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Proposed Evaluation System for the Revolving Fund and Related Activities of AID's Bureau for Private Enterprise

FINAL REPORT

BEST AVAILABLE

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EXECUTIVE SUMMARY

As its loan portfolio has grown and matured, PRE has become increasingly aware of the need and value of having up-to-date and relevant information on the performance of its portfolio to use for its own managerial purposes and to share with others inside and outside AID who are actively interested in the performance of this experimental program. To meet this need, PRE contracted with Management Systems International (MSI) to develop a practical methodology for developing such evaluative information. MSI undertook this task between April and September of 1986.

The study team collected and reviewed data from three principal sources:

- Interviews with AID personnel inside and outside of PRE to determine the most appropriate goals for, and constraints on, a Revolving Fund evaluation system.

- Policy and program documentation on the objectives, procedures, portfolio and individual projects implemented by PRE/I. This documentation included enabling legislation, Congressional Presentations, procedures manuals, annual reports, regular monitoring reports, project files and special evaluations.

- Information on the monitoring and evaluation objectives and procedures of other "comparable" organizations -- IFC, the World Bank's DFC program, OPIC and SBA's direct loan and SBIC Programs -- and other parts of AID.

The study begins with a clarification of the mandate of the Revolving Fund and the information needs of those individuals and organizations likely to be "users" of evaluative information concerning the Revolving Fund.

In this context, it reviews 15 major objectives of the Fund, the indicators which could be used to assess progress against these objectives and the operational implications associated with each of these potential indicators. It concludes that, given the experimental nature of Revolving Fund activities and the mandate of the program to serve a catalytic function, evaluation efforts should focus on straightforward procedures for assessing program performance and documenting "lessons learned" for use by other parts of AID and other development institutions.

In reviewing the evaluation systems used by other "comparable" programs outside of AID, it was observed that none of these systems evidenced the level of concern for development impact or the complexity of objectives and "constituencies" implicit in the Revolving Fund's mandate. Several of these systems did, however, include methodological features of considerable apparent utility for assessing the efforts undertaken through the Revolving Fund, and these features are described in some detail in this report and the annexes to it.

The study concludes with ten specific recommendations for maximizing the return on the evaluation dollars invested in assessing Revolving Fund activities. These recommendations include an overall rationale, structure and format for the evaluation system; proposed performance indicators; draft guidelines for conducting "augmented audits" to obtain annual impact data on the overall portfolio; suggested procedures and data collection instruments for conducting field investigations of promising "models"; and guidelines for the preparation of an Annual Report on the Revolving Fund.

CHAPTER ONE

BACKGROUND AND TERMS OF REFERENCE

In 1981, AID initiated a program to encourage the increased use of private enterprise to stimulate economic growth and meet basic human needs in the developing world. A separate Bureau for Private Enterprise (PRE) was established within AID and was charged with designing and implementing innovative private enterprise projects which would not only provide their own direct benefits but would also serve as prototypes for projects to be initiated by the rest of the Agency.

In 1983, a PRE Private Sector Revolving Fund was authorized by Congress. The enabling legislation specified certain guidelines for Revolving Fund Loan activities, namely that they:

- have a demonstration effect (i.e., can be replicated by AID field missions, financial institutions and others);
- are innovative;
- are financially viable;
- maximize development impact, particularly in employment and the use of appropriate technology; and
- are directed primarily to providing support and services not otherwise available to small business enterprises and cooperatives.

The Act also placed certain restrictions on the size of individual loans and the need for local matching funds, enjoined the Agency from concentrating more than 20% of funds in any country or subsidizing interest rates, and encouraged the use of intermediary financial institutions.

Since 1984, all new PRE loans have been made through the Revolving Loan Fund. By the end of Fiscal Year 1985, the Private Enterprise Bureau had an outstanding loan portfolio of $30.5 million, representing 17 projects made under the Revolving Fund. Projects (i.e., loans) had an average duration of 5.5 years, and typically presumed that PRE's association with the recipient institution would terminate at the end of that period.

PRE's entire investment portfolio (including the Revolving Loan Fund) is administered by the Investment Office within PRE (PRE/I), which is also responsible for a small grant fund designed to assist project start up and facilitate the development and management of the portfolio.

Revolving Fund Loan Agreements normally require relatively elaborate reporting on the part of the recipient institution (see Annex 1 for typical example). To date, compliance with these requirements has been uneven and relatively limited. A substantial amount of baseline and forecast information on each project are collected on initial applications (see Annex 2), and periodic financial information is received on the institutions serving as direct recipients of Revolving Fund loans. Post-application data on non-financial development indicators (e.g., employment effects and use of appropriate technologies) are extremely limited as is any detailed information on the nature or performance of "sub-projects" funded by Revolving Fund assisted Intermediate Financial Institutions (IFIs).

The monitoring and evaluation reports prepared and issued by PRE/I include the following:

- an annual report summarizing the status and characteristics of the portfolio (see Annex 3)

- regular monthly reports summarizing the current status of each of the projects in the portfolio (see Annex 4)

- reports on evaluations of specific projects (two such studies have been undertaken to date: Siam Bank and Kenya Commercial Bank). Evaluation methodologies of each were tailored to the circumstances and objectives of the individual project being evaluated.

PRE/I is staffed by an Office Director, three Investment Officers, one individual responsible for portfolio monitoring and a limited support staff. The primary responsibility of these individuals continues to be the development of new projects. Less than 20 % of the time of the Office Director or Investment Officers is available for monitoring and evaluating the outstanding portfolio.

As its loan portfolio has grown and matured, PRE has become increasingly aware of the need and value of having up-to-date and relevant information on its performance to use for its own managerial purposes and to share with others inside and outside AID who are actively interested in the performance of this experimental program. To meet this need, PRE contracted with Management Systems International (MSI) to develop a practical methodology for PRE's use in developing such evaluative information. The terms of reference for MSI's involvement included the following:

I. Objective

Development of an evaluation system for assessing the impact and effectiveness of the PRE/I program and its projects.

II. Products

(1). A preliminary report outlining major findings, conclusions and recommendations and designed to elicit comment from PRE personnel and other interested parties.

(2). A half day workshop for PRE to discuss the draft report and suggest modifications to it.

(3). A final report to PRE describing the proposed evaluation system, including suggested procedures for collection, analysis and presentation of information in ways likely to be useful for, and appreciated by, AID and its clients.

(4). A management briefing for personnel from PRE, and other individuals selected by PRE, to present the system and discuss its implementation and implications.

III. Major Tasks

(1). Preliminary discussions with staff of PRE to clarify objectives, constraints and parameters of new system.

(2). Review of PRE office files, investment plans, manuals, guidelines and other written information shedding light on the objectives of the PRE/I Program and of individual projects, the structure of the portfolio, and other factors relating to evaluation of the PRE/I Program..

(3). Discussion with officials in the Regional Bureaus, PPC, and AID Senior Management to determine the evaluation issues of interest to them vis-a-vis the investment program.

(4). Examination of the evaluation systems used by IFC, SBA, OPIC, commercial banks, etc. to monitor and assess the performance of their organizations, their portfolios and their individual projects.

(5). Preparation of preliminary findings, conclusions and recommendations, and formulation of a draft evaluation system.

(6). Conduct of a half-day workshop to discuss and solicit input on preliminary report.

(7). Pilot testing of ability, interest and willingness of PRE/I clients and USAIDs to provide information of the sort suggested by the draft system; and solicitation of possible items to be added to, or deleted from the draft system. This information would be gathered in the field in conjunction with trips made for other purposes by personnel from PRE/I or from MSI.

(8). Preparation and circulation of draft final report outlining rationale, formats and procedures for proposed system.

(9). Revision of draft report and preparation of final report.

(10). Conduct of management briefing for staff of PRE and other individuals selected by PRE.

The MSI team collected and reviewed data from three principal sources:

- Interviews with AID personnel inside and outside of PRE to determine the most appropriate goals for, and constraints on, a Revolving Fund evaluation system.

- Policy and program documentation on the objectives, procedures, portfolio and individual projects implemented by PRE/I. This documentation included enabling legislation, Congressional Presentations, procedures manuals, annual reports, regular monitoring reports, project files and special evaluations.

- Information on the monitoring and evaluation objectives and procedures of other "comparable" organizations -- IFC, the World Bank's DFC program, OPIC and SBA's direct loan and SBIC Programs -- and other parts of AID.

A detailed session was then held with officials from PRE to discuss the results of these initial enquiries and to consider various design options for the evaluation system to be developed (see Annex 5 for the meeting's agenda).

This Final Report summarizes the findings and conclusions discussed at that meeting, and presents the structure of a proposed evaluation system based on those findings and conclusions.

CHAPTER TWO

PRINCIPAL FINDINGS

A. OBJECTIVES

The principal objective of PRE is fostering change within AID and within developing country institutions by demonstrating that AID supported projects to finance the private sector are feasible, developmentally sound and potentially significant in their impact. Implicit in this objective is the belief that evidence of success, and the availability of tested "models," would have important effects on the willingness and ability of relatively conservative financial and development organizations to undertake such projects.

Given the nature of AID's development objectives and Congressional mandate, a number of criteria and constraints have been placed on the "kind" of development which is to be sought through U.S. Government-supported activity. Either explicitly or by implications, at least 15 such criteria and constraints have been applied to the Revolving Fund loan program. This can be seen in Table I below, summarized for presentational purposes in terms of the Agency's "4 Pillars."

The Revolving Fund loan program is, by its nature, innovative and, for many purposes, the entire Office maybe regarded as a "project." It is therefore not surprising that the evaluation system developed for the Office is subject to an inordinate number of pressures and demands. As Table II below indicates, there are a wide range of potential audiences to be served by this evaluation system, each with somewhat different information needs and operational concerns.

The relatively limited human and financial resources available for evaluation within PRE, the length and complexity of the potential evaluation criteria and uses, as indicated in Tables I and II, impose the necessity for considerable creativity and selectivity in design of an evaluation system for the Office.

Traditionally, evaluation has been principally concerned with issues of accountability and knowledge generation, and only secondarily concerned with influencing pending decisions on operational issues. There is a growing consensus within the evaluation community that these priorities should be reversed, and that first attention should go to providing decisionmakers with the information they need in a form (and at a time) that maximizes its immediate utility and use. AID's revised Handbook 3 (in draft) heartily endorses and encourages a comparable shift in the use of evaluation within AID.

The shift in emphasis within evaluation from accountability towards operational utility suggests that the major issues in

TABLE I

REVOLVING FUND DEVELOPMENT OBJECTIVES

ISSUE	SOURCE
INSTITUTIONAL DEVELOPMENT	
Demonstration Effects in IFI	Legislation
Demonstration Effects in other Host Country Institutions	Legislation
Institutional Strengthening of IFI	Project Documentation
PRIVATE SECTOR	
Demonstration Effects in AID	Congressional Presentation
Documentation of Successful Approaches	" "
Leverage of Investment Funds	" "
Small Business, Agriculture, Exporting	" "
Employment	Legislation
POLICY DIALOGUE	
Interest Rate Policy	Congressional Presentation
Privatization	Congressional Presentation
TECHNOLOGY TRANSFER	
Appropriate Technology	Legislation
OTHER	
Innovation	Legislation
Other Project-Specific Objectives	Legislation, Project Documentation
Priority Countries	Congressional Presentation
Financial Viability	Legislation

TABLE II

INFORMATION USERS AND USES

INFORMATION USERS	FUNCTION	KEY QUESTIONS
Congress & OMB	General Oversight	Is the revolving fund fulfulling Congressional intent and overall Administration policy?
AID Management	Agency Management	As above plus: Is the revolving fund serving as a catalyst in AID and Host Countries? Is the revolving fund a cost effective means for implementing the 4 pillars and the Blueprint for Development?
PRE Management, Regional Bureaus and USAIDs	Program Management and New Project Development	As above plus: Are individual projects performing adequately? Which investment approaches are proving to be most effective?
Investment Officers	Project Management	As above plus: Are funds being spent in accordance with project objectives?

designing and undertaking evaluative activities should be a determination of who will actually use the information produced, why do they need it, when do they need it by, and how accurate must it be. Should it be necessary to choose to provide information to one user (or on one issue) rather than another, the criteria might logically concern the importance of the respective decisions to be made and the likelihood that information would affect those decisions. As noted in Chapters Three and Four of this document, the adoption of management orientation has considerable consequences for the Revolving Fund evaluation system.

The desire in recent years to promote collaborative evaluation has considerable consequence for the selection of evaluation issues and objectives, as well as for the choice of data collection and analysis methods to be used. To genuinely promote active involvement by USAID personnel and host country institutions in the evaluation process requires explicit efforts to focus such evaluations on the issues of interest to these groups and a need to recognize the constraints they experience.

Review of the evaluation objectives and procedures of other Bureaus within AID and other international donors involved in promoting private sector approaches reveals major differences with respect to the objectives and nature of the evaluation activities undertaken. Most evaluations conducted within AID are carried out with one or more of the following objectives:

- to justify future funding (or lack of future funding) for particular projects
- to re-direct the implementation of particular projects
- to demonstrate to AID management and to Congress that funds for particular project(s) were used responsibly and in accordance with established intent.

Certain other AID evaluations, most notably those sponsored by CDIE, have as their object the development of new evaluation methods and/or the investigation of the impact of certain "categories" of intervention (rural roads, development management, etc.). The goal of these evaluations is typically to add to the storehouse of knowledge available to researchers, development planners, and project managers.

Among the significant differences between AID and the other private sector development organizations surveyed is the nature of their relationship to the organizations that receive their assistance. While each of the other organizations considers the recipients of their funds as "clients" and encourages long-term and ongoing relationships with them, AID tends to regard these recipients as "beneficiaries" and to discourage long-term support to any given recipient. This distinction is, ostensibly, a consequence of a belief, unique to AID, that it is to serve a demonstration or catalytic role rather than an ongoing function of financial intermediation. The implications of this distinction are many. For example, the major objectives of evaluative efforts by the donors other than AID concern the management of particular projects with the same clients. Project completion reports and new project design reports are frequently merged, and evaluation activities are viewed largely as outgrowths and extensions of regular monitoring efforts. The primary users of the information are those responsible for portfolio management. A limited amount of data is made available to top management and/or the agency's governing body to demonstrate the nature and relevance of the ongoing program, but such information is typically anecdotal or highly synthesized.

Of particular significance is the fact that the development objectives and development mandate of the other donors appear to be much less specific and much less vigorously overseen than those operative within AID. In most cases, emphasis is placed primarily on financial viability. Where other development objectives are detailed at all, it is usually in the context of particular project proposals. There appears to be little need to ensure consistency in these objectives from project to project or to verify the extent to which they have been realized.

B. DATA COLLECTION AND ANALYSIS PROCEDURES

The operative design principle of current Revolving Fund monitoring and evaluation appears to be "something for everyone." The monitoring and evaluation requirements normally included in project proposals and loan agreements commit recipients to collect and submit information on many of the diverse objectives listed above. Limited guidance is provided on how to collect this information and, in practice, most of the information is not provided. Informally, PRE officials acknowledge that it is often impractical and counter-productive to impose on private firms and credit institutions the necessity of collecting and submitting extensive information they would be disinclined to collect for their own purposes. As a result, most of the routine monitoring information submitted to PRE concerns financial flows. Evaluative information is available almost exclusively through the limited number of special evaluations commissioned by the Bureau.

Also noteworthy is the fact that as is traditional in AID, most of the monitoring and evaluation activities primarily conducted by PRE have been focused at the project level. There has, to date, been little effort or opportunity to focus on program-level or portfolio-level assessment except in terms of disbursement. In part, this current emphasis by PRE at the project level may reflect the limited number of mature projects in the portfolio and the absence of reported data on non-financial indicators.

To date, two major project evaluations have been undertaken. Each sought to assess the project involved (the Siam Bank in one case and the Kenya Commercial Bank in the other) in terms of the objectives outlined in its Investment Paper and to make recommendations for project improvement. The ostensible rationales of both evaluations were accountability and improved project implementation. To date, no evaluative efforts appear to have been focused on assessing the demonstration effect of individual projects or of the overall Revolving Fund loan program, nor have past studies apparently been intended explicitly to foster the documentation and dissemination of new private sector project "models."

The regular reports issued by PRE -- an annual report and monthly management reports — summarize available information on individual projects and on the portfolio as a whole. The majority of information presented in these reports comes from data presented in other loan applications and other project documentation submitted prior to project funding, and from the regular financial reports submitted by loan and grant recipients. These reports are highly readable and are circulated primarily within AID and to those responsible for funding and oversight of the Revolving Fund.

As noted above, a wide range of possible objectives have been proposed as criteria for appraising and evaluating Revolving Fund loan projects. Extensive review of available documentation produced by AID, other donors and outside researchers suggests a set of possible indicators against which each of these objectives might appropriately be assessed. Table III below presents these indicators for each of the possible objectives of the Revolving Fund program.

Less obvious, perhaps, are the operational implications associated with each of the indicators noted above. To permit meaningful assessment to be carried out, each of these indicators requires the collection and analysis of some form of baseline and follow-up data. For certain indicators, this information is routinely collected by recipient institutions for their own management purposes; for other indicators it is not. Similarly, for certain indicators, baseline information is currently required and provided as part of the normal application procedure, while for others it is not. In the case of certain indicators, impact assessment would profit greatly from the existence of a suitable comparison group (i.e., individuals or institutions not assisted by the program) or from some other means of "controlling" for exogenous variables; for other indicators, this is not necessary. Finally, certain indicators require specific on-site data collection to be carried out for all or some of the sub-projects of an IFI, while other indicators require no such on-site data collection on sub-projects. Table IV below details each of the indicators listed above in terms of these operational considerations.

A review of the evaluation practices of other donors (see Annex 6 for details) indicates that OPIC and SBA rarely employ indicators other than financial viability in assessing the performance or impact of their projects; and the routine project

TABLE III

POTENTIAL INDICATORS

OBJECTIVE	INDICATORS
Demonstration Effects in IFI	Increased funding for targeted activities (e.g. small business); sustaining project activities after withdrawal of AID funding; changes in loan appraisal terms and criteria; changes in portfolio composition
Demonstration Effects in other Host Country Institutions	Replication in other host country institutions of approaches tried in target institutions
Institutional Strengthening of IFI	Improved capability to identify, process, monitor and recover relevant loans
Demonstration Effects in AID	Mission buy-ins; increased #, % and funding for private sector projects based on PRE "models"
Documentation of Successful Approaches	Effectiveness or comparative effectiveness of alternative models
Leverage	$ invested by other sources in PRE assisted projects; evidence that PRE funds have supplemented and not replaced other sources of capital
Assistance to Small Business, Agriculture, Exporting	Classification of portfolio of borrowers and sub-borrowers
Economic Development	Number of new jobs created in borrowers' and sub-borrowers' enterprises; increase in sales volume; increase in export earnings or import substitution; product innovations
Rationalization of Interest Rate Policy	Movement toward commercial rates
Privatization	Examples of use of funds for privatization
Encouragement of Appropriate Technology	Examples of successful technology transfer by borrowers or sub-borrowers
Innovation	Expert opinion regarding the innovativeness of financing mechanisms used
Other Project-Specific Objectives	As appropriate
Support for Priority Countries	Distribution of projects and $ by country
Financial Viability	Portfolio disbursement and repayment rates (by project); project disbursement and repayment rates (by sub-project); financial health of revolving fund; financial health of borrowers and sub-borrowers

TABLE IV

OPERATIONAL CONSIDERATIONS ASSOCIATED WITH POTENTIAL INDICATORS

OBJECTIVE	INDICATOR	OPERATIONAL CONSIDERATIONS
A. Demonstration Effects in IFI	1) Increased funding for targeted activities (e.g. small business)	1
	2) Sustained project activities after withdrawal of A.I.D. funding	
	3) Changes in loan appraisal terms and criteria	
	4) Changes in portfolio composition	1
B. Demonstration Effects in Other Host Country Institutions	5) Replication in other host country institutions of approaches tried in target institutions	1 2
C. Institutional Strengthening of IFI	6) Improved capability to identify, process monitor and recover relevant loans	1 2 3
D. Demonstration Effects in AID	7) Mission buy-ins	1 3
	8) Increased #, %, and funding for private sector projects based on PREI models	1 2
E. Documentation of Successful Approaches *	9) Effectiveness or comparative effectiveness of alternative models	1 2 3 4
F. Leverage	10) $ invested by other sources in PRE assisted projects	
	11) Evidence that PRE funds have supplemented and not replaced other sources of capital	1
G. Assistance to Small Business, Agriculture, Exporting	12) Classification of portfolio of borrowers and sub-borrowers	1
H. Economic Development	13) Number of new jobs created in borrowers' and sub-borrowers' enterprises	1 2 3 4

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OBJECTIVE	INDICATOR	OPERATIONAL CONSIDERATIONS
H. Economic Development (cont)	14) Increase in sales volume 15) Increase in export earnings or import substitution 16) Product innovations	3 1 2 4 1 2 3 4
I. Rationalization of Interest Rate Policy	17) Movement toward commercial rates	3
J. Privatization	18) Examples of use of funds for privatization	1 2
K. Encouragement of Appropriate Technology	19) Examples of successful technology transfer by borrowers or sub-borrowers	1 2 4
L. Innovation	20) Expert opinion regarding the innovativeness of financing mechanisms used	1 2 3
M. Other Project Specific Objectives	21) As appropriate	
N. Support for Priority Countries	22) Distribution of projects and $ by country	
O. Financial Viability	23) Portfolio disbursement and repayment rates (by project) 24) Project disbursement and repayment rates (by sub-project) 25) Financial health of revolving fund 26) Financial health of borrowers and sub-borrowers	3 4

1 = Indicator is not collected routinely by recipient institutions for their own management purposes.
2 = Baseline information is not required/provided as part of the application process.
3 = Indicator requires existence of suitable comparison group or other means of control over exogenous variables.
4 = Indicator requires specific on site data collection from sub-projects.

* Depends on criteria used to determine the "success" of particular models.

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completion reports carried out by the IFC and World Bank on each of their projects, which are intended to assess development impact as well as financial performance, are rarely rigorous or consistent in their selection of indicators and evaluation methods. These differences in part reflect the differing missions of these organizations and their differing uses of evaluation. Since none of the non-AID donor programs reviewed is expected to serve primarily as a demonstration; since no other donors portfolio is expected to embody a specific development mandate; and since other donors typically consider donor-client relations to be ongoing and long-term, it is not surprising that their evaluations are typically:

- focused on compliance;
- project specific; and
- regarded more as management interventions than as opportunities for transfer of learning.

Despite their differences from the Revolving Fund loan program in intent and orientation, there are a number of methodological lessons and insights to be gained from the evaluation systems and procedures employed by the other donors.

In its SBIC program, SBA has developed a cost effective means of auditing the compliance of recipient organizations with the terms and conditions of their loans and for assessing the financial viability of these SBICs and their respective sub-projects. The World Bank has developed an even more innovative scheme for collecting such information -- it adds compliance conditions to the factors to be assessed annually by the external audits required of all their DFC clients. These "augmented audits" thus become important data sources for the World Bank's monitoring and evaluation efforts.

OPIC, IFC and the World Bank have each developed efficient systems for monitoring disbursements, repayments and the financial performance of their clients (see Annex 7 and 8). Any one of these systems could potentially serve as a model. On initial inspection, the OPIC system appears particularly relevant.

Several of the programs operated by other donors forecast specific development impacts (such as employment increases) at the time of project appraisal and then implicitly assume that, in the absence of evidence to the contrary, these impacts are achieved in proportion to a given project's financial disbursement. SBA occasionally commissions national research studies or program evaluations to investigate this assumption. OPIC investigates this assumption for a 25% sample of its projects each year. The sample is selected to include the "best" performing projects (to collect success stories), the "worst" performing projects (to identify remedial actions) and a selection of other projects. It is their view that this sampling procedure allows them to review most projects sometime during their active life, to form well-informed impressions on the

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performance of their portfolio, and to maintain accountability (since each project has a reasonably high probability of being selected).

As noted above, IFC and the World Bank prepare completion reports on each of their projects. These reports are normally carried out in the field approximately 18 months after the completion of loan disbursement. This timing is predicated on the well-established premise that the completion of disbursement is best regarded as the end of a project's investment phase, not the end of the project, and hence that impact assessment should not be undertaken until some later date. Completion reports, like the more frequent supervision missions conducted by the same organizations, are viewed as simultaneously serving three objectives: collection of data, provision of technical assistance and design of future activities. Like project identifications, completion reports are normally carried out by loan officers, economists and technical personnel, and often involve several weeks in the field.

