. Desai said.

Mr. Black in his telegram said:

"I take this opportunity of wishing the conference all success and shall look forward to receiving a full report of its proceedings.

Mr. S. W. Russel of the Commonwealth Development Finance Company proposed a vote of thanks.

Mr. Pravinchandra V. Gandhi, President of the Indian Chamber of Commerce, held a reception in the evening in honour of the delegates to the conference, at the Chamber premises.

M. S. C.
Development Banks

The creed of planned economic development which has had such a powerful sway over many countries in the Asian region, more particularly India, has brought in its wake a multiplicity of specialised institutions functioning as purveyors of development finance. Although the economic pattern of the various countries in this region differs widely, the problems posed by economic development are basically identical. The ECAFE, the Colombo Plan and several other agencies have provided a forum in the past for the discussion of Asian problems from a certain "domestic" angle, but there is a limit beyond which specific technical problems of common Asian interest cannot be brought before these institutions.

It is largely against this background that the Regional Conference of Development Banks in Asia sponsored by Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India, Ltd., and inaugurated by Mr. P. C. Bhattacharyya, Governor of the Reserve Bank, has to be welcomed as a timely effort in fostering the idea of Asian cooperation. Many of the development banks represent in a measure domestic projections of the kind that agencies such as the World Bank, the I.D.A. and the International Finance Corporation have been on an international plane. Although some of these domestic agencies are partly financed with international aid, their resources are basically national in character. More than that, the administration and operations of the development banks have been basically secular in character though a substantial part of their resources has been provided by the State.

The contribution that development banks can make to the reservoir of finance and skills in the West is, of course, marginal; but in the case of developing countries some of which do not even possess the type of capital market we have, for instance, in India today, development banks with their expertise and detached outlook can exert a significant influence on the pace and pattern of their industrial growth. In this context, Mr. Mehta's appeal that development banks should be autonomous—free from governmental interference as well as pressures of powerful private interests—will meet with all-round support.

At the same time, all development banks have the basic responsibility to ensure that they assist industrial advancement only along sound lines consistent with the general dearth of funds and the diverse claims on the available finance. The assistance also needs to be made available on reasonable terms. These are broad aspects regarding which the development banks in the various Asian countries will necessarily see eye to eye with one another, but it is on the technical appraisal of projects before assistance is rendered on which Mr. Bhattacharyya rightly laid so much emphasis, that the approach is likely to differ widely. In Ceylon, for instance, the bias in lending policy is towards ventures having a high degree of profitability. In Japan, on the other hand, there is no similar emphasis on profitability although the bank is expected to satisfy itself that the loan has a reasonable prospect of being repaid. This difference in approach may partly reflect the different phases of economic growth in the two countries, but it is evident that there are wide divergences even in the methods of assessing the financial viability of industrial projects, the terms of the loans and methods of repayment. A pooling of the knowledge and experience of the various development banks will undoubtedly help to widen the scope of their operations and improve their efficiency.

The time-consuming formalities associated with loans from financial institutions in India have been a matter of adverse comment, and it will be useful to examine them to find how our performance compares with that of others. It also needs to be emphasised that despite the wholesome influence of development banks, their overall contribution to industrial development is still relatively small. For instance, the net addition to the supply of funds of the industrial sector in India by the I.F.C., the I.C.I.C.I. and the State Finance Corporations was only of the order of Rs. 12 crores against the estimated total capital formation in the corporate sector of Rs. 260 crores during 1960-61. The conference also needs to examine whether the administrative expenses of some of these institutions cannot be lowered to accord more closely with the limited area and range of their operations.
Asian Promoters Of Investment Exchange Views On Problems Of Development

By A Staff Reporter

BOMBAY, March 30.

Asian development bankers were today split on the relative merits of technical assessment of a project.

At the second round of the three-day Regional Conference of Development Bankers in Asia, a difference of opinion emerged on the score for assessing the technical merits of a project, because of the absence of reliable statistical data needed for such assessment.

It was difficult to project demand and many delegates, therefore, suggested that the ‘judgement’ of a development bank was more crucial than technical assessment.

On the other hand, it was conceded that such judgement formed the basis of commercial bank credit, but a development bank, being a lender of long-term capital should rely more on a technical assessment of the factors that go to make an industry successful.

The difference of opinion actually reflected the different stages of economic development reached by the developing nations.

While in most Asian countries private enterprise was initiated by foreign capital—the emergent national private sector is a post-war development—in many countries entrepreneurs are still shy of investing in large scale industry.

Entrepreneurs generally come from the trading and landlord classes—the professional classes are reticent—who being used to high wartime profits, expect to get-rich quick by establishing industries.

Such an attitude leads to the establishment of ‘imitative’ industries—that is, an industry in which some one has made large profits.

In order to promote entrepreneurship, development banks have to guide the private sector in selecting the industries and examining their technical and financial viability.

In this task, development banks are aided if the Government clearly demonstrates the field in which the entrepreneur will be free, lays down the industrial priorities, sets targets of production, industry-by-industry and has an industrial licensing policy.

In some Asian countries—as in Formosa and Pakistan—development banks have actually extended their activity to the establishment of new industries. This move is designed to initiate private industrial investment by setting an example and develop the capital market by setting the shares of the successful industries.

In most countries, the Government is a major investor in industry—for establishing the social overheads and ensuring internal availability of capital goods. Development banks operate in collaboration with the Government in many countries.

Development banks face two difficulties in giving capital to new entrepreneurs who have no background of managing industry. It is difficult to give them a credit-rating and assess the value of plant and equipment quoted by them. The second problem emerges from a tendency to influence the value in order to build up foreign balances abroad.

A development bank may obtain quotations from alternative sources, but they may not be strictly comparable because of the reputation of the supplier and the alterations services offered, the nature of a turn-key contract.

An interesting point that was noted at today’s discussions was that Lebanese capital was establishing new industries in many Middle East countries.

Another was that in some countries the development banks are empowered to advise the Government to sanction import licence for a project.

The representatives of the foreign credit agencies highlighted the fact that they were extending credit to development banks at relatively low interest—as compared with the rates prevailing in the home countries—in order to foster their growth in Asia.

Such institutions prefer to lend against the guarantee of a bank than a mortgage of property, because their operations extend to nations with diverse economic conditions and legal practices.

The foreign agencies prefer to participate in the activities of Asian development banks because such participation achieves a better co-ordination of assessment and channelling of funds into desirable sectors of industry.

Because the scale of operation and the stage of development of many Asian development banks do not justify the maintenance of sufficient technical staff on their own, the international and European credit agencies has established a complement of experts and undertake to supply their services.
Lower Rates On Loans To Under-developed Nations

LENDING AGENCIES WANT LINK WITH DEVELOPMENT BANKS

By A Staff Reporter

BOMBAY, March 30:—The rates of interest charged by the foreign lending agencies for the under-developed nations were lower than those in the home countries of the agencies, it was disclosed at the Regional Conference of Development Banks in Asia, here today.

Another point that emerged from the discussion at the conference was that because of the problems involved in operating from long distances, the international and the foreign lending agencies preferred to foster development banks through which they sought to channelise the funds. Therefore, the agencies had come forward to give loans and technical advice to such development banks.

Both the International Finance Corporation and the Commonwealth Development Finance Company had set up special departments to provide advisory services.

The delegates felt that it would be fruitful to discuss the relationship between the development banks and foreign lending agencies which gave loans.

Representatives of the agencies told the conference that when their operations extended to many countries, they became involved with the economic and legal framework prevailing in those countries. This was one reason why they preferred to obtain a guarantee for loans extended by them instead of mortgage.

The session, presided over by Mr. G. L. Mita, was addressed by Mr. Swain Sherwood (local representative of the Export-Import Bank, Washington), Mr. Erich Schmidt (Deutsche Kreditanstalt fur Wiederaufbau), Mr. W. W. Russell (Commonwealth Development Finance Co., U.K.), Mr. K. C. Bank (Reserve Bank of India), Mr. P. C. Malhotra (State Bank of India), Mr. Anand Castro (Development Bank of Philippines) and Mr. H. T. Parekh (ICCH).

Discussing the machinery quotations, some development banks pointed out that they depended on past experience and the norms followed on this basis to see that there was no inflation in cost. They also required competitive quotations being obtained.

However, caution was expressed that a quotation had to be examined carefully, for a quotation, where different parts of a plant were obtained from many sources, might be lower than in the case of a turnkey job or in a case where the supplier also provided technical services or know-how. A quotation also depended upon the reputation of the supplying firm and the length of delivery periods quoted. Moreover, an existing enterprise might prefer to obtain additional plant from its old suppliers and a competitive quotation might not be possible in such a case.

An important issue raised at the discussion was the lack of technical personnel to carry out scientific appraisal of the projects. Many development banks in small countries, that in view of the scale of their operations and the size of the countries, they could not afford to keep a large staff versatile to deal with all the kinds of industries that sought financial assistance from them. Some banks followed the system of leasing technical personnel on their staff while others had advisory committees.

There was detailed discussion on the question whether the development banks should have a technical appraisal of the project or whether it should depend on broad judgments for providing financial assistance. Those who favoured broad judgments for such assistance, suggested that the estimate of the future working was dependent on many imponderables and had to be made on assumptions which might not prove to be correct. On the other hand, a number of development banks felt that as development banks provided funds over a long period, they had to make a scientific examination of the project to assure themselves of the viability of the project.

ENTREPRENEURSHIP

In the panel discussion on the role of entrepreneurship in economic development presided over by Mr. Willem Avan Avarestel (Industrial and Mining Development Bank, of Iran), it was mentioned that in many of the countries represented at the conference, foreign enterprises had provided entrepreneurship in the past. However, in recent times, particularly after the Second World War, many local enterprises had come forward to take up industries. Such entrepreneurs came from the trading classes, landlords and sometimes professional and other classes.

It was felt that the development banks could guide new entrepreneurs on various aspects of setting up and running enterprises. Thus development banks not only provided for planning at the project level but also had an important promotional role to play in the economic development. A difficulty faced by the banks was that there was no credit rating of entrepreneurs.

The panel on identifying industries for development was presided over by Mr. N. M. Uqaili Pakistan Industrial Credit and Investment Corporation. The trend of the discussion was that in many countries, Government played an important role in laying down priorities and that the development banks in their operations tried to conform to these priorities. In some countries like Pakistan and China (Taiwan) where entrepreneurs were not coming forward to take up such development, development banks had come forward to set up industries there. In some countries, the Government had tried to reserve certain industries to itself.

It was felt that the reservation of spheres for private enterprise should be fairly clear and there should be no uncertainty about it. Licensing for industries was resorted to in some countries only. It was in a way passport to development.
Development Banks

On the concluding day on Saturday of the 3-day regional conference of development banks in Asia, the conference continued its discussions on the technical aspects of appraising a project. There was also some discussion on techniques of appraising projects. Regarding the margin to be required in the case of security required for loans, it was felt that assistance by development banks became more akin to investment itself. The conference then discussed "domestic problems of development banks." This related mostly to financial resources for development banks, the terms on which finances are supplied and problems of taxation. As regards financial resources it was felt that the fixation of the actual ratio would depend upon the conditions existing in different countries and could not be the same for all time. As regards foreign exchange resources, almost all the countries (excluding Malaya) were faced with the problem of shortage of foreign exchange and felt the need for finance from international and foreign national lending agencies.

INDIVIDUAL PROBLEMS

Mr. S. G. Barve, Finance Minister of the Maharashtra Government, addressed the participants assembled at the conference. He referred to the emergence of development banks during the post-war period and felt that in a way they were more typical of under-developed economies. Development banks had to work within the particular situation and the context of the countries in which they were located; they had, therefore, individual problems.

Mr. Erich Bachem (Kreditanstalt, Federal Republic of Germany) proposing a vote of thanks, mentioned that he had come to appreciate the different problems existing in the developing countries as a result of his presence in the conference.

Winding up the conference, Mr. G. L. Mehta (Chairman, ICICI, India) hoped that the conference would lead to useful interchange of ideas in the future as a result of the contacts, personal and institutional, established at the conference.
Enhancing Development Banks' Profitability

TAX RELIEF SUGGESTED AT REGIONAL CONFERENCE

By A Staff Reporter

BOMBAY, March 31:—The need to give concessions in the form of tax relief and in other ways to the development banks to raise their profitability and to foster their promotional importance was suggested at the third day of the regional conference of development banks in Asia which concluded here today.

The participants at the conference convened by the ICICI seem to have been impressed by the usefulness of the exchange of ideas and information. The Asian Development bankers and foreign lending agencies may meet periodically possibly once a year. Iran is likely to be the next venue of the conference.

The conference discussed taxation practices in different countries with reference to profitability of the development banks. It was felt that the Pakistani methods were the most advanced in this respect.

The margin between the borrowing and the lending rates of development banks was also considered. A wide variety of margins, ranging from 1% per cent to 4% per cent existed among the development banks represented at the conference. The margin between the borrowing and the lending rates had an influence on the profitability of a development bank. It was generally felt that the development bank because of its promotional role, had to offer finance on terms which were reasonable. This necessarily restricted their own profitability as reflected in the fact that the dividends declared by many corporations were not high.

The conference pondered over the question of financial resources and the problem of ratio of owned to borrowed funds of development banks. The ratio of equity to borrowed funds varied from 1:3 to 1:10 in various countries. It was felt that the fixation of actual ratio would depend upon the conditions existing in different countries and could not be the same for all time.

FOREIGN EXCHANGE

Almost all the countries (excluding Malaysia) were faced with the problem of shortage of foreign exchange and felt the need for finance from international and foreign national lending agencies.

There was also reference to commitment charges and it was suggested that such charges helped quicker use of funds.

Earlier this conference continued its discussions on the technical aspects of appraising a project. The problems relating to the break-even point and its effect on the scale of operations were discussed. In many countries there is a division of spheres by which specialised institutions cater to the requirements of small and medium sized undertakings. It was held that one of the main factors raising the cost of operation of a development bank was the fact that many projects which were examined ultimately did not materialise. There was also a discussion on techniques of appraising markets.

The margin required in the case of security for loans was discussed. While the general practice appeared to be to require 5% per cent margin, a trend towards relaxation in the margin was noted. In view of this, it was felt that assistance by development banks became more akin to investment itself.

VITAL ROLE

It was further emphasised that the function of a development bank was not only to give loans but also to nurture the industrially nascent. Where party seeking assistance was in difficulty, the bank should provide technical and other aid.

In the afternoon session, Mr. S. C. Barve, Finance Minister, addressing the conference said that development banks could play a vital role in the economic development of their respective countries by providing means for transferring savings into capital for industries.

Mr. Barve said that inadequacy of investment capital was the main problem confronting developing economies. The financial mechanism was not developed. Besides, there was inadequate flow of industrial capital. In India, commercial banking had advanced but the capital market was not sufficiently developed. This was a big hurdle for industrial development of the country.

The Finance Minister said that in India the addition to labour force was about 4.5 million per year and to provide employment to this force, if capital at the rate of Rs. 2,500 per head was provided, it would require about Rs. 1,000 crores per year. This showed the magnitude of the problem as also the need for savings and international aid. In the case of non-commercially developed countries, the estimated capital requirement was of the order of about 6 billion to 8 billion dollars.

WIDE SIGNIFICANCE

Mr. Barve said that the conference represented nearly half of the total population of the underdeveloped countries of Asia and whatever could be done to perfect the technique of development banking would be invested with great significance for all.

Mr. Erich Barhem (Kreditanstalt; Federal Republic of Germany) proposed a vote of thanks, said that he was impressed by the conference particularly due to the fact that the idea of holding the conference originated in Asia and that the conference had been sponsored by a successful Asian Development Bank like the ICICI.

Mr. El Emady (International Finance Corporation, Washington) recounted the various steps taken by the International Finance Corporation to increase its operations, particularly in assisting development banks.