Table V below summarizes the evaluation activities of PRE, SBA, OPIC, IFC and the World Bank in terms of their:

- purpose(s)
- scope
- data source(s); and
- innovative features

One final methodological observation is perhaps in order. The often-mentioned concern relating to the proprietary nature of information from and on the private sector was not identified by those interviewed as being a particular problem . Commonly voiced, however, was a genuine sensitivity to the time required to collect evaluative information and the willingness of operational personnel to accord priority to the collection and processing of such information. It was widely held that, given the commercial nature of the projects involved, their relatively small size, and the desire to charge rates of interest to recipient institutions, it was impractical to require extensive reporting by those institutions of non-financial information. The considerable time pressure on PRE professsional staff and the limited scope for outside contracting were also noted as relevant constraints on the scope and nature of evaluation efforts undertaken.

TABLE V

	Purpose	Scope	Data Source	Innovative Features
AID-CDIE Impact Evaluation Series	Lessons learned for design and management of future development efforts	selected case studies	- special project evaluations - research studies	comparative case studies refinement of impact indicators and measurement methods
OPIC Loan Program	Monitoring and evaluation of financial performance ofloan	all projects	- quarterly financial reports - annual audited financial statements - site visit by core staff	computerized monitoring system
	Development impact of displacement of U.S. employment and exports	sample cases		- 25% sample with concentration on successful, highly successful and problem projects
IFC DFC Program	Monitoring and evaluation of of financial performance of investment	all projects	- monthly management report - quarterly financial report - annual report - completion report - project feasibility report	- computerized monitoring system - technical assistance on M.I.S. provided to local institutions - combination of project design & completion reports for ongoing projects
	Development impact on foreign exchange rates and economic rate of return			
World Bank DFC Program	Monitoring and evaluation of financial performance ofloan	all projects	- quarterly activity report - annual audited financial statement - completion report - site visit by core staff	computerized monitoring system augmented audit
	Development impact			
SBIC	Financial viability of investment company	all projects	-annual audited financial statement - annual on site inspection and audit	augmented audit
SBA Guaranteed Loan Program	Monitoring and evaluation of financial performance ofloan	all projects	- monthly portfolio report - quarterly financial report - annual financial report	computerized monitoring system
	Project impact	sample cases		

CHAPTER THREE

CONCLUSIONS

Several conclusions are suggested by the evidence presented above. These conclusions concern the most appropriate scope for PRE's evaluation efforts as well as the most suitable methods for obtaining, analyzing and disseminating the necessary information.

PRE's Revolving Fund evaluation system is seriously in need of rationalization. Given the relatively limited resources available for evaluation of Revolving Fund loan programs, it is essential to be selective concerning the purpose and scope of such evaluations. Of necessity, the "nice to know" must be sacrificed to the "need to know" if the money invested in the program is to yield dividends. Although the information generated through any evaluation exercise can be expected to be of interest to several audiences, it is important to be as specific as possible about the primary purpose of the system and hence its primary audience.

The mission of PRE is to change behavior in AID and recipient countries by demonstrating that direct private sector delivery mechanisms are feasible, developmentally sound and cost effective. As such, the entire Office's mandate is explicitly experimental and individual projects are perhaps best regarded as means rather than ends. This suggests that the prime function of PRE's evaluation activities might well be to contribute to the assessment and improvement of alternative models and to the documentation and dissemination of successful approaches. In this view, the main audience for Revolving Fund evaluations would be USAIDs and Regional Bureau management, and individual projects would serve primarily as the vehicles for testing and improving the effectiveness of particular models. Should the system continue to use case studies (i.e., analysis of individual Revolving Fund loan projects) as its primary evaluation methodology, a second implication of the demonstration of intention would be a preference for analyzing "successful" projects rather than "failures", since it is generally acknowledged that there are a limited number of ways to do things right and an infinitude of ways to do them wrong.

A related series of conclusions concern the criteria by which individual projects or "models" should be judged as "successful". Each of the 15 objectives enumerated in Chapter Two is, no doubt, of direct interest to someone. Some are, however, substantially less likely to influence future programming than others; and some are simply more difficult to collect data on and analyze with any reasonable accuracy. It would therefore be highly desirable to select a relatively limited number of objectives and indicators and focus evaluation efforts accordingly. Given the specificity of PRE's Congressional mandate, accountability requirements might dictate that several of the objectives featured in the legislation be prominently featured among the objectives selected for investigation. Practical issues of data accessibility and "evaluability" should also be taken into account. Such selections should not be so rigid, however, as to exclude the special interests or concerns of a particular USAID or decisionmaker since one of the benefits of the case study approach is the flexibility it permits in making such adjustments. Other things being equal, it would also be valuable if every effort were taken to concentrate data collection and analysis on objectives and indicators of direct operational or policy significance to the recipient IFIs or industries.

A final conclusion emerges if one considers evaluation at the program or portfolio level. At this level, the Revolving Fund program would be most appropriately assessed by the number and quality of new models it has developed and by the extent to which these models seem to have influenced behavior (e.g., mission "buy ins", programming changes in Regional Bureaus, policy changes) within AID, local financial institutions, or appropriate agencies of recipient governments. Additional assessment of the performance of the program might most appropriately be based on review of its disbursement and repayment rates and the structure of its portfolio.

The most obvious conclusion from the available evidence on data collection and analysis methods is that much already exists on which to draw. Apropos the old principle, "don't buy what you can borrow," there are several evaluation systems and procedures currently extant in AID and in other donor agencies which could usefully be borrowed and adapted to PRE's needs and circumstances.

Within AID, CDIE's approach to using case studies to generate lessons learned concerning particular types of categories of projects is directly relevant. At an operational level, the World Bank's "augmented audit" approach to data collection and OPIC's computerized financial monitoring system are directly applicable. IFC's use of the data collection process as a technical assistance opportunity and its combination of project completion reports with new project feasibility studies also have considerable potential utility for PRE.

Less relevant for PRE are the approaches used by SBA to conduct annual field audits of each of their SBICs, the annual assessment procedure of OPIC based on 2 "representative" samples of their projects, AID's usual practice of project-specific evaluations, and the system used by the World Bank and IFC whereby extensive completion reports are prepared on each of the agencies' projects. SBA's periodic research studies, while possibly of some interest, appear to be less relevant to PRE than other available methods.

PRE's Revolving Fund activities to date can be broadly conceptualized as field tests and refinements of two basic "models" -- (1) direct term loans to productive industries, (2) loans to private IFIs in developing countries for on-lending to micro, small or medium-sized enterprises. Each of these models has a number of variants and, in some ways, each Revolving Fund loan project could be considered its own model. Lest evaluations be forced to draw general conclusions on the basis of single cases, however, the number of "models" will need to be kept to a minimum for analytical purposes.

Since the total number of cases is insufficient to use a "representative sample" of cases as a valid basis for generalization about particular models or about the overall portfolio (and since it is impractical to expect the full range of evaluative data to be collected on all projects) it will be necessary to rely primarily on a case study methodology. In drawing evaluative conclusions about particular models and approaches, however, it should be possible to augment the detailed data from selected cases with supplementary information available from other sources (e.g., regular reports, evaluations by other donors, interviews with Investment Officers) on projects of the same ilk.

Case study methodologies have numerous limitations. It is nevertheless our judgment that this approach is the most cost-effective strategy available to PRE and, if properly managed, is entirely serviceable.

A related set of general conclusions concern the level of rigor applied to evaluation activities. Given their somewhat ill-defined development objectives and their emphasis on case-specific operational issues, none of the evaluation methods used by the other donors surveyed are likely to produce information of the type and quality required by PRE. At the other extreme, some of the more rigorous evaluation methods employed within AID are clearly inappropriate to the relatively small size of Revolving Fund loan projects, the limited budget available for evaluation, and PRE's current interest in adopting streamlined private sector operating modes. Needed instead is a methodology which addresses impact as well as efficiency; which includes some consistency in the selection of development indicators and evaluation procedures; but which nevertheless resembles private sector information systems and makes modest incremental demands on PRE and the recipient institutions.

In light of the above considerations, any evaluation system developed for PRE will need to concern itself from the outset with ways to achieve efficiencies in data collection and analysis. It will also be forced to make a series of difficult decisions regarding trade-offs between rigor and realism. The operative principles guiding such design decisions should include:

- avoidance, wherever possible, of generalizations based exclusively on single cases

- selection of cases most likely to produce relevant and replicable lessons learned

- identification of a minimum set of development indicators to be assessed in all cases and a simple but standardized methodology for collecting the needed information

- maximum use of existing or routine information (application, financial reports, etc.)

- combination of the collection of evaluative data with other essential data collection exercises (annual audits, new project design, etc.)

- assurance that necessary baseline information is collected as part of the project design process.

Regarding the collection and analysis of data from field projects, three other considerations are relevant. First, AID will probably need to take responsibility for collecting (or paying to have collected) any information that goes substantially beyond the regular information collection efforts of recipient organizations (particularly information requiring field visits to sub-projects). Secondly, monitoring and evaluation provide excellent opportunities for technical assistance to recipient institutions regarding the upgrading of their own management information systems. And finally, individual USAIDs will frequently be anxious to have data collected and analyzed which go beyond the information needed to complete a case study of the type suggested. Since USAID collaboration in such evaluative efforts is not only critical for obtaining the necessary authorizations but also an essential part of PRE's dissemination strategy, involvement of this type is to be encouraged. Like the prior considerations, however, such involvement has significant implications for the scopes of work and resources necessary to carry out particular evaluation exercises.

A final set of conclusions concern evaluation at the program level. In addition to the assessment and dissemination of particular private sector financing models and approaches, the Revolving Fund evaluation system should allow conclusions to be drawn concerning the performance of the Revolving Fund program as a whole. Such conclusions can usefully be categorized into the following five areas:

- assessments of the financial performance of the portfolio (especially disbursements and repayments)

- assessment of the structure of the portfolio (especially its distribution by country and type of project)

- assessment of the funds leveraged by Revolving Fund resources (both local and international)

- assessment of the demand for PRE services (as evidenced in the magnitude and nature of new requests)

- assessment of the effectiveness of the overall program in changing behavior within AID (especially its consequences in terms of Mission buy-ins and new private sector programming)

The Annual Report currently produced by PRE fully addresses the first three of the areas.

CHAPTER FOUR

RECOMMENDATIONS

A number of recommendations follow from the conclusions reported in the previous chapter. These recommendations are summarized below.

1. The three key elements of PRE's Revolving Fund monitoring and evaluation system should be:

    - a regular tracking system resulting in quarterly management reports;

    - a series of evaluations using augmented case study methods to assess and document viable or potentially viable program strategies or models; and

    - an annual report summarizing the progress of individual projects, reviewing the aggregate performance of the portfolio, recounting lessons learned, and assessing the effectiveness of the overall Revolving Fund program.

The current management reports issued by PRE are entirely adequate to satisfy the first of these elements. Suggestions for improvement or enhancement of these reports would include the replacement of monthly reports with quarterly reports and the addition of sections listing problem projects and pending management issues. Consideration might also be given to elaborating the financial management and reporting along the lines suggested by the OPIC system. On balance, however, the current system appears to be both useful and used. The intended audience for these reports would be primarily internal to the PRE Bureau.

The second element of the recommended system, assessment and documentation of promising models, is virtually non-existent at present. This element would replace the current strategy of project evaluations previously practiced by the Bureau and is described in greater detail elsewhere in this chapter. The intended audience for these studies would be USAIDs, Regional Bureaus, and others concerned with AID programming. Devices such as dissemination workshops, video tapes, etc. might well be used in conjunction with this portion of the system.

The third element of the system, annual reports, would build on the annual report currently issued by the Bureau on the performance of the Revolving Fund. To the current report format would be added sections addressing lessons learned and assessing the effectiveness of the overall Revolving Fund program. The latter assessment would require data to be collected and presented on such items as mission buy-ins, new private sector projects, effective demand for PRE services and other evidence of

32

receptivity to the models and approaches proffered by PRE. The intended audience for this report would include Congress, AID top management, USAIDs, Regional Bureaus, the development community at large, and possibly the press.

2. All reports should be issued in formats that correspond as closely as possible to those produced by private banks and other commercial concerns. The system of "augmented audits" developed and applied by the World Bank and IFC should be tried and, if successful, mandated for all Revolving Fund projects (see Annex 9). If it is feasible to add the collection of data on key indicators to the information included in mandated external audits, the volume of relevant information available to PRE on all of its loan programs would be substantially enhanced without adding in any way to the data collection responsibilities of the recipient organizations or PRE's Investment Officers. The incremental cost of any such data collection should probably be borne by AID who should also issue clear guidelines concerning the collection of the needed information.

3. PRE's evaluation budget should be concentrated on assessing and documenting one or possibly two promising models each year. Each such analysis should be based on at least two intensive case studies supplemented with secondary data on other projects drawn from both inside and outside AID.

All case studies should be done using a comparable generic scope of work (see Annex 10 for draft). This scope should state the minimum requirements for indicators to be assessed and methods to be used. It should not, however, be construed rigidly. In particular, PRE and the evaluators themselves should be encouraged to augment the basic scope to address issues and objectives of particular relevance to a given project, and issues of particular interest to a given USAID or recipient organization. Scopes of work should also make specific and explicit provision for investigating the major unplanned effects of individual projects. The draft scope of work should be thoroughly field tested before being adopted and should be modified from time to time as experience accumulates concerning its use and limitations. Case studies should make maximum use of information which is routinely reported, easily available and of value to the recipient organization for its own management purposes.

4. The common indicators selected for inclusion in the generic scope of work should reflect the most commonly voiced objectives of Congressional sponsors and USAID missions. Excluded from the list of items to be collected in the field should be items available or easily proxied from reports available in Washington. Also excluded from such a list should be any items which could be easily added to regular reports or for which necessary baseline or control group information are unlikely to be available. Where alternative indicators exist, preference should be given to the indicator requiring least effort to collect and/or most likely to be of interest to recipient organizations.

Of the 26 potential indicators noted earlier in this document, it is recommended that the following 9 be incorporated into the scopes of work for future case study exercises:

- sustained project activities after withdrawal of AID funding
- changes in loan appraisal terms and criteria (for IFIs only)*
- changes in portfolio composition (for IFIs only)*
- nature of and replication in other host country institutions of approaches tried in target institution (for IFIs only)
- improved capability to identify, process, monitor and recover relevant loans (for IFIs only)*
- money invested by other sources in PRE assisted projects*
- jobs created*
- increased sales*
- sub-project disbursement and repayment rates (for IFIs only)*

In addition, it is suggested that field teams collect data on the image of the project and the recipient organization as perceived by its members, clients and competitors.Of these 10 items, only 2 require collection of information from IFI sub-borrowers.

Among the other impact indicators which might be considered are contributions to foreign exchange savings (export earnings and/or import substitution) and the incidence of product or technological innovation. In the cases of the IFIs, the incidence of repeat business and the reasons for defaults on sub-loans are additional indicators of possible interest.

Additional indicators to be compiled from PRE resources should include, as a minimum, mission buy-ins, other resources leveraged, and overall project disbursement/repayment rates.

5. Case studies should be carried out in the most collaborative way possible. USAIDs should, for a variety of operational reasons, be actively involved in contributing to the scopes of work. These contributions should, however, be regarded as supplementing rather than supplanting the basic scope. Recipient organizations should also be deeply involved, particularly in the conduct and write-up of the case study. Although this involvement by recipient organizations should by no means be regarded as an obligation, it offers a particularly useful opportunity for the provision of technical assistance and should be so managed whenever possible. Finally, every effort should be made to collaborate and share information with other donors providing assistance to the same institutions.

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*could possibly be collected by means of the "augmented audit" (see recommendation #2).

Contractor personnel will, in all probability, have primary responsibility for the conduct of case studies and the preparation of the associated evaluation reports. It is, however, essential that PRE Investment Officers and Program Review Office staff be actively involved in the process to ensure that the reports are practical and take full advantage of available information and experience. Final reports should be edited and distributed widely in a format comparable to PPC's impact evaluation series.

6. Cases selected for in-depth analysis should be those most likely to document and refine models with widespread potential replicability. The intent of the case study portion of the evaluation system is not to draw "balanced" conclusions about the magnitude or nature of PRE's impact. Neither is their purpose to ensure accountability. These purposes would be served by the other two elements of the system. Rather, the purpose of this element of the system is to maximize the transfer of useful lessons and approaches.

Given the focus, primary emphasis in the case study portion of the system should be devoted to documenting those models and those projects generally assumed to be most "successful" and most "relevant" to the possible future programmming and project design decisions. In some cases, it may be most useful to compare a successful case with a less successful one, but experience suggests that such comparative studies are often of limited value when the number of cases studied is small and the number of potential explanatory variables is large.

7. As noted above, all case studies should address some minimum set of common indicators. It is essential that baseline information on these indicators be collected as part of the application or project design process. This should not result in substantial additions to the information required in those documents.

8. Case studies should be timed to permit sufficient elapsed time for desired benefits to have occurred. In as much as PRE is not currently disposed to consider follow-on projects for most of its clients, and in as much as the main intent of case studies is not improved management of ongoing projects, there is much to be said for waiting at least 3 or 4 years after a project's initial disbursements, or sub-loans before undertaking such a study. A longer period would be even better.

In the short run, impatience for information may preclude waiting for projects to mature prior to their being evaluated. Should this be the case, such evaluations would most usefully focus on issues related to the efficient management of the implementation process and on generating leading indicators of projects' likely longer term impact by investigating short-run impact of initial activities and the nature of the evident demand for the resources provided by the project.

An exception to this recommendation concerns projects where a Phase II is anticipated. In such cases, the immediate utility of the case study information and the obvious efficiencies in combining evalution activities with new project design efforts outweigh the benefits of maximizing elapsed time. Every effort should be made in such cases to link the two data collection and analysis efforts to one another.

9. Grant funds or some other suitable mechanism should be used to compensate recipient organizations for any incremental costs occasioned by AID's reporting and evalution requirements. By removing these donor-related expenses from otherwise commercial transactions between PRE and its clients, the private sector nature of the basic relationship can be preserved. In the absence of such arrangements, PRE will, in all probability, be forced to introduce serious distortions in the terms and nature of the agreements it negotiates.

10. PRE's annual report should be modelled on a corporate annual report in substance, style and format (see Annex 11 for IFC and OPIC annual reports). It should be professionally edited and produced and should include information on lessons learned, the demand for PRE services and the impact of Revolving Fund models elsewhere within AID, as well as information on disbursements, project and portfolio performance, portfolio composition and leveraging of non-AID resources (see Annex 12).

ANNEX 1

Typical Reporting Requirements Included in

AID Revolving Fund Loan Agreements

Attachment I

FINADE SUB-BORROWERS' REPORT

(The following information is needed from each sub-borrower.)

1. Sub-borrower name, location, date incorporated.

2. Percent local, indigenous ownership; type, and amount of assets pledged.

3. Brief description of Business Activity (including source and types of products imported and exported), and indicating which products qualify as "non-traditional" under Dominican laws, and the percent by value of foreign and local inputs in cost of each.

4. Total Assets: (land, fixed assets including depreciation, the capitalized value of leased assets). Note to FINADE: (per Section 7.1 of Loan Agreement, "at least 25 percent of the value of sub-loans under the Pool shall be to eligible sub-borrowers with total assets less than U.S. equivalent of US$100,000".

5. Sub-loan from FINADE:

<u>Purpose</u>: Amounts, types, and origin of goods financed,

<u>Type</u>: (i.e., commercial Letter of Credit, Standby Letter of Credit or Guaranty),

<u>Amount</u>:

<u>Rate</u>:

<u>Term and Grace Period</u>:

6. COMEDOM shares purchased:

<u>Type</u>:

<u>Amount</u>:

<u>How Financed</u>:

7. Development Impacts.

a. Net new employment generated

Number of net new full-time employees

Number of net new part-time employees

Skills and compensation of each

Source of new employees (i.e.: From what previous employment? Formerly unemployed?)

b. Identifiable indirect employment generated (i.e., by increased business with suppliers or other companies) - number, types, skills;

c. Number of employees displaced - of applicable/identifiable;

d. Net foreign exchange generated (i.e., foreign exchange receipts minus cost of imported materials used in product preparation;

e. Brief description of forward and/or backward linkages to other local enterprises including the extent to which non-traditional export production is accomplished through small independent farmers or agribusiness or industrial intermediaries;

f. Technology Transfer (i.e., new types of equipment used or specialized training offered to employees or suppliers);

COMEDOM QUARTERLY REPORTS TO AID/PRE/I AND USAID/DR

(first report due as of ~~June 30 or~~ March 31, 1985?)

1. Description of progress made by FINADE and consultant under Grant with respect to:

   a. Development of COMEDOM's Marketing Strategy;

   b. Status of Prospectus preparation.

2. Copies of any reports prepared by consultant to COMEDOM under Grant.

3. Final Report and Evaluation on COMEDOM to be prepared by FINADE and to include:

   a. Description of what FINADE has learned from the COMEDOM market analysis and from general advice of its consultant;

b. FINADE's assessment, based on the above analysis and advice, of the prospective profitability and usefulness of COMEDOM,

c. Attachment: Copy of COMEDOM prospectus to be used to attract investors,

(See also Annex 2, Section I (Technical Assistance) to the Grant Agreement.

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COMEDOM PREFERRED SHARES

Quarterly Status Report

I. Capitalization as of (date)

	Shs. Issued	Book Valu
*Common Stock (shs.)		US$250,00
**Preferred - Series A (1,000,000 shs.)		
***Preferred - Series B (1,000,000 shs.)		
Total:		US$

*Paid in as of 12/21/84

**To be fully subscribed by 12/21/86

***To be fully subscribed by 12/21/88

II. Shares Purchased - Quarter Ended ______________

Date and By Whom Purchased	How Financed	Shs. Purchased	Amt. Paid
			US$
	Total:		US$

III. Assessment of COMEDOM's 1) status and progress toward institutional development and 2) success as a model for internationa marketing of non-traditional exports.

Borrower Name: FINADE
AID Loan No. : 517-S-048

ATTACHMENT III-A

BALANCE SHEET

Fiscal Year ____/____ Qtr.
(U.S. $ 000's)[1]

CURRENT ASSETS		CURRENT LIABILITIES	
Cash	$ xxxx	Demand Deposits	$ xxxx
In Local Banks	$ xxxx	Savings and Time Deposits	$ xxxx
In foreign Banks	$ xxxx	Foreign Currency Deposits	$ xxxx
Short Term Claims	$ xxxx	Total Deposits	$ xxxx
Prepaid Items	$ xxxx		
Total Current Assets	$ xxxx		
LONG TERM ASSETS		Demand Liabilities	$ xxxx
Long Term Claims	$ xxxx		
Investments	$ xxxx		
Fixed Assets	$ xxxx	Due To Banks	$ xxxx
Other	$ xxxx		
		Borrowings	$ xxxx
TOTAL LONG TERM ASSETS	$ xxxx	Domestic foreign	$ xxxx
		Acceptances Outstanding	$ xxxx
		Other Liabilities	$ xxxx
		TOTAL LIABILITIES	$ xxxx
TOTAL ASSETS	$ xxxx	EQUITY	
		Share Capital	$ xxxx
		Reserves	$ xxxx
		Retained Earnings	$ xxxx
		Other	$ xxxx
		TOTAL EQUITY	$ xxxx
		TOTAL LIABILITIES PLUS SHAREHOLDERS ACCOUNTS	$ xxxx

1 Current exchange rate: US$1.00 = ________________

FINADE QUARTERLY PROJECT PERFORMANCE REPORT

Quarter Ending _____, 19__

Project Name: Loan Number:	_____ Qtr 19 __	Cum to Date
	US$ ( ) (1)	US$ ( ) (1)
1. Funds Rec'd from AID	US$ x x x x	US$ x x x x
2. Funds Disbursed to Sub-borrowers	US$ x x x x	US$ x x x x
	US$ x x x x	US$ x x x x
Other Credit from Finade		
Working Capital	US$ x x x x	US$ x x x x
O/D	"	"
Trade Credit	"	"
Other	"	"
Total	US$ x x x x	US$ x x x x
3. Funds Committed But Not Disbursed	US$ x x x x	US$ x x x x
	"	"
4. Est. Funds from AID next quarter	US$ x x x x	-----
5. Interest Pd. to AID	US$ x x x x	US$ x x x x
Commitment Fees Pd. to AID	"	"
Other Fees Pd. to AID	"	"
Principal Pd. to AID	"	"

Note: (1) Asterisk (*) where noted indicates conversion of local currency amounts at US$1.00 = ____________________

ATTACHMENT III-C
(page 1 of 3)

BORROWER'S QUARTERLY REPORT FOR NEW SUBPROJECTS

Quarter Ending _______, 19__

Project Name: FINADE
Loan Number: 517-S-048

No	SUB-PROJECT NAME	SIZE (1)	BUSINESS ACTIVITY & (LOAN PURPOSE	LOCATION	USAID FUNDS US$ '000'	ICI FUNDS 'US$ '000' (2)	ICI B/D US$ '000' (2)	TOTAL US$ '000' (2)	REPAYMENT GRACE PERIOD	REPAYMENT LOAN	INT. RATE CREDIT RECORD (3)	NEW OR EXPANSION (4)	IMPORTED OR DOMESTIC RAW MATERIAL (5)	IMPORTED OR DOMESTIC MACHINERY (5)	TOTAL ASSETS BEFORE FINANCE US$ (000) (2)	TOTAL ASSECTS AFTER FINANCE US$ (000) (2)	DEVELOPMENT IMPACTS (6)
1									___ yrs.	___ yrs.	___ % (3)						
2																	
3																	
4																	
5																	

ATTACHMENT III-C
(page 2 of 3)

6																	
	NOTES:																

NOTES

[1] (S)mall =
(M)edium =
(L)arge =

[2] U.S. Dollar equivalent. Converted at US$1.00 = __________

[3] A = Good. Repayments up to date.
B = Payments in arrears.
C = Recovery placed with lawyers.

[4] N = New business/project
E = Expansion

[5] DRM = Domestic Raw Material
IRM = Imported Raw Material
DM = Domestic Machinery
IM = Imported Machinery

[6] As applicable:
o Number of new jobs (to be) created.
o Estimate of indirect jobs (to be) created.

ATTACHMENT III-C
(page 2 of 3)

6																		
	NOTES:																	

NOTES

[1] (S)mall =
(M)edium =
(L)arge =

[2] U.S. Dollar equivalent. Converted at US$1.00 = ________

[3] A = Good. Repayments up to date.
B = Payments in arrears.
C = Recovery placed with lawyers.

[4] N = New business/project
E = Expansion

[5] DRM = Domestic Raw Material
IRM = Imported Raw Material
DM = Domestic Machinery
IM = Imported Machinery

[6] As applicable:
o Number of new jobs (to be) created.
o Estimate of indirect jobs (to be) created

ATTACHMENT III-C
(page 3 of 3)

	o Foreign Exchange Savings/Earnings (US$000) o Skills Training: Management/Technical/other o Estimated increase in income to rural o Other economic/social effects

ANNEX 2

Revolving Fund Loan Application

BUREAU FOR PRIVATE ENTERPRISE

OFFICE OF INVESTMENT

PROJECT PROPOSAL / APPLICATION FORM

Country:.......................... Date:......................

Company
Name:...

Address:...

....

....

Principal
Contact:..

Telephone Number: (   ) ....

Telex:........................Answerback.......................

SPONSOR/S BACKGROUND

Date and form of incorporation, ownership (%), summary historical revenues and net operating income by product lines and markets served. If not otherwise apparent, sponsor's competence to undertake this project successfully. Check (__) if copy of most recent audited financial statement or annual report is enclosed.

If more than one sponsor, detailed background information on each should be provided.

....

....

....

....

....

(PRE/I, HLA, 6/1/85)

PROJECT INFORMATION - Description of proposed venture:

....

....

....

....

FINANCIAL ASSISTANCE DESIRED

Equity

.........................Loans.........................

Other..

....

....

MARKET OVERVIEW

a) Description of Market:

....

b) Approximate total market for product or service?

$............... % Domestic.......... % Export..........

c) Approximate historical growth rate for Product:

....

d) Description of companies presently operating in this field and their market share:

....

....

e) Project's expected market share:

1st Year............ 2nd Year.......... 3rd Year.........

PROJECT INFORMATION - Description of proposed venture:

....

....

....

....

FINANCIAL ASSISTANCE DESIRED

Equity ....Loans.............................

Other..

....

....

MARKET OVERVIEW

a) Description of Market:

....

b) Approximate total market for product or service?

$............... % Domestic.......... % Export..........

c) Approximate historical growth rate for Product:

....

d) Description of companies presently operating in this field and their market share:

....

....

e) Project's expected market share:

1st Year............ 2nd Year.......... 3rd Year..........

f) Recent Price History and Factors Affecting Elasticity:

....

g) Projected export revenue generation:

1st Year............. 2nd Year........... 3rd Year........

h) Identification Major Constraints / Threats to Project

(Market, technical, international and/or domestic official policies, political considerations or management constraints)

....

i) Anticipated Employment Impact:

	Hourly Wage	----- Y E A R -------- 1	2	3
Managerial				
Tech/Professional				
Skilled Labor				
Common Labor				

EXTERNAL FACTORS:

Extent to which financial viability of project is dependent on any one of the following sanctions / support or incentive factors:

Nature/Degree

Tax Concessions / Holidays.............................
Tariff Exemptions or Duties............................
Import Restrictions....................................
Licences...
Grants or Subsidies....................................
Other (Specify)..

FOREIGN EXCHANGE

Extent to which foreign exchange generated by project will be available to service external debt and description of means for assuring availability of those funds

....

....

....

FEASIBILITY STUDY

Copy of Current Feasibility Study (within six months) supporting demand for the project, its products / services taking into account all costs of production, processing and marketing.

If no feasibility study has been undertaken, by what means has the financial/commercial viability of the project been tested and confirmed?

....

....

....

....

BANK REFERENCES:

(1) Name ....

Contact ....

Address ....

Telephone ....

(2) Name ....

Contact ....

Address ....

Telephone ....

Extent to which above institutions:

(a) Have participated in elaboration of financing plan

(b) Have indicated a willingness to participate in the required financing

(c) May be contacted with respect to collaboration in the venture

Other financial institutions from whom financing is also being sought:

Name:...

Contact.......................................

Address.......................................

Telephone.....................................

ESTIMATED TOTAL PROJECT COSTS

	Local Currency	Foreign Exchange	Total
Land	$	$	$
Buildings			
Machy. & Equip't.			
Labor & Installation			
Fees & Commissions			
Working Capital			
Pre-operational Exp.			
Int. During Constr.			
Contingencies			
Working Capital			
First Year Losses			
Other			
Total Direct Costs	$	$	$
Infrastructure:			
Roads	$		$
Water			
Energy			
Other			
Total Costs	$	$	$

PROPOSED FINANCIAL STRUCTURE

Type of Financing	Local Currency	Foreign Exchange
Equity	$...........	$.............
Long Term Loans	....	....
Medium Term Loans	....	....
Short Term Loans	....	....
Total	$...........	$.............

Source of Financing:

Equity:............................ $............ .

Long Term Loans:.................. $.............

Medium Term Loans................. $.............

Short Term Loans.................. $.............

Estimated Amount of Equity Investment:

	Cash	In Kind
By Foreign Company	$..........	$..........
By Local Partners	....	....
Other	....	....
	$	$

Description of Official and/or Non-Governmental development assistance being provided or sought for this project:

	Insurance	G'tees	Loans
OPIC:	$	$	$
Exim Bank:			
IFC:			
Non US Official Credit Agencies:			
Other:			
	$	$	$

Outline approximate terms and conditions of the above.

....

....

....

....

....

CASH FLOW

Source of Funds:	Yr 1	Yr 2	Yr 3
Profit before Depreciation	$	$	$
External Financing			
Equity			
Other			
Total In-flow			

Application of Funds:			
Fixed Assets	$	$	$
Preoperational Charges			
Working Capital-			
Raw Material/WIP			
Finished Goods			
Trade Credit			
Debt Service - Interest			
Debt Service - Principal			
Dividends			
Total Out-flow	$	$	$

BALANCE SHEET

	Actual Year	----Proforma---- 1	2
Assets			
Cash & Equiv.	$	$	$
Receivables			
Inventory			
Total Current			
Fixed Assets			
Less: Ac. Dep.			
Net Fixed Assets			
Other Assets			
Total Assets	$	$	$
Liabilities			
Acc'ts & Accruals	$	$	$
Bank Debt			
Term debt due 1 year			
Total Current			
Long Term Debt			
Equity:			
Share Capital	$	$	$
Retained Earnings			
Net Worth			
Total Liabilities & Worth	$	$	$

FINANCIAL PROJECTIONS

	Yr 1	Yr 2	Yr 3
% of Capacity			
Unit Sales			
Unit Price			
Annual Sales Revenues	$	$	$
Units Bought			
Unit Cost			
Cost of Goods Sold			
Gross Margin	$	$	$
Labor			
Material			
Utilities			
Maintenance			
Land Preparation			
Planting			
Growing/Cultivation			
Harvesting			
Processing & Packaging			
Storage & Transport.			
Repairs / Maintenance			
Other Overhead			
Other Variable			
Royalties / Fees			
Management Fee			
Operating Expenses			
Operating Income			
Interest Expense			
Depreciation Expense			
Profit before Tax	$	$	$

ANNEX 3

Sample of Revolving Fund Annual Report

Currently Produced by PRE

ANNUAL REPORT

PRIVATE SECTOR REVOLVING FUND

AGENCY FOR INTERNATIONAL DEVELOPMENT

DECEMBER 1985

ANNUAL REPORT

PRIVATE SECTOR REVOLVING FUND

AGENCY FOR INTERNATIONAL DEVELOPMENT

Contents

A. PRIVATE SECTOR REVOLVING FUND

1. Annual Report. The requirement for the annual report presented herewith is stated in Section 108(h) of the Foreign Assistance Act of 1961, as follows:

> "Not later than December 31 of each year, the President shall submit a comprehensive report which details all projects funded under this Section during the previous fiscal year, all reflows to the revolving fund account, a status report on all projects currently contained in the fund's portfolio. Such reports shall include, but not be limited to, information regarding numbers and kinds of beneficiaries reached, amounts and kinds of benefits provided by the funded projects to targeted populations, and a justification for projects within the context of the goals and objectives of the United States development assistance program."

2. AID's Private Sector Initiative. In 1981, the Agency for International Development (AID) initiated a program to encourage the increased use of private enterprise to stimulate growth and meet basic human needs in the developing world. These initiatives coincided with mounting evidence that those developing countries which have relied primarily on the private sector and market forces for growth experienced more rapid economic progress, by and large, than those which have relied primarily on the public sector and government controls. This more rapid economic progress, in turn, was often more widely diffused, thereby promoting the development of small businesses, generating employment, and expanding participation of women in entrepreneurial initiatives. Many countries that once neglected the private sector and have suffered poor economic performance thus were rethinking their overall development strategies. This

reassessment became even more crucial in the face of a then-gathering world recession. Capitalizing on these trends, AID has steadily increased its emphasis on projects and programs that activate market forces and that encourage host-country environments conducive to private investment and private entrepreneurial activities which spur both economic and social progress.

3. Rationale For The Revolving Fund. AID's recently formed Bureau for Private Enterprise (PRE) was charged with designing innovative private enterprise projects which, when field-tested, would not only provide their own immediate benefits but would also serve as prototypes for projects initiated by the rest of the Agency. In 1983, Administrator M. Peter McPherson asked Congress to establish a Private Sector Revolving Fund through which PRE's growing portfolio could be channeled. The rationale for establishing such a revolving fund was as follows:

- To ensure program accountability by joining responsibility and performance (making the program's financial integrity and level of activity depend on reflows from viable projects);

- To encourage participation in the program by the private sectors in the United States and in the developing countries through procedures which demonstrate "bottom line" results;

- To permit growth in the program without the expenditure of additional tax dollars (through recovery of principal, interest and fees, and temporary investment of these proceeds in United

States Treasury obligations until commitment to new development loans); and

- To ensure flexibility in the program by freeing disbursement schedules from fiscal year appropriations limitations, thus providing greater leeway for AID to seize innovative investment opportunities to increase employment, incomes, generation of foreign exchange, technology transfer, and other benefits.

4. Authorizing Legislation. The Private Sector Revolving Fund was authorized by the International Security and Development Assistance Authorizations Act of 1983 (Section 101(b)(2) of the Further Continuing Appropriations, 1984, Public Law 98-151), signed on November 14, 1983, and incorporated as Section 108 of the Foreign Assistance Act of 1961, as amended.

Section 108 declares that private enterprise development "is a vital factor in the stable growth of developing countries", and further, that it is in the best interests of the United States "to assist the development of the private sectors in developing countries and to engage the United States private sector in that process". To promote such development, the President was authorized to establish a "Revolving Fund Account" in the Treasury.

Section 108 specifies certain types of activities that the revolving fund may support. These include activities that have a demonstration effect (that is, can be replicated by AID field missions, financial institutions, and others), are innovative, are financially viable, will maximize development impact particularly in employment and the use of appropriate technology, and are directed primarily to providing support and services not otherwise available to small business enterprises and cooperatives.

Other requirements for projects include: no more than $3,000,000 may be provided by the U.S. Government for any one project; a "substantial portion" of the financial support for each project must come from host country sources; no more than 20 percent of revolving fund assets may support projects in any one country; loans must be made primarily to intermediary institutions serving the private sector; loans must be made at or near the interest rate "otherwise available to the recipient".

5. Funding. To capitalize the revolving fund, Congress authorized the transfer to the fund of up to US$20 million per year in FYs 1984 - 86 from AID's development assistance accounts. In addition, interest and fees, and earnings on revolving fund reflow assets were also to be deposited in the revolving fund account. Ultimately, Congress expected that the revolving fund's reflows would make it self-sustaining and would eliminate the need for additional transfer authority. Once the fund reaches assets of US$100 million, the maximum statutory size of the fund, earnings will be returned to the Treasury. In fact, AID will use only US$46.5 million of the US$60 million in available transfer authority during FYs 1984 - 86, mainly because other AID program requirements have been more pressing.

B. ADMINISTRATION OF THE FUND

1. Management. Management responsibility for the Private Sector Revolving Fund rests with AID's Bureau for Private Enterprise (PRE), under broad direction of the Administrator of the Agency. The Bureau consults with other AID bureaus and field missions as appropriate. The Assistant Administrator, Bureau for Private Enterprise, has overall responsibility for the fund's operations. The Senior Deputy Assistant Administrator serves as managing director of the fund and oversees portfolio priorities, investment approvals, and financial operations, including investment of fund assets in interest-bearing U.S. Treasury obligations. The investment of fund assets is undertaken in coordination with the Agency's Loan Management Division, Office of Financial Management (M/FM/LMD). The director of the Office of Investment of the Bureau for Private Enterprise (PRE/I) handles day-to-day operation of the revolving fund.

2. Development of Projects. Projects included for financing by the revolving fund are developed by PRE/I investment officers with full coordination and consultation with affected AID field missions. Representatives of AID's General Counsel's Office handle legal matters connected with the Bureau and are heavily involved in the negotiation process. Working within the mandate of the revolving fund legislation, the Bureau's Office of Investment develops criteria by which to identify, screen, analyze and design proposals.

3. Internal Review Procedures. The Bureau for Private Enterprise has formalized an internal review procedure for

proposals recommended by investment officers for revolving fund financing. The lead group is the Bureau's Portfolio Review Committee. It includes the Assistant Administrator; Senior Deputy Assistant Administrator; Director, Office of Investment; as well as representatives of AID's Bureau for Program and Policy Coordination and affected regional and centrally funded bureaus as appropriate.

This committee first reviews the project as an Investment Opportunity Proposal (IOP). The review focuses on the project's suitability from the standpoint of the revolving fund and of the development strategy for the affected country or countries. If the committee finds the project appropriate, further analysis and negotiations are undertaken by the parties involved. This leads to an Investment Proposal (IP), which again passes before the Portfolio Review Committee. The external Loan Review Board (see below) may review the proposal at either stage.

4. Loan Review Board. As part of its project review process, the Bureau for Private Enterprise in July 1983 established a Loan Review Board composed of private financial executives who are knowledgeable in all types of project financing in developing countries and their associated risks. The board reviews potential revolving fund investments as to financial viability, conformity to investment credit standards, and "packaging" for maximum effect. The board has reviewed all loans made from the revolving fund. During FY 1985, it met four times. The board's recommendations, while not binding on the Bureau, have been of significant assistance in the development of sound, creditworthy investments.

5. Investment of Revolving Fund Assets. The reflows of interest, fees, and principal to the revolving fund are available for investment in U.S. Government securities. In FY 85, approximately $89 thousand in interest and fees was invested. Principal reflows, however, will not begin until late FY 86 due to grace periods on principal repayments which vary in accordance with specific terms negotiated for each loan. Reflows in size sufficient to finance new loan commitments are not expected before FY 1988 or 1989.

The pace of disbursement of revolving fund loans in these early years as the revolving fund gets underway began slowly, but is gaining momentum. A total of $3.1 million (21 percent of FY 84 appropriations) was disbursed as of the end of FY 85. The rate of disbursements should increase, however, as the fund grows.

Reflows received and investments outstanding as of September 30, 1985, are as follows:

REVOLVING FUND REFLOWS

FY 1985

Source	Amount
Fees	$32,800.00
Interest	$56,002.97
TOTAL	$88,802.97

REVOLVING FUND REFLOW INVESTMENT ACCOUNT

September 30, 1985

Private Sector Revolving Fund Account #72x4341

	Cost	Value	Indicated Annual Income	Estimated Annual Yield
Cash (1)	$ 4,598.18	$ 4,598.18	$ -	0%
Securities: U.S. TBills due 10/31/85	$84,204.79	$85,000.00	$6,800.00 (2)	8.00% (2)
TOTAL	$88,802.97	$89,598.18	$6,800.00	7.59%

AID has taken two steps during FY 85 to improve the revolving fund reflow position: (1) loans were structured with shorter maturity and grace periods, and (2) profit participation was made a part of loan terms and conditions. The latter has been included in three of the FY 85 loans (Agribusiness Investment Corporation, Multifoods, and Societe Marocaine de Depot et Credit - see Section D). The average weighted maturity of the FY 85 loans is 4.7 years compared with 6.8 years for the FY 84 loans. (Please refer to Annex IV.) Grace periods on principal repayments have similarly been shortened from an average of 34 to an average of 29 months.

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(1) Minimum purchase of T. Bills is $5,000.

(2) Approximate 1-year Treasury Bill yield @ 09/30/85.

The need to reduce the average maturity and grace period of revolving fund loans highlights a certain necessary conflict in the revolving fund concept, i.e., the goal of achieving significant development impact in a high risk environment versus the goal of a self-financing revolving fund dependent on short-term reflows to sustain future lending. The need for shorter maturities also has an adverse impact on the range of project opportunities which AID can consider and negotiate with LDC private businessmen. As the revolving fund grows, however, AID again will be able to extend maturities if it can maintain reflows large enough to provide $15 million annually for reobligation.

C. CHARACTERISTICS OF THE PORTFOLIO

1. Summary. The loan agreement for the first project financed from the Private Sector Revolving Fund account was signed by Administrator McPherson on April 10, 1984. Between then and the end of FY 1985 (September 30), 17 loans totaling $30.5 million had been approved and obligated. Nine of the revolving fund loans have grant components as an integral part of their project design. The nine grants total $1.42 million. These AID funds combined with funding from other sources helped activate investments totaling about $72.9 million, thus producing a leveraging ratio of 1 of 3.4 or one AID dollar out of every $3.39 invested.

This considerable increase over the FY 84 average leveraging ratio of 1 to 2.5 is attributable to the preponderance of intermediate financial institutions as loan recipients of FY 85 obligations as well as to continued interest in venture capital financing in which AID has taken only a 25-33% participation.

2. Types of Loans. Two general types of loans are used by the Office of Investment (PRE/I): (1) loans made to LDC private intermediate financial institutions (IFIs) and, (2) loans made directly either to private LDC businesses or to joint ventures between LDC and U.S. businesses.

The intermediate financial institution mode normally takes one of two forms. The first is a revolving fund loan directly to the IFI which, in turn, matches the AID loan in local currency, forming a pool of funds for subsequent on-lending to local private micro, small and/or medium-sized enterprises. The second form is a revolving fund loan which serves as collateral to guaranty a portion of the risk of subloans made by the IFI with its own funds. In both cases, the IFI provides all administrative support including subloan applicant review and approval, monitoring and implementation, as well as actual assumption or oversight of credit and foreign exchange risk, which risk may be passed on to subborrowers. (Section C.5 discusses the risk issue at greater length). In light of the requirements of Section 108, IFI loans comprise 14 of 17 loans finalized by PRE/I during FY 84-85, or 82% of the current portfolio by number and 88 percent in terms of loan principal.

A less commonly used loan structure for the revolving fund portfolio is the direct loan to a specific private LDC company. Only three such direct loans have been obligated thus far, comprising 18% of the current portfolio by number and 12% in dollar terms.

These direct loans are to projects ranging in size of total capitalization from $1.1 million to $10 million. Revolving fund assets committed range from 20% to 33% of the individual projects. With direct loans, the revolving fund carries full credit risk but not the foreign exchange risk as all revolving fund loans must be repaid in U.S. dollars.

Revolving fund loans can also be typed by objective. From this standpoint, the portfolio reflects many of AID's most important goals, i.e.:

- o Financial institution development;
- o Employment generation;
- o Foreign exchange generation for the host country;
- o Agribusiness/satellite farming development;
- o Small and medium-scale business development;
- o Export trade financing;
- o Technology transfer;
- o Capital market development;
- o Health;
- o Credit to micro businesses.

The loans also have positive implications for the achievement of United States development objectives in future years, i.e.:

- o Leveraging of scarce AID funds through innovative financing mechanisms;

- o Involvement of U.S. private industry in the development process; and

- o A return on investment for the U.S. approximately equal to the cost of U.S. Government funds expended.

3. Collateral Account

Background. The Bureau for Private Enterprise developed the "Collateral Account" loan structure during the summer of 1984. The Office of Investment found during various project origination trips that there were many developmentally and commercially sound projects in AID-recipient countries that could benefit from AID financing, but only if the loan were structured in a way that minimized the foreign exchange risk to the borrower. Accordingly, PRE/I, working with AID General Counsel, devised a loan structure through which AID can lend and be repaid in U.S. dollars, but can at the same time mobilize extensions of needed local currency credit to the target beneficiary class without involving the conversion of AID loan proceeds into local currency, so long as the projects remain commercially viable.

Structure. There is no single standard Collateral Account loan structure. In fact, one of the Collateral Account's principal virtues is its flexibility in being designed for the particular needs of the borrower. There are, however, certain basic features. First, before any AID loan proceeds are disbursed, AID , the borrower, and a bank located in the United States ("Depository Bank") enter into a "Three-Party Agreement" which establishes an account in the borrower's name ("Collateral Account") to be held and managed by the depository bank. The three-party agreement also spells out whatever additional responsibilities the depository bank may be required to assume.

Upon the request of the borrower, AID disburses the requisite amount of loan proceeds into the Collateral Account. The depository bank invests those proceeds in a type of investment approved by AID, generally U.S. Treasury obligations. The depository bank then either issues or confirms a letter of credit guarantying an extension of local currency credit. The depository bank is willing to undertake the contingent liability associated with the letter of credit issuance or confirmation because, under the three-party agreement, the depository bank receives a security interest in the Collateral Account and the investments contained therein. This security interest assures the reimbursement of the depository bank in the event a payment must be made under the letter of credit.

The borrower's interest obligation to AID under the loan agreement is measured in relation to the rate of earnings on the investments in the Collateral Account. The borrower will also generally pay a utilization fee for this facility which is measured as a percentage of the amount of investments in the Collateral Account that have been "blocked" (i.e., made subject to the depository Bank's security interest) to guaranty issued or confirmed letters of credit. The loan agreement, for example, may provide for interest at a rate equal to the yield of 180-day Treasury Bills plus a utilization fee equal to two percent of the average daily amount of Treasury bills utilized or blocked.

The loan agreement will also provide for an orthodo principal repayment schedule. The dollars in the Collateral Account are expected to serve as the borrower's source of repayment, and thus the terms of the depository bank letters of credit must result in enough Treasury Bills being unblocked to permit periodic disbursements to AID in accordance with the loan agreement's principal repayment schedule.

Two examples of the types of local currency loans that can be effected by a Collateral Account loan are PRE's FY 84 loans for low-cost health product production in Thailand and Indonesia ("PATH" project) and for term agricultural credit in Ecuador. In the PATH project, loan proceeds deposited in a U.S. bank serve as collateral to permit that bank's issuance of a standby letter of credit guarantying fifty percent of term local currency loans by Thai and Indonesian commercial banks to health product manufacturers in Thailand and Indonesia. As the local currency loans are repaid, the amount of the U.S. depository bank's outstanding liability under the standby letters of credit is reduced, thus releasing investments in the Collateral Account from the depository bank's security interest and making them available for disbursement to AID as principal repayments.

The Thai and Indonesia banks have the responsibility to ensure that the principal amortization schedules of the local currency loans match the coverage reduction schedules of the standby letters of credit. The AID borrower has the responsibility to ensure that the letter of credit coverage reduction schedules match the principal amortization schedule in the AID loan agreement.