Mr. G. L. Mehta, Chairman, ICICI, hoped that the conference would lead to useful exchange of ideas in the future as a result of the contacts between personal and institutional establishments at the conference.
DEVELOPMENT BANKS NEED TAX RELIEFS

By A Staff Reporter

BOMBAY, March 31.

The case for sizable tax relief for development banks was highlighted here today at the concluding session of the Regional Conference of Development Banks in Asia.

Development banks are catalysts of industrial investment and, therefore, to maintain attractive interest rates on loans and keep the margin requirement for security at a low level.

While low interest rates limit the return on loans, margin requirements increase the risks taken by them.

The low interest rates charged by development banks are reflected by the fact that the spread between the interest rate on their borrowings and their lending range from 0.50 per cent to 4.00 per cent. In India, the spread is 2.00 per cent.

LOW RATIO

Generally, the margin on secured loans is about 50 per cent, but in some cases, it is as low as 10 per cent. The operational costs of development banks are higher than that of ordinary banks because many of the projects prepared, processed and examined by them are not finally put through.

In view of these factors, development banks should be given special tax reliefs for strengthening their reserves.

TAX EXEMPTION

The Conference examined the tax practices prevailing in the Asian countries and found that "the treatment in Pakistan is the most advanced."

In Pakistan, 10 per cent of the "total earnings" of development banks are exempted from tax, while in India, such exemption is granted in respect of 10 per cent of the "taxable profit" transferred to reserves. Besides, in Pakistan, income from inter-corporate movement is tax-free.

Turning to the operational aspects of development banking, the Conference discussed the scope for introducing procedural refinements. It is hoped that in the small countries the size of a development bank's loan is small and procedural refinements prove costly. This problem is common to the State Financial Corporations in India.

COMMUNITY CHARGE

The minimum and the maximum amount of a loan has to be stipulated in order to avoid uneconomic operations and to achieve a wide spread of a bank's risks.

Most development banks find it necessary to levy a commitment charge on loans sanctioned to ensure phased withdrawal of loan funds. The World Bank levies a commitment charge at 0.75 per cent, and the development banks, in turn, levy a slightly higher charge, say, of 1.00 per cent, as done by the ICICI.

The Conference found that no ratio of owned funds to borrowed funds of a development bank can be prescribed because of the varying factors as the economic conditions of the country in which a bank operates, the extent to which its loans are sound, its age and experience in handling industrial finance, etc.

EQUITY-DEBT RATIO

In India, ICICI has an equity-debt ratio of 1:3 and the Industrial Finance Corporation is statutorily permitted to have a ratio 1:10.

Asian development bankers felt that the representatives of the foreign lending agencies present at the Conference showed a keen understanding of the problems of development banking in the region.

Asian bankers drew their attention to the limited scope for raising equity capital and the need for turning to the Government for replenishing their resources in national currency.

Asian countries—Malaya excepted—have balance of payments deficits and need foreign exchange loans to finance imports of plant and machinery.

EXCHANGE OF IDEAS

Asian development bankers were agreed on the need for exchanging ideas, studies and personnel and many offered regional co-operation.

Mr. S. G. Barve, the Finance Minister of Maharashtra, addressed the final session of the conference and highlighted the fact that savings were low in most Asian countries and capital formation was inadequate to match the required rate of economic growth.

Such a deficiency could not be made good by refining the financial mechanics of a country without making the difficult task of a development bank even more difficult.

INTERNATIONAL FINANCE

Mr. Barve added that international finance was necessary to meet the shortfall in capital requirements of developing nations.

Mr. Erich Bachem of Kreditanstalt of West Germany, proposing a vote of thanks, said that the first Asian development bankers' conference was sponsored by an Asian development bank and had enabled the fraternal delegates to understand the diverse regional problems.

Mr. El Amayy (IFC, Washington) showed how the Corporation had increased its operations and assisted the development banks.
DEVELOPMENT BANKS

The Industrial Credit and Investment Corporation of India and its dynamic chairman, Mr. G. L. Mehta deserve congratulations for organising the first regional conference of development banks in Asia. All development banks in Asia, with the exception of Japan have been operating in a similar environment of developing economies. This is why an exchange of views is bound to be fruitful.

In a developing economy the pool of experienced entrepreneurship is limited and new entrepreneurs are to be encouraged for accelerating the pace of economic development. A development bank functions as a catalytic agent by providing financial assistance as also advisory services on various aspects of setting up and even of running a project. The role played by the Governments in establishing and assisting the development banks in Asia is much more comprehensive than is the case in the developed countries of the West. Here, a development bank is at times a Government-sponsored institutional device for quickening the tempo of industrialisation.

As Mr. G. L. Mehta pointed out in his speech, a development bank is an expression of a mixed economy also. It can combine the best of both the public and private sectors—a sense of service, an emphasis on public interest along with initiative and enterprise and profitability harnessed to economic growth. But to perform these functions a developing bank ought to be autonomous. It should not be subjected to pressures either from the Government or from powerful private interests. In a developing economy the industrial landscape is often dominated by a handful of giants. A development bank can decisively assist in broadening the base of industrial economy. This is in the interest of both mixed economy and perhaps, the future of development banks themselves.

In his inaugural address Mr. P. C. Bhattacharya, Governor of the Reserve Bank of India, referred to this aspect when he said that small-scale industries had a special place in development plans in India owing to their obvious importance for a broad-based growth of the economy and the strengthening of democracy. Mr. Bhattacharya did well in suggesting that the Conference should evolve techniques of appraisal of projects suitable for application in the developing countries so that security considerations were duly tempered by properly conducted assessments of the earnings potential of a project.
Development Banks

Development banks in Asia, as the regional conference has revealed, face certain problems and difficulties in common. More than one delegate had some pertinent things to say on the inadequacy of the capital market and the increasingly serious shortage of technical and managerial ability. There was consequently a greater appreciation of the need to exchange ideas and information relating to the means by which the various countries are attempting to solve similar or identical problems. In doing this the conference has carried a stage further the programme outlined at a similar meeting in Washington four years ago. Much has been achieved since then and a variety of specialized institutions have been established. The development banks have not restricted their activities to providing credit to new industries and have created a climate in which managerial ability can be encouraged and industrial organization can be improved. One example is the insistence by nearly all the banks in the region that borrowers should form joint stock companies and that elaborate project reports should be carefully prepared at the preliminary stage. Simultaneously with such progress new problems in the management of credit have arisen. One primary difficulty is to evolve an acceptable scale of priorities and, as Mr. G. L. Mehta pointed out, it is necessary to reconcile the need for security and profitability with the wider objectives of the nation's economic progress. It is no reflection on the conference that it failed to uncover a satisfactory answer. Lending methods and the terms on which loans are given vary from country to country but there is nowhere any modification of the principle of the borrower's economic viability. According to the Japan Development Bank, although the profitability of a borrower's project is taken into account, loans will be advanced at specially low rates of interest to "nationally important" industries. It has furthermore established a revolving fund for loans to export industries. It is unfortunate that many Asian countries have yet to take action on these lines and have preferred to direct most of their managerial capital resources to industries intended to substitute domestically produced goods for imports. However, conferences of this kind serve the invaluable purpose of pooling a wide variety of experience for the mutual benefit of all the participants.
**Salient facts about IFC.**

(i) IFC was set up with the principal intention of assisting industry in the private sector in India to secure medium and long term capital. During the 13 years of its existence it has made a notable contribution in this behalf.

(ii) It is a joint enterprise of the public and private sectors and 60% of its share capital has been contributed by scheduled banks, insurance companies, co-operative societies and other financial institutions. Excluding the Chairman half the number of directors are elected by the institutional shareholders and three fourths of the number are non-officials.

(iii) It is an autonomous body and functions on sound business principles. The Central Government has power to give instructions to the Corporation in regard to matters of policy and the directors given until now incorporate healthy principles of developmental banking.

(iv) An important feature of the working of IFC is that it is largely self-reliant in the matter of its internal financial resources. It has depended on Government loans to the minimum extent necessary and it has secured about half its funds from the market by the issue of bonds. It has not received any funds free of interest or on concessional terms from Government.

(v) During its existence of 13 years, IFC has secured for itself an important position in the economic life of the country and it would be helpful if it is enabled to fulfil its legitimate role by having at its disposal funds in convertible currencies.

(vi) While normally it would be legitimate to hold the view that the support of the World Bank should be confined to only one Development Bank in a country, the position in India is somewhat different. In a vast country like India, there is ample room for more than one institution. In fact,
the demand for medium and long term funds for the
development of industry is so great that the two
institutions are hardly able to meet the legitimate
requirements of industry. There need, therefore, be
no apprehension of any unhealthy competition between
the two institutions.

(vii) In particular, the requirements of industry
in the private sector for foreign exchange has been growing
progressively and is expected to increase further in view
of the targets laid down in the Third Five-Year Plan.
While in regard to very large projects where the require-
ments of foreign loan capital are large exceeding
Rs. $1.5 - 2$ crores, it may be possible for the entrepreneurs
to negotiate directly for loans with foreign institutions,
in the case of smaller projects, the entrepreneurs in
India will have to obtain their requirements to an
appreciable extent from institutions like IFC and ICICI.
It would be legitimate to think that one institution alone
would not be adequate for handling all the requirements.

(viii) While the grant of loan of $10$ million dollars
to IFC by DLF has served a useful purpose, its utility is
somewhat limited owing to the 'tied' nature of the credit.
Many industries also require loans in convertible currencies
for the purpose of setting up projects in the most efficient
and economical manner. I.F.C. can assist in this direction
if it has adequate convertible credits at its disposal.
March 23, 1962

Mr. Charles S. Hatton
Economic Advisor
United States Economic Coordinator
for CENTO Affairs
Ankara, Turkey

Dear Mr. Hatton:

Thank you for your letter of March 19 to Mr. Rosen, who is away at the present time.

We much appreciate your invitation to send a representative to the CENTO Industrial Development Banking Conference to be held in Istanbul from June 4 through June 9. Dr. El Emery, the Director of our new Department of Development Bank Services, is also away in India at the moment and we must await his return before deciding whether we can arrange to be represented at the Conference. Dr. El Emery's new department is not yet fully staffed and he has a heavy burden of work ahead in the next few months. I am hopeful, however, that we might find it possible to combine a visit to Istanbul with another visit which we are planning to Southeast Asia in the month of May.

We will write to you further when Mr. Rosen and Dr. El Emery have returned, and meanwhile wish to thank you for your invitation.

Yours very truly,

J. C. Beevor

cc: Mr. Rosen
Dr. El Emery

JCB:gm
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**Remarks**

CENTO held such a conference last year and it was perhaps a reaction to it that Dr. Ashok suggested last conference. In what direction does CENTO tend in the development of their social business?

From

A.J.
Mr. Charles S. Hatton  
Economic Advisor  
United States Economic Coordinator  
for CENTO Affairs  
Ankara, Turkey  

Dear Mr. Hatton:  

Thank you for your letter of March 19 to Mr. Rosen, who is away at the present time.  

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Yours very truly,  

J. G. Beever  

cc: Mr. Rosen  
Dr. El Emery  

JGB:gm
Mr. Martin M. Rosen  
Executive Vice President  
International Finance Corporation  
1818 H Street, NW  
Washington 25, D. C.

Dear Mr. Rosen:

This is a follow up on your letter of February 6, 1962 in which you stated that the IFC had taken the overall responsibility for Industrial Development Banking matters.

As the office of Economic Coordinator for CENTO Affairs is now approaching the final organizational stage in the CENTO Industrial Development Banking Conference to be held in Istanbul June 4 through June 9, I am in hopes that we can firm up representation from your organization.

We would be willing to finance the travel and per diem expenses of one of your experts in the field of development banking who would be free to participate in this conference as a representative of the IFC. I recognize that the transition of responsibilities from the IBRD to your organization has increased your work load. I would appreciate it, however, if you could let me know as soon as possible whether or not you accept the above arrangement and who the expert will be. Both the IBRD and the IFC occupy a very high place in the thinking of industrial development bankers in the CENTO region countries and I would like to be able to tell them well in advance of the conference who the representative will be from your organization.

I hope that you will accept our offer and that you will be able to send us one of the several excellent people you have who have done such fine work in assisting other industrial development banks.

Cordially,

Charles S. Hatton
Economic Advisor
Proposed Agenda For
Second CNTTO-Industrial Development Banking Conference
Istanbul, Turkey, June 4 through June 9, 1962

1. Practical means of stimulating and widening the private capital
   market for industrial investments.
   a. Paper: Pakistani Delegation

2. Forms of financial cooperation between Industrial Development Banks
   and other institutional investors (Construction & Building Banks,
   Insurance Companies, Retirement Funds, etc.)

3. The financial repercussions of varying proportions of equity to
   loan financing of industrial enterprises.
   a. Paper: Iranian Delegation

4. The role of Commercial Banks in financing industrial enterprises,
   as distinct from role of IBD's.
   a. Paper: Pakistani Delegation

5. The advantages and disadvantages of equity participation by
   Industrial Development Banks as compared with long term loans.
   a. Paper: Turkish Delegation

6. Contrasts and similarities in the interest rate structure in Middle
   Eastern countries, with special emphasis on the short-term rates.
   a. Paper: Dr. Peter Franck, Professor of Economics,
       Roberts College

7. The effect of a large state enterprise sector on the operations of
   Industrial Development Banks.

8. Limits and possibilities of expanding the use of U.S. counterpart
   funds for financing private industrial enterprises.
   a. Paper: Dr. William Blaisdell, Economic Advisor,
       USAID/Turkey

9. The role of Industrial Development Banks in a comprehensive
   planned national economy.
   a. Paper: Iranian Delegation; Turkish Delegation

10. The techniques and usefulness of end use analysis.
    a. Paper: Turkish Delegation
11. Problems in training of bank personnel.
   a. Regional need for training of staff personnel.
   b. Possibilities in exchange of training between region country banks.
   c. Use of CENTO MTC Fund as a possible aid.
   d. Other means of training staff for increased responsibility.

Note: Forty (40) copies of all professional papers should be brought to the conference. Each author will have twenty (20) minutes to orally present the major ideas in his paper or to give a summary. Written papers may be of any reasonable length. As it is planned to promptly publish at the conclusion of the conference and give worldwide distribution of the CENTO report and the papers to individuals and interested banking institutions, all authors are requested to have their material in final form at the time of the conference. Unfortunately, there will not be time between the close of the conference and publication to permit a rewriting of any paper.
OUTGOING WIRE

TO: DARTON
CORINTFIN
PARIS
COUNTRY: FRANCE

DATE: March 26, 1962
CLASS OF SERVICE: LT

TEXT:
Cable No.: 123

AUTHORIZATION FOR FRENCH VISA EL EMARY REACHED EMBASSY HERE
AFTER HIS DEPARTURE STOP THEY NOW SAY FRENCH CONSULATE BOMBAY
BEING AUTHORIZED GRANT VISA AND WE HAVE CABLED ELEMARY TO
OBTAIN VISA THERE AND ADVISE US WHEN GRANTED STOP BEST
THANKS MILLER FOR EFFORTS

BEEVOR

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:
NAME: J.G. Beevor, Vice President, IFC
DEPT.
SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

ORIGINAL (File Copy)
(IMPORTANT: See guide for preparing form)
TO: 
DOCTOR ELEMARY 
TAJ MAHAL HOTEL 
BOMBAY 

DATE: MARCH 26, 1962 

CLASS OF SERVICE: 

TEXT: 
FRENCH HAVE NOW AUTHORIZED TRANSIT VISA ONE WEEK COMMENCING APRIL SECOND STOP PLEASE EITHER THURSDAY OR FRIDAY VISIT FRENCH CONSULATE BOMBAY WHO HAVE AUTHORITY PLACE VISA ON YOUR EGYPTIAN PASSPORT PLEASE ADVISE ME WHEN YOU HAVE NECESSARY VISA 

REGARDS 

BEEVOR 

NOT TO BE TRANSMITTED 

MESSAGE AUTHORIZED BY: 
John G. Beevor 
Vice President, I F C 

CLEARANCES AND COPY DISTRIBUTION: 

JGB: us 

For Use by Archives Division 

ORIGINAL (File Copy) 

(IMPORTANT: See guide for preparing form) 

Checked for Dispatch: 13
OUTGOING WIRE

TO: CREDCORP
BOMBAY

DATE: MARCH 20, 1962

CLASS OF SERVICE: L/R

COUNTRY: INDIA

TEXT:

FOR RAJ ARRIVING BOMBAY AIR INDIA FLIGHT 102 TWENTYEIGHTTH
LOOKING FORWARD TO SEEING YOU AGAIN KIND REGARDS

ELEMARY

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:
NAME A.G. El Emary
DEPT. Development Bank Services
SIGNATURE

CLEARANCES AND COPY DISTRIBUTION:

For Use by Archives Division

Checked for Dispatch:
Mr. Martin M. Rosen  
Executive Vice President  
International Finance Corporation  
1818 H Street, NW  
Washington 25, D. C.