Unlike the PATH project, in which the local lending bank is the beneficiary of the letter of credit, the Ecuador project involves the guaranty of borrowings by two Ecuadorean financieras, or development banks. A serious constraint on the ability of the financieras to make long-term credit available to their customers is the financieras' inability to borrow on a long-term basis themselves. The beneficiaries of the letter of credit in this project, therefore, would be the purchasers of development bonds that may be issued by the financieras. The financieras would then be obligated under the AID loan agreement to lend the funds raised through the sale of these guarantied bonds to a designated class of target beneficiaries. As with the PATH project, the amortization schedule of the bonds would match the coverage reduction schedule of the letters of credit which in turn would match the financieras' principal repayment obligation under the loan agreement.

4. Loan Set Off Structure

Background. The Loan Set Off structure, developed by the Bureau for Private Enterprise in FY 85, represents a variation of the earlier mechanism and one by which AID can establish a letter of credit facility with a U.S. bank for the benefit of a financial institution in an AID-recipient country. Under this structure, AID enters into a loan agreement with the U.S. bank under which the U.S. bank agrees to issue or confirm letters of credit in an aggregate amount up to the outstanding principal balance of the AID loan.

AID, in this instance, is the customer or account party under the letters of credit, and the loan agreement constitutes the letter of credit application. Typically, the letter of credit application will include an undertaking by the account party to reimburse the issuer for any amounts paid out under the letters of credit. The loan agreement under the Loan Set Off structure limits the U.S. bank's right to reimbursement to the right to set off amounts paid under the letter of credit against the U.S. bank's principal repayment obligation under the AID loan.

Structure. The letter of credit facility thus established operates in the same manner as the facilities established by the Collateral Account structure developed by PRE during FY 84. Standby letters of credit issued by the U.S. bank can guaranty a portion of local currency loans by a host country bank ("Local Lending Bank") to an identified class of subborrowers such as small agribusinesses or nontraditional exporters. Such letters of credit can also guaranty some or all of loans to the local lending bank by local investors (as through a public bond offering) for on-lending to the qualifying subborrower group.

Under the Loan Set Off arrangement, AID shares in the credit risk of the subloans with the local lending institution but has no recourse to the local lending bank for the AID portion of the credit risk in the event subloan defaults lead to letter of credit claims. The documents which the local lending bank must present to obtain payment under the letter of credit include an "Assignment and Certificate" under which the local lending bank (1) certifies the occurrence of the default and the collection efforts it has made for recovery, and (2) assigns to AID a percentage of its rights against the defaulting subborrower equal to the percentage of the subloan that was guarantied by the letter of credit. The assignment and certificate will generally also include the local lending bank's promise to continue reasonable collection efforts on the defaulted subloan and to remit to AID a portion of the recoveries that corresponds to the portion of the subloan assigned to AID. If further collection efforts yield no further recoveries, the local lending bank has no obligation to pay AID, and the defaulted subloan will result in a principal loss under the loan.

Under the latter arrangement in which the standby letters of credit guaranty borrowings by the local lending bank, AID does have full recourse to the local bank in the event of a claim against the letter of credit. Defaults under subloans will not result in claims on letters of credit until such defaults actually cause the insolvency of the local lending bank.

A third use of the letter of credit facility is to induce a U.S. bank, usually the same bank that is the borrower under the AID loan, to confirm commercial or trade letters of credit issued by the local lending bank at the request of customers belonging to the designated class of eligible subborrowers. The beneficiaries of such trade credits will typically be U.S. exporters of products needed by the eligible subborrowers, e.g., farm equipment or production inputs for small agribusinesses. Amounts paid to the beneficiary-exporter by the U.S. bank can be set off against the AID loan principal, as with the standby letters of credit, if the local lending bank has not reimbursed the U.S. confirming bank within an agreed time period.

Comparative Advantages of the Collateral Account vs. the Loan Set Off Structure. The differences between the Collateral Account and Loan Set Off structure lie not in the nature of the letter of credit facility but in the mechanism for setting it up. The Loan Set Off structure has several important advantages over the Collateral Account structure. Most importantly, there are countries in which banks have offshore borrowing limits such as Indonesia. The Collateral Account structure requires the local lending bank to enter a loan agreement under which it is the direct borrower of U.S. dollars. PRE's experience, at least in Indonesia, was that many banks were not willing to use a substantial portion of their offshore borrowing limits in a loan facility that does not permit the banks freely to utilize the U.S. dollars borrowed. Under the Loan Set Off structure, when used to guaranty subloans directly, the local lending bank is beneficiary of a standby letter of credit facility and has no obligation to repay U.S. dollars except to the extent of remitting to AID a portion of the recoveries on defaulted subloans.

The Loan Set Off structure is also somewhat simpler from a legal point of view. There is no account owned by a host country bank which creditors of the bank might seek to attach. AID need not concern itself with taking a security interest in a somewhat unorthodox bank account with the attendant perfection and choice of law questions.

Finally, the Loan Set Off structure permits the establishment of a letter of credit facility with perfect liquidity. The U.S. bank under the Collateral Account structure is concerned with having to pay claims at a time when the U.S. government securities have not reached maturity and must be sold at a discount if the bank wants immediate reimbursement.

The Collateral Account structure does, however, have certain advantages of its own. If properly established, there is a good chance that AID need not take the risk of a possible U.S. bank insolvency. AID's recourse is to a segregated identifiable account which might not be treated as an asset of the U.S. bank in an insolvency proceeding. This same assurance could be obtained with the Loan Set Off structure if AID insisted that the U.S. bank secure its loan obligations by a pledge of U.S. government securities in a segregated account. Such a pledge, however, is likely to reduce the interest rate the U.S. bank is willing to pay.

It is not possible at this time to reach a firm conclusion on which structure produces the highest yield for AID. To date, the Collateral Account investments have been limited almost exclusively to U.S. Treasury Bills or Notes, and the U.S. bank has generally deducted a small management fee from the earnings. The interest rates proposed by the U.S. banks in PRE's FY 1985 projects for the Loan Set Off structure were generally higher than the 180-day Treasury Bill rate and did not include any management fee.

PRE now has sample documentation for both versions and will utilize both for at least another year to see how each operates in practice. U.S. banks have shown considerable interest in each structure.

PRE has long sought to cofinance projects with private U.S. banks. Both loan structures afford PRE a potential to induce cofinancing through the U.S. bank's fractional sharing of credit risk. U.S. banks are very unlikely to share subloan credit risk, however, and the manner in which local lending bank credit is shared requires careful thought at the project design stage.

5. <u>Risk</u>. As inferred from the discussion above, an assessment of risk can be approached from many sides, the ultimate test of which, for AID, is full repayment of principal and interest to the revolving fund or the U.S. Government.

Major risks may be categorized as:

- o Borrower or sub-borrower credit risk;
- o Foreign exchange risk;
- o Country credit risk;
- o Country political risk.

In addressing the various risk eventualities, the Collateral Account and Loan Set Off mechanisms afford considerable comfort in that U.S. or revolving fund monies remain invested in U.S. obligations physically located in the United States. Both mechanisms have been used thus far only for intermediate financial institution (IFI) loans where the financial viability of the institutions - U.S. or LDC - provides a strong-to-modest buffer against unforeseen difficulties.

Other IFIs, however, may be new venture capital organizations which invest their own and AID funds in start-up businesses. Here the success or failure of individual ventures, whether or not approved in advance by PRE, will directly impact revolving fund capital.

Direct loans, though representing a small proportion of revolving fund assets, run both the risk of project and sponsor viability as well as unpredictable country financial and political risk, as funds are disbursed directly to such borrowers through indigenous banks which, while private, fall under local government monetary and political regulation. Then, too, foreign exchange risk is of greater concern with direct loans, although this risk is reduced by PRE project design in selecting projects which generate foreign exchange to cover repayments in U.S. dollars.

This brings us back to the principal rationale cited by Congress in establishing the revolving fund: to ensure accountability of the program by joining responsibility and performance. PRE developed the Collateral Account and Loan Set Off mechanisms to address concerns of LDC borrowers while remaining cognizant of its own financial integrity and accountability.

Venture capital, other start-up institutions and direct obligations are pursued with the same attention to viability of the revolving fund and development objectives. Greater risks of less controllable varieties are inherent in some investments, however, and must be accepted as "givens" where very strong development and demonstrative objectives so warrant.

6. Geographical Balance. As a matter of policy, PRE from the outset has made its investments so as to avoid an overconcentration of resources in any one geographical area - consistent, of course, with available investment opportunities. This issue was addressed directly in the revolving fund legislation, which specifies that no more than 20 percent of revolving fund assets may be allocated to any single country. As of September 30, 1985, distribution of the revolving fund portfolio by region and country was as follows (in US$ millions) (See also Annex III):

Region	Regional Total	Country Total
Asia/Near East	US$13.70 (61%)	
Indonesia		US$6.10 (20%)
Morocco		US$4.50 (14%)
Philippines		US$2.35 (8%)
Thailand		US$5.75 (19%)
Latin America & Caribbean	US$ 9.35 (31%)	
Antigua		US$0.10 (0%)
Costa Rica		US$1.000 (3%)
Dominican Rep.		US$2.00 (8%)
Ecuador		US$2.80 (9%)
Regional		US$3.45 (11%)
Africa	US$1.25 (4%)	
Regional		US$ 1.25 (4%)

Region	Regional Total	Country Total
Worldwide	US$1.20 (4%)	US$ 1.20 (4%)
TOTAL:		US$30.50 (100%)

The legislation addresses itself to percentages of total fund size, however, envisioning a minimum $60 million capitalization plus eventual growth to a maximum $100 million.

PRE is striving to maintain geographical balance in its investments in order to complete successful demonstration projects in all regions and in each of the diverse financial, cultural, and economic contexts in which AID operates. For example, it is seeking in FY 86 to develop new projects in the Middle East and particularly in Africa - areas of the Third World that present exceptional challenge, and where projects have been slower to mature.

D. 1985 PORTFOLIO: INDIVIDUAL LOANS

1. Introduction. In FY 85, the Bureau for Private Enterprise initiated nine new loan projects which it believes best serve the self-sustaining growth of market forces in target countries. Of these loans, eight were made through intermediate financial institutions for sublending to a broad spectrum of small business and one loan was made directly to a company with exceptionally strong development impact. These loans were distributed to six individual countries, plus three projects involving multicountry loans.

Revolving fund loans obligated during FY 84 and 85 now total seventeen, their characteristics are summarized in Annexes I, II, III, and IV.

Brief descriptions of FY 85 obligations follow, by region.

2. LATIN AMERICA AND THE CARIBBEAN

ACCION MICRO-LENDING
Latin America and the Caribbean Area

Project Number	:	940-0002.44
Authorization Date	:	September 20, 1985
Loan Number	:	598-S-008 dated September 25, 1985
Type	:	Intermediate Financial Institution

This project is intended to expand the availability of credit to very small or "micro" enterprises in Latin America and the Caribbean. Capital for start-ups or expansions is normally available to these businesses only from family savings or local money lenders charging exorbitant interest rates. To supplement these sources, some community-based lending programs have been developed successfully in recent years. Most, however, have been funded by international or multilateral organizations on concessional terms. This revolving fund project, on the other hand, consists of a $1.0 million AID loan at market rate to Accion International, a U.S.-based private voluntary organization which provides technical assistance to a number of such micro-lending programs in the region. Funds will ultimately provide assistance to vendors, artisans and small manufacturers, which businesses comprise the largest and fastest growing sectors in the Third World.

Accion will deposit the loan proceeds in a dollar account with a bank located in the United States. Using this account as collateral, the bank will write standby letters of credit to guarantee loans by local banks in local currency to micro-lending programs. Thus, a community organization wishing to expand its micro-lending portfolio can raise additional capital by borrowing at prevailing market rates from local commercial banks. The organization will charge the micro borrowers nonsubsidized interest rates.

AID is also providing a $100,000 grant to Accion to cover start-up administrative expenses. Over the long term, operating costs are expected to be covered by guaranty fees.

Development Impact

The Accion project will help generate jobs, a key focus for most AID programs in Latin America and the Caribbean. Beneficiaries are very small, generally poor, business men and women, with fixed capital below $2,000 and employing five or fewer employees. Average loans will be short term and in the $100-300 range.

MULTIFOODS REVOLVING CREDIT FACILITY
Latin America and the Caribbean

Project Number	:	940-0002.52
Authorization Date	:	September 30, 1985
Loan Number	:	598-S-009 dated September 30, 1985
Type	:	Intermediate Financial Institution

Intended to promote LDC private sector satellite farming operations or agribusiness, this project simultaneously enhances export potential in Latin America and the Caribbean area. Satellite farming operations are projects wherein core agribusinesses provide inputs and extension-type services to surrounding farmer-suppliers. The borrower of the AID loan is International Multifoods Corporation (Multifoods), a 93-year old diversified U.S. company which provides food, produce and food services worldwide. It has proven expertise in fresh produce production and delivery, technical assistance, management and engineering.

AID's $1.2 million loan to Multifoods in FY 85 can be rolled over annually for up to 5 years and, if the initial loan is successful, can be increased to $3 million.

The loan will go to Multifoods on a partial recourse basis and will be leveraged on a 2-to-1 basis by private investors and commercial banks. Multifoods is to advance its own funds into the LDC financing operation in an amount equal to AID's contribution.

LDC private enterprises benefiting from the project will have maximum net fixed assets of $700,000. Emphasis will be on agriculture, agribusiness or nontraditional exports with significant satellite farming components.

Development Impact

Primary beneficiaries of the project are local farmers and other small suppliers who would not otherwise have access to credit or modern technology. Development results include job creation, technology transfer and foreign exchange generation.

ANTIGUA SHRIMPERY
Antigua
Project Number : 940-0002.14
Authorization Date : September 26, 1985
Loan Number : 541-S-001A dated September 30, 1985
Type : Direct

By diversifying Antigua's economy, drawing on the island's natural resources, this project is also intended to save foreign exchange. Antigua is heavily dependent on imports, which have increased from roughly 10-to-30% in only a year. This project is expected to supplant imported frozen shrimp for the local tourist industry, thereby reducing foreign excnange outflows. The $250,000 AID loan to Antigua Shrimpery Ltd. is targeted for the construction of 25 acres of ponds and facilities needed to produce 65,000 pounds of shrimp annually for the local market. AID's contribution, moreover, triggers the investment of a total $1.14 million in the project, a leveraging ratio of nearly one of five.

The $250,000 AID loan consists of a $150,000 loan made in FY 83 and a $100,000 loan in FY 85. Only the latter $100,000 loan is for the account of the revolving fund, and comprises part of increased project costs estimated at $600,000. The refinancing supports higher costs brought about by earlier incurred engineering costs, the addition of a hatchery facility and project delays resulting from technical problems in securing reliable sources of post-larval shrimp (seed shrimp). The balance of cost increases are being financed by private equity investment and commercial banks. AID's share of the total financing has thus been reduced from 25-22%.

Development Impact

As noted above, this project is expected to make a noticeable improvement in Antigua's foreign exchange account. The diversification of the economy will add 12 jobs directly and generate more employment indirectly in construction, marketing and food services. The introduction of aquaculture technology to the island is also expected to lead to additional future employment and strong replication potential in the Caribbean region.

3. LATIN AMERICA, THE CARIBBEAN, AND AFRICA

AGRIBUSINESS INVESTMENT CORPORATION
Latin America, the Caribbean, and Africa

Project Number	:	940-0002.45
Authorization Date	:	August 28, 1985
Loan Number	:	598-S-007 dated August 28, 1985
Type	:	Intermediate Financial Institution

Description

The Agribusiness Investment Corporation (AIC) project is designed to stimulate the start up and expansion of small agribusinesses. The project sponsor, Western Agri-Management Inc. (WAM), a medium-sized U.S. farming and agribusiness firm with a track record of successful new ventures in several developing countries, wants to pursue additional joint venture projects in Latin America, the Caribbean and Africa. The project consists of a $2.5 million AID loan to Agribusiness Investment Corporation (AIC), created by WAM as a venture capital fund.

AIC and the parent, WAM, will provide direct investment, technical assistance, and management and will mobilize other U.S. and local investors. Emphasis will be on satellite farming operations. Under this concept, an agribusiness buys from surrounding farmers and in turn provides these farmers with seed, marketing knowhow, and other inputs. The approach often leads to increased farm income and production. The sponsor thus takes an active entrepreneurial role rather than a passive role played by, say, a bank which provides financing only to projects brought to it by others. For every AID dollar this project will mobilize three additional dollars in total capitalization.

<u>Development Impact</u>

The project will help generate jobs and foreign exchange, develop local technical and management skills and, in the satellite farming components, help local farmers produce a better product. Beneficiaries are small agriculture-related businesses and small farmers.

4. THE MIDDLE EAST

SOCIETE MAROCAINE DE DEPOT ET CREDIT
Morocco

Project Number	:	940-0002.50
Authorization Date	:	September 25, 1985
Loan Number	:	608-S-045 dated September 30, 1985
Type	:	Intermediate Financial Institution

This project is intended to stimulate trade financing for small Moroccan businesses through the creation of a private export trading company. Since the early 1980s, Morocco has faced an increasing shortage of hard currency and a negative trade balance, prompting a drive to spur exports. Societe Marocaine de Depot et Credit (SMDC) currently finances 12 percent of Moroccan foreign trade. The project consists of a $2 million AID loan to help SMDC form an export trading company to facilitate exports from the small business sector.

AID's loan will create a facility to guaranty SMDC's guaranty of loans made by other Moroccan banks to the trading company, GENEX, which is to be partly owned by SMDC. The trading firm in turn will deliver short-term credit to exporters and buy export merchandise against letters of credit or purchase orders.

Development Impact

The project is expected to benefit about 50 small businesses and provide an estimated 3,000 local jobs by 1988. It will also spur non-traditional exports and thus help build Morocco's hard currency reserves.

5. ASIA

BANK NIAGA
Indonesia

Project Number	:	940-0002.46
Authorization Date	:	August 29, 1985
Loan Number	:	497-S-090 dated August 30, 1985
Type	:	Intermediate Financial Institution

Description

The Bank Niaga loan and the following three Asian loans obligated in FY 85 employ the Loan Set Off structure, with Rainier Bank of Seattle as depository and confirming bank. The project is designed to provide credit for small and medium-sized Indonesian enterprises, mainly in rural areas. Emphasis is on businesses producing for the export market, thus reinforcing the Indonesian government's effort to rebuild depleted foreign exchange reserves. AID has provided a $2 million loan guaranty to Bank Niaga, a privately owned institution which normally lends only to large firms.

AID's loan guaranties 50% of a $4 million loan pool provided by Bank Niaga in local currency for onlending to small- and medium-sized borrowers outside of Jakarta, the capital. Loans will go primarily to producers of nontraditional exports in order to spur diversification of products Indonesia can sell abroad to earn foreign exchange. AID is also providing a $50,000 grant to help Bank Niaga train branch personnel in serving these new markets.

Development Impact

The project will help create rural jobs, earn foreign exchange, and expand the local credit base by opening new credit windows for small firms that have trouble borrowing through regular commercial channels. Beneficiaries are businesses, primarily nontraditional exporters, with $150,000 - $300,000 in monthly sales. Loans are limited to $250,000 per borrower.

OVERSEAS EXPRESS BANK
Indonesia

Project Number	:	940-0002.47
Authorization Date	:	August 29, 1985
Loan Number	:	497-S-091 dated August 30, 1985
Type	:	Intermediate Financial Institution

Complementary to the Bank Niaga loan, this activity is intended to provide short and medium-term credit to small enterprises, principally to less populated areas of Indonesia. The local lending institution, Overseas Express Bank (OEB), is 50% owned by the Indonesian government but is in the process of conversion to full private ownership.

AID's $2.85 million loan for OEB will guaranty 50% of OEB's $5.7 million local currency lending through its 20-branch rural network to the presently depressed small enterprise sector. Handicraft, agribusiness and light manufacturing are targets. These beneficiaries are consistent with Government of Indonesia objectives to broaden private sector involvement so as to stabilize Indonesia's oil-dependent economy. A $50,000 AID grant will help OEB train loan officers in handling small business accounts.

Development Impact

Direct beneficiaries will be 1,300 small enterprises by 1990. Employment generation is a major expected result.

FAR EAST BANK AND TRUST
Philippines

Project Number	:	940-0002.49
Authorization Date	:	August 29, 1985
Loan Number	:	492-S-077 dated August 30, 1985
Type	:	Intermediate Financial Institution

Mobilizing short and medium-term credit to small and medium-scale Philippine enterprises, principally exporters, is the objective of this revolving fund loan. It reinforces local government encouragement of trade financing to generate hard currency. AID's $2 million loan for Far East Bank and Trust Company (FEBTC) will guaranty 50 percent of a $4 million local currency loan pool for on-lending to small and medium-sized export businesses.

FEBTC will raise funds from its deposit base or, alternatively, mobilize additional trade financing in hard currency in the form of confirmed letters of credit. The credit pool is designed to stimulate self-sustaining employment, sales, and incremental investment in agribusiness and light manufacturing subsectors.

Development Impact

Goals for this project include the creation of up to 7,500 job-years, targeting at least 48 small enterprises by 1990. Firms with a maximum $1 million in net fixed assets - as defined by the Philippine government - are eligible for the pool.

THAI DANU BANK
Thailand

Project Number	:	940-0002.48
Authorization Date	:	August 29, 1985
Loan Number	:	493-S-043 dated Augsut 30, 1985
Type	:	Intermediate Financial Institution

To stimulate growth of small-scale enterprises in Thailand's rural agro-industrial sector, this project is intended to mobilize needed short- and medium-term credit. Thailand's rapid development and resultant agricultural mechanization, coupled with a record labor supply, have caused a drop in agricultural employment, prompting the Thai government to target the creation of agribusiness jobs to absorb excess rural labor. AID's $2.35 million loan for Thai Danu Bank, a private institution, will expand the bank's operations into rural areas.

The AID loan provides a partial guaranty of $4.7 million of local currency lending by Thai Danu to the target group, businesses with less than $250,000 in net fixed assets. Subloans will be limited to $130,000 per borrower. A $50,000 AID grant will help the bank train its rural branch personnel.

Development Impact

With the objective of increasing rural employment in Thailand, the Thai Danu project goal is to benefit 140 small rural businesses by 1990.

E. FUTURE CHALLENGES

1. Project Origination. To date, the Bureau for Private Enterprise has received revolving fund investment proposals from sources ranging from individual LDC sponsors, their U.S. or foreign representatives or contractors, indigenous and U.S. banks, U.S. corporations, and USAID missions.

Early proposals were often minimally documented and, where considerable potential for AID involvement appeared to exist, the proposals required extensive pre-feasibility research. As the Private Sector Revolving Fund has become more widely known and its purposes are better understood, the number of proposals received has grown exponentially. PRE/I has slowly built a network of contacts within the AID mission community and the private sector in the U.S. and the Third World to achieve a steady flow of potential projects. Mission understanding of PRE's focus and demonstration projects are key to eventual private sector development impact throughout the agency. Such recognition is growing both from the project origination and replication standpoints. Solidifying these gains is a major goal for PRE over the next year and beyond.

2. Replication. Section 108 requires that the projects undertaken by the revolving fund have a demonstration effect, that is, that each project be developed in a form that can be copied by other investors, lending agencies, and other regional units of AID. This was a characteristic of PRE investments even before enactment of the revolving fund legislation. For example, two of PRE/I's earlier projects involving LDC institutions, Siam

Commercial Bank and Kenya Commercial Bank, had clear demonstration effects. In both projects, the use of these private institutions as vehicles of credit for indigenous small business led to larger projects, designed by the AID missions in Thailand and Kenya respectively, targeting the private sector and involving other indigenous commercial banks. More recently, the revolving fund projects have used techniques for mobilizing small business credit pools that can also be translated into larger projects funded by U.S. missions abroad.

The Antigua Shrimpery project is an example of a technology transfer activity that could be replicated in the Eastern Caribbean. The same elements - rising demand for shrimp and a falling local capability to harvest shrimp naturally - could be met by installation of the pond/hatchery technology used in the Antigua project. Another area for replicable projects exists in the private sector supply of products hitherto monopolized by government. Thai Meat Processing, as an example, is Thailand's first modern private sector slaughterhouse (our FY 84 revolving fund project). The introduction of private enterprise into areas traditionally dominated by the public sector opens up totally new avenues for private sector delivery of products and services.

In addition, the USAID mission in the Dominican Republic has expressed interest in the financial mechanism employed by PRE's complementary export finance related loans in Morocco - one of which supports the importation of inputs used to produce products for export and the other of which helps to provide short-term credit to small- and medium-sized local exporters.

As revolving fund projects mature, PRE plans to develop models of target development objectives and loan financing mechanisms which can be adapted by USAID missions to local country priorities and private sector initiatives. In this manner, the goal of agency-wide replicability of revolving fund projects can be achieved.