Dear Mr. Rosen:

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Cordially,

Charles S. Hatton  
Economic Advisor

Enclosures - Agenda  
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   a. Paper: Pakistani Delegation

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DATE OF WIRE: MARCH 16, 1962 1745
LOG NO.: WU 11
TO: CORINTPIN
FROM: NEW DELHI
TEXT:
28
FOR ROSEN

HAVE OBTAINED FOLLOWING AIR RESERVATIONS FOR YOU PER VON HOFFMANN REQUEST DELHI TO BOMBAY EVENING MARCH 26 BOMBAY TO CALCUTTA MORNING 30TH. FINANCE MINISTRY HAS REQUESTED AIR CONDITIONED SUITE GRAND HOTEL CALCUTTA AND TAJ IN BOMBAY BUT NOT YET CONFIRMED

TOLBERT
Ref. No. F. 2236/AS/4


Dear Mr. Hoffman,

On behalf of the President and the Committee of the Federation, I have pleasure in cordially inviting you to kindly join the Luncheon Sessions on Saturday, the 24th March, Sunday, the 25th March, and Monday, the 26th March at Ashoka Hotel, which are being organised on the occasion of the 35th Annual Session of the Federation. The Guest Speakers on the 24th, 25th and 26th March are Shri G.L. Mehta, Chairman, Industrial Credit and Investment Corporation of India, Dr. B.C. Roy, Chief Minister of West Bengal, and H.R. Mr. Georg Ferdinand Duckwitz, Ambassador Extraordinary and Plenipotentiary, Federal Republic of Germany, respectively. Herewith three Cards for all three days, and we will be happy to hear from you that it will be convenient for you to accept the invitation.

Thanking you and with regards,

Yours sincerely,

( P. Chentsal Rao )

Mr. Ladislaus Von Hoffman,
New Delhi.

HLT.
DATE OF WIRE: MARCH 9, 1962 1550

LOG NO.: RC 12

TO: CORINTFIN

FROM: BOMBAY

TEXT:

PROGRAM ROSEN NOW ARRANGED BOMBAY AND CALCUTTA.

INTEAPRAD OFFICE DELHI REQUESTED TO ARRANGE FLIGHT
AND HOTEL ACCOMMODATIONS AND TO CONFIRM BY CABLE
TO YOU

HOFFMAN

ACTION COPY: MR. HALL

INFORMATION COPY: DECODED BY:
DATE OF WIRE: MARCH 7, 1962
LOG NO.: RC 20
TO: CORINTPIN
FROM: BOMBAY

TEXT: MEHTA AGREES SCHEDULE OUTLINED MYCAB 2

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

DUPPLICATE
AB
OUTGOING WIRE

TO: TOLBERT L. VON HOFFMANN
    INTBAFRAD CREDCorp
    NEW DELHI BOMBAY

DATE: MARCH 7, 1962
CLASS OF SERVICE: FULL RATE

COUNTRY: INDIA COUNTRY: INDIA

TEXT: RE HOFFMANN TWO CONCUR PROPOSED PROGRAM WHICH PLEASE EXECUTE STOP

SUMMARY SPEECH WILL BE DISPATCHED ABOUT FOURTEENTH STOP REGARDS

HALL CORINTFIN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:
NAME L. Hall
DEPT. Director of Investments
SIGNATURE [Signature]

CLEARANCES AND COPY DISTRIBUTION:
cc: Mr. Rosen

LHall:amg

ORIGINAl (File Copy)
(IMPORTANT: See guide for preparing form)
OUTGOING WIRE

DATE: MARCH 15, 1965

TO: CHAIRMAN, INT'L RECONSTRUCTION

FROM: NEW YORK, MARCH 15

HAIK

CONTINUATION

WE HEREBY ANNOUNCE TWO CONCISE PROGRAMS WHICH PLAN EXECUTE

SURVIVAL STEPS WITHIN DISCIPLINED ABOUT FOURTH STEP PROGRAM

NAME: """""""""""""""""

ELE: """"""""""""

SIGNATURE: """"""""""""

DIRECTOR OF INVESTIGATIONS

STAFF APPROVED
DATE OF WIRE: MARCH 7, 1962
LOG NO.: WU 4
TO: CORINTFIN
FROM: NEW DELHI

TEXT:
2 FOR ROSEN
YOUR 3 YOUR DELHI PROGRAM ARRANGED BASED ON YOUR ARRIVAL MARCH 20
7 AM DEPARTURE MONDAY 26TH. HOLIDAY 22ND FREE BUT HAD TO ACCEPT MEETINGS
FOR SATURDAY 24TH. FEDERATION INDIAN CHAMBERS COMMERCE INVITES YOU TO
SPEAK TO THEIR ANNUAL MEETING ON SUNDAY 25TH. SUGGEST YOU ACCEPT BECAUSE
BUSINESS COMMUNITY WILL BE WIDELY REPRESENTED. PLEASE CABLE ACCEPTANCE
TO IBRD OFFICE. SPEAKING TIME ABOUT 20 MINUTES. IFG EXPLANATORY BOOKLET
AND SHORT SUMMARY YOUR SPEECH MUST BE AVAILABLE ABOUT 500 COPIES STEN-
CILLING POSSIBLE HERE. ICICI AND INVESTMENT CENTER BOARDS MEET BOMBAY
27TH 28TH SUGGEST YOU GO 26TH EVENING TO BOMBAY AND 30TH FROM BOMBAY TO
CALCUTTA AND LEAVE CALCUTTA ON APRIL 3RD. WILL CABLE DETAILS FROM BOMBAY
AFTER DISCUSSING WITH MEHTA. PLEASE CABLE BOMBAY WHETHER ACCEPTABLE IN
PRINCIPLE. WILL ARRANGE LOCAL FLIGHTS AND HOTEL RESERVATIONS FROM HERE.
MET WAHI. YOUR 1ST AND 2ND NOT REPEAT NOT RECEIVED. LEAVING FOR BOMBAY
TODAY

VON HOFFMAN

FAMILY NOTIFICATION BEING MADE

DUPLICATE
Mr. Roland Sawyer

Leonard Hall

Mr. Rosen's Speech - India

Mr. Rosen will speak to the Federation of Indian Chambers of Commerce in Delhi on Sunday, March 25. The summary of his speech is required to be dispatched from Washington on March 16.

The speaking time should not exceed 20 minutes. I would be very grateful if you would prepare a draft speech for Mr. Rosen in which the function of IFC in India in its assistance wholly to the private sector should be heavily stressed.

IFC joint ventures with ICICI should also be construed as much as possible to emphasize that ICICI in its association with IFC is also a member of the private sector.

I should be very happy to see a draft of the speech somewhere around March 13.

cc: Mr. Rosen
Messrs. Apcar/Hamilton
March 6, 1962

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

Dear James:

Many thanks for your letter dated February 21, 1962, and for your proposal to place a car at the disposal of our delegation.

Dr. El Emery will arrive in Bombay on the 27th of this month; we will cable you his flight number in due course. His hotel reservations will be made by our travel office.

Looking forward to meeting you,

Very sincerely yours,

Martin M. Rosen  
Executive Vice President

AGEE/rye
February 21, 1962

Dear Marty:

Many thanks for your letter dated February 12, 1962, enclosing biographical information on Dr. El Emery and yourself.

I note that your travel arrangements will be made by your travel agents; consequently, we are not taking any action with respect to your hotel and travel bookings. We propose to place at the disposal of your delegation a car for your delegation's exclusive use.

We shall include Dr. El Emery, Mr. Von Hoffmann and yourself in all programmes connected with the Conference. I am sure in the course of the Conference you will be able to meet a large number of Indian businessmen and industrialists, in addition to representatives of the Development Banks. I might mention that we have so far received acceptances from Turkey, Syria, Lebanon, Iraq, Iran, Ceylon, Malaya and China (Taiwan).

Looking forward to meeting you,

Yours sincerely,

J. S. Raj
Dy. General Manager

Mr. Martin M. Rosen
Executive Vice President
International Finance Corporation
1818 H Street, N.W.
WASHINGTON 25, D.C.
Dear Mr. [Name],

Thank you for your letter dated February 21, 1925. I trust this letter finds you well.

I hope that your travel arrangements are progressing smoothly. I have been informed by your travel agent concerning the arrangements you have made. We are pleased to receive your report on the progress of your trip.

I understand that you have been working hard to prepare for the conference. I am sure that the results of your preparations will be a great asset to the conference. I am aware of the importance of the conference and the significant contributions that are being made.

I would like to express my appreciation for your efforts. It is evident that you have put in a lot of work to prepare for the conference.

Looking forward to meeting you.

Yours sincerely,

[Signature]

[Postmark: 1808]

[Letterhead: The Industrial Credit and Investment Corporation of India Limited]
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<td>Mr. Lundberg</td>
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<td>Mr. Paterson</td>
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<td>Mr. Richards</td>
<td>926</td>
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Remarks:

From:
February 19, 1962

Mr. Rosen:

Please see attached letter to yourself from Mr. Mehta. I do not think it calls for an answer.

In addition to the development banks which have accepted to attend the conference, we understand that both Burma and the Philippines intend to accept. The important "missing links" are PICIC and IDB of Turkey.

G. C. Wishart

Dessie: After Mr. Rosen has seen, please circulate, for information, to: Messrs. Hall/von Hoffmann Dr. El Emery Mr. G. Wilson
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<th>ROUTING SLIP</th>
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<td>Mr. Bakker</td>
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<td>Mr. Beede</td>
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<td>Mr. Beevor</td>
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<td>Mr. Bell</td>
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<td>Mr. Castle</td>
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<td>Mr. Chang</td>
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<td>Mr. Chanmugam</td>
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<td>Mr. Dodd</td>
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<td>Mr. DuPre</td>
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<td>Mr. Duviesart</td>
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<td>Mr. Franco-Holguin</td>
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<td>Mr. Glynn</td>
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<td>Mr. Hilton</td>
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<td>Mr. Lewis</td>
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<td>Mr. Lord (Engineering)</td>
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<td>Mr. Lord (Legal)</td>
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<td>Mr. Lundberg</td>
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<td>Mr. Mackenna</td>
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<td>Mr. Odgers</td>
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<td>Mr. Parmar</td>
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<td>Mr. Paterson</td>
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<td>Mr. Richards</td>
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Mr. Rodriguez 9A4
Mr. Rosen     900
Mrs. Russell  9A21
Mr. Strachan  9A8
Mr. Trujillo  923
Mr. Uhler     9A4
Mr. von Hoffman 906
Mr. Weigel    903
Mr. Wishart   906
Miss Wolf     8A14
IFC Files     912
IFC Legal Files 911
IFC Ref. Library 909
Remarks:

From: IFC FILES - ROOM 912
February 13, 1962

Mr. Martin M. Rosen
International Finance Corporation
1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Rosen,

Please refer to your letter of February 5 regarding the Regional Conference of Asian Development Banks to be held in Bombay at the end of March, 1962. I had already read in the press about the realignment of responsibility between the World Bank and IFC in the sphere of industrial development banking matters. We have noted that Dr. Abdel El Emary and perhaps yourself would also be attending the Conference. We are delighted to learn that you have found it possible to send a high level delegation and are grateful for your co-operation.

We have received acceptances to our invitation to the Conference so far from Iraq, Syria, Iran, Ceylon, China (Taiwan) and Malaya. The CDFC is also sending a representative. We are busy now working out the procedural and other details connected with the Conference. I shall keep you informed of further developments. I look forward to meeting you and Dr. Emary.

With kind regards,

Yours sincerely,

(G.L. Mehta)
February 12, 1962

Dear James:

Thank you for your letter of February 2 regarding the Asian Development Banks Conference. Mr. Black has already cabled Mr. Mehta nominating Dr. El Emery as our representative and mentioning that I, also, hope to attend.

My own plans are to be in India for the second half of March. The details of my trip are now being finalized and include a stay in Bombay covering most of the Conference period. As my travel arrangements are being handled by our travel office here, which will also be securing accommodations for me at the various places I am to visit, I shall not need to worry you regarding an hotel booking.

I shall be accompanied by Mr. Ladislaus von Hoffmann, the IFC Investment Officer who is responsible for our Indian business. I should be grateful if you would include our names for attendance at your meeting and for functions in connection with the Conference. I shall certainly wish to be present at as many of the meetings as possible, and also to use the opportunity to meet and have personal discussions with the prominent Indian industrialists who will be attending and the representatives of the other development banks with which we are associated.

I am enclosing short biographical information on both Dr. El Emery and myself.

I am looking forward to seeing you again. We have just had some interesting meetings with Mr. Parekh and I understand that his negotiations here have not run into any unexpected difficulties.

Sincerely yours,

Martin M. Rosen
Executive Vice President

Enclosures

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

cc: Messrs. Hall; von Hoffmann
February 9, 1962

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

Dear Mr. Raj:

In compliance with your letter of February 3, 1962 to Mr. H.T. Parekh we hereby send you the addresses you requested:

- China Development Corporation
  161-5 Chung Shan Road N., 2nd Sec.
  Taipei, Taiwan

- Industrial Bank of Iraq
  Bagdad, Iraq

- Jordan Development Board
  Amman, Jordan

- Banque de Credit Agricole, Industriel et Foncier
  Lebanon Bank Building
  Raid Solh Street
  Beirut, Lebanon

- Industrial Bank
  P.O.Box 2359
  Damascus, Syria

- Industrial Finance Corporation
  Mansion A,
  Rajdamnoen Ave.
  Bangkok, Thailand

We shall write you separately regarding the address of the Industrial Development Corporation, Burma.

With best regards,

Yours sincerely,

L. von Hoffmann
DATE OF WIRE: FEBRUARY 6, 1962 1750

LOG NO.: RC 5

TO: EUGENE BLACK INTRAPRAD

FROM: BOMBAY

TEXT:

YOURTEL 5TH CONFERENCE OF ASIAN DEVELOPMENT BANKS.

DEEPLY APPRECIATE ATTENDANCE OF ABD EL EMARY AT CONFERENCE. LOOK FORWARD TO ROSENS VISIT. MANY THANKS FOR GOOD WISHES REGARDS

GAGANVIHARI MEHTA
February 6, 1962

Dear Mr. Hatten:

Thank you for your letter of January 26 addressed to Mr. Ripsman of the World Bank. I am replying to your letter since, as the result of a recent realignment of responsibilities between the World Bank and the International Finance Corporation, IFC has been given general over-all responsibility for industrial development banking matters. Of course, the Bank and IFC are collaborating closely in this field and all matters concerning development banks are the subject of joint consultation between our two institutions.

We have noted the arrangements you are making for a CENTO Industrial Development Banking Conference to be held in Istanbul, and that the United States Agency for International Development will be communicating with us on this matter in due course. We shall be glad to discuss this matter further with AID.

For your information, I enclose a copy of a press release which was issued recently announcing the formation of a new Department of IFC with responsibility for Development Bank Services. As you will note from the release, Dr. El Essary has been appointed the Director of this new Department. He will be taking up his duties about the end of February.