3. Projected Reflows. Reflow projections inclusive of FY 86 appropriations, based on total capital of $46.5 million, show annual reflows of interest, fees, and principal for fiscal years 1984 through 1988 as follows:

($000)

FY 84	FY 85	FY 86	FY 87	FY 88
0	$38	$725	$3,300	$6,200

If provided the full $60 million, the Bureau for Private Enterprise believes that sufficient reflows will accrue by the early 1990s to ensure a self-sustaining Private Sector Revolving Fund program.

4. Risk. Continuing challenges for the revolving fund itself, as well as for replicability purposes, are those of more versus less risk, shorter or longer maturities versus reflows sufficient to achieve self-sufficiency, and acceptance of profit participation versus interest rate, grace period and other negotiable terms and conditions.

As mentioned earlier, (see page 10, 20, and 21) the goals of self-sufficiency for the revolving fund versus long term development objectives and replicability may often be at odds. Projects whose activities may require longer start-up periods, and therefore longer grace periods for repayment of principal may nevertheless offer significant development returns. It may be possible to compensate for the increased risk and longer payout period by negotiating a significant portion of the financial return as a profit participation, with a lower initial interest rate.

The Bureau has managed to balance these conflicting challenges thus far. As both agency replicability and revolving fund self-sufficiency become interdependent in the face of scarce foreign assistance funding, however, this challenge grows. The Bureau hopes that, as understanding of this interdependence spreads, so too will cooperation of all parties involved in the success of the private sector initiative.

F. ANNEXES

I. LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Loan Name/Country/Proj.#	Funding (million) (L)AID	(G)	Total	Leveraging Ratio	Terms Rate %	Grace yrs.	Term	Cty/Coll. Acct.	Fees (7 Late Pymt/ Default	Facil.	Commit.	Util.	Cancel/ Prepymt	(L) (G) Disburse.	Reflws (8
BANCO DE DESARROLLO FINADE, S.A. (Dominican Republic 940-0002.25	2.0	.05	4.0	(1 1 of 2	(2 7.5%	4 years	7	X/X	X/X	X		X	X/-	$1.0MM(L)	10,000(F)
SUBPRODUCTOS DE CAFE (Costa Rica, other) 940-0002.27	1.0	.05	3.0	1 of 3	(3 11.5%	2 years	10		X/X	X	X	X			8,800(F)
HEALTHLINK (PATH) CREDIT (Thailand & Indonesia) 940-0002.30 (Grant) 940-0002.31 (Thailand Loan) 940-0002.32 (Indonesia Loan)	2.5	1.00	5.0	(1 1 of 2	(6 8.0%	5 years	9	X/X						$272,903 (G)	
THAILAND LIVESTOCK MEAT PROCESSING (Thailand) 940-0002.24	2.5	.07	10.0	1 of 5	11.0%	2 years	10		-/X		X		X/X		
FINANCIERA DE GUAY-QUIL (Ecuador) 940-0002.36	1.4		2.8	(1 1 of 2	(3 10.2%	2 years	3	X/X	X/X	X			X		7,000(F)

I. LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Loan Name/Country/Proj.#	Funding (million) (L)AID	(G)	Total	Leveraging Ratio	Terms Rate %	Grace yrs.	Term	Gty/Coll. Acct.	Fees (7 Late Pymt/Default	Facil.	Commit.	Util.	Cancel/Prepymt	(L) (G) Disburse.	Reflws (8
FINANCIERA IBERO-AMERICANA (Ecuador) 940-0002.36	1.4		2.8	1 of 2 (1	10.2% (3	2 years	3	X/X	X/X	X		X			7,000 (F)
CARIBBEAN BASIN CORP. (CBC) (Caribbean-Wide) 940-0002.41	1.2		4.8	1 of 4	12.7%	5 years	5		-/X		X		X/-	$106,250 (L)	
Wafabank (Was COMPAGNIE MAROCAINE DE CREDIT ET DE BANQUE) (CMCB) (Morocco) 940-0002.34	2.5	.05	5.0	1 of 2 (1	8.0% (2	1-1/2 yrs.	5	X/X	-/X	X		X		$2.0MM (L)	56,003 (I)
ACCION:Micro-Lending Gty (Latin Amer./Carib.) 940-0002.44	1.0	.10	1.0	1 of 1	7.7% (2	3 years	5	X/X							
AGRIBUSINESS INVESTMENT CORPORATION (Latin Amer./Africa) 940-0002.45	2.5		10.0	1 of 4	12.0% *	1 years	5		X/X	X	X		X/-		

I. LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Loan Name/Country/Proj.#	Funding (million) (L)AID	(G)	Total	Leveraging Ratio	Terms Rate %	Grace yrs.	Term	Gty/Coll. Acct.	Fees [7] Late Pymt/ Default	Facil.	Commit.	Util.	Cancel/ Prepymt	(L) (G) Disburse.	Reflws [8]
BANK NIAGA (Indonesia) 940-0002.46	2.0	.05	4.0	1 of 2 [1]	9.5% [4]	3 years	7	X/X	-/X						
OVERSEAS EXPRESS BANK (Indonesia) 940-0002.47	1.2		4.8	1 of 4	12.7%	5 years	5		-/X						
THAI DANU BANK (THAILAND) 940-0002.48	2.35		4.7	1 of 2 [1]	9.5% [4]	2 years	5	X/X	-/X						
FAR EAST BANK AND TRUST (Philippines) 940-0002.49	2.0		4.0	1 of 2 [1]	9.5% [4]	2 years	5	X/X	-/X						
SOCIETE MAROCAINE DE DEPOT ET CREDIT (Morroco) 940-0002.50	2.0		2.0	1 of 1 [1]	9.7% *	3 years	3	X/X	X/X			X			

I. LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Loan	Funding (million)			Leveraging	Terms				Fees (7						
Name/Country/Proj.#	(L)AID	(G)	Total	Ratio	Rate % (5	Grace yrs.	Term	Gty/Coll. Acct.	Late Pymt/ Default	Facil.	Commit.	Util.	Cancel/ Prepymt	(L) (G) Disburse.	Reflws (8
MULTIFOODS (Worldwide) 940-0002.52	1.2		3.6	1 of 3	10.2 *	1 years	1		-/X	X	X				
ANTIGUA SHRIMPERY (Antigua) 940-0002.14	.1		.5	1 of 5	11.0%	1 years	5								
TOTAL AVERAGE	30.5 1.8	1.42	72.9	1 of 3.39	9.78*	2.44 yrs.	5.69							3,106,250 (L) 272,903 (G)	88,803

NOTE: Total Funding figures do not include Grant components.

SMDC: Plus Participation Fee, $25,000, when Genex gross sales are equal to or greater than $5 million in any Genex Fiscal Year.

Agribusiness Investment: Plus 2 percent of gross revenues.

Multifoods: Plus 2 percent of gross revenues.

NOTE: Footnotes on next page.

FOOTNOTES

1) In the case of intermediate financial institutions (IFIs), the leveraging ratio quoted applies only to the Agreement with the IFI, the main borrower. Accumulated on-lending, which also activates use of subborrowers' own funds, will increase the ratio by an estimated factor of 2 - 3.

2) Based on 180-day Treasury Bills of approximately 7.5% as of 09/30/85.

3) Based on 180-day Treasury Bills plus 2 percent.

4) Based on 3-year Treasury Note plus 1/10%, maximum 9.5%.

5) Based on 1-year Treasury yield + 2 percent.

6) Based on LIBOR (about 8.75% as of 09/30/85 less 0.75%).

7) Definition of fees are as follows:

   a) Late payment/default penalty - a higher rate of interest is charged to discourage late payment and default; the rate is usually about 2.4% higher than that in the loan agreement in the case of default, not so severe for late payment;

   b) Facility fee - charged the borrower for the benefits of having a line of credit made available; runs about .5% of loan amount and is payable shortly after signing of the loan;

   c) Commitment fee - charged to induce the borrower to draw down loan funds according to a prearranged schedule, or sooner; runs .5% per year on the undisbursed principal balance;

   d) Utilization fee - charged the borrower for the guaranty service provided through the use of a collateral account; ranges from about .25% to 2.0% per year;

   e) Cancellation fee - charged if the borrower exercises the right to cancel the loan;

   f) Prepayment fee - charged if the borrower exercises the option to prepay the loan (which it might do if market interest rates decline); intended to help AID recoup the cost of establishing the loan.

8) Additional disbursements totalling $1,920,000 in loan principal and $156,121 in grant funds have been made as of 12/09/85; $47,825 in additional reflows had also been received as of that date. Programmed grant commitments are higher than grant disbursements shown.

REVOLVNG FUND COMPARATIVE REVIEW

Characteristics:	FY 1984	FY 1985
General Emphasis of Development Goals:	*Commercialization of Technology	*Export Trade Promotion
	*Investment Promotion	*Capital Market Development
	*Privatization	*Satellite Farming SSE/ Micro Targets
Mechanisms:	*IFI - AID Letters of Committment	*IFI - Collateral Account (Guaranty) via 3-Party Agree. or Loan Set Off (Guaranty)
	*Direct - Direct Disbursement	*Direct - Direct Disbursement
Loan Structure:		
Maturity (Wtd. Avg.)	6.8 years	4.7 years
Grace Period (Avg.)	2.87 years	2.44 years
Interested Rate (Weighted Avg.)	10.6%	9.7%
Leverage Ratio:	1 of 2.50	1 of 3.39

ANNEX III

PRE/I REVOLVING FUND
(September 30, 1985)
(US$ Millions)

PORTFOLIO BY FUNDING PER REGION/COUNTRY*

REGION/COUNTRY	COUNTRY TOT. %	REGION TOT. %
ASIA/NE		
Thailand	US$ 5.75 (19%)	US$18.70 (61%)
Indonesia	US$ 6.10 (20%)	
Philippines	US$ 2.35 (8%)	
Morocco	US$ 4.50 (14%)	
LAC/SA		US$ 9.35 (31%)
Ecuador	US$ 2.80 (9%)	
Antigua	US$ 0.10 (-%)	
Dominican Republic	US$ 2.00 (8%)	
Costa Rica	US$ 1.00 (3%)	
Regional**	US$ 3.45 (11%)	
AFRICA		US$ 1.25 (4%)
Regional**	US$ 1.25 (4%)	
WORLDWIDE***	US$ 1.20 (4%)	US$ 1.20 (4%)
TOTAL	US$30.50 (100%)	US$30.50 (100%)

*NOTE: RF legislation includes the following caveats:

1. Not more than US$3.0MM to any single project.
2. No more than 50% of total project funding of any single project is to be provided by A.I.D.
3. Not more than 20% of RF assets to any single country and, preferably, this limit will be closer to 10% when the RF is fully funded.

** Includes Agribusiness Investment Corp. (Total $2.5 million) estimated as split 50% each to Africa and LAC/SA regions.

*** Multifoods Revolving Credit Facility project, worldwide, but expected to be used initially in the LAC/SA region.

ANNEX IV.

REVOLVING FUND AVERAGE TERM OF FY 84 - 85 LOANS

FISCAL YEAR 84
8 Loans
SUM TOTAL OF LOANS: US$14,500,000

Weighted Average	6.78 years
Unweighted Average	6.50 years*

FISCAL YEAR 85
9 Loans
SUM TOTAL OF LOANS: US$16,000,000

Weighted Average	4.70 years
Unweighted Average	4.50 years

FISCAL YEAR 84 - 85 COMBINED
17 Loans
SUM TOTAL OF LOANS US$30,500,000

Weighted Average	5.69 years
Unweighted Average	5.47 years*

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* 1) The Multifoods Loan (FY 85) is included with a term of one (1) year. The facility is characterized by an annual roll-over for a period of five (5) years.

2) FINGUASA and FINIBER Loans (FY 84) are each calculated using a term of three (3) years as opposed to the ten (10) year original term for each.

These adjustments account for the change in unweighted averages previously used of 7.5 years for 1984 alone and 5.7 years for 1984 and 1985 combined.

ANNEX V.

REVOLVING FUND REFLOWS

FY 1985

Source		Amount
Fees		US$32,800.00
Interest		US$56,002.97
	Total	US$88,802.97

REVOLVING FUND REFLOW INVESTMENT ACCOUNT
September 30, 1985

Revolving Fund Account #72x4341

	Cost	Value	Indicated Annual Income	Estimated Annual Yield
Cash (1)	$ 4,598.18	$ 4,598.18	$ -	0%
Securities: US T Bills due 10/31/85	$84,204.79	$85,000.00	$6,800.00 (2)	8.00% (2)
Total	$88,802.97	$89,598.18	$6,800.00	7.59%

1. Minimum purchase of T. Bills is $5,000.
2. Approximate 1 year Treasury Bill yield @ 09/30/85.

ANNEX 4

Samples of Revolving Fund Monthly Reports

Currently Produced by PRE

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C 20523

MEMORANDUM FOR PRE (SEE DISTRIBUTION) APR 1 4 1986

FROM : PRE/I, Sean P. Walsh

SUBJECT: PRE/I Loan Portfolio Summary As of April 4, 1986

ITEMS OF NOTE:

* Changes from the last summary are noted with a "#" on the financial pages and are underlined in the text, particularly in the status column.

* To conform with a decision made with respect to the 1985 Revolving Fund Annual Report, all references to Intermediate Credit Institutions (ICIs) have been changed to Intermediate Financial Institutions (IFIs) as more suitably describing the varied past, present, and future institutions to which we lend - including for example, venture capital and insurance companies.

* Disbursements of all Revolving Fund loans to date total $7,307,250.

R.F. Reflows:

Interest:	$159,912.91	Cash	:	$ 2,000.00 (E)
Fees :	68,973.91	UST Bills	:	239,479.28
Total :	$228,886.82	Total	:	$241,479.28

* Cash is approximate. Exact figures on in process purchase of $85,000 USTBills due 10/08/86 (making $239,479.28) not yet available.

THE INFORMATION CONTAINED HEREIN IS OF A PROPRIETARY NATURE. DISTRIBUTION AND DUPLICATION OF THE DATA IS PROHIBITED WITHOUT PRIOR PERMISSION FROM GC/PRE

The next monthly status report will be published on May 2, 1986.

Attachment: a/s

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PRE/I LOAN PORTFOLIO
April 1, 1986

Loan Number	Project Number	Name
099-W-002	940-0002.09	WWB 1
099-W-003	940-0002.09	WWB 2
281-W-001	940-0002.23	AEIBC
391-T-190	940-0002.13**	Sayyed**
391-W-194	940-0002.33**	National Development**
492-S-077*	940-0002.49	Far East Bk & Trst.
493-T-032	940-0002.01**	SCB**
493-S-040*	940-0002.24 - G-SS-4076-00**	Thai Meat T.M. (G)**
493-S-043*	940-0002.48** - G-00-5087-00**	Thai Danu (G)**
497-S-090*	940-0002.46	Bank Niaga
497-S-091*	940-0002.47**	Overseas Express Bank**
498-S-002*	940-0002.31(T) 940-0002.32(I) 940-0002.30(G)**	H. PATH H. PATH H. PATH ** - PDC-0002-C-SS-4104-00
511-W-068 (511-0582/G)**	940-0002.22 940-0002.22**	Bolivia Bolivia (G) - Mission Bolivia
515-S-044*	940-0002.27**	Sub. Cafe**
517-S-048*	940-0002.25 940-0002.05**	FINADE FINADE (G)** - Mission D.R.
518-S-059*	940-0002.36	Ec.- FINGUASA
518-S-060*	940-0002.36	Ec.- FINIBER

Loan Number	Project Number	Name
527-T-080	940-0002.02	Sogewiese
532-PG-001	-	PCGP/RBJ
541-T-001	940-0002.14	Antigua Shrimpery I
541-S-001A*	"	Antigua Shrimpery II
598-S-006*	940-0002.41	CBC
598-S-007*	940-0002.45	Agribusiness Invest.
598-S-008*	940-0002.44** DPE-2002-G-SS-5061-00(G) 10/28/85	Accion:Micro-Lend.**
598-S-009*	940-0002.52	International Multi-foods Corporation
608-S-045*	940-0002.50	SMDC (Morocco)
608-S-053*	940-0002.34**	Wafabank (Morocco)**
612-T-011	940-0002.26	Malawi (Spearhead)
615-T-018	940-0002.03**	KCB**
615-T-019	940-0002.12	LIK
532-T-021/021A	940-0002.11	LOJ-Deob/reob
538-W-026	940-0002.20	LCI - Deob/reob to NDLC

*Revolving Fund
** Loan/Grant doc. no. same for: Sayyed; Siam Com. Bank; Kenya Com. Bank; Subcafe; NDLC; Bank Niaga; Overseas Express Bank; Wafabank.

PRE/I LOAN PORTFOLIO SUMMARY
(April 1, 1986)

Number of Active Loans	Total Obligated Loan	Total Obligated Grant	Amount Disbursed Loan	Amount Disbursed Grant	Principal Received	Interest*** Received	Net Fees*** Received	LCF**** Received
IFI								
PCGP								
Non RF								
RF								
TOTAL IFI								
DIRECT								
Non RF								
RF								
TOTAL DIRECT								
GRAND TOTAL								
PCGP								
Non RF								
RF								
GRAND TOTAL								

Deobs.)
Outstanding:)

Funds Authorized, But)
Not Obligated: ,

PRE/I LOAN PORTFOLIO SUMMARY
April 1, 1986

PROPRIETARY INFORMATION
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IFI	Obligations		Disbursements		Receipts			
	Loan	Grant	Loan	Grant	Principal	Interest	Fees	ICF
POCP								
SCB								
Sog.								
KCB								
WWB 1								
WWB 2								
Bol. Water								
AEIBC								
FINADE**								
H.Path**								
NDLC								
Wafa/Morocco**								
Ec. FINIBER**								
Ec. FINGUASA**								
CDC**								
Accion**								
Agri. Inv. Corp.**								
Niaga**								
Ov. Ex. Bank**								
Thai Danu**								
FIDIC**								
SMIC (Morocco)**								
Multifoods Rev. Cr.**								
TOTAL IFI								

DIRECT								
LIK								
Sayyed.								
Ant. Shrimp I								
Ant. Shrimp II**								
Malawi								

PRE/I LOAN PORTFOLIO SUMMARY
April 1, 1986

	Obligations		Disbursements		Receipts			
	Loan	Grant	Loan	Grant	Principal	Interest	Fees	L/F
Thai Meat**								
Sub. Caf.**								
TOTAL DIRECT								
GRAND TOTAL								

PROPRIETARY INFORMATION

Funding Source	Duplication or distribution
103 - (Agrib.)	of this material strictly
104 = (Health)	hibited without the express
106 = (SDA)	authorization of AID/PAA/PRE.

PRE/I LOAN PORTFOLIO
(April 1, 1986)

I. FINALIZED LOANS

A. INTERMEDIATE FINANCIAL INSTITUTIONS

PROJECT	FINANCING	FUNDING	TERM/RATE	CPs	DESCRIPTION	DEVELOPMENT IMPACT	STATUS
PCGP #222A, Royal Bank Jamaica Guaranty No. 532-PG-001 (Jamaica) Project No.: ------ Auth. Date: 7/13/83 HA							
Siam Commercial Bank Loan 493-T-032 (Thailand) Project No.: 940-0002.01 Auth. Date : 09/15/82 CC-I.							
Sogewiese Leasing, SA Loan No. 527-T-080 (Peru) Project No. 940-0002.02 Auth. Date: 9/27/82							

PRE/I LOAN PORTFOLIO
(April 1, 1986)

II. LOANS IN PROGRESS (POST IOP)
A. INTERMEDIATE FINANCIAL INSTITUTIONS

PROJECT & BORROWER	FINANCING	FUNDING	TERMS	DESCRIPTION	DEVELOPMENT IMPACT	STATUS & ACTION
Jamaica Private Sector Trade Financing (Jamaica) Project No: 940.0002.35 HA						
TRAFCO Export Finance (Regional NE/ASIA) Project No. 940-0002.51 CC-L						
Bolivia PCGP (Guaranty)						

PRE/I LOAN PORTFOLIO
(April 1, 1986)

III. LOANS DEOBLIGATED

A. INTERMEDIATE FINANCIAL INSTITUTIONS

PROJECT	FINANCING	FUNDING	TERM/RATE	CPs	DESCRIPTION	DEVELOPMENT IMPACT	STATUS
Life of Jamaica, Ltd. Loan No. 532-T-021 and 532-T-021A (Jamaica) Project No. 940-0002.11 Auth. Date: 12/28/82 JAK							
Latin Caribbean Investments Loan No. 538-W-026 (Panama-based Caribbean) Project No.: 940-0002.20 Auth. Date: 09/29/83 JAK							

PRE/I LOAN PORTFOLIO
(April 1, 1986)

IV. PROJECTS IN PREPARATION (PRE-IOP)
A. INTERMEDIATE FINANCIAL INSTITUTIONS (CONT.)

PROJECT & BORROWER	FINANCING	FUNDING	TERMS	DESCRIPTION	DEVELOPMENT IMPACT	STATUS & ACTION
PISO Bank, (Philippines) SMSE Trade Finance CC-L	$					
Potable Water Loan Fund (Guatemala) HA						
UHT Dairy Plant (Panama) HA						
Senegal Rehabilitation Project (Senegal) SPW						

ANNEX 5

Project Meeting Agenda

MEETING AGENDA OF 6 JUNE 1986

* briefing by MSI on findings to date and issues arising from our initial work;

* discussion of alternative objectives for the system and their implications in terms of audiences served and level-of-effort required to operate them. Issues include such items as:

  - nature of the development objectives to be assessed

  - implications of case study, sample, purposive or complete coverage of cases for evaluation purposes

  - nature of, and necessity for, information on sub-projects

  - possible innovative approaches to collecting the needed data

  - format and frequency of regular reports to be produced.

ANNEX 6

Descriptive Profiles of Current Monitoring and Evaluation Systems of OPIC, IFC, SBA, SBIC and the World Bank

OVERSEAS PRIVATE INVESTMENT CORPORATION

BACKGROUND

The Overseas Private Investment Corporation (OPIC) is a federally chartered corporation to encourage American business investment in the developing world. OPIC provides insurance against political risk, loan guarantees, direct loans to small businesses and cooperatives, and a number of investment encouragement services to businesses owned by U.S. citizens.

ACTIVITIES

OPIC provides service to approximately 140 projects per year; about 25 of these will be financing with the remainder insurance. Of the 25 financing projects, 18-20 will be guarantees to lenders and the remainder direct loans.

OPIC is a self-sustaining agency, and receives no public funds beyond the original start up appropriations. It has recorded a positive net income since it began operations in 1971 and has reserves in excess of $800 million.

OPIC will participate in joint financing programs with other agencies such as the Export-Import Bank, World Bank, International Finance Corporation, Inter-American Development Bank, and other similar institutions.

The amount of support to projects vary. Insurance can be as high as $50 million with the median about $10 million. Guarantees range from $1 million to $20 million. Direct loans range from $100 thousand to $3 million.

The active loan portfolio (guarantees and direct) amounts to approximately 100 cases totalling approximately $330 million. The average maturity of the loans is 7 years. Repayment is generally on a semi-annual basis.

REPORTING REQUIREMENTS

The basic data on all loans and guarantees is computerized, and the performance is monitored monthly. Quarterly financial reports and annual audited financial statements are required from all borrowers. The financial data is computerized for monitoring purposes.

Loans past due beyond 90 days are considered in default and interest is no longer accrued. Payment requirements on such loans are often restructured in a workout review. All problem loans receive a site visit to ascertain the problems and to develop a workout solution.

The loan information on each borrower provides the basic data on the loan, country, sponsor, authorization amount and date, disbursement amount and date, and the current status. Summary information from the financial statements of the borrower is computerized with comparison from period to period and certain ratios calculated. Information on servicing actions is maintained, including information on site visits.

This basic data forms the base of a series of summary reports prepared monthly, quarterly, and annually.

EVALUATION

In addition to the financial monitoring and evaluation, the development impact of the program is measured. The major development aspects reviewed are the displacement of United States employment and exports. A sample of about 35 projects is selected each year. (Partially on a random basis, with inclusion of projects determined to be in "sensitive" industries, and projects aimed at economic development of the host country). In the 35 cases, the project is requested to submit a form which updates the application form, and a site visit is made to the facility.

OPIC submits a Development Report to Congress annually.

INTERNATIONAL FINANCE CORPORATION

Since the IFC's founding in 1956, it has funded over 850 projects and has a current portfolio of over 400 projects. The portfolio of 3.5 billion U.S. dollars contains a wide variety of clients and financing methods, with 19% of the total coming from capital markets/financial services sectors of developing countries. Although affiliated with the World Bank, the International Finance Corpoeration promotes economic development through private investment by dealing directly with private businesses.

Information is received daily from DFC's around the world by the Reporting Control Office of the IFC. This financial information is entered into a computerized system which produces Monthly Management Reports for use by the DFC's. The IFC primarily uses information supplied by the financial institutions, making only occasional requests for data.

A quarterly financial statement is developed by the Investment Department of the IFC from the information supplied. It covers such areas as the balance sheet and income statements, arrears, etc. The goal of both the monthly and quarterly financial reports is to 1) provide the IFC with the needed financial information and 2) implement the types of financial management tools that a DFC needs in order to effectively operate.

The average IFC loan officer has 4-6 projects and is responsible for producing a annual supervision report on each of these projects. The supervision report is a one page formatted summary of the status of the project. From this information a annual report of the portfolio is developed and reviewed by the Board.

The IFC's approach to evaluation is on a project basis. Projects are primarily evaluated by financial criteria, since the IFC is externally accountable first for the financial performance of individual projects and the portfolio. Only after this has been sufficiently clarified does the Board review any possible development impact.

For the IFC, development impacts are most thoroughly examined in the completion report. Developed 12-18 months after industrial/commercial operations begin, the completion report determines the foreign exchange rate and the economic rate of return by the loan. Oftentimes, the borrower decides to go for a Phase II with refinancing. When this is the case, the IFC prepares a new appraisal report and does not perform a completion report.

The IFC has also performed evaluations for the mining, textile, hotel and cement sectors based on its previous loans in these fields.

One of the more interesting features of the IFC system was its role as a financial management consultant to the intermediate credit institutions. The IFC provides technical assistance to local institutions in the establishment of systems (accounting, management and financial) and other problems leading to inefficient operations.

SMALL BUSINESS INVESTMENT COMPANIES

BACKGROUND

Small Business Investment Companies(SBICs) are licensed and financed by the Small Business Administration (SBA). SBICs are privately owned and operated venture capital firms making loans and equity investment in small businesses as defined by the SBA. SBICs can obtain long term financing from SBA equal to twice (and in certain circumstances) three times the paid in capital. The financing is usually for ten to fifteen years with no principal amortization and no specific collateral. Interest rate is at the cost of funds to the Government plus one-half of one percent.

REPORTING REQUIREMENTS

SBICs must file with SBA each year audited financial statements on a form specified by SBA. The report includes schedules of the investments in the portfolio giving specific information concerning the status of the investment. In addition, if the SBIC is requesting financing from the SBA, the financial statements and schedules (unaudited) no more than 60 days old must accompany the request.

EVALUATION

The legislation authorizing the SBIC program requires SBA to examine each SBIC on an annual basis. This examination is similar to an audit and is performed at the business office of the SBIC by examiners employed by SBA. The examination includes visits to selected portfolio firms. The examination seeks information on the practices of the SBIC in terms of meeting the legislative requirements and to determine the financial viability of the SBIC. The examination is reviewed by the Investment Division of SBA and appropriate action taken.

COMMENTS ON THE FINANCING OF SBICs

SBA provides long term loans to SBICs. The funds are used by the SBICs to make loans or equity investments in small businesses. Successful operation requires the SBIC to keep its cash resources invested. The SBA financing does not require principal amortization because the SBIC requires flexibility in making its investments and should not have to structure its portfolio of investments to meet the amortization requirements of its financing. Successful SBICs remain fully invested and when the due date of the SBA financing occurs does not have the available cash to repay. As a consequence, SBA generally refinances the loan to avoid the reduction of the size and activity of the SBIC.

SMALL BUSINESS ADMINISTRATION (SBA)

BACKGROUND

The Small Business Administration was established to "support, assist and protect small business". Small business is defined in the legislation as "independently owned and operated, and not dominant in its field". SBA has interpreted "independently owned and operated" to mean that the major ownership of the business must also be involved in the management of the business. Size is established by SBA and is dependent upon the industry in which the major portion of the activity occurs.

FINANCIAL ASSISTANCE

A major activity of SBA is providing financial assistance to small businesses, both through direct loans and through participation with lending institutions, primarily commercial banks. Direct funding from appropriations is very small; the bulk of the lending activity of SBA is through deferred participation or guarantee of loans.

SBA will guarantee up to 90% of the loan made by a participating lender to a small business or $500,000 which ever is less. The participating lender provides all of the funds for the loan.

The guarantee is a default guarantee. If the borrower fails to make schduled payments and is more than 60 days past due, the participating lender has the right to request SBA to purchase the guaranteed portion of the loan. Upon purchase of its portion, SBA either assumes the servicing of the loan or agrees to permit the lender to service the loan. Any workout or liquidation of assets is subject to SBA approval.

QUALIFICATION OF PARTICIPATING LENDER

SBA has established certain criteria for qualification of lenders to participate in the financing program:

A. Capability. The lender must possess the continuing capacity to evaluate, process, close, disburse and service commercial term and other loans that SBA has authorized to be made. This capability is deemed to exist when the participants operations are conducted by persons possessing the abilities listed. The participant must hold itself out as engaged in making such loans and have an office accessible to the small business community.

B. Good Character and Reputation. The lender must possess good character and reputation, and is deemed to have such characteristics if holders of 90% of the equity of the lending firm, and the members of the management of the lender possess such attributes.

C. Supervision and Examination. The lender must be regularly examined by a state or federal chartering, licensing or similar regulatory body. Commercial banks and savings and loan associations because of state or federal charters or licenses are assumed to be eligible to participate with SBA. Lenders other than banks and savings and loan associations must demonstrate to the satisfaction of SBA that they meet the qualifications for participation. In certain instances, SBA may agree to participate with lenders established for the primary purpose of participating with SBA if such lenders also agree to submit to examination and supervision by SBA.

REPORTING REQUIREMENTS

In general, prior to the disbursement of a loan, SBA must review the application and approve it. Certain lenders which have participated with SBA in several loans and which have a satisfactory default rate, are authorized by SBA to approve and disburse loans without the prior approval of SBA. The guarantee for such loans is limited to 75%. The application must be furnished to SBA at the time of the approval. Each disbursement under the loan agreement must be reported to SBA.

Quarterly, SBA generates a computer schedule of the loans outstanding for each lender, indicating the current status of the loan as shown in the records of SBA. This schedule is sent to the lender for verification and for changes in status, and returned to SBA.

Basic data on the firm; industry, employment (current and anticipated), loan size, interest rate, maturity, guarantee amount, etc., are gathered from the application. Portfolio data such as number and amount of loans current, delinquent, in default, and in liquidation is developed each month as an internal document in SBA for management purposes. Data on lenders such as number and amount of loans made per year, number in default, and number and amount of repurchases by SBA is prepared on a quarterly and annual basis.

No regular scheduled followup is made on the success and growth of the small firms financed by SBA. On a periodic basis, samples are taken and information developed to measure the impact of the programs.

SECONDARY MARKET

Under the guarantee program, the participating lender must provide all the funds for the loan. Smaller lenders and lenders with high loan to deposit ratios are often not in the position to provide all the funds. To assist the lenders in obtaining funding, SBA has established a secondary market for the guaranteed portion of the loan.

Essentially, through tri-partite agreements, SBA permits the severing of the guaranteed portion from the loan and its sale to investors. The full faith and credit of the U.S. Government attaches to the instrument representing the guaranteed portion of the loan. Consequently, the investor bears no credit risk and is willing to accept a lower yield. The loan to the small business is at market rates, (up to 2.5% above bank prime rate). The spread between the loan rate and the yield required by the investor enables the lender to increase its yield on its retained risk and to pay the costs of marketing the guaranteed portion through the investment community of broker-dealers. Approximately 30% of the loans guaranteed by SBA are subsequently sold in the secondary market.

PROJECT EVALUATION AT THE WORLD BANK

BACKGROUND

The World Bank provides financial and technical assistance to developing countries throughout the world. Financing is provided for projects in the private sector and supporting the private sector, but such financing is done through the host government which is the borrower from the World Bank. Generally, the loans from the World Bank to the government is on a concessional basis; financing to the ultimate recipient may be on a commercial or market basis.

ORGANIZATION

The World Bank is headquartered in Washington, D.C., and is organized on a regional basis. In general, the World Bank does not maintain a mission in developing countries, but rather provides the assistance and service through periodic supervision visits by Washington based staff.

PROJECT DEVELOPMENT

A detailed project document is developed at the time of approval. In that document, as related to assistance to development financing companies (DFC) or to private sector enterprises, projections of the development impact are made. These include number of employment opportunities, number of firms to be assisted, foreign exchange impacts, rates of investment and economic return, export and import impacts, value added, changes in import restrictions and similar elements.

The project documentation will require the recipient to provide a quarterly report on activity, and an audited annual financial statement. In the annual audited statement, the auditors are asked to comment on the specific World Bank requirements in the projects. In the case of a DFC, the annual report will be of the total activity of the DFC and will include a separate comment on the portion of the activity represented by the World Bank financing. To meet the requirements of the World Bank request to the auditors, the DFC is required to maintain data on the subprojects suppported by the funds provided by the World Bank.

PROJECT EVALUATION

World Bank personnel visit projects on a periodic basis (3-4 times per year) on what is termed "supervision". On these visits, record keeping and report development and preparation are reviewed, as well as the activities of the firm as it relates to the projected activity in the Project Document.

The quarterly reports and annual audited reports are monitored in Washington and problems commented on and discussed. A system of requests for, and followup on the reporting requirements is maintained. Deviations from the projected activity are generally evaluated on the next supervision visit.

At the end of the project (usually eighteen months after disbursement), an evaluation of the project in terms of the original project is performed by the Regional staff.

The end of the project report is reviewed by the management of the Region and is then sent to the World Bank evaluation Division. This division functions somewhat like an auditor. Its role is to review the reports, determine the lessons learned, and to provide recommendations fore changes in this or other similar projects. Its preliminary report is furnished to the Region for comment and the final report is sent directly to the Board of Directors of the World Bank.

ANNEX 7

IFC Manual for Monitoring and Evaluation of Development Finance Corporations

FINANCIAL AND OTHER REPORTING REQUIREMENTS CONTROL AND SUPERVISION DOCUMENTATION FOR DEVELOPMENT FINANCE CORPORATIONS

Table of Contents

FINANCIAL AND OTHER REPORTING REQUIREMENTS CONTROL AND SUPERVISION DOCUMENTATION FOR DEVELOPMENT FINANCE CORPORATIONS

INTRODUCTION

The purpose of this guide is to outline the basics for controlling financial and other reporting requirements that have been established in the investment agreements a Development Finance Corporation has contracted.

Its intended use is as follows:

(a) Within IFC

Investment officers new to DFC investments will find this guide particularly useful when assessing the adequacy of the existing or proposed Reporting Requirement and Supervision Control Systems of an IFC investment.

(b) Outside IFC

The guide will assist IFC Investment Officers in cases where local DFC management has little or no experience of strong control systems. The guide outlines a successful system which DFC managements could adopt for their own use.

However, it is extremely important to note that the guide only provides illustrative outlines of a sound and successful system, and examples of the documentation required to support it.

Great care therefore must be taken to tailor, in a practical manner, these illustrative models to the requirements of the particular DFC under consideration, and to ensure that its management and staff fully understand what is involved and what is required of them.

The guide covers the receipt of reports, their review by investment officers and the subsequent follow-up of matters arising from these reviews.

It also covers the wider aspect of the supervision of individual projects with suggestions on how to control this task.

The Guide has been divided into two parts:

A. Financial Reporting Requirements Control (Blue pages)

This aspect is of prime importance as without it the second stage—supervision of individual projects—cannot be conducted effectively. This section covers controlling the reports and documents that each project in the portfolio is required to submit to the DFC at regular intervals in accordance with the stipulations of its investment agreement. The greater part of these will be periodic financial statements, including annual audited financial statements. Section 2 of the Guide outlines a simple proven manual reporting control system which is illustrated by means of flow charts. The keys to the success of such a system are:

1. Maintenance of project reporting control cards on a daily basis;

2. immediate follow-up at each month-end of delinquencies, and

3. presentation of a report on overdues to Management within a few days of each month-end.

The initial follow-up of overdues, which is a routine task, should be centralized to reduce costs and improve efficiency, but the responsibility for delinquencies exceeding two months should be passed to the appropriate Investment Officer for more active follow-up.

B. Supervision Documentation (Yellow pages)

The documents and systems outlined in this section are intended to provide a broad overview of the basics for adequate supervision. These can easily be adapted to the needs and circumstances of different Development Finance Corporations.

The outline covers:

1. The maintenance of adequate records to demonstrate that active supervision has taken place and to provide the means for planning future supervision (Exhibits 4-14) 1/

2. The reports necessary for management to control supervision activities (Exhibits 15-16) 1/

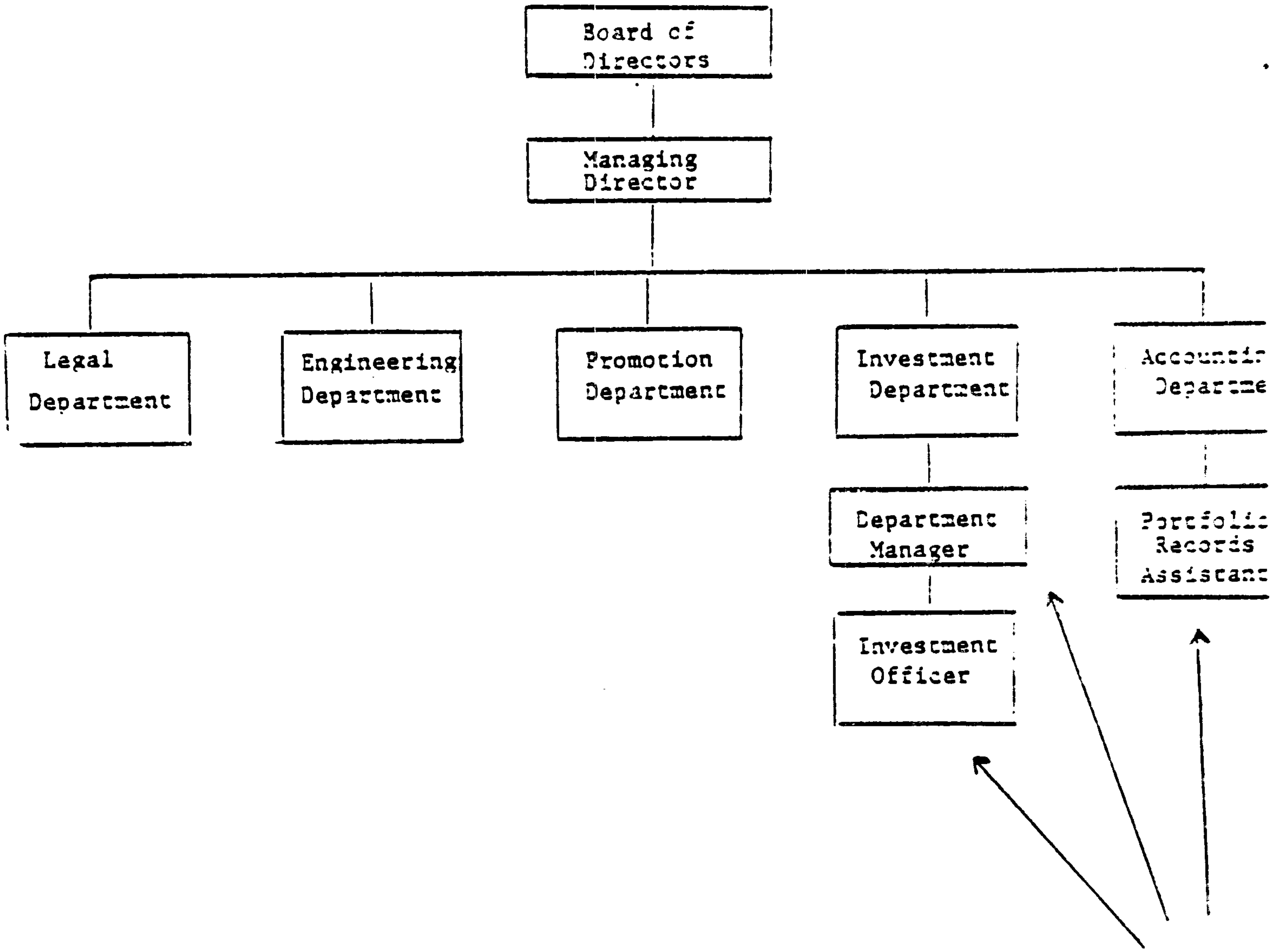
The basic, simple method of supervision control outlined in this guide is based upon a proven system for a development finance corporation with 350 investments in its portfolio. Each development finance corporation will naturally use the operating procedures of the country in which

---

1/ Exhibits are tagged.

it is based, but the basics outlined here, appropriately modified, should be followed if meaningful, controlled portfolio supervision is to be achieved.

DFC ORGANIZATION CHART ILLUSTRATING POSITIONS
OF STAFF INCLUDED IN ATTACHED FLOW DIAGRAMS



FINANCIAL REPORTING CONTROL

INDEX

FINANCIAL REPORTING REQUIREMENTS

INTRODUCTION

Investment agreements should stipulate various financial and other reporting requirements. The basic requirements usually are:

Quarterly Project Progress Reports (until the project is complete and operating)

Quarterly Financial Statements

Annual Audited Financial Statements (including auditor's management letter)

Information on extent of insurance cover

Notice and Minutes of directors' and shareholders' meetings

Some investment agreements, however, stipulate special reporting requirements which can cover such areas as:

Monthly Project Progress Reports

Monthly Financial Statements

More frequent audited financial statements

Appraisal reports on depletion of mining deposits

Details of inter-group sales/purchases/transactions, etc.

Audited financial statements from lessors, guarantors, etc.

Audited consolidated financial statements

Reports showing percentage of national and non-national company ownership

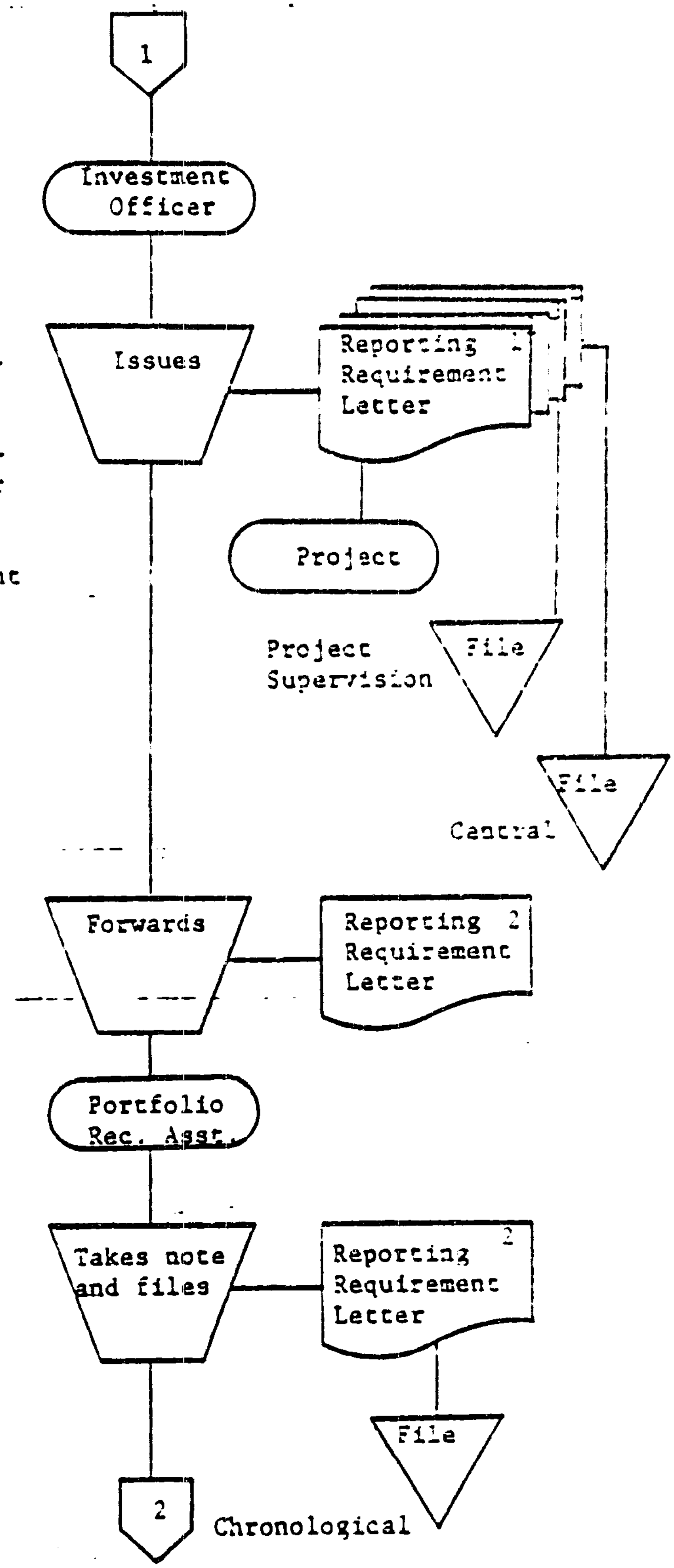
Exhibit 1, in flow chart form, outlines a system to control (a) financial reporting requirements, (b) the review of financial statements and other reports, and (c) various actions to ensure compliance with investment agreement reporting covenants. Ideally control over incoming reports and initial follow-up of delinquent reports should be handled by a staff member independent of the Investment Department. In the following flow charts this person is referred to as the Portfolio Records Assistant.

Exhibit 2 illustrates a typical reporting requirement letter with illustrative financial reporting requirement formats shown in Annex I. These formats should be tailored to the needs of particular projects and to the procedures of the country. However, prompt, adequate financial reporting is not only essential to a development finance corporation but also to the management of the company invested in, if that company is to be operated efficiently.

Exhibit 3 provides examples of financial reporting control cards. These cards are used for logging receipt of financial statements and other reports received from the corporation's investments and for initiating follow-up of delinquent reports.

FINANCIAL AND OTHER REPORTING REQUIREMENTS
FLOW DIAGRAM

Note: The Portfolio Records Assistant should be completely independent of the Investment Department.



Step 1

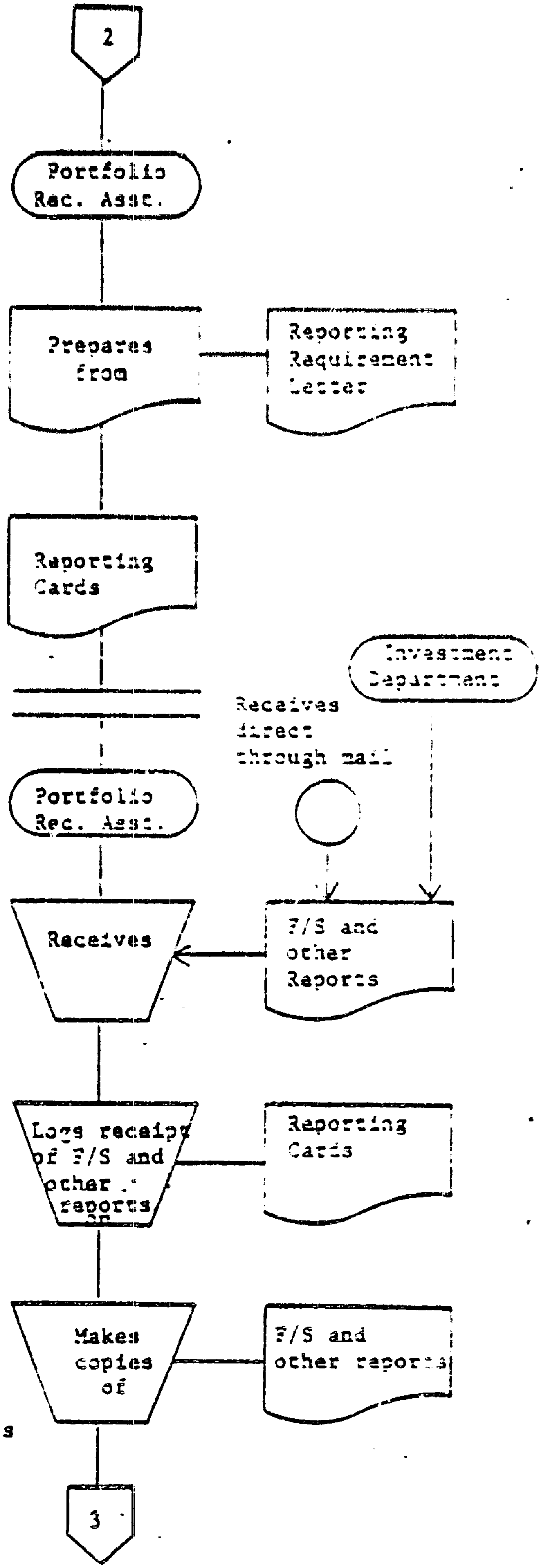
After signature of an Investment Agreement which contains covenants requiring periodic financial statements and other reports within stipulated times, the Investment Department issues a financial and other reporting requirement letter (Exhibit 2) accompanied by illustrative report forms (Annex 1). This letter will normally be sent by the Investment Officer responsible for the project.