With kind regards,

Sincerely yours,

(Signed) Martin M. Rosen
Martin M. Rosen
Executive Vice President

Mr. Charles S. Hatten
Economic Adviser
United States Economic Coordinator
for CENTO Affairs
Ankara, TURKEY

Enclosure

cc: Messrs. Wilson (with copy of incoming letter)
Cope
Richards
Paterson
Hall
El Essary

George C. Michael
Assistant
## FORM NO. 89
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

### ROUTING SLIP

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<th>ACTION</th>
<th>NAME</th>
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<td>Mr. Baker</td>
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<td>I think we have already had a copy of this. No answer is necessary.</td>
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From

Date: Feb 27

OFFICE OF THE PRESIDENT

1. Dr. El Erramy to see.
2. Then Mr. Baker.
February 6, 1962

Dear Mr. Black:

I am grateful to you for your telegram of February 5, intimating that Mr. Abdel-el-Emary will be attending the Conference of Asian Development Banks to be held here at the end of March. I had read in the press recently about the appointment of Mr. el-Emary as Director of the Development Bank Services Department in IFC. I am sure with his background and his experience of financial problems in an important undeveloped country like Egypt, he will be of considerable help in stimulating the setting up of Development Banks in a number of regions.

I am also glad to learn that Mr. Martin Rosen is planning to visit India in the second half of March. As you are aware, we have been in close touch with Mr. Rosen on many projects in which joint participation appears feasible. Parekh will be discussing several problems of mutual interest with Mr. Rosen during his present visit to Washington. We look forward to the participation of Mr. Rosen in the Development Banks Conference.

I appreciate your good wishes for the success of the Conference which I shall convey at the appropriate time. A full report of the proceedings will, no doubt, be forwarded to the Bank in due course.

With kind regards and best wishes,

Yours sincerely,

(G. L. Mehta)

Mr. Eugene Black
President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.
Dear Mr. Black:

I am privileged to tell you of the splendid opportunity you are about to experience in the field of Banking. I have been told of the high standards of the Bank and the excellent opportunities for advancement. I am sure that my background and experience in the banking field will be of importance in the development of the Bank's potential.

I am also glad to learn that Mr. Matthewson is to be here in a few weeks. I have been told that he is a man of great prestige in the banking world, and I am looking forward to meeting him.

I am writing to express my interest in the possibility of working for the Bank. I have always been interested in the banking field and I believe that my experience and qualifications make me a suitable candidate for the position.

I would like to receive further information about the position and the terms of the contract. I am ready to start at any time.

Your kind regards and best wishes,

Yours sincerely,

[Signature]

Mr. Matthewson

[Name]

[Position]

[Bank's Name]
TO: G. L. MEHTA  
CREDCORP  
BOMBAY

COUNTRY: (INDIA)

DATE: FEBRUARY 5, 1962

CLASS OF SERVICE: LT

TEXT:

ABDEL EL EMARY WILL BE WORLD BANK AND IFC DELEGATE TO CONFERENCE OF ASIAN DEVELOPMENT BANKS stop EL EMARY HAS RECENTLY BEEN APPOINTED DIRECTOR OF NEWLY CREATED DEVELOPMENT BANK SERVICES DEPARTMENT IN IFC WHICH IS INTENDED TO ACT FOR WORLD BANK AND FOR IFC stop ROSEN IS PLANNING VISIT INDIA SECOND HALF MARCH AND WILL ATTEMPT FIX HIS SCHEDULE SO HE CAN BE IN BOMBAY DURING CONFERENCE stop I TAKE THIS OPPORTUNITY OF WISHING THE CONFERENCE ALL SUCCESS AND SHALL LOOK FORWARD TO RECEIVING A FULL REPORT ON ITS PROCEEDINGS regards

EUGENE BLACK

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY: Martin M. Rosen

NAME

DEPT. IFC

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE) G.C. Wishart/voh

CLEARANCES AND COPY DISTRIBUTION: ORIGINAL (File Copy) For Use by Archives Division

(IMPORTANT: See back of yellow copy for guide in preparing form) Checked for Dispatch: 12
February 5, 1962

Mr. C. L. Mehta
Chairman, Board of Directors
Industrial Credit and Investment
Corporation of India Limited
163, Backbay Reclamation
Bombay 1, INDIA

Dear Mr. Mehta:

I am replying to your letters of invitation, dated January 16, addressed to Mr. Black and to myself, regarding the Regional Conference of Asian Development Banks to be held in Bombay at the end of March 1962.

We have recently had a realignment of responsibilities between the World Bank and IFC, as a result of which IFC has been given general over-all responsibilities for industrial development banking matters. Of course, the World Bank and IFC are collaborating closely in this field, and all matters concerning development bank policies are the subject of joint consultation and decision. It has been considered appropriate, accordingly, that IFC should furnish the delegation to the Development Bank Conference which ICICI plans to hold. We are looking forward to being represented at that Conference, and the delegation proposed should be described as from the World Bank, the International Finance Corporation and the International Development Association.

Mr. Black has cabled you today nominating as our representative Dr. Abdel El Emary, who is to be the head of the newly created Development Bank Services Department in IFC. I, also, very much hope to be able to attend. My present plans envisage a visit to India from about March 15 to discuss with you, the Government of India and prominent industrialists the opportunities for IFC financing in your country. It would provide an excellent opportunity for me if I could round out that visit by being present at the Conference, with the opportunities that would afford of meeting with your Board Members and the other distinguished representatives who will be attending from the Asian development banks. Possibly we may
be accompanied by one or two other people, but I shall be writ-
ing to James Raj on the details of this as soon as our movements
are determined.

May I take this opportunity of saying how much I am
looking forward to the Conference. Mr. Black and all our
colleagues, both in the Bank and IFC, are most interested in the
proceedings and trust that the Conference is an outstanding
success.

With kind regards.

Sincerely yours,

Martin M. Rosen
Executive Vice President
4. Jordan Development Board
   Amman, Jordan

6. Industrial Bank
   P.O. Box 2359
   Damascus, Syria
   Cable address: SINASARY

China Development Corporation
Taipei, Taiwan

2-9
31. Industrial Bank of Iraq
   Baghdad, Iraq

32. Industrial, Agricultural & Real Estate Credit Bank

   Banque de Crédit Agricole, Industriel et Foncier

   Lebanon Bank Building
   Raid Solh Street
   Beirut, Lebanon

(Research Files used the above address in 1960 when they wrote requesting copies of their annual report—which have never been received.)

A. Bonnett
February 3, 1962

Dear Mr. Parekh:

I hope you had a pleasant journey to Washington.

As you are aware, we have sent out all invitations to Development Banks in Asia. In some cases we did not have complete postal addresses. These cases are as follows:

1. Industrial Development Corporation, Burma.
2. Development Corporation, Taiwan.
3. Industrial Development, Iraq.
5. Agricultural Industrial & Real Estate Credit, Lebanon.
6. Industrial Bank, Syria.

Although we have given time to the Corporations to accept invitation by 15th February, I am afraid we may have to write reminders to the above Banks so that if our invitations have not reached them because of lack of complete address, they can take a decision in time. If possible, please ask someone in IFC to let us have complete addresses of the above banks, so that we can send them cable reminders.

With kind regards,

Yours sincerely,

J.S. Raj

Mr. H.T. Parekh
C/o. Mr. Alexander Stevenson
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington DC 25
February 2, 1962

Dear Marty:

Many thanks for your letter of January 10, 1962, regarding the conference of Development Banks in Asia and the valuable suggestions made by you.

As you will have noted from the revised programme of the conference sent with the invitation letter of Mr. G. L. Mehta dated January 16, we have extended the conference by one day. If necessary, we may hold the concluding session on the fourth day, which, incidentally, is a Sunday. In the invitations sent to different Development Banks we have also incorporated your suggestion with regard to desirability of the delegates having a working knowledge of English.

I am very glad to know that IFC and the Bank will be represented at this Conference at a senior level.

With kind regards,

Yours sincerely,

J. S. Raj
Dy. General Manager

Mr. Martin M. Rosen
Executive Vice President
International Finance Corporation
1818 H Street, N.W.
WASHINGTON 25, D.C.
The Industrial Credit and Investment Corporation of India Limited

I am very glad to know that you are about to set up a permanent branch of our bank in your country. We are considering the possibility of opening a representative office in your country. If you are interested in this matter, we shall be happy to discuss it further.

I hope you will find this proposal attractive and that we shall be able to work together in the future.

With kind regards,

[Signature]

General Manager

The Industrial Credit and Investment Corporation of India Limited

[Address]
Mr. H. B. Ripman
Chief, Industry Division
Department of Technical Operations
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Ripman:

This letter will bring you up to date on the firm developments that have taken place in the CENTO Industrial Development Banking Conference.

The Turks have set the dates of June 4 through June 9, 1962 for the conference at Istanbul.

The attached agenda was developed in cooperation with all the industrial development banks in the CENTO area. We have been assured by managing directors that all the banks will be represented at the conference. The assignment of professional papers by country was based on the appraisal by the bankers as to the best qualified to present each subject as a basis for conference discussion. We thus have relatively firm commitments of each author by name.

We have sent an airgram to AID/Washington requesting active participation by your organization and the Development Loan Staff. You will no doubt shortly receive a direct request from AID.

We sincerely hope that you will send a technical expert who will be as effective as your representatives were last year. Messrs. Gordon and Svoboda were exceedingly good and well deserved the praise they received from their colleagues.

A number of last year's participants have stated that this year's agenda is superior to that of last year's conference. Technically, the papers should give the meetings much more content in terms of banking policy and banking operations than was possible last year.

With sincere appreciation for your fine cooperation,

Cordially,

Charles S. Hatton
Economic Advisor

Enc.
January 28, 1968

Mr. J. E. Rhyman
Chief, Industry Division
Department of Technical Operations
Inter-American Bank for Reconstruction and Development
J. F. K. Street, N.W.
Washington 25, D.C.

Dear Mr. Rhyman:

This letter will inform you of our decision to place on file all the
papers taken in the CENITO Industrial Development Seminar
Conference.

The papers were received on the 28th June through June 5, 1968.

I have been informed that the Industrial Development Seminar in CENITO was an
important meeting for the advancement of the Latin American countries. The
papers taken at the conference will be made available to all participants as a
data base for the subsequent discussions during the seminar.

We have received a number of letters from CENITO and other organizations
promising to send us their papers for publication in this seminar.

You will now be able to receive a direct response from us.

With sincere appreciation for your fine cooperation,

Sincerely,

[Signature]

Chairman of Action
CENITO

Econ.
Proposed Agenda For
Second CENTO Industrial Development Banking Conference
Istanbul, Turkey, June 4 through June 9, 1962

1. Practical means of stimulating and widening the private capital market for industrial investments.
   a. Paper: Pakistani Delegation

2. Forms of financial cooperation between Industrial Development Banks and other institutional investors (Construction & Building Banks, Insurance Companies, Retirement Funds, etc.)

3. The financial repercussions of varying proportions of equity to loan financing of industrial enterprises.
   a. Paper: Iranian Delegation

4. The role of Commercial Banks in financing industrial enterprises, as distinct from role of IBD's.
   a. Paper: Pakistani Delegation

5. The advantages and disadvantages of equity participation by Industrial Development Banks as compared with long term loans.
   a. Paper: Turkish Delegation

6. Contrasts and similarities in the interest rate structure in Middle Eastern countries, with special emphasis on the short-term rates.
   a. Paper: Dr. Peter Franck, Professor of Economics, Roberts College

7. The effect of a large state enterprise sector on the operations of Industrial Development Banks.

8. Limits and possibilities of expanding the use of U.S. counterpart funds for financing private industrial enterprises.
   a. Paper: Dr. William Blaisdell, Economic Advisor, USAID/Turkey

9. The role of Industrial Development Banks in a comprehensive planned national economy.
   a. Paper: Iranian Delegation; Turkish Delegation

10. The techniques and usefulness of end use analysis.
    a. Paper: Turkish Delegation
11. Problems in training of bank personnel.
   
a. Regional need for training of staff personnel.

b. Possibilities in exchange of training between region country banks.

c. Use of CENTO MTC Fund as a possible aid.

d. Other means of training staff for increased responsibility.

Note: Forty (40) copies of all professional papers should be brought to the conference. Each author will have twenty (20) minutes to orally present the major ideas in his paper or to give a summary. Written papers may be of any reasonable length. As it is planned to promptly publish at the conclusion of the conference and give worldwide distribution of the CENTO report and the papers to individuals and interested banking institutions, all authors are requested to have their material in final form at the time of the conference. Unfortunately, there will not be time between the close of the conference and publication to permit a rewriting of any paper.
Proposed Agenda For
Second CENTO Industrial Development Banking Conference
Istanbul, Turkey, June 4 through June 9, 1962

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   a. Paper: Pakistani Delegation

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TO: 1. Mr. Alexander Stevenson  
    2. Mr. Geoffrey M. Wilson  
FROM: G. Stewart Mason  
SUBJECT: INDIA - Regional Conference of Asian Development Banks  

DATE: January 22, 1962

I have today received two letters which I think should be sent on to Mr. Rosen for his attention. However, I think you might like to see them before they are forwarded.

The telegram of January 8 to which ICICI refer was cleared with me but sent by Mr. Wishart, signed INTBAFRAD and CORINTFIN. I know that IFC will be sending El Emary, and we shall have to decide whether we want to send a delegate as well.

There is also attached a letter written to Mr. Raj by Mr. Rosen, dated January 10.

I think IFC should carry the ball from here on and answer the correspondence. I do not think we need send a delegate in addition to El Emary. F.M. Jan 22.
From Sir William Iliff

January 17, 1962

Dear Mr. Mehta,

In Mr. Black's absence overseas, I am writing to thank you for your letter of December 22. We are most interested in the arrangements you are proposing for the conference of Asian development banks, and we have already cabled you confirming that we shall be nominating a representative to attend.

May I take this opportunity of sending our best wishes for the success of the conference, and we look forward to hearing, in due course, a full report on the proceedings. We would like to congratulate you and ICICI on the initiative you are taking to get a representative body together for further discussion of the opportunities and problems of these institutions.

With best personal regards and best wishes for 1962,

Yours sincerely,

W. A. B. Iliff
Vice President

Mr. G.L. Mehta
Chairman
Industrial Credit and Investment Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

WAB Iliff/JJ

cc: Messrs. Wilson/Stevenson Mr. Rosen
Mr. Stewart Mason
Mr. Rosen.

Please see. No doubt a similar visitation has come in for the Bank: we should accept the reply.

You will note that this is now to be three days.

Shall I prepare a cable and letter nominating El Financiador?

Reference Sir W. Pleydell's note. Shall we let him know that you also hope to attend?

J.W.  22.1.62
January 16, 1962

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

Dear Mr. Rosen:

As you are aware, it has been decided to hold a Regional Conference of Development Banks in Asia at Bombay on March 29-31, 1962 under the auspices of ICICI. Since your Corporation is taking keen interest in the development of this region, I would like to extend a cordial invitation to you to depute a fraternal delegation to this Conference.

Development banks in Asia, as you can well realise, are faced with various problems which are specific to the region. It would be useful, both in fixing our policies and in our day to day working, to have an interchange of ideas on these problems. We also feel that as a result of the personal contacts made at the Conference, it will be possible to have in future consultations more often on specific problems faced by individual Corporations.

Should you decide to send a delegation to this Conference, we would like to have short notes on the delegates attending. I may add that your Corporation will be expected to bear all the expenses of the passage and the stay of delegates for the Conference.

I enclose a programme for the Conference which gives details regarding the invitees to the Conference and the subjects to be discussed.

On receiving your acceptance, we shall write to you about the hotel accommodation and other facilities here and other details regarding the Conference. Since arrangements have to be made ahead, I shall appreciate if your acceptance of this invitation is kindly conveyed to us by cable, preferably before February 15, 1962.