Step 2

Investment Officer forwards copy of the reporting requirement letter to the Portfolio Records Assistant.

Step 3

Portfolio Records Assistant takes note of reporting requirement letter and files it.



Step 4

Portfolio Records Assistant prepares reporting cards (Exhibit 3) for new project on which to log incoming financial statements and other reports.

Step 5

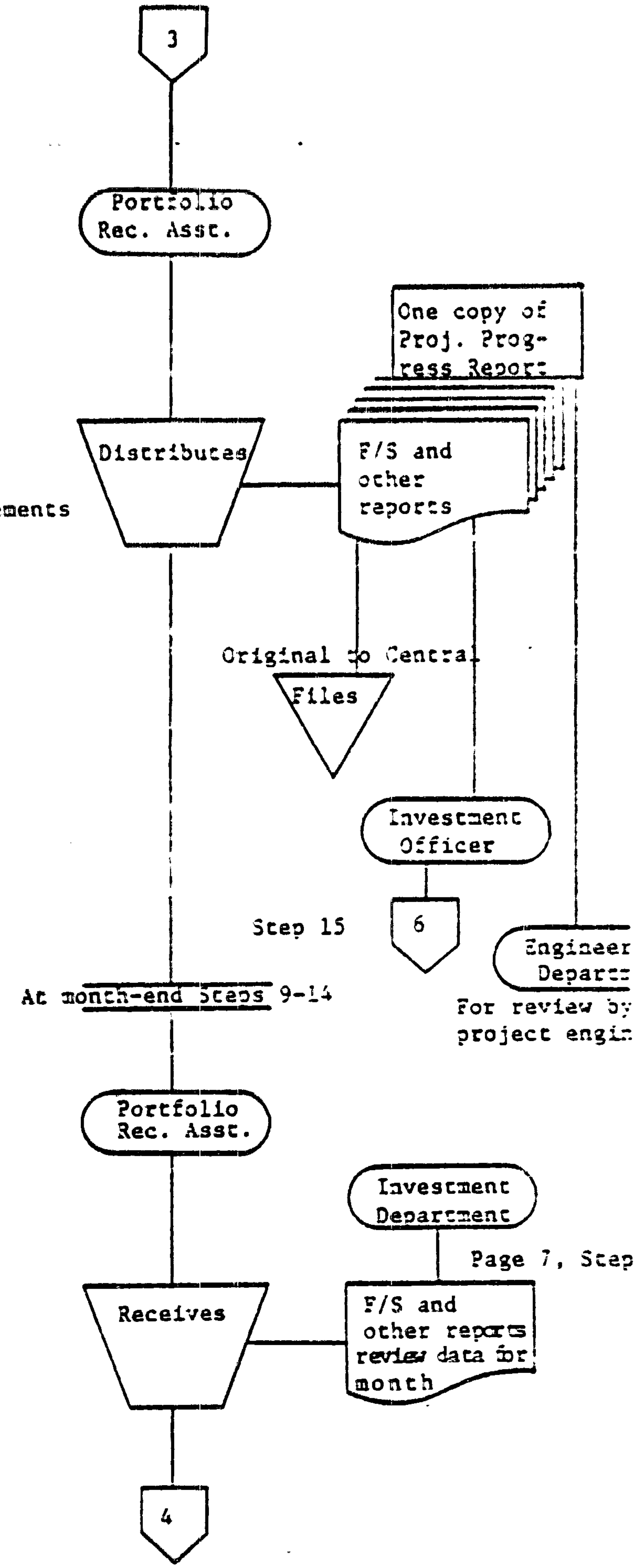
The Portfolio Records Assistant receives the financial statements and other reports usually direct through the mail, although some are received from the Investment Department or from Investment Officers returning from a visit to a project.

Step 6

The Portfolio Records Assistant logs receipt of the financial statements and other reports on Reporting Cards.

Step 7

The Portfolio Records Assistant makes necessary copies of the financial statements and other reports depending on the requirements of individual projects.

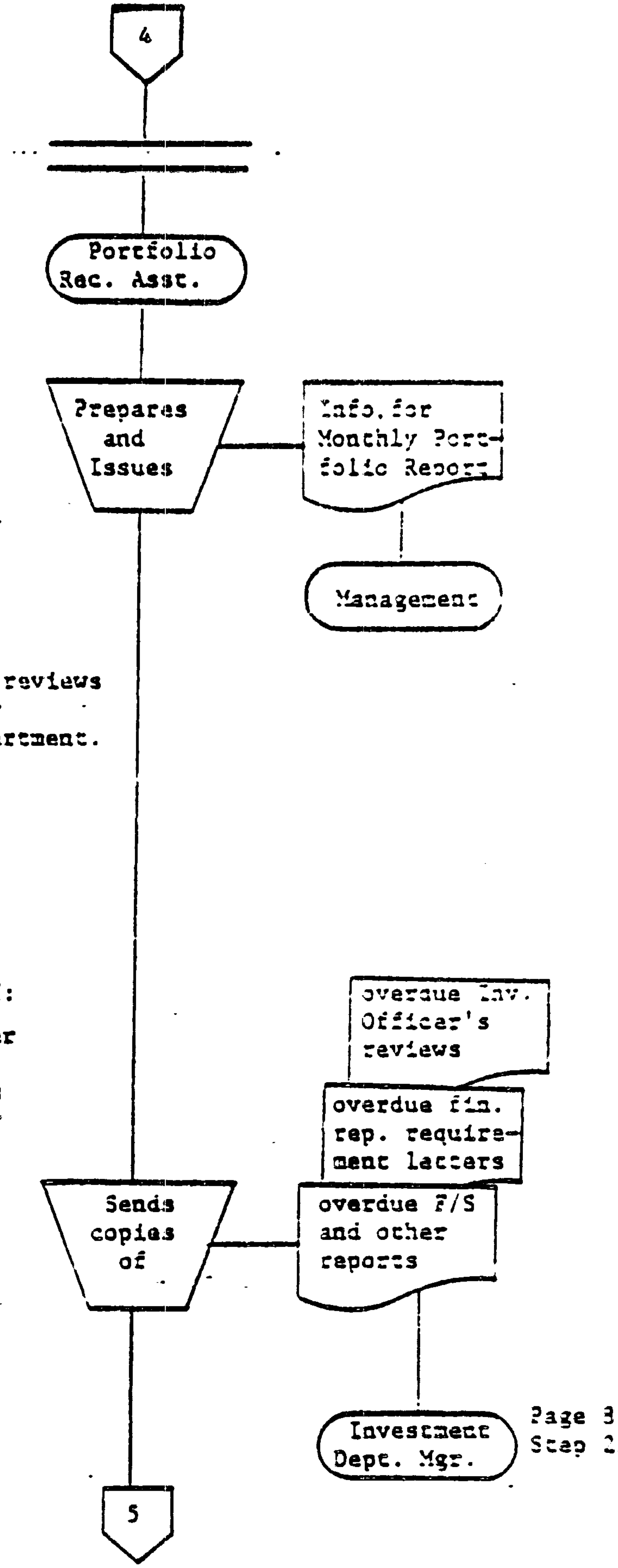


Step 8

The Portfolio Records Assistant distributes copies of the financial statements and other reports.

Step 9

The Portfolio Records Assistant receives from the Investment Department details of financial statements and other reports reviewed during the month.



Step 10

The Portfolio Records Assistant prepares and issues the following schedules for Monthly Portfolio Report (see Section 3, Exhibit 16):

a. overdue financial statements and other reports from Corporation's investments

b. overdue reporting requirement letters

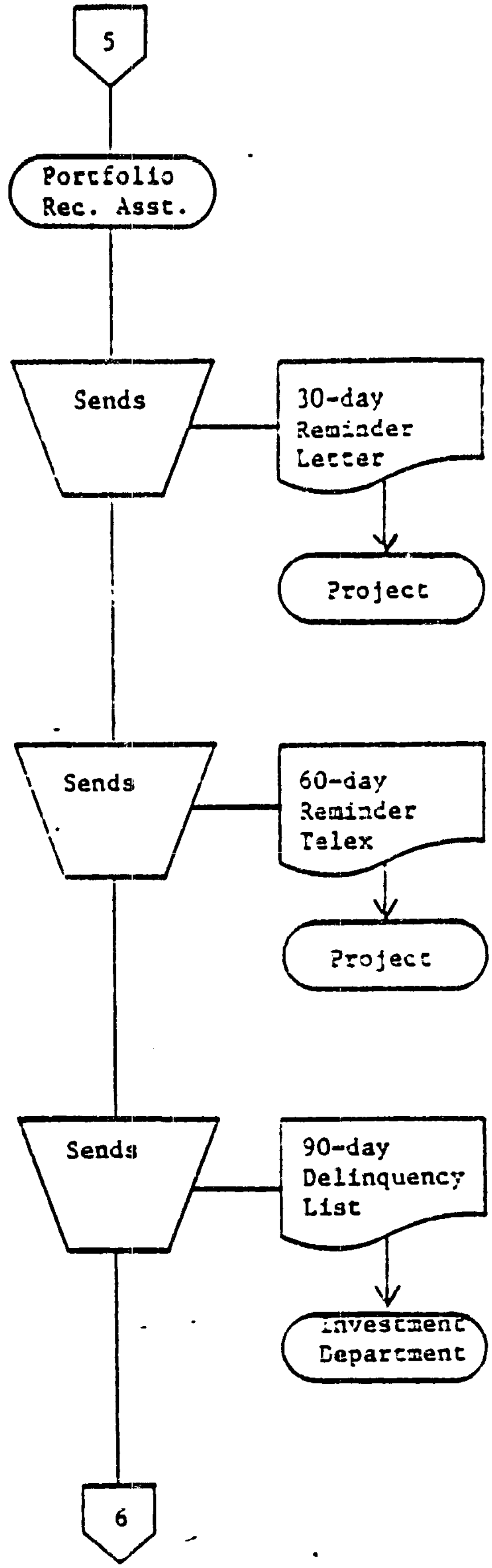
c. summary of financial statements and other reports reviewed during the month:

- annual audits
- quarterly financial statements
- quarterly project progress reports
- outstanding matters from prior month reviews
- overdue financial statement and other report reviews from Investment Department.

Step 11

The Portfolio Records Assistant sends to Investment Department Manager schedule of:

- overdue financial statements and other reports
- overdue reporting requirement letters
- overdue financial statement and other report reviews from Investment Department.



<u>Step 12</u>

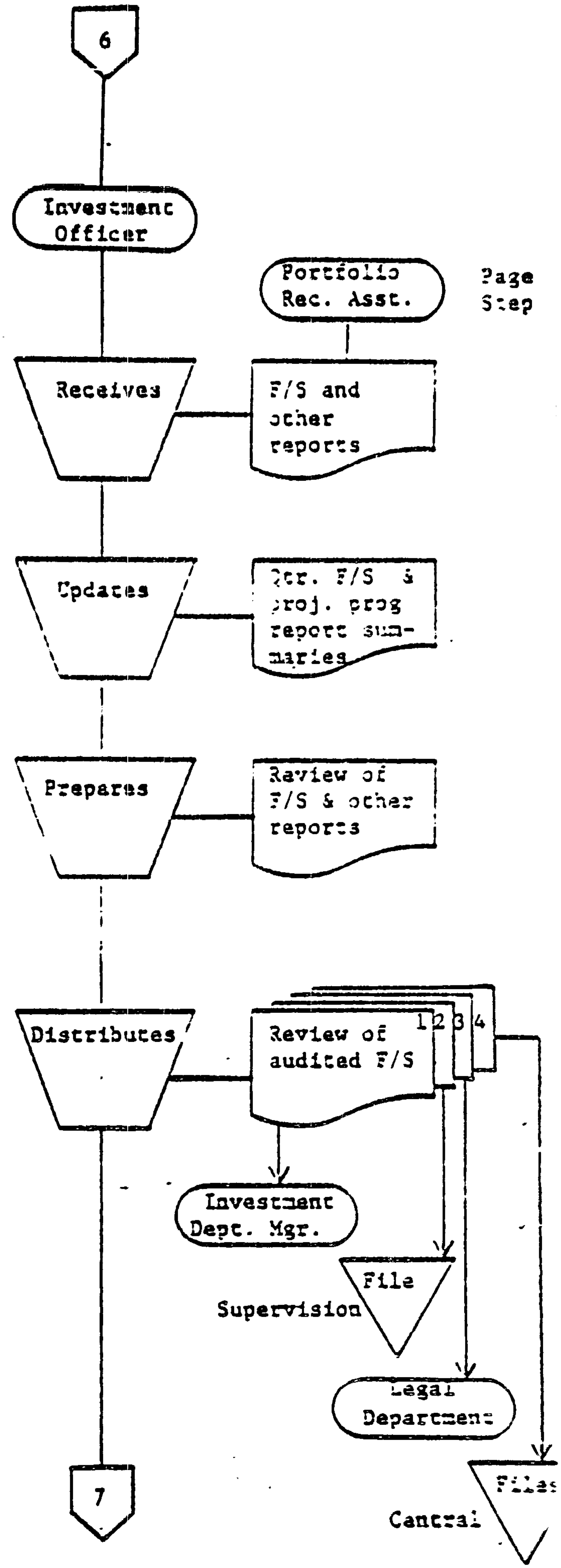
Portfolio Records Assistant sends reminder letter to projects which are up to 30 days delinquent with financial statements or other reports.

<u>Step 13</u>

Portfolio Records Assistant sends telex reminder to projects which are up to 60 days delinquent with financial statements or other reports.

<u>Step 14</u>

Portfolio Records Assistant sends to Investment Department a list of projects that are up to 90 days delinquent with financial statements or other reports as, at this stage, follow-up responsibility should pass to the Investment Department.



Step 15

Investment Officer receives copy of annual audit and quarterly financial statements or other reports for review.

Step 16

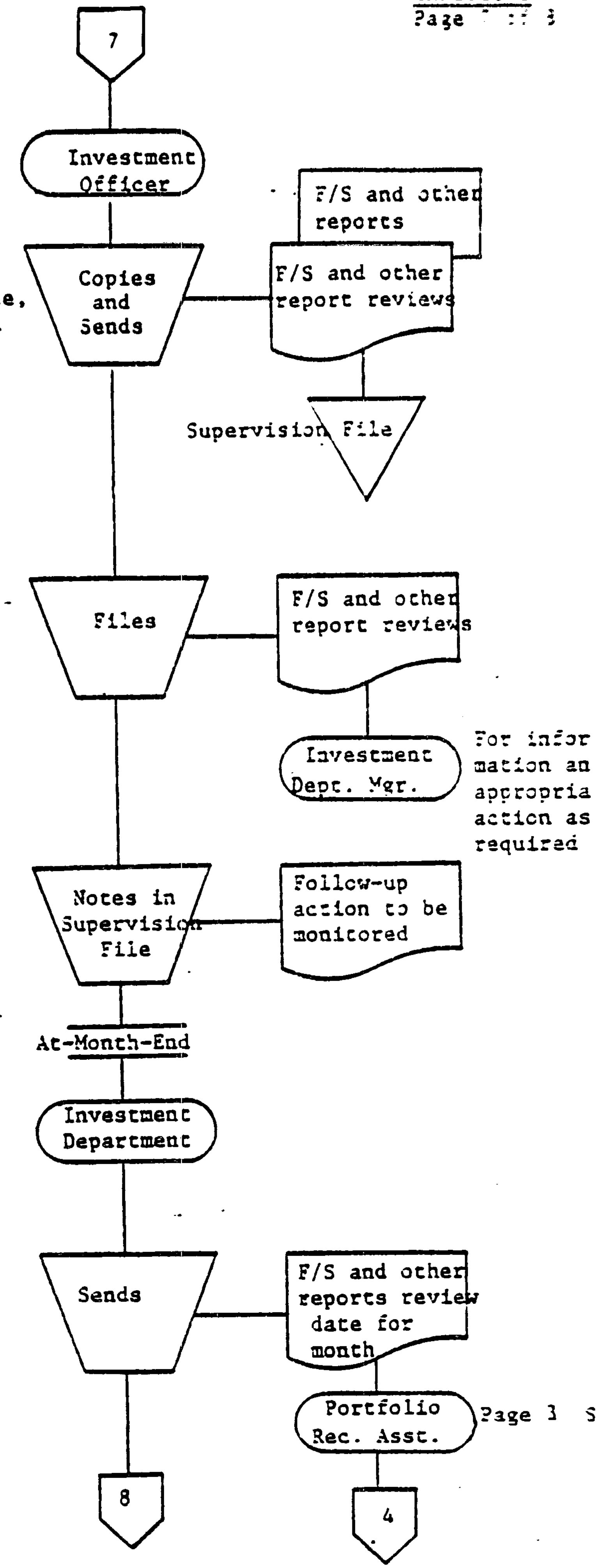
Investment Officer updates quarterly financial statements and project progress report summaries in project Supervision File.

Step 17

Investment Officer prepares review of audited and quarterly financial statements and other reports

Step 18

Investment Officer distributes copies of audited financial statement review.



Step 19

Investment Officer, when appropriate, sends quarterly financial statements and other report reviews to the Investment Department Manager for information and necessary action.

Step 20

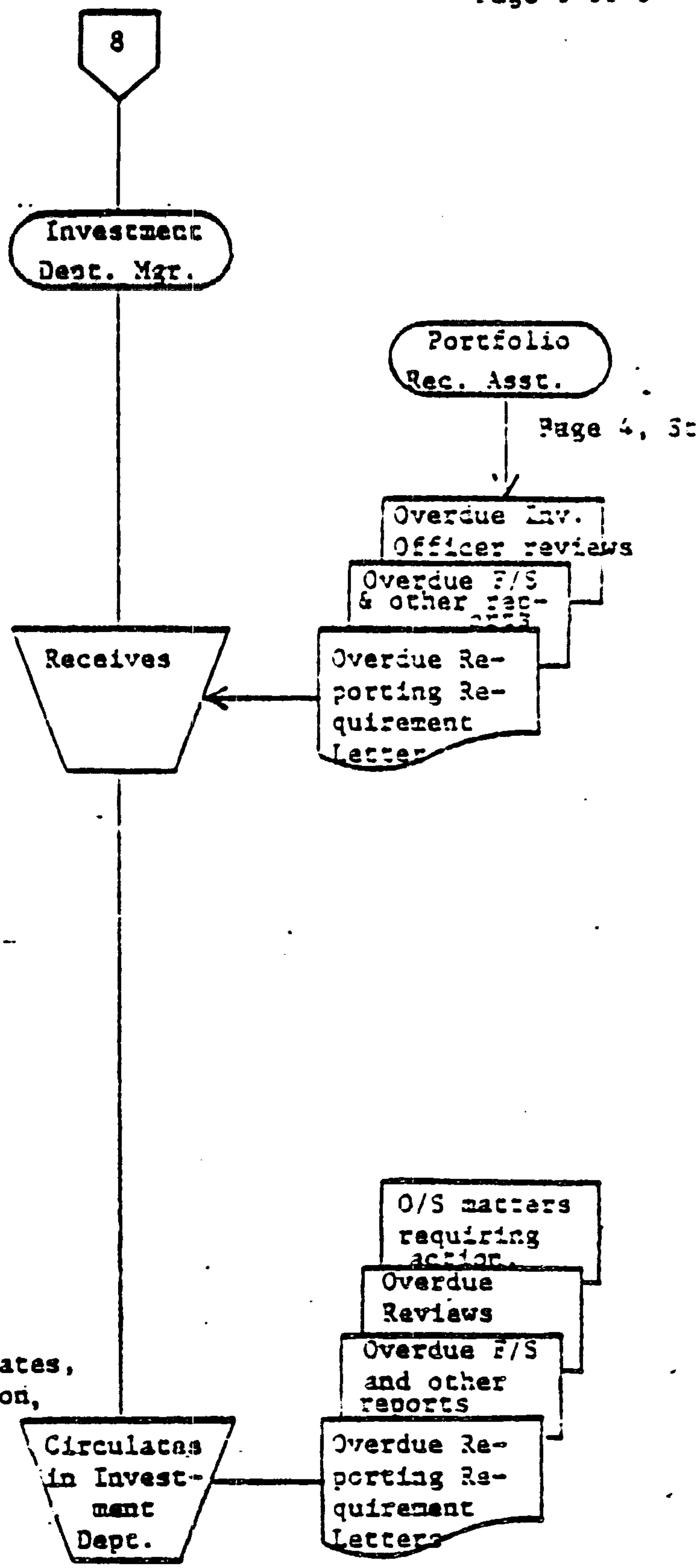
Investment Officer files financial statements, other reports and reviews in Supervision File.

Step 21

Investment Officer notes in Supervision File any follow-up action needed as a result of a financial statement and other report review, which requires future monitoring.

Step 22

At month-end, Investment Department sends details of financial statements and project progress reports reviewed during the month to Portfolio Records Assistant.



Step 23

At month-end Investment Department Manager receives from Portfolio Records Assistant a monthly status report showing overdue:

a. reporting requirement letters
b. financial statements and other reports
c. financial statement and other report reviews.

Step 24

Investment Department Manager circulates, within the Investment Department for action, copies of the following reports:

a. overdue reporting requirement letters
b. overdue financial statements and other reports
c. overdue financial statements and other report reviews
d. outstanding matters requiring follow-up reported in previous financial statement and other report reviews.*

*This report could be issued on a quarterly basis.

REPORTING REQUIREMENT LETTER INSTRUCTIONS

Normally, shortly after an investment agreement has been signed, the investment officer should prepare a Reporting Requirement Letter (see attached) noting therein the appropriate conditions laid down in the investment agreement covenants. Accompanying this letter will be a set of Illustrative Financial Reporting Requirement Guides (Annex 1).

It is most important to ensure that the project accountant/finance manager fully understands these requirements. It may be necessary to provide assistance in adapting these requirements to the project's current management information system. Considerable attention should have been paid to ensuring that the project's cost accounting, financial accounting and information systems are adequate, and that suitable calibre staff are available to operate them. If these systems and the staff are of acceptable standards then no difficulty should be experienced in adopting appropriately modified financial reporting requirements as outlined in the Illustrative Guides (Annex 1). If the systems are not to acceptable standards, prompt steps will be necessary to remedy the situation.

____
____
____

Re: Financial and Other Reporting Requirements

Dear Sirs:

Section ________ of the _________________________ Agreement dated __________ with (Project name), requires that certain periodic reports be forwarded to us. The purpose of this letter is to explain these reporting requirements and to offer guidelines for preparation of each of the reports. General guidelines are outlined in the enclosed Financial Reporting Requirements pamphlet.

1. Annual Financial Report (Audited)

This should be submitted as soon as available but before one hundred twenty (120) days following the financial year-end of the Company. We understand your Company's year end is _________________, and we look forward to receving the audited Financial Report for the year ended ____________________. (See Annex 1, Illustrative Financial Reports).

We shall forward a copy of the Financial Reporting Requirements pamphlet and Annex 1 to your auditors, for their guidance in reporting on the financial statements of your company.

We would appreciate your sending us copies of any communications sent by the auditors to the Company or to its management in relation to the Company's accounting systems and internal control procedures.

2. Quarterly Financial Statements (Unaudited)

Within sixty (60) days after the end of each quarter of the financial year, beginning with the quarter ending ________________, we would like to receive financial statements of the Company in a form substantially as set out in the attached Illustrative Quarterly Financial Statements (Annex 1). Of course, until operations commence, only the balance sheet will be necessary.

3. Project Progress Report

Copies of forms for the preparation of the Project Progress Report and instructions for completing them are attached (Annex 1). Forms A, B and C have been partially completed to reflect the project budget and financial plan as shown in the _____________ Agreement. For Form 3, we have listed the Fixed Assets classification as used by us at the time of our investment.

We would appreciate your completing the forms and the other parts of the report, and returning them to us with the financial statements from the quarter ended ___________________.

4. Notice and Minutes of Shareholders' Meetings

Copies of the notice and minutes of all shareholders' meetings, as well as other communications with shareholders, should be forwarded as soon as they are available.

5. Insurance Information

Within ninety (90) days after the end of each fiscal year, certificates from the Company's insurer or insurance broker should be provided confirming the insurance cover currently held by you. At this time, we would appreciate receiving a list of insurances and a copy of the major policies carried by the Company (such as Contractors' All Risks Insurance; Ocean Marine Cargo Insurance, Third Party Liability and Inland Transportation Insurance).*

* * * * *

Please send four (4) copies of the reports mentioned in Items 1 through 5. We need these reports for our quarterly and annual reviews of the project and their prompt submission will be appreciated.