With kind regards,

Yours sincerely,

(G. L. Mehta)
June 19, 1949

Mr. W. M. Howell
Executive Vice-President
International Finance Corporation
1818 H Street N.W.
Washington 7, D.C.

Dear Mr. Howell:

As you are aware, I have been engaged in both a regional

net conference of Development Banks in Asia and Bombay on
March 24-27, 1949, and the subject of IFC. Since your

Corporation is taking an increasing interest in the development of

the region, I would like to extend a personal invitation to the Conference

to you to give a significant gesture to this Conference.

Development banks in Asia as you can well realise,

are faced with unique problems which are specific to the

region. If they are to be successful, I think it is important to have an understanding of these

problems. We must still find a means of translating the various conferences and seminars
ten years ago into practical action. This Conference of the

borders will be devoted to discussions of the problems of

Indo-African Co-operation.

I propose to extend my participation in the Conference which gives

a gesture to your acceptance. I have made arrangements with the

banks for the purpose of welcoming you and other representatives

after our arrival tomorrow at the Conference. I shall be pleased to meet you at the

banquet which is being arranged to-morrow evening. The

banquet will be preceded by a dinner at 7.45 p.m.

Yours sincerely,

[Signature]

[Note: The text is partially visible and contains handwriting.]
It is proposed to hold, under the auspices of The Industrial Credit and Investment Corporation of India Limited, Bombay, (India), a Conference of representatives of industrial development banks operating in Asia. The Conference will be held for three days - March 29-31, 1962.

OBJECT

The main object of the Conference will be to enable an interchange of ideas on problems common to development banks in Asia. The Conference will discuss in panels problems of general interest to development banks in the region, such as the growth of entrepreneurship and identification of industries for development, and also problems faced by development banks in their operations such as technical aspects of appraisal, financial resources for development banks, spread between borrowing and lending rates and taxation.

INVITEEES

It is proposed to invite to the Conference, representatives from among the following development banks:

1) BURMA: Industrial Development Corporation
2) CEYLON: Development Finance Corporation
3) CHINA (Taiwan): Development Corporation
4) INDIA: Industrial Finance Corporation
5) INDONESIA: Industrial Development Bank
6) IRAN: Industrial and Mining Development Bank
7) IRAQ: Industrial Bank
8) JAPAN: Development Bank
9) JORDAN: Development Bank
It is proposed to invite fraternal delegates from the International Bank for Reconstruction and Development (U.S.A.), the International Finance Corporation (U.S.A.), the Commonwealth Development Finance Company Limited (U.K.) and the Kreditanstalt (West Germany).

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The programme of the Conference is given below:

Thursday, March 29, 1962

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10.00 a.m. to 11.30 a.m. Inauguration
12.00 noon to 1.00 p.m. Addresses by representatives

Afternoon:
2.30 p.m. to 5.00 p.m. Addresses by representatives
Friday, March 30, 1962

Morning:
10.00 a.m. to 1.00 p.m. Panel Discussions:
1) Role of Entrepreneurship
2) Identifying Industries for Development

Afternoon:
2.30 p.m. to 5.00 p.m. Problems of Development Banks:
Technical Aspects of Appraising a Project

Saturday, March 31, 1962

Morning:
10.00 a.m. to 1.00 p.m. Problems of Development Banks:
1) Security vs. Profitability
2) Problems of Financial Resources, Rates of Interest, Taxation

Afternoon:
2.30 p.m. to 5.00 p.m. Report on Panel Discussions
Concluding Session

It is proposed that on the morning of Thursday, March 29, 1962, after the inauguration formalities are over, the Conference will obtain a short report from the representatives attending, on the activities of each development bank represented at the Conference. This will continue in the afternoon session also.
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On the same day, in the afternoon, the Conference will be in full session to discuss problems common to development banks. In particular, this session will discuss the technical aspects of appraising a project for financial assistance by a development bank.

On the morning of Saturday, March 31, 1962, discussions of problems common to development banks will continue. This session will discuss broader issues like the relative role of security and profitability in determining assistance to a project, the problems of financial resources and proper balance between debt and equity for a development bank, the extent of spread between the borrowing and the lending rates of a development bank, and the tax treatment of development banks.

In the afternoon, the Conference will hear reports on the panel discussions and take a broad review of the discussions held and the conclusions reached.

PAPERS

It is proposed that the invitee banks will send papers covering one or more aspects to be discussed at the Conference.
Dear Mr. Black:

I had written to you on December 22, regarding the holding of a Regional Conference of Asian Development Banks at the end of March, 1962, in Bombay. Since then we have been proceeding with the arrangements for this Conference. We have in the meantime received Mr. Mason's telegram of January 8 to Raj. We are glad to note that the World Bank and IFC will be sending a delegation to the Conference. I am sure their presence will be of immense value to the deliberations of the Conference.

The Finance Minister has agreed to inaugurate the Conference, which we expect will begin in the morning of March 29 and continue for three days. As you know, we had thought of a 2-day Conference, but following Mr. Mason's telegram, we are now extending the Conference to three days. A copy of the revised programme is enclosed.

I am grateful to you for taking personal interest in this matter, and I feel that this will be of considerable benefit to all the Development Banks in this region.

With kind regards,

Yours sincerely,

(G. L. Mehta)

Enclosure:

Mr. Eugene Black
President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.
January 16, 1965

Dear Mr. Black:

I have written to you on December 29 regarding the holding of a Regional Conference on Bank Development. In fact, since then, we have been preparing for the conference. We have had the meetings several times, and I am writing to note that the conference will be held on February 8th. I am enclosing a complete list of the conference.

The Finance Minister has agreed to introduce the concept of Co-operative Credit, which we expect will begin in the morning of February 9th. As you know, we have been preparing a 2-Year Conference and would like to have it start in February. The conference will be held at the conference center, as you have requested.

I am most grateful to you for taking personal interest in this matter, and I feel that this will be of considerable help in the development phase in this region.

With kind regards,

[Signature]

Mrs. M. Black
Director
International Bank for Reconstruction
and Development
1120 17th Street NW
Washington 52, D.C.

[Postmark: 1965-1-22 AM 9:44]

Bank Mail Room

RECEIVED
REGIONAL CONFERENCE OF DEVELOPMENT BANKS

March 29-31, 1962
Bombay, India

It is proposed to hold, under the auspices of The Industrial Credit and Investment Corporation of India Limited, Bombay, (India), a Conference of representatives of industrial development banks operating in Asia. The Conference will be held for three days - March 29-31, 1962.

OBJECT

The main object of the Conference will be to enable an interchange of ideas on problems common to development banks in Asia. The Conference will discuss in panels problems of general interest to development banks in the region, such as the growth of entrepreneurship and identification of industries for development, and also problems faced by development banks in their operations such as technical aspects of appraisal, financial resources for development banks, spread between borrowing and lending rates and taxation.

INVITEES

It is proposed to invite to the Conference, representatives from among the following development banks:

1) BURMA: Industrial Development Corporation
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4) INDIA: Industrial Finance Corporation
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8) JAPAN: Development Bank
9) JORDAN: Development Bank
10) LEBANON : Agricultural, Industrial and Real Estate Credit Bank

11) MALAYA : Industrial Development (Finance) Corporation

12) PAKISTAN : Industrial Credit and Investment Corporation

13) THE PHILIPPINES : Development Bank

14) SYRIA : Industrial Bank

15) THAILAND : Industrial Finance Corporation

16) TURKEY : Industrial Development Bank

It is proposed to invite fraternal delegates from the International Bank for Reconstruction and Development (U.S.A.), the International Finance Corporation (U.S.A.), the Commonwealth Development Finance Company Limited (U.K.) and the Kreditanstalt (West Germany).

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2) Identifying Industries for Development

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Technical Aspects of Appraising a Project

Saturday, March 31, 1962

Morning:
10.00 a.m. to 1.00 p.m.
Problems of Development Banks:
1) Security vs. Profitability
2) Problems of Financial Resources, Rates of Interest, Taxation

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2.30 p.m. to 5.00 p.m.
Report on Panel Discussions
Concluding Session

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On the same day, in the afternoon, the Conference will be in full session to discuss problems common to development banks. In particular, this session will discuss the technical aspects of appraising a project for financial assistance by a development bank.

On the morning of Saturday, March 31, 1962, discussions of problems common to development banks will continue. This session will discuss broader issues like the relative role of security and profitability in determining assistance to a project, the problems of financial resources and proper balance between debt and equity for a development bank, the extent of spread between the borrowing and the lending rates of a development bank, and the tax treatment of development banks.

In the afternoon, the Conference will hear reports on the panel discussions and take a broad review of the discussions held and the conclusions reached.

**PAPERS**

It is proposed that the invitee banks will send papers covering one or more aspects to be discussed at the Conference.
January 10, 1962

Mr. J.S. Raj
Deputy General Manager
Industrial Credit and Investment Corporation
of India Limited
163 Backbay Reclamation
Bombay 1, India

Dear James:

I am acknowledging your letter of December 22 to Mr. Stewart Mason regarding the conference of development banks in Asia, which is to be held under the auspices of ICICI. We have recently had a re-alignment of responsibilities between the World Bank and IFC, as a result of which IFC has been given over-all responsibilities for industrial development banking matters. Of course, the Bank and IFC are collaborating closely in this field, and all matters concerning development bank policies are the subject of joint consultation and decision.

We are glad to note that your arrangements are now well in hand for the proposed conference. You can be assured of full support from all here in mounting that conference which should be a most interesting occasion and should be useful in promoting the further growth of these institutions. We wish the conference all success.

You asked for any suggestions we might have on the detailed arrangements, as set out in the attachment to your letter. Our thoughts are as follows :-

(a) We believe that you may not be allowing sufficient time to cover the agenda. Since most of the delegates will be travelling a considerable distance to attend the conference, they will naturally wish an opportunity to address the meeting. In addition, you have provided for panel discussions and consideration of three special topics. We would suggest that perhaps the conference should be extended from the two days up to, say, four days.

(b) It may not be possible for all the development banks concerned to send their executive heads, and also one
of their board members. At any rate, it would seem important to us that you should specify that delegates have a knowledge of the English language, since we know that the executive heads of one or two of the banks you mention are French speaking and, presumably, you will not wish to have to arrange for translation services.

We have blocked out the dates for the conference, March 29-30, and we will certainly participate. I am not sure who will come but we will make sure that there is suitable representation for the Bank and IFC at a senior level. We hope to communicate with you again, giving you the name of our nominee, at an early date.

If there is any further assistance we can give you in preparing for the conference, please do not hesitate to write and let us know.

With best personal regards,

Sincerely yours,

Martin M. Rosen
Executive Vice President

GCW;MMR:us

Cleared: Mr. Stevenson, IBRD.
cc: Messrs. Stevenson/Mason
    Messrs. Beevor, Richards, Dodd, Herrmeyer
    Area Department B, D.E.S.
Dear Mr. Mason:

I thank you for your cable dated January 8, reading as follows:

"FOR RAJ STOP DATES FOR DEVELOPMENT BANKS CONFERENCE SUITABLE AND WORLD BANK AND IFC WILL NOMINATE DELEGATE OR DELEGATES STOP ON YOUR PROPOSED ARRANGEMENTS WE WOULD OFFER FOLLOWING SUGGESTIONS PRIMO IN VIEW NUMBER OF DELEGATES EXPECTED AND RANGE OF AGENDA SUBJECTS WOULD IT NOT BE BETTER TO EXTEND CONFERENCE UP TO SAY FOUR DAYS SECUNDO IMPORTANT TO SPECIFY THAT ALL DELEGATES SHOULD HAVE A WORKING KNOWLEDGE OF ENGLISH STOP WRITING"

We appreciate your suggestion for extending the Conference to four days. In the revised programme, a copy of which is attached, it will be noticed that we have provided for a Conference of three days. If necessary, we may hold the concluding session on the fourth day which, incidentally, is a Sunday. I hope this arrangement will be considered satisfactory.

We also appreciate your second suggestion viz. that the delegates to the Conference should have a working knowledge of English. In the letter of invitation, a copy of which is enclosed, we have made a specific reference to this effect.

As we have to make a number of arrangements, I should be obliged if you would inform us the names of the delegates attending the Conference and also let us have short notes on them. We are asking all invited banks to bear the costs of attending and stay of Conference.

With kind regards,

Yours sincerely,

J. S. Raj
Deputy General Manager

Enclosures:
Mr. G. Stewart Mason
Department of Operations
South Asia & Middle East
International Bank for
Reconstruction & Development
U.S.A.
DEAR Mr. Ministry:

I thank you for your cable dated January 8,

Teaching as follows:

1. The new stage dates for development banks
2. The new stage dates for development banks
3. The new stage dates for development banks

We appreciate your suggestion for extending the conference to your group. In the revised program, it will be possible for

We have provision for a conference of these groups.

We only have a relatively few of these groups.

We have made a specific reference for this effect.

As we have to make a number of arrangements.

I should be obliged if you would inform us the number of the conference and also let us have short notes on your

We are making all necessary arrangements to participate in the conference.

With kind regards,

Yourincerely,

[Signature]

L. G. Baj
deputy general manager

[Stamp: 6-9-49]

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[Stamp: 6-9-49]

[Stamp: 6-9-49]

[Stamp: 6-9-49]

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[Stamp: 6-9-49]
REGIONAL CONFERENCE OF DEVELOPMENT BANKS

March 29-31, 1962

Bombay, India

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In the afternoon, the Conference will hear reports on the panel discussions and take a broad review of the discussions held and the conclusions reached.

PAPERS

It is proposed that the invitee banks will send papers covering one or more aspects to be discussed at the Conference.
January 11, 1962

Dear Sirs:

I have the honour to invite your esteemed Corporation (Bank) to a Conference of Development Banks in Asia, to be held in Bombay (India) on March 29–31, 1962. The Conference follows the discussions which the undersigned had with Mr. Eugene Black, President of the International Bank for Reconstruction and Development, and other officials of IBRD. The outline of the programme, mentioned below, has also been approved by IBRD.

As you are presumably aware, this Corporation was set up in 1955 with the active assistance of IBRD and the Government of India. It has a share capital of $50 million, has obtained loans of $175 million from the Government of India, of U.S.$40 million from IBRD, and of $5 million from the Development Loan Fund of the U.S.A. The enclosed brochure explains our general activities, and the enclosed balance sheet (for the year ended December 31, 1960), together with the Annual Statement of the Chairman to the Shareholders, our financial working.

We feel that development banks in Asia are faced with various problems which are specific to the region. It would be useful, both in determining our policies and in our day-to-day working, to have an interchange of ideas on these problems. We also feel that as a result of the personal contacts made at the Conference, it will be possible to consult one another more frequently in future on specific problems faced by individual Banks.

We cordially invite your institution to send up to two representatives (one of them being the full-time executive head of the bank, whether he is designated Executive Chairman, Managing Director or General Manager) to the Conference. We trust your bank/corporation will find it convenient to do so. It would be desirable if the delegates sent by your bank/corporation have a working knowledge of English. Each bank/corporation sending the delegates will be expected to bear all the expenses of the passage and the stay of delegates for the Conference.
Should your bank/corporation decide to send delegates to the Conference, we should also like to have short notes about the delegates attending, the organization and operations of your bank/corporation, together with any printed material available on it, and papers, in English, on the subjects for panel discussion. We should like to have information and printed material on your bank/corporation by the first week of February 1962, and papers on the subjects of the panel discussions by the third week of February, 1962.

We enclose a programme for the Conference which gives details regarding the invitees to the Conference and the subjects to be discussed.

On receiving your acceptance, we shall write to you about the hotel accommodation and other facilities here and other details regarding the Conference. Since adequate arrangements have to be made ahead, it would be appreciated if your acceptance of this invitation is kindly conveyed to us by cable, preferably before February 15, 1962.

With best wishes,

Yours faithfully,

G.L. Mehta
Chairman

Enclosures:
TO: CREDCORP
BOMBAY

DATE: JANUARY 8, 1962

COUNTRY: INDIA

TEXT:

FOR RAJ STOP DATES FOR DEVELOPMENT BANKS CONFERENCE SUITABLE AND WORLD BANK AND IFC WILL NOMINATE DELEGATE OR DELEGATES STOP ON YOUR PROPOSED ARRANGEMENTS WE WOULD OFFER FOLLOWING SUGGESTIONS PRIMO IN VIEW NUMBER OF DELEGATES EXPECTED AND RANGE OF AGENDA SUBJECTS WOULD IT NOT BE BETTER TO EXTEND CONFERENCE UP TO SAY FOUR DAYS SEGUNDO IMPORTANT TO SPECIFY THAT ALL DELEGATES SHOULD HAVE A WORKING KNOWLEDGE OF ENGLISH STOP WRITING

INTRAFAFRAD CORINTFIN

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:
NAME Martin M. Rosen
DEPT. IFC
SIGNATURE [Signature of Individual Authorized to Approve]

CLEARANCES AND COPY DISTRIBUTION:

ORIGINAL (File Copy)
(IMPORTANT: See guide for preparing form)
JAN 8 54 PM 1962

GENERAL FILE

CONTINUED

[Text continues on the page]
OFFICE MEMORANDUM

TO: Mr. Martin M. Rosen
FROM: G. C. Wishart

DATE: January 2, 1962

SUBJECT: ICICI - Conference of Development Banks in Asia

1. I have gone carefully through the attached letter from Raj of ICICI. My general impression is, I am afraid, that ICICI is being too ambitious and its ideas for running a conference of development banks are rather immature. However, I presume it is not up to us to pour too much cold water on ICICI's enthusiastic efforts, and I confine myself to some obvious, but rather important, points which we might make. These are:

(a) Length of the Conference

Only two days have been allotted: this timing has to cover welcoming addresses, speeches by 16 to 20 representatives (or double that if both representatives want to speak), panel discussions, and a consideration of three special topics. Two days are not enough: if the conference is to have any meaning, I think it should be at least four days.

(b) Invitees

(i) I think they have covered all the Asian development banks. Some of them I do not know too much about. I would suggest that some could be omitted, e.g. Japan Development Bank which I believe is not the type of bank they are after. Also, some of the government-owned banks may confuse the main issues which are to be discussed. Perhaps suggest deletion of:

Indonesia - Industrial Development Bank
Japan Development Bank
Jordan Development Bank
Development Bank of the Philippines

(ii) Delegates are to be the executive head of each bank and one of the Board of Directors, if possible. This may be too restrictive. Also, a language problem must be avoided. Better to specify that delegates must at least understand English.

(c) Agenda

Certain of the agenda topics are not suitable for public discussion; for example, spread between borrowing and lending rates, and tax treatment. I doubt if delegates will want to, or should, come clean on these matters in open discussion. We might give a warning on this.
2. Our Delegates

Delegates are requested from IBRD and IFC. The dates are March 29 and 30. We ought to consider whom we would wish to send.

3. Reply to Mr. Raj

A cable should now be sent to Raj mentioning certain of the points in paragraph 1(a) to (c) above. Do you agree, please?

GCW/jcg
Marty - I guess this is now your baby!
December 22, 1961

Mr. Eugene R. Black  
President  
International Bank for  
Reconstruction & Development  
1818 H Street, N.W.  
Washington 25, D.C.  
U.S.A.

Dear Mr. Black:

In continuation of my letter of November 18, 1961, regarding a Conference of Asian development banks, I have to inform you that we have considered the matter further. Our tentative ideas are contained in the attached programme, and Parekh is writing separately to Mr. Stewart Mason regarding the details of the programme.

We propose holding the Conference on March 29-30, 1961, in Bombay, following our Annual General Meeting.

We intend to invite delegates from development banks from countries in Asia and each bank may send up to two delegates. We have decided not to confine the Conference to privately-held banks, as this would unduly restrict the coverage. On the other hand, only banks formed to finance industry in the private sector will be invited.

We feel that the Conference should discuss, besides problems of immediate interest to development banks like taxation and spread of interest, several broader issues such as the impact of various extraneous factors on the working of development banks. This will help us to consider our work in a proper perspective. We consider that it should be possible to cover these problems in two days.
Mr. Eugene R. Black : 2 : December 22, 1961

We shall, of course, welcome any suggestions that the Bank may like to make on the programme, the subjects for discussion, the list of invitees, and any other points considered appropriate.

I trust it will be possible for you to depute one or two representatives to attend and participate in the Conference.

As you must have observed, the time left for arranging the Conference is short. We propose to send out the invitations and the programme by about January 10, 1962. I should therefore feel obliged if your comments were received by us in the first week of January 1962.

I regret to have to inconvenience you during the festive season, for which I send my best wishes.

With kindest regards,

Yours sincerely,

G. L. Mehta
Chairman

Enclosure:
REGIONAL CONFERENCE OF DEVELOPMENT BANKS

March 29-30, 1962

Bombay, India

It is proposed to hold, under the auspices of The Industrial Credit and Investment Corporation of India Limited, Bombay, (India), a Conference of representatives of industrial development banks operating in Asia. The Conference will be held for two days - March 29-30, 1962.

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It is proposed to invite fraternal delegates from the International Bank for Reconstruction and Development (U.S.A.), the International Finance Corporation (U.S.A.), the Commonwealth Development Finance Company Limited (U.K.) and the Kreditanstalt (West Germany).

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12.00 noon to 1.15 p.m.  
Addresses by representatives.

**Afternoon:**

2.30 p.m. to 3.45 p.m.  
Addresses by representatives.

4.00 p.m. to 5.30 p.m.  
Panel Discussions:

1. Role of Entrepreneurship.

2. Identifying Industries for Development.
Friday, March 30, 1962

Morning:
10.00 a.m. to 1.15 p.m. Problems of Development Banks:
1. Technical Aspects of Appraising a Project.
2. Security vs. Profitability.

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2.30 p.m. to 5.30 p.m. Report on Panel Discussions.
Concluding Session.

It is proposed that on the morning of Thursday, March 29, 1962, after the inauguration formalities are over, the Conference will obtain a short report from the representatives attending on the activities of each development bank represented at the Conference; this may continue for some time in the afternoon of the day.

On the say day, later in the afternoon, panel discussions will be held on problems of general interest to development banks. For this purpose, the Conference will divide itself into two panels. One panel will discuss The Role of Entrepreneurship in economic development, and the second panel will deal with problems of Identifying Industries for Development.

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In the afternoon session, the Conference will hear reports of the panel discussions and take a broad review of the discussions held and the conclusions reached.

PAPERS:

It is proposed that the invitee banks will send papers covering one or more aspects to be discussed at the Conference.
December 22, 1961

Mr. G. Stewart Mason
Department of Operations
South Asia and Middle East
International Bank for Reconstruction & Development
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.

Dear Mr. Mason:

You may recall that Mr. G.L. Mehta, when he last visited the U.S.A., mentioned to you and to Mr. Ivorson the question of holding, under the auspices of ICICI, a Conference of development banks in Asia. Mr. Black and Mr. Demuth have appreciated and welcomed the proposal.

We have now crystallised our ideas on the subject, which are contained in the enclosed note.

The dates of the Conference have been fixed as to suit the convenience of the Bank, as mentioned in one of Mr. Black's letters to Mr. Mehta. The dates follow immediately after our own Annual General Meeting. I trust these would be convenient to the Bank and it would be possible for the Bank to send delegates to the Conference.

We are confining the list of invitees to development banks in Asia, whether owned and set up privately or by the Government, provided their objective is to provide funds for industry in the private sector. We have taken the list from Boskey's book, but would welcome any suggestions you may have on the list, particularly any new banks which may have been set up recently.
December 28, 1963

Dear Mr. Masen

Your very secret file Mr. G.L. Tolomeo

We have now submitted our notes

The cases of the Corporation have been

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do to development plans in Mr.'s. When we have

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We have been unable to contact Mr. & Mrs. We

1963 December 27 P.M. 3:27

Received
Mr. G. Stewart Mason : 2 : December 22, 1961

Each bank may send up to two delegates, one of them being the executive head of the bank and one a member of the governing committee or Board of Directors, if possible.

We propose to invite fraternal delegates from the World Bank, the International Finance Corporation, the Commonwealth Development Bank and the Kreditanstalt, which have relationship with ICICI and which are interested in development banking in our region.

We also propose to invite representatives from the Ministry of Finance, Government of India, and the Reserve Bank of India, who are concerned with problems of industrial finance in India.

All the countries represented at the Conference except Japan, are at various stages of underdevelopment. We have fixed the subjects for the Conference to take into account this factor. We propose to have panel discussions on some general problems, like those of identifying industries for development and of growth of entrepreneurship, faced by banks operating in these countries.

A major part of the Conference would be taken up by discussions on the internal problems of development bank operations. We have in mind for this purpose issues such as (i) technical aspects of appraising a project, including relative significance of profitability and security; (ii) financial resources of development banks, including balance between equity and debt for development banks; (iii) the problem of spread between the borrowing and lending rates of development banks; and (iv) tax treatment of development banks. We also propose to obtain from attending invitees, papers on one or more of the above subjects. We shall welcome any comments on the above outline, and, in the light of the experience of the Bank, suggestions for any other subjects.
Mr. G. Stewart Mason : 3 : December 22, 1961

We propose to post invitations and the programme after receiving your reply. This makes for a rather tight time-schedule. We would appreciate if you could kindly send us your reply, by cable, so as to reach us in the first week of January, to enable us to send out invitations by about January 10, 1962.

With kind regards,

Yours sincerely,

J. S. Raj
Deputy General Manager

Enclosure:
Regional Conference of Development Banks

March 29-30, 1962

Bombay, India

It is proposed to hold, under the auspices of The Industrial Credit and Investment Corporation of India Limited, Bombay, (India), a Conference of representatives of industrial development banks operating in Asia. The Conference will be held for two days - March 29-30, 1962.

Object:

The main object of the Conference will be to enable an interchange of ideas on problems common to development banks in Asia. The Conference will discuss in panels problems of general interest to development banks in the region, such as the growth of entrepreneurship and identification of industries for development, and also problems faced by development banks in their operations such as technical aspects of appraisal, financial resources for development banks, spread between borrowing and lending rates and taxation.

Inviters:

It is proposed to invite to the Conference, representatives from among the following development banks:

1. BURMA : Industrial Development Corporation
2. CEYLON : Development Finance Corporation
3. CHINA (Taiwan) : Development Corporation
4. INDIA : Industrial Finance Corporation
5. INDONESIA : Industrial Development Bank
6. IRAN : Industrial and Mining Development Bank
7. IRAQ : Industrial Bank
8. JAPAN : Development Bank
9. JORDAN : Development Bank
10. LEBANON : Agricultural, Industrial and Real Estate Credit Bank
11. MALAYA : Industrial Development (Finance) Corporation
12. PAKISTAN : Industrial Credit and Investment Corporation
13. THE PHILIPPINES : Development Bank
14. SYRIA : Industrial Bank
15. THAILAND : Industrial Finance Corporation

It is proposed to invite fraternal delegates from the International Bank for Reconstruction and Development (U.S.A.), the International Finance Corporation (U.S.A.), the Commonwealth Development Finance Company Limited (U.K.) and the Kreditanstalt (West Germany).

PROGRAMME:

The programme of the Conference is given below:

Thursday, March 29, 1962

Morning:

10.00 a.m. to 11.30 a.m. : Inauguration.
12.00 noon to 1.15 p.m. : Addresses by representatives.

Afternoon:

2.30 p.m. to 3.45 p.m. : Addresses by representatives.
4.00 p.m. to 5.30 p.m. : Panel Discussions:
1. Role of Entrepreneurship.
2. Identifying Industries for Development.
Friday, March 30, 1962

Morning:

10.00 a.m. to 1.15 p.m. Problems of Development Banks:

1. Technical Aspects of Appraising a Project.

2. Security vs. Profitability.


Afternoon:

2.30 p.m. to 5.30 p.m. Report on Panel Discussions.

Concluding Session.

It is proposed that on the morning of Thursday, March 29, 1962, after the inauguration formalities are over, the Conference will obtain a short report from the representatives attending, on the activities of each development bank represented at the Conference; this may continue for some time in the afternoon of the day.

On the say day, later in the afternoon, panel discussions will be held on problems of general interest to development banks. For this purpose, the Conference will divide itself into two panels. One panel will discuss The Role of Entrepreneurship in economic development, and the second panel will deal with problems of Identifying Industries for Development.

On the morning of Friday, March 30, 1962, the Conference will be in full session to discuss problems common to development banks. In particular, this session will discuss the technical aspects of appraising a project including the role of security and profitability, the problem of financial resources and a proper balance between debt and equity for a development bank, the extent of spread between the borrowing and the lending rates of a development bank, and the tax treatment of development banks.

In the afternoon session, the Conference will hear reports of the panel discussions and take a broad review of the discussions held and the conclusions reached.

PAPERS:

It is proposed that the invitee banks will send papers covering one or more aspects to be discussed at the Conference.
Dec. 11/61

Mr. Rosen -

Development Banks - CENTO Conference

This is just to inform you that a letter has come in to Demuth from Gordon stating that the CENTO people appear to be going ahead with their idea of holding another development banking conference. The timing proposed for the conference is in the early spring or in May 1962, and the place proposed is Istanbul. The Bank does not appear to have heard yet direct from the CENTO people but, according to Dave Gordon, will be writing in.

G.C. Wishart
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<td>2. Mr. Wishart</td>
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<td>3. Mrs. Stech</td>
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**To Handle**
- Appropriate Disposition
- Approval
- Comment
- Full Report
- Information
- Initial

**Note and File**
- Note and Return
- Prepare Reply
- Per Our Conversation
- Recommendation
- Signature
- Send On

**Remarks**

**From**
Richard H. Demuth
Mr. Richard H. Demuth  
Director,  
Development Services Department  
International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D.C.  
U.S.A.

Dear Dick:

Thanks for your letter No. 146, regarding the proposal from the CENTO staff for holding another conference on industrial development banking.

I share your dislike for conferences for their own sake, and I am somewhat handicapped in judging how adequately the ground was covered during the meeting last June by the fact that I had to leave a couple of days before the Conference ended. I sent back to the Bank, however, with my letter No. 204 of September 23 to Ken Iverson, the report of proceedings. Ladis Svoboda, who attended throughout, comments as follows on Hatton's suggestion for a new conference:

"As regards the program for the next meeting, no doubt, early consultation with the participants and their active cooperation in preparation of the agenda is of utmost importance for its success. Inasmuch as the first Conference fairly well covered the general ground, a more specific approach dealing with selected subjects of development banking appears to be indicated this time.

The Murree Conference has stimulated considerable thought on a number of specific subjects some of which
February 23, 1958

Mr. Richard H. Perry
Development Services Department
International Bank for Reconstruction and Development
Washington 25, D.C.

Dear Mr. Perry:

I have the honor to submit the following report on the topic of

The above conference was attended by representatives of major

The conference was well attended by representatives of major

Thank you for your interest in this matter.
"call for more analysis and research. Mentioned as suitable for future discussion subject to further study, were inter alia, the exchange devaluation risk, new uses of counterpart funds, tax relief for development banks, the means of stimulating a capital market, the place of the development banks in comprehensive plans for industrial development, the relative role of the central banks and the role of the commercial banks in the financing of industrial development.

Apart from these, in larger part policy questions, I feel, that special attention should be given to review of certain important technical aspects of development bank operations, in particular as regards the methods and techniques of the appraisal of projects, contractual arrangements with the borrowers, and follow up on loans. Continued interchange of information and experience between the participating institutions concerning their operating methods and lending procedures, would be of great help in their common effort for perfection of operational performance. The exchange of key personnel for brief visits between the institutions would be a practical step in this direction. Consideration may be also given to the possibility of arranging special seminars on the subject within or outside the Conference.

It should now be possible, in consultation with the participating organisations, to make a final selection of the specific subjects suitable for the program of the next meeting, having each of the participants contribute a comprehensive paper on a major subject selected.

This Conference, by its very nature requires a considerable amount of preparation coordination and follow-up work. Mr. Hatton together with his associates in CENTO, last time, did a very good job in this respect. I believe, that his work would be much facilitated if he were assisted by a working party consisting of suitable representatives of each of the CENTO member countries which would take charge of the preparatory work within their respective areas.

Needless to say, that the Conference deals with a subject which is of particular interest to me and I wish
"I could take a more active interest in its organisation. Unfortunately, with only two months left for completion of my assignment with PICIC, I am extremely busy with many things yet to be done and therefore unable to devote any amount of time for other than the Corporation's affairs."

With best regards.

Sincerely yours,

[Signature]

David L. Gordon
Resident Representative
Dear Dick:

Thanks for your letter No. 116, regarding the proposal from the CENTO staff for holding another conference on industrial development banking.

I share your dislike for conferences for their own sake, and I am somewhat handicapped in judging how adequately the ground was covered during the meeting last June by the fact that I had to leave a couple of days before the Conference ended. I sent back to the Bank, however, with my letter No. 204 of September 23 to Ken Iverson, the report of proceedings. Ladis Svoboda, who attended throughout, comments as follows on Hatton's suggestion for a new conference:

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With best regards,

Sincerely yours,

David L. Gordon
Resident Representative
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Remarks
Mr. Eugene R. Black
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

Dear Mr. Black,

Many thanks for your letter of November 9, 1961. I am glad that you feel that a conference on development bank matters would be useful.

In view of what you state, about the timing of the conference we shall consider the holding of the conference some time in March, 1962. We are taking steps for the organisation of the conference and I shall shortly write to the Bank about our preliminary ideas.

With kindest regards,

Yours sincerely,

(G. L. Mehta)
November 16, 1951

Mr. Eugene R. Black

President

Industrial Bank for Reconstruction

and Development

1818 H Street, N.W.

Washington, D.C.

Dear Mr. Black,

Many thanks for your letter of November 9. I only wished that you feel that a conference on development bank matters would be necessary.

In view of what you state, about the timing of the conference we shall coordinate the position of the conference some time in March. I hope we can make steps for the organisation of the conference and I shall shortly write to the Bank about our preliminary plans.

With kind regards,

Your sincerely,

[Signature]

G. K. Naik
November 9, 1961

Mr. G.L. Mehta
The Industrial Credit & Investment
Corporation of India Limited
163 Backbay Reclamation
Bombay 1, India

Dear Mr. Mehta:

I understand from Mr. Besath that when you were in Washington, you spoke to him about your idea of inviting representatives from the private industrial development banks operating in Asia to visit Bombay for a conference on development bank matters. I am sure that a conference, such as you propose, would be of great interest to the participants, and we would be glad to be represented.

You mentioned that the timing of the meeting would be sometime between December of this year and February of next year. Our Bank and IFC staff members, with knowledge of development bank matters, have rather a heavy work load over the next few months and it would be more convenient in arranging for our representation if the date were to be somewhat later than you indicate.

It was good to see you again in Washington.

With kindest regards,

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black
Mr. David L. Gordon  
P.O. Box 106  
Rawalpindi, Pakistan  

Dear Dave:

Thank you for your letter of October 17 about the proposal to organize another CENTO-sponsored conference on industrial development banking, to be held this time in Turkey.

As you will be learning officially in the next few days or may already know, some organizational changes have just been made to provide more effective administration of our expanding technical assistance activities. One consequence of the change is that I no longer have responsibility for development banks, although it has not yet been decided precisely where that responsibility will come to rest. However, when Dr. Hatton's letter comes in, I shall of course see to it that he receives a competent and authorized reply.

In the meantime, I may say to you - unofficially - that I would regard with mixed feelings a second conference on development banks with substantially the same participants as those at the Murree meeting last June. I say this because Dr. Hatton's letter does not indicate a very clear need for another conference so soon, and I am not in favor of conferences for conferences' sake. If, however, time limitations last June precluded any or adequate discussion of a number of topics of common concern, then another conference with the same participants might well be worthwhile. I am not sufficiently familiar with the ground that was covered and with what was left unexplored to make any useful suggestions concerning an agenda, but I would suppose that the record of the discussions would provide the best basis for determining both whether a conference ought to be held and what the agenda of such a conference might be.

I'm sorry I can't be more helpful. But at least this reply will give me the opportunity of sending Eunice's and my personal good wishes to you and Clara.

Sincerely yours,

Richard H. Demuth  
Director  
Development Services Department
Mr. Richard H. Demuth
Director,
Technical Assistance and
Planning Staff
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.

Dear Dick,

I enclose a copy of a letter, which is largely self-explanatory, from the organizer of last June's CENTO-sponsored Conference on Industrial Development Banking, together with my reply. The CENTO people are evidently anxious to beef up the non-military aspects of the Alliance; development banking is a fashionable subject in which all the CENTO members have an active interest; and Turkey, in particular, can claim to be a pioneer in the field. The Murree meeting in June produced some very interesting discussions on various theoretical and practical problems of development banking, and I think Svoboda made a very significant contribution to it. I, myself, was unable to attend the last couple of days of the Conference.

You will doubtless be hearing from Dr. Hatton. If the Bank should decide to take part in the proposed conference in Istanbul, I am rather doubtful whether I am the best person to attend — although I would have no objection to a brief junket to Turkey. Please let me know your reaction, together with any ideas you may have about an agenda.

Sincerely yours,

[Signature]

David L. Gordon
Resident Representative

Enclosures 2
I enclose a copy of a letter which I have recently sent to ...
In connection with this conference, there are 3 points I should like to raise with you:

1. We should like very much to have the benefit of your own experience, and that of IFC & IBRD, to make some suggestions as to subjects which could profitably to all concerned, be discussed at the conference. We ourselves have some general ideas about an agenda, which I take the liberty of enclosing. Quite an important part of the Bombay meeting, natural for a first encounter, passed away while each of the banks presented itself to the forum of the conference. On the second occasion we want to do away completely with this and try to make this conference a concrete contribution to the operational problems of these institutions.

2. As in the case of the Bombay conference, we hope to count again on IBRD and IFC being represented for full participation in the discussions.

3. Especially in connection with the second point, another idea has come to our minds; namely, that this conference could be used at the same time as an occasion for the various development banks to discuss their problems individually with you. It must have struck you, as it did us, that trying to compress these special discussions into the framework of the annual Fund-Bank meeting puts quite a strain on you and your colleagues. What we are thinking about is whether the periodic conferences of the development banks of Asia could not be utilised at the same time for these private discussions either before, during or after the conference. This is as yet only a very general idea, and I am sure more thought has to be given to the way to organise it. But I should much appreciate having even at this early stage some reaction from you about this idea, so that we can further elaborate on it.
In connection with the conference, therefore, I am pleased to report:

I am pleased to report the new concept of the role of your
way of thinking and that of the HGR, to make some
expression of my appreciation for your cooperation to
expression of my appreciation for the cooperation.

My appreciation goes some General these speak to people,
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extension.

As in the case of the General conference, we hope to
continue to make the HGR and the joint interests to full
participation in the General conference.

Firstly in connection with the second point, somewhat
I have come to one single matter, that the conference
coordinating, must be read at this same time as an occasion to
coordinating development of the services, and the improvement
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I am afraid of you and your cooperation. In

I am afraid of the development of the services, and the improvement
activities, development of the services, and the improvement
activities, development of the services, and the improvement
activities, development of the services.
UNITED STATES ECONOMIC COORDINATOR
FOR CENTO AFFAIRS
Ankara, Turkey

October 11, 1961

Mr. David L. Gordon
International Bank for Reconstruction
and Development
Post Office Box 106
Rawalpindi, Pakistan

Dear Mr. Gordon:

This letter is a two fold request for your assistance.

The success of the CENTO Industrial Development Banking Conference at Murree in June, 1961, to which you and Mr. Svoboda contributed so much, has brought forth a most favorable reaction and a number of requests for another conference to include the organizations represented at Murree. We would also be assured of participation by Iran's Industrial and Mining Development Bank which, unfortunately, was not represented at Murree due to a last minute interpretation by the MOFA. I have been assured that if a suitable agenda can be developed, the funding of travel and per diem of the CENTO region country participants can be readily secured from U.S. sources.

You and Mr. Svoboda are obviously the most knowledgeable and experienced men in the CENTO region on the subject of industrial development banking and should participate in a second conference. To whom should I have Mr. John McDonald, the U.S. Economic Coordinator for CENTO Affairs, write in Washington requesting the services of you and Mr. Svoboda as delegates? If the Turks agree to act as hosts, the conference would probably be held at the Industrial Development Bank in Istanbul in the early spring or in May, 1962.

My second request is that you give me, as soon as convenient, either a tentative agenda of technical topics that might be discussed at such a conference or your ideas of what would be appropriate to the level and background of the CENTO region bankers. I would be willing to use these ideas either with appropriate credit to you or no mention of your name, depending on your wishes. We have found that in organizing CENTO conferences the use of a "talking agenda" is invaluable in consulting with CENTO region people in their offices, particularly if we expect to get the cooperation of high level officers. These men may offer an idea or two but usually accept with only minor suggestions of change, what they recognize as a sound agenda. This approach is a good technique in that it sets the stage for a series of worthwhile conference meetings.
You can understand my position as an organizer in trying to fully utilize your professional competence and experience. Any ideas you can give me will be fully appreciated.

During the next ten days I hope to be able to talk with the management of Turkey's Industrial Development Bank and see if they will agree to host the proposed conference. I shall keep you informed of developments.

With sincere appreciation for your excellent cooperation,

Cordially,

Charles S. Hatton
Economic Adviser
Dr. Charles S. Hatton  
Economic Adviser,  
U.S. Economic Coordinator  
for CENTO Affairs  
c/o American Embassy  
Ankara, Turkey

Dear Dr. Hatton:

I acknowledge your letter of October 11, proposing another conference on Industrial Development Banking for the CENTO countries. I agree that the meeting at Murree last June was a very interesting and useful one, and the idea of a second conference on this subject seems attractive, although I have not really considered what specific topics might usefully be discussed further. I shall try to develop some ideas in that regard, and will solicit suggestions from my colleagues in Washington and from Mr. Svoboda. Unfortunately your letter reaches me at a particularly busy time in our preparation for the next meeting of the Consortium of aid-givers to Pakistan, so that I shall not be able to devote as much attention to it as I should like.

The person to contact about participation by the World Bank in a second conference on Development Banking is Mr. Richard H. Demuth, Director of Technical Assistance and Planning Staff of the Bank, 1818 H Street, N.W., Washington 25, D.C. I am sending a copy of your letter to him as well as to Mr. Svoboda in Karachi.

Sincerely yours,

David L. Gordon  
Resident Representative
# Routing Slip

**Form No. 75**

**International Bank for Reconstruction and Development**

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**Routing Slip**

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**Remarks**

Excuse the late correction, but we are very short handed today. I suggest you take a hotel room reservation.

From

P.S.
**Routing Slip**

**Date:** Oct 19, 1961

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<td>Mr. Mason</td>
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From:

Sophie to Mr. Rosen - who agrees that it is a good idea and that the Bank/IFC should be represented. Will you draft a letter (for Mr. Blocks' signature) to the Federal Treasury?

From: [Signature]
OFFICE MEMORANDUM

TO: Mr. Hugh B. Ripman
FROM: Kenneth R. Iverson

SUBJECT: Please note the attached memorandum re Mr. G. L. Mehta's plans to hold a conference of development bank officials in India. Inasmuch as T.A. & P.S. no longer has responsibility for development banks, we would appreciate it if you would, in consultation with Mr. Rosen, send a letter to Mr. Mehta indicating the Bank's reaction to his suggestion.

cc: Mr. Rosen with copy of Mr. Iverson's memo to Mr. Demuth of Sept. 26/61.
OFFICE MEMORANDUM

TO: Mr. Richard H. Demuth
FROM: Kenneth R. Iversen

DATE: September 26, 1961

SUBJECT:

Mr. G. L. Mehta, Chairman of the ICICI in India, was brought to the office by Bill Diamond on September 21. Mr. Mehta wants to have the Bank's reaction to a tentative plan for ICICI to invite representatives of other privately controlled development banks to come to Bombay, India, sometime between December and February for the purpose of exchanging views and experience on the problems of development banks. Mr. Mehta has not worked up an agenda nor does he have any specific problems in mind to put on the agenda but he does feel that a general exchange of views by the persons operating development banks would be useful.

Mr. Mehta suggests that banks from Turkey, Iran, Pakistan, Ethiopia and countries to the East be invited to such a meeting.

Mr. Mehta asked two questions, (1) what would be the Bank's reaction to this idea, and (2) would the Bank be willing to send an observer to participate in the meeting.

He raised the same questions with Sandy Stevenson and it is my understanding that Sandy indicated a favorable attitude.

Mr. Mehta would like to have a letter from you expressing your reaction to the two questions noted above.
September 28, 1961

Mr. David L. Gordon
Resident Representative
International Bank for Reconstruction and Development
P.O. Box 106
Rawalpindi, Pakistan

Dear Dave:

Many thanks for sending us the complete copy of the report of the CENTO Conference on Industrial Development Banking. This material will be circulated to those interested in this subject.

Best regards.

Sincerely yours,

Kenneth R. Iverson
Assistant Director
Technical Assistance and Planning Staff

cc: Central files w/incoming letter and report.
Mr. Kenneth Iverson
Assistant Director,
Technical Assistance and
Planning Staff
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
U.S.A.

Dear Ken:

I enclose for the record a complete copy of the report of the CENTO Conference on Industrial Development Banking, which took place here in June. The covering letter from Dr. Charles Hatton, Economic Advisor to the U.S. CENTO Delegation in Ankara, who organized the Conference, concludes "I sincerely hope that we may have another similar conference in 1962."

With best regards.

Sincerely yours,

David L. Gordon
Resident Representative

Enclosure
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

P.O. Box 108, Nairobi

September 29, 1961

Letter No. 709

Re: Referral

Mr. Kenneth Ince
Assistant Director
Technical Assistance and Planning Staff
International Bank for Reconstruction and Development
18th Street, N.W.
Washington 6, D.C.

Dear Mr. Ince:

Please find attached a complete copy of the report of the CFSMO Conference on Industrial Development. The report, which took place here in June, the cover of which you will find attached to this letter, was prepared as the result of the U.S. CFSMO delegation to Africa andornado the conference. I also enclose a note of my own which I have written to your attention.
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**REMARKS**

Hold for his return.

I don't know if you're even interested.

From

Louis Louvet
Re: CENTO Conference on Industrial Development Banking

Dear Sandy:

On June 23rd, the CENTO Conference on Industrial Development Banking ended its five days' session in Murree. Mr. Abdul Qadir was Chairman of the Meeting which was inaugurated by the Finance Minister. PICIC, IDB Turkey and the Industrial Credit Bank and the Industrial Guarantee Fund of Iran participated. Mr. Charles Hatton, Economic Adviser of CENTO, was leader of the U.S. Delegation and Mr. Robert Porter of the British Middle East Development Division was leader of the U.K. Delegation. Dave Gordon represented the Bank in the first three days; I attended throughout the Meeting. DLF was represented by Mr. Ralph Golby.

The Conference had a rather slow start, particularly because of lack of background papers to start off the discussion on the various subjects of the very heavy agenda. However, under the guidance of the CENTO experts, it gradually developed into a lively panel meetings which yielded a considerable amount of useful information and stimulated discussions on problems of common interest.

The exchange of views covered a wide range of subjects relevant to development bank policies and operations, including questions of capitalization, relationship with Government, relations to other financial institutions, appraisal of projects, lending terms and functions other than financing.
Considerable time was devoted to the subject of operating methods and techniques which did not bring out anything new but proved quite educational for some of the delegates. Of particular interest were the ensuing discussions which centered around policy problems such as Government control over industrial development banking, relationship of development bank operations to Government monetary and economic policies, limitations on borrowing powers, methods of working capital financing, role of development banks in creation of money market, etc.

Of the participating Development Bank delegations, the Pakistanis with Mr. Uquaili, as their spokesman, was the most vocal one. The Turkish delegates, headed by IDB's Kayalioglu, provided a considerable amount of professional background derived from their long years of experience. They also produced interesting information on some new operating practices, in particular concerning working capital financing through equity participations. The Iranian participants apparently lacked sufficient experience in development bank operations to make an effective contribution in this respect. The Industrial Credit and Mining Bank of Iran, which had been invited, in the last minute withdrew for reasons unknown. Of the Western representatives, Dr. Peter Frank (US) Professor at Roberts College, Istanbul, and Mr. Robert Porter (UK), economist, took a very active part in the discussion. Dr. Frank, who had assisted in preparation of the agenda, was also asked to write the report on the meeting. He introduced a very interesting, though somewhat academic, paper on "Development Banks and Government Monetary and Economic Policies" which stimulated a lively discussion on the subject. Dave Gordon introduced the subject of relationship between development banks and Government agencies. He reviewed IBRD assistance to industrial development banks on a worldwide basis. Mr. Golby made a statement on behalf of DLF. I spoke on the subject of development banks' organization and operating techniques and took part in the discussion on all other important aspects. Copy of the Report is enclosed.

On the whole, I feel that the Conference, despite some organizational shortcomings, has well served its purpose. All delegates were gratified with the results and the participants from development banks expressed a desire for a continuation of the contacts established. It was agreed that a further
conference should be convened next year, possibly in Teheran, and the CENTO Secretariat was requested to solicit the views of the Member Governments on this proposal. Consideration was given to the possibility of inviting industrial development finance institutions from other Middle Eastern or South Asian countries, but it was finally concluded that for best results a meeting limited to smaller group, such as CENTO, was preferable. All delegates of the member countries expressed appreciation of the Bank's participation in the Conference. Dave Gordon assured them of the Bank's continued interest in these meetings.

I have extended my stay in Northwest Pakistan for one week to make a trip to Peshawar and the Swat area and an end-use mission in the Lahore region. I expect to be back in Karachi by July 1st.

I have received Mr. Rucinski's cable of June 15th concerning my visit to the Bank next Fall. Accordingly, I am now planning to arrive in Washington in early October after the Bank's Annual Meeting. I very much appreciate being given the opportunity to attend this year's Annual Meeting in Vienna. Should there be difficulties in providing accommodation for me, I may try to get it through friends who live in Vienna.

I was glad to have been able to report to you on PICIC affairs during your recent visit to Karachi. I will be writing soon on latest developments in the staff question.

We all enjoyed seeing you here, were it only for a little while. Maria joins me in sending kind regards to you and your family.

With very best wishes,

Sincerely yours,
Mr. Kenneth Iverson  
Assistant Director,  
Technical Assistance and Planning  
Staff  
International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D.C.  
U.S.A.

Dear Ken:

Responding to your letter No. 24, I enclose a letter received from Dr. Patton and a copy of my reply. The former, and the attached Agenda, do not throw much light on why CENTO is calling a conference on development banking. I have the impression they are searching rather feverishly for means of introducing some "economic development" content into the structure of the Alliance, and this would be a relatively non-controversial and inexpensive way of doing so.

I expect to be in Washington at the time of the Pakistan Consortium Meeting, now scheduled, I believe, for the end of May. That will perhaps give me a chance to exchange ideas with you and round up some background information.

Sincerely yours,

[Signature]

David L. Gordon  
Resident Representative

Enclosures 2
INTERNATIONAL BANK FOR \nRECONSTRUCTION AND DEVELOPMENT

DEAR MR. WELCH,

Enclosed is a letter, to which I have added a Congress, to whom a copy of this letter is being sent. I have also added a Congress, to whom a copy of this letter is being sent.

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Sincerely,

[Signature]

David I. Welch

Auxiliary Representative

November 9, 1961

P.S. The next meeting of the Allied and member countries was a chance to meet. 

[Signature]
March 11, 1961

Dr. Charles S. Hatton
Economic Advisor,
United States Economic Coordinator
for CENTO Affairs
Ankara, Turkey

Dear Dr. Hatton:

I acknowledge with thanks your letter of February 13th and enclosed Agenda for the CENTO Conference on Industrial Development Banking.

The Bank has recently written me, in response to my letter describing our earlier conversation, designating me to represent the Bank at this Conference. I shall probably have to go to Washington at the end of May and into the early part of June, but I shall almost certainly be back before the 19th.

I should like to suggest that Mr. Ladislav Svoboda, a staff member of the Bank who is now on temporary assignment as adviser to PICIG in Karachi, also be invited to attend.

I am sending the proposed Agenda to Washington for their information, and I would appreciate it if you would send me another copy at your convenience.

Sincerely yours,

David L. Gordon
Resident Representative
Mr. David L. Gordon  
P.O. Box 106  
Rawalpindi, Pakistan  

Dear Mr. Gordon:

Enclosed you will find a revised copy of the agenda for the Industrial Development Banking Conference to be held in Karachi, June 19-23, 1961. It includes nearly all of the topics that were recommended to us for discussion.

My only concern is that the agenda may be a little too long. In an effort to overcome this possible hazard, I am asking a few people to present short papers that will cover certain main topics and perhaps help to reduce extraneous discussion. For example, Dr. Peter Franck of Robert College will offer a brief paper on item 7.

Mr. Bahaeddin Kayalioglu, Assistant Manager of the Turkish Industrial Development Bank, who has had a great deal of experience, will offer a paper on item 10, the "Role of Development Banks in Addition to Financing". As this is one of the key subjects, I am sure he will have a worthwhile presentation that should supply a solid basis for sound discussion.

As soon as I know the names of the leaders of the Iranian and Pakistani delegations, I shall try to have one top man from each group offer a paper on some phase of the agenda in which he feels most competent.

The papers will help, I believe, to put more people at ease and to provide for a ready flow of good discussion.

We have sent a lengthy airgram to Washington describing the proposed conference in detail and asking ICA/W to provide a top Development Loan Fund expert. We also mentioned your name, stating we had discussed the conference with you; that you were deeply interested; and that you were in the process of discussing attendance at the conference with your principals. We also pointed out that all the development banks in the CENTO region countries had requested participation by the IBRD and the DLF.
As you well know, I sincerely hope that you will participate in the conference.

We are still urging the Government of Pakistan to move the conference to Murree, Pakistan, where the facilities are excellent and the June climate more salubrious than in Karachi.

I shall keep you informed of developments as we approach June.

I would appreciate it if you would let me know at your convenience when you can commit yourself firmly that you will participate. The IBRD and its staff carry great weight in the CENTO region and a firm commitment by you will be an additional factor in helping to assure the best possible representation from the participating countries.

With sincere appreciation for your cooperation.

Cordially,

Charles S. Hatton
Economic Advisor
PROPOSED AGENDA FOR CENTO CONFERENCE ON
INDUSTRIAL DEVELOPMENT BANKING
Karachi - June 19-23, 1961

1. Welcome - By Government of Pakistan
2. Introductory remarks by other participants
3. Development Banking in Iran - Iranian Delegation presentation
4. Development Banking in Pakistan - Pakistani Delegation presentation
5. Development Banking in Turkey - Turkish Delegation presentation.
6. How Can Development Banks Obtain Necessary Capital Funds?
   (a) Sources of loan capital
   (b) Sources of equity capital
   (c) Foreign Exchange
   (d) Possibilities of long term loans from world private capital markets.
   (e) Government Sources
7. Should the rate of lending by Development Banks bear some special relationship to Governmental monetary policies or should rates of lending be broadly influenced by Government economic development policies?
   (a) In terms of the total volume of loans
   (b) In matters of project preferences
   (c) In terms of rates of interest
8. Selection of credit worthy enterprises
   (a) Estimated profitability of an enterprise as a criterion for a loan
   (b) Foreign Exchange saving as a criterion
   (c) Size of enterprises that in relation to bank's resources appear to contribute most to development
   (d) Geographical distribution of financing as a factor in economic development.
   (e) Consideration to be given to availability of operating and managing personnel
9. Establishment of equitable terms
(a) Period of loan and terms of repayment
(b) Interest rates
(c) Quality and quantity of collateral behind each loan
(d) Exchange devaluation risks
(e) Policy toward pre-payment of loans

10. Role of Development Banks in addition to financing
(a) Participation in management and equity ownership
(b) Preparation of project analyses
(c) Placement or resale of industrial securities
(d) Bringing together foreign and local capital
(e) Role in encouraging development of accounting systems as a means of increasing public confidence in the corporate structure and reports of enterprises.
(f) Special internal organization of the Development Bank with regard to the Engineering Department in order to cope with temporary deficiencies and absence of reliable engineering firms in the country.
(g) Sponsoring and encouraging the development of engineering consulting firms for the preparation of sound projects.

11. Role of the Development Bank in relation to other financial institutions
(a) Differences in lending terms and preferences
(b) Differences in sources of capital
(c) Differences in relationships to the Government

12. Relationship between Development Banks and Government agencies
(a) Ministry of Finance
13. To what extent is exchange of information with other Development Banks in the CENTO area feasible and desirable?
   (a) Reports and economic analyses
   (b) Exchange of policy views
   (c) Exchange of ideas at regular intervals
14. Other techniques and aspects worthy of discussion
   (a) General Internal Organization of Development Banks
   (b) Problem of adequate staffing
      (1) Method of financing adequate staff during early developmental period
   (c) Handling period of credit applications
15. Consideration of Draft Report to Economic Committee
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**REMARKS**

From

**Signature**
February 27, 1961

Mr. David L. Gordon
Resident Representative
International Bank for
Reconstruction and Development
P.O. Box 106
Rawalpindi, Pakistan

Dear Dave:

This will acknowledge your letter of January 20, in which you wrote that CENTO is sponsoring a conference on development banking, to be held in Karachi next June. I have discussed, with the Area Department, the question of who should represent the Bank and we all agree that you are the appropriate person. We would appreciate, therefore, if you would inform CENTO that you will attend the meetings.

We assume that you have all the information needed, but if there is anything we can do from this distance, please let me know.

We have some curiosity as to why CENTO is calling a conference on development banking. Please keep us informed of developments.

Best regards,

Sincerely yours,

Kenneth R. Iverson
Assistant Director
Technical Assistance and Planning Staff

KRI:mo
cc: Central files w/incoming letter and attachment.
I am sending copy of Mr. Gordon's January 20 letter on the proposed CENTO meeting on Development Banks.

Our contacts in ICA and the State Department have not heard anything about this proposed meeting.

I understand that you intend to write to Mr. Gordon for further details on the meeting.

From Louis Louvet
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Please find attached this is all about if you can. In the event I don't see you Dean Shoulders so particular if he stays the trip to come. This person will visit him.

From

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**REMARKS**

Please note the attached letter from Dave Gordon. Unless you have other suggestions, Dave could represent the Bank at the CENTO sponsored conference on development banking to be held in Karachi.

Please let me have your suggestions.

From: Kenneth R. Iverson
Mr. Richard H. Demuth  
Director,  
Technical Assistance and  
Planning Staff  
International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D.C.  
U.S.A.

Dear Dick:

I had a visit yesterday from a Dr. Charles S. Hatton, of the Office of the U.S. Economic Coordinator for CENTO Affairs, in the U.S. Embassy at Ankara. It appears that CENTO is sponsoring a conference on development banking, to be held in Karachi next June (tentatively the 19th through the 23rd). They are financing three participants each from Turkey and Iran, trying to ensure that each industrial financing institution (but not fomento-type agencies like PIDC here) will be represented; other participants will perhaps be sent by governments or the institutions themselves; and interested U.S. and British agencies will be invited.

Our talk was brief, since he had learned of my existence only shortly before he had to catch a plane, but he left me the tentative agenda attached - drawn up, he said, in consultation with the IDB in Turkey. He asked whether I'd take part, representing the Bank. I said this was a field in which we had a good deal of interest and experience and some specialized personnel, including Svoboda here. As for his agenda, I glanced over it very hurriedly and commented only that it might consider more explicitly the problem of staffing, recruitment and training.

I now pass the buck to your office, whether the Bank should be represented, and if so by whom and with what briefing.

Sincerely,

David L. Gordon  
Resident Representative

Attachment

cc: Messrs. Rucinski  
Svoboda
Letter No. 15

International Bank for Reconstruction and Development

January 26, 1961

Mr. President,

Director

Technical Assistance Group

International Bank for Reconstruction and Development

Dear Sir,

I have a slight variation from a Circular of Information, dated

the 1st of the U.S. Economic Cooperation Act of 1950, to

inform you of the following fact: I have heard from the

technical assistance group that the loan to Turkey has been

approved, and that the terms of the loan will be as follows:

1. A 10-year grace period with no interest or principal payments.
2. A 25-year term, with interest to be paid in annual installments.
3. A 10% annual interest rate.

I am informed that the loan is to be used for the development of

infrastructure in Turkey. The amount of the loan is $100 million.

I am enclosing a copy of the loan agreement for your review.

Sincerely,

[Signature]

[Stamp: Dated June 27, 1961]
PROPOSED AGENDA

I. Background of Development Banking

Iran
Pakistan
Turkey

It is suggested that each delegation prepare 20 copies of a mimeographed paper on the origin, general background and pertinent guiding policies of their banking institution. These will be distributed to all participants at the conference. Each delegation will designate one member who will briefly summarize these aspects in about 15 minutes.

It is believed that this approach will provide a solid basis from which the experts can then move to a discussion of policies, problems, operating techniques and other matters in which all have professional interests.

II. How Can Development Banks Obtain Necessary Capital Funds?

(a) Sources of loan capital
(b) Sources of equity capital
(c) Foreign Exchange
(d) Possibilities of long term loans from world private capital markets.

III. Should the rate of lending by Development Banks bear some special relationship to Governmental monetary policies or should rates of lending be broadly influenced by Government economic development policies?

(a) In terms of the total volume of loans
(b) In matters of project preferences
(c) In terms of rates of interest

IV. Selection of credit worthy enterprises

(a) Estimated profitability of an enterprise as a criterion for a loan
(b) Foreign exchange saving as a criterion
(c) Desirability of labor intensive industries for densely populated countries.
(d) Consideration to be given to full utilization of natural resources
(e) Consideration to be given to availability of operating and managing personnel.
(f) Financial structure, capitalization ratio and working capital ratio of the enterprise.

(g) Social productivity as a loan determinant

(h) Government priorities

(i) Consideration to be given to non-economic factors

V. Establishment of equitable terms

(a) Period of loan and terms of repayment

(b) Interest rates

(c) Quality and quantity of collateral behind each loan

(d) Exchange devaluation risks

VI. Role of Development Banks in addition to financing

(a) Participation in management of enterprises

(b) Placement or resale of industrial securities

(c) Training and research

(d) Publication of analyses of business conditions and economic trends

(e) Role in encouraging development of accounting systems as a means of increasing public confidence in the corporate structure and reports of enterprises

(f) Special internal organization of the Development Bank with regard to the Engineering Department in order to cope with temporary deficiencies and absence of reliable engineering firms in the country.

(g) Sponsoring and encouraging the development of engineering consulting firms for the preparation of sound projects

VII. Role of the Development Bank in relation to other financial institutions

(a) Differences in lending terms and preferences

(b) Differences in sources of capital

(c) Differences in relationships to the Government

VIII. Relationship between Development Banks and Government agencies

(a) Ministry of Finance
IX. To what extent is exchange of information with other Development Banks in the CENTO area feasible and desirable?

(a) Reports and economic analyses
(b) Exchange of policy views
(c) Exchange of ideas at regular intervals

X. Other techniques and aspects worthy of discussion

(a) General Internal Organization of Development Banks
(b) Handling of Credit Applications.