Please do not hesitate to request any further clarification or assistance needed in preparing the reports. In the meantime, kindly acknowledge receipt of this letter by returning the enclosed copy, signed by an officer of the Company.

Yours very truly,

Investment Officer

Enclosures

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* Note: These are coverages for projects under construction. For companies already in operation, examples of major policies include Fire Insurance with Extended Coverage Endorsement, Boiler and Machinery Insurance, Third Party Liability and Business Interruption Insurance.

REPORTING CONTROL CARD INSTRUCTIONS

It is imperative that these be updated daily for all reports and documents received from investments. As soon as receipt of a day's report and documents have been logged, the Portfolio Records Assistant should ensure their proper distribution to Investment Officers for review.

Reporting control cards could be in a different format from that illustrated, but this outline used in conjunction with cardex trays* has proven satisfactory in practice for up to 350 investments handled by one Portfolio Records Assistant.

The types of report illustrated on the Special Report Card will naturally vary from project to project.

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* These trays allow easy access and are frequently used by industrial and commercial concerns for inventory record cards.

CARD A - REGULAR REPORTS

Investment No. ____________ Company Name ____________

Location ____________ AUDITOR ____________

PARTICIPATION. YES OR NO ____________ IF YES, ANY SPECIAL REPORTING INSTRUCTIONS ____________

____

CONSTRUCTION COMPLETED (ACTUAL): ____________

REMARKS: ____________

DATE OF REPORT (FY END)	NO / YES	QUARTERLY REPORTS					ANNUAL AUDIT					INSURANCE CERTIFICATES			
		DUE (DAYS)	RECEIVED		FOLLOW UP ACTIONS	REPLIES	DUE (DAYS)	RECEIVED		FOLLOW UP ACTIONS	REPLIES	DUE (DAYS)	RECEIVED	FOLLOW UP ACTIONS	REPLIES
			Project Progress Report	Financial Statements				REPORT	Management Letter						
FY 19__ 1ST Q/E	/						//////					//////			
2ND Q/E	/						//////					//////			
3RD Q/E	/						//////					//////			
4TH Q/E	/														
FY 19__ 1ST Q/E	/						//////					//////			
2ND Q/E	/						//////					//////			
3RD Q/E	/						//////					//////			
4TH Q/E	/														
FY 19 1ST Q/E	/						//////					//////			
2ND Q/E	/						//////					//////			
3RD Q/E	/						//////					//////			
4TH Q/E	/														

CARD B - SHAREHOLDERS' MEETINGS

Investment No. ____________

COMPANY: ______________________ Location ______________________

SPECIAL REQUIREMENTS, IF ANY: ______________________

ANNUAL MEETING							OTHER MEETINGS			
FISCAL YEAR (ENDED ______)	REMINDER LETTER	Notice of Meeting	MEETING DATE	MINUTES	FOLLOW UP ACTIONS	REPLIES	TYPE OF MEETING	Notice of Meeting	MEETING DATE	MINUTES
19__										
19__										
19__										
19__										
19__										
19__										
19__										
19__										
19__										
19__										
19__										

CARD C - SPECIAL REPORTS

Investment No. ______________

Company ______________________________ Location ______________________

SPECIAL REPORTING REQUIREMENTS: ______________________________

FINANCIAL STATEMENTS								Other Reports				FOLLOW-UP ACTIONS	REPLIES
Company Consolidated Financial Statements		Company Subsidiary Financial Statements		Guarantors		Monthly		Inter-Group Sales		Production Volumes			
Period	Received	Period	Received	Period	Received	Period	Received	Period	Received	Period	Received		

SUPERVISION DOCUMENTATION

INDEX

SUPERVISION DOCUMENTATION

INTRODUCTION

Once a development finance corporation (DFC) has entered into an agreement to provide financial assistance to a project, it is essential that it keeps the project under constant review. Although it will not be possible to obtain complete protection for an investment, adequate supervision will provide indications of impending problems and should provide time in which steps can be taken to control or eliminate such problems.

A sound, well thought-out supervision system is the method for achieving this goal. Section 2 of this Guide presented a system for controlling the receipt of financial and other reports that each investment in the portfolio should send to a DFC on a regular basis. These reports are the essential base to any good supervision system.

Section 3 now takes this a stage further and covers the processing of these reports and other measures essential for ensuring adequate supervision.

The first step after signature of a loan agreement or making an equity investment is to open a Project Supervision File (Exhibits 4-5). This file will then constitute the DFC's record of the supervision performed on the project. Copies of reports, documentation of reviews and follow-up on matters arising will be recorded here, and the file will be used for such tasks as, planning future supervision and reviewing the DFC's portfolio for loss reserve purposes. It is essential that these files be maintained up-to-date and be considered by Investment Officers as a valuable tool in carrying out their project responsibilities.

The second step is an annual on-site visit to the project. Reviewing financial and other reports at Corporate Headquarters goes a long way towards monitoring an investment, but to obtain a proper feel of a project's prospects, and to obtain impressions of the project not available in reports, an annual on-site visit is recommended. Such a visit is best if it takes place shortly after receipt and review of the project's annual audited financial statements. Following the visit the Annual Supervision Report, or in the year after project completion, the Completion Report, should be written and submitted to the DFC's Management (Exhibit 5 contains illustrative outlines of these reports).

The third step in the system is to coordinate the above activities and to ensure that all projects are reviewed annually. This will be achieved by means of a Supervision Work Programme. (Exhibit 15 provides an illustrative outline for such a programme).

The fourth step is the DFC Management review of the performance of projects in complying with the terms of their investment agreements. Such a review would, in the case of substantial, established DFC's, normally be performed by Management. However, in the case of new or small DFC's it is frequently the Board of Directors which carries out the review. This latter situation is common with many IFC DFC investments. Exhibit 16 illustrates a Monthly Portfolio Report which provides information on the status of projects, reports, etc. received from them and reviewed by the Investment Officer. It also covers reports, etc., which are overdue, and those reports which have been received by the DFC, but where the Investment Officer's review has yet to be completed.

If the basics outlined in this section are followed, a development finance corporation should be in a position to exercise proper control over its portfolio.

INSTRUCTIONS FOR PROJECT SUPERVISION FILE

As mentioned earlier the project supervision file plays an important role in the supervision system. To perform this role, it is essential that the Investment Officer responsible for the project keeps the Project Supervision file constantly up-to-date.

The file forms the record of supervision performed by the DFC on each of its investments. It also, for example, forms the base for planning future supervision work, for controlling each investment's compliance with its investment agreement covenants, for the transfer of project responsibility from one Investment Officer to another, for providing training material for new Investment Officers and for reviewing the DFC's portfolio for loss reserve purposes.

The Investment Department Manager and/or the DFC's Internal Auditor should periodically review Project Supervision Files to ensure that adequate supervision is being carried out in line with Corporate policies and procedures. Particular attention should be paid during these reviews to queries, problems, non-compliance with covenants and other matters raised by Investment Officers during their reviews and other work, to ensure that these have been satisfactorily followed up and resolved.

The project supervision file should be opened shortly after the investment agreement is signed. The attached Index illustrates the contents of a typical Project Supervision File. Also attached are illustrative examples of some of the items usually found in a supervision file. The Investment Summary should be filled out as far as possible when the file is opened and should be updated, usually at least on a quarterly basis or as the Investment Officers carry out their duties. This summary would also be updated when attached to a supervision or completion report that is being presented to the DFC Management for review. The Comments Column on the Index should be used to indicate why a certain item is not in the file and for other explanations that might be necessary from time to time.

PROJECT SUPERVISION FILE INDEX

Section	Contents	Included Yes	Included No	Comments
1.	Investment Summary			(Illustration attached, pp 2-3)
2.	Financial Statements and Other Reports			
	a. Annual audited financial statements Audit review memorandum Latest audited financial statements			(Exhibits 7-11)
	b. Quarterly financial statements Quarterly summary and review Latest 4 quarters' financial statements			(Exhibits 12-13)
	c. Project progress report Review notes Latest 4 quarters' progress reports			(Exhibit 14)
	d. Other periodic reports Review notes Latest report			
	e. Copy of reporting requirements letter			(Exhibit 2)
3.	Annual Supervision Report			(Illustration attached, pp. 4-6)
4.	Investment Agreement Covenants Requiring Follow-up			(Illustration attached, pp.7-10)
5.	Investment Agreement Amendments and Waivers			(Illustration attached, pp.11-12)
6.	Details of Equity Holdings: Share transactions Dividend history Market quotations, if available			
7.	Project Completion Report			(Illustration attached, pp. 13-15)
8.	Project Appraisal Report			
9.	Other Reports to the Board (e.g., rescheduling loans, exercising share options, etc.)			
10.	Investment Agreement			

INVESTMENT SUMMARY

SPONSOR(S) :

TECHNICAL PARTNER:

Investment No. ____________
Board Date ____________
Investment Agreement Date ____________
Estimated Completion Date ____________
Company Financial Year ____________

PROJECT DESCRIPTION

PRODUCTION CAPACITY (units per year)

Principal Products	Project	Existing Operations	Total

PROJECT COST

	Original Projection	Revised Estimates				Actual (latest report date)
Fixed Assets						
Pre-operating Expenses						
Interest during Construction						
Working Capital						
Other						
Total						

FINANCING

	Original Projection	Revised Estimates				Actual (latest report date)
Gross long-term debt						
Your Corporation						
Other						
Equity						
Your Corporation						
Others						
Total						

INVESTMENT SUMMARY

ORIGINAL INVESTMENT

Outstanding
at ______ 19__

Loan Description (amount, rate, terms, important features)

Equity Description (amount, features, options, etc.)

DISBURSEMENT SCHEDULE

	Original Estimate	Revised Estimates				Actual at ______ 19__
Initial Drawdown						
Subsequent Drawdowns						
Fully Disbursed						

MAIN FACTORS TO WATCH DURING SUPERVISION

(This section should contain information on matters of concern noted during appraisal and supervision visits to the project, such as: capacity utilization, prices, import costs, governmental regulations and price controls, possible shortage of raw materials caused by import restrictions, management problems, lack of skilled labor, need to watch margins closely, need to stay abreast of rapidly changing technological developments, etc.)

PRINCIPAL COVENANTS AND RATIONALE

(Describe the principal covenants; refer to and attach existing memorandum(a) describing the rationale for the covenants listed).

OTHER AREAS OF CONCERN

Date ______

Investment Officer ______

ANNUAL SUPERVISION REPORT

Ideally each year every project should be visited, preferably shortly after the issue of the annual audited financial statements, for the purpose of reviewing the project's progress and status. However, it may not be practical to visit every project annually, and this would apply particularly to those projects where the DFC's exposure is small and the project is operating successfully and trouble-free, but it is essential that all problem projects be visited at least once a year. Following this visit the Investment Officer should write a supervision report containing his findings during the visit. Below is a suggested outline for such a supervision report.

I. Investment Summary

This Summary, normally kept at the front of the project supervision file, would be copied and attached to the supervision report as a reference point for the reader.

II. Introduction

This section sets forth the activities which led to the preparation of the supervision report (supervision mission, discussions with project management, desk review, analyses performed, etc.). It also identifies the names of the staff involved.

III. Findings and Conclusions

This section should cover a brief, to-the-point discussion of salient facts on the operations of the company and should provide a link with previous supervision activities and recommendations. The following is a suggested format:

1. Reasons for and course of action proposed in previous Supervision Reports with comments on success achieved.

2. Action taken during year and Summary of Events that led up to present situation. (This may be broken down by subject area, such as management, market, etc., but should cover only relevant areas. Listing of all subject areas as in the appraisal and completion reports is discouraged, as this often leads to lengthy restatements of facts not pertinent to the present situation.)

3. Conclusion

IV. Recommendations

This section should set forth the Investment Officer's recommendations with regard to the investment, and should outline an action plan for the coming supervision year.

V. Notes and Analyses

We suggest that this section take the form of an appendix, which would support the conclusions reached and would provide additional information to the interested reader. To further reduce work, we suggest that financial information on the project be summarized on one sheet and updated annually, as shown on page 6.

Exclusion From Supervision Report Requirement

It may be that after a period of time certain projects do not warrant a full supervision report, i.e., those that are performing well, are basically problem free and in which the Corporation has now only limited exposure. In such cases a brief memorandum, accompanied by the investment summary, should be issued stating why the project does not require a full review. Below is suggested criteria for exclusion from review:

Primary Criteria

- Mature project
- In sound financial condition
- With regular profits
- Complying with investment agreement

Exposure Limits

- These should be set according to local conditions and should cover both loan and equity.

Repayment Provision

- One-half of loan repaid.

There should be flexibility with the above criteria based on the merits of each project.

ANNUAL SUPERVISION REPORT

ANALYSIS

Operations Summary	19__	19__	19__	19__	19__	19__	19__
Production Tons							
Urea							
Complex							
% of Capacity							
Sales Tons							
Urea							
Complex							
Revenues							
Net Income							
Cash Generation before Interest							
Net Income/Equity (%)							
Net Income/Fixed Assets							
Net Income/Sales							
Net Long Term Debt/ Equity							
Net Working Capital							
Earnings Per Share							
Market Value Per Share							
Book Value Per Share							
Dividends Paid							

Note: The items listed here are examples only. The investment department would decide what should be covered here on case-by-case basis.

COVENANTS AND RELATED MEMORANDA

The following documentation is an illustration of what should be filed under this section:

- Principal covenants to be followed up (pages 8-9)

  This form lists the principal covenants requiring follow-up. The list is a quick guide for the Investment Officer's use when reviewing the financial statements for compliance with covenants, when going on a supervision mission, when preparing the annual supervision report and in the overall supervision work on the project.

- Summary of Covenant Contraventions (page 10)

  This indicates the violations noted, their follow-up and subsequent disposition. Documents from which the Summary was prepared should be filed right after the summary sheet (e.g., memos to record covenant contraventions, follow-up letters and related communications).

Date :
Prepared by :
Investment No. :
Date Signed :

Country/Company: ____________________
Fiscal Year End: ____________________

( ) Investment Agreement - IA
( ) Project Funds Agreement - PFA
( ) Stock Option Agreement - SOA
( ) Share Retention Agreement - SRA
( ) Guarantee Agreement - GA
( ) Supplementary Financing Agreement - SFA
( ) ____________________
( ) ____________________

Security:
( ) Guarantee
( ) Mortgage
( ) Other

PRINCIPAL COVENANTS TO BE FOLLOWED-UP

Agmt. Ref. & Sec. No.	Covenants/Restrictions	Exceptions
	( ) Reporting Requirements	
	- Quarterly Financial Statements	due __ days after end of qtr.
	- Project Progress Report	due __ days after end of qtr.
	- Audited Financial Statements and Management Letter(s)	due __ days after end of FY
	- Notice/Minutes of Shareholders Meetings	due __ days prior to meeting date
	( ) Insurance Requirements	
	( ) Special Reporting Requirements	
	( ) No dividends while in default of loan interest or principal repayments	Dividends permitted if: ( ) LTD/Equity at least ______ ( ) Current ratio at least ___ ( ) Dividends not greater than ___% of net earnings for ____________
	( ) No Capital expenditure, except...	
	( ) No guarantees, except	

1/ LTD = Long-term debt.

Section	Restrictions	Exceptions
	( ) No indebtedness except	( ) 1/ STD not exceeding ______ ( ) Suppliers' credits not exceeding ______ ( ) ( )
	( ) No liens on company assets, except	
	( ) No subsidiaries; no loans, advances or investments in other companies, except	
	( ) No arrangement where company's income might be shared with others or where company will be managed by others.	
	( ) No transactions with others, except .... ( ) No sole or exclusive purchasing or sales agency.	( ) In the ordinary course of of business, on ordinary commercial terms and on arm's length basis.
	( ) No fundamental changes, such as amendment of charter, fiscal year nature of present business, disposal or lease of substantial part of fixed assets, merger, consolidation, negotiation.	
	( ) No prepayment of debt unless proportionate prepayment is made of IFC loan.	
	( ) Other restrictions	

1/ STD = Short term debt.

SUMMARY OF COVENANT CONTRAVENTIONS

Date	Agreement Reference	Description of Covenant Contraventions	Action Proposed	Action Taken	Result

WAIVERS/AMENDMENTS AND RELATED MEMORANDA

The following documentation should be filed under this section:

- List of waivers and amendments to the investment agreement

  The purpose of this list is to have a convenient summary of changes in the investment agreement. The list should include the date of the waiver or amendment, the particular section of the investment agreement amended or waived and a description of the waiver or amendment.

  Memos in support of the waiver or amendment which provide the justification for granting the waiver or amendment should be filed after the above summary.

SUMMARY OF WAIVERS AND AMENDMENTS TO INVESTMENT AGREEMENT

Date	Section of Investment Agreement Amended/Waived	Description of Waiver/Amendment

PROJECT COMPLETION REPORT

A project completion report should be written for each project. The recommended timing for such a report is 12-15 months after full commencement of operation which permits normally expected start-up problems to be solved. The prime objective of this report is to evaluate the project construction performance and the project's operating prospects, and then to compare these with the expectations outlined in the project appraisal report.

The evaluation should cover three main areas:

1. Has the project been constructed as planned and will it meet its operating expectations. If not, then an explanation should be given.

2. What lessons can be learned from the successes and failures experienced during implementation of the project.

3. Recommendations for future supervision of the project.

Below is a suggested outline for a completion report.

Proposed Sections

1. Investment Summary

This summary, normally kept at the front of the project supervision file, would be copied and attached to the completion report as a reference for the reader.

2. Introduction

This section would identify the staff members, which should include an engineer, involved in preparing the report, the date that project construction was completed and the date of the project completion mission.

It would outline the salient features of the project and briefly describe the technical aspects.

3. Evaluation

(a) Summary of the conclusions regarding the project's implementation and its future prospects.

(b) Highlights of major divergencies from original expectations for project implementation and operating prospects.

(c) Outline of any general conclusions and lessons learned which could help when considering further projects.

(d) Outline of areas which might require special attention during future supervision activities.

If the project's condition places any part of the investment in jeopardy or requires immediate special action, a separate memorandum should be prepared. This would include recommendations for action together with supporting analysis reviewing the safety of the investment in relation to the project's problems and prospects.

4. The Company

Description of equity structure, amount of paid-in capital and ownership. Identification and explanation of changes in equity financing or in major shareholders from those anticipated at appraisal. There should be a review of company management and technical assistance compared to plan, identification of strengths and weaknesses in view of construction performance, and a section describing and evaluating training measures taken by the company.

If the company had operations apart from the project, the operating and financial results during the construction period should be reviewed. Why were these better or worse than expected? The analysis should show how much cash generation existing operations made available for possible use in project financing, but this should be after allowance for all capital expenditure, dividends and debt repayment related to existing operations.

Actual cash generation should be compared to the original financial plan.

5. The Plant

A. Physical description of original forecasts.

B. Actual capital cost compared to estimates.

C. Actual financing of project compared to estimates.

6. Project Inputs

   A. Raw material supply position, sources of supply, prices and quality, compared to expectations.

   B. Review of position for utilities, sources of supply and prices, compared to expectations.

   C. Staffing costs and experience in hiring suitable personnel, turnover, and adequacy of training arrangments.

7. Production

   A. Discussion of actual to-date production build-up and quality compared to expectation, and forecast for future operating periods, compared with original projections.

   B. Analysis of production efficiency, both present and at full production, by computing physical use of various production inputs per unit of output. Comparison to efficiency estimated in Appraisal Report. Discussion of process problems. Does the project work as intended? If not, what steps are being taken by the company to seek a remedy?

   C. Calculation of actual production costs per unit of output and comparison to expectation. Explanation of major deviations.

8. Market

   A. Review of demand/supply balance of project's principal market area.

   B. Selling prices.

   C. Distribution arrangements, principal customers.

   D. How do market and sales arrangements compare to plan? Any problems?

9. Government Policy

Any changes in Government policies affecting the project's financial performance and the investment, e.g., duties, price controls, taxation, exchange rates or repatriation of foreign investment should be listed here.

10. Financial Projections

A. Medium-term forecasts of project income and cash flow. The time period covered should include at least the first year of full debt service. Assumptions and principal changes from original expectations should be given.

B. Balance sheets for the projection period.

C. If a company has operations apart from the project, consolidated medium-term forecasts of income and cash flow, and balance sheet should also be prepared.

D. Lastly, the project's expected financial and economic rates of return should be recalculated, using present conditions.

INVESTMENT OFFICERS' REVIEW OF FINANCIAL STATEMENTS AND OTHER REPORTS

TYPE OF REPORT	ACTION TAKEN	DISTRIBUTION OF DOCUMENTS
Basic Reporting Requirements		
Quarterly project progress reports, Quarterly financial statements	Investment Officer prepares written review.	Investment Officer's review and Quarterly project progress reports/financial statements filed in supervision file. Copies of review sent to Department Management when appropriate.
Annual audited financial statements (including auditors' management letters)	Investment Officer prepares written review of audited financial statements and Management Letters.	Investment Officer's review, audited financial statements and Management Letters filed in supervision file. Copies of review sent to Department Management, and others as deemed necessary.
Insurance information	Investment Officer prepares written review on adequacy of insurance cover. If necessary, he will call in outside expert help. The expert will prepare a written report.	Investment Officer and/or experts' review filed in supervision file. Policies or broker's certificate filed either in supervision file or Central Files. Copy of review sent to Department Management when appropriate.
Minutes of Directors and Shareholders' Meetings	Investment Officer will review these minutes and if contents merit action, Investment Officer will prepare written notes. Invest- Officers should notify the Corporation's Financial Controller soonest of any declared or proposed dividends to expedite receipt.	Investment Officer's review or notes, if prepared, and the minutes filed in supervision file with copies, if necessary, sent to Department Management or other Depts., e.g., Legal Engineering.
Special Reporting Requirements		
Various types of special reports. See introduction to Section 2 for examples.	Investment Officer will review these reports and where necessary prepare written notes for inclusion in supervision file, particularly if action or follow up is required.	Review or notes will be filed in supervision file with copies, if necessary, sent to Department Management and other Departments, e.g., Legal, Engineering.

Note: Copies of financial statements and other reports should be retained on supervision files for only one year and then be sent to Central files.

GUIDELINES FOR REVIEWING AUDITED FINANCIAL STATEMENTS

The attached guideline was prepared to assist an Investment Officer review audited financial statements.

Among the more important points to be noted in such a review are the auditor's report and the adequacy of information disclosed in the financial statements.

The more significant disclosures the Investment Officer should look for are enumerated in Exhibit 9. These disclosures are needed for an adequate evaluation of the fairness of presentation of the financial position and results of operations of the company.

Exhibit 8 is an example of an unqualified (clean opinion) long-form audit report. The first two paragraphs constitute the short-form report when only the basic financial statements are submitted. When supplementary data and schedules are included, a third paragraph is added which gives the opinion on the supplementary information. The long-form report also would ordinarily include the fourth paragraph.

The Investment Officer should note any deviations from the standard auditor's report, since these would ordinarily constitute reservations or qualifications of the auditor relative to the fairness of the information shown in the financial statements.

The results of the Investment Officer's review and analysis of the audited financial statements should be documented in a memorandum to the Department Manager. Sample Audit Review Memoranda are given in Exhibits 10 and 11. These are not presented as models but rather as examples of how the results of an Investment Officer's review of financial statements could be documented.

Below are broad guidelines for the review of the quality of the report and the adequacy of disclosures in the audited financial statements. It should be clearly understood that the contents and preparation of the financial statements are the responsibility of the enterprise's management and not the auditor.

A. The Auditor's Opinion - The more important features to look for in the auditor's report are given below:

1. The audit report should be in long form (see Exhibit 8 for an example of an unqualified long-form report).

2. The auditor's opinion should be on the auditor's letterhead, signed by the auditor and dated. The opinion should be issued within a reasonable time after the financial year ends.

3. The audit report should be received within a reasonable time after the date the audit report was signed.

4. The auditor's report should give an opinion on the financial statements. Otherwise, the report should state why an opinion could not be rendered.

5. If the auditor's opinion is other than an unqualified one, the reasons for his qualifications should be given in the auditor's report with, wherever possible, quantification of the effects of the qualifications on the financial statements.

6. The auditor's qualifications and their effect on the company's financial position and results of operations, if determinable, should be mentioned in the Investment Officer's Audit Review Memorandum (Exhibits 10 and 11).

B. Financial Statements

1. The audited financial statements will ordinarily include the balance sheet, the statement(s) of income and retained earnings, and the statement of changes in financial position. Any supplementary information requested from the company will be included with these statements. Both basic financial statements and the supplementary information should be covered by the auditor's long-form report. It should be observed that the notes to the financial statements are an integral part of such statements and should be covered by the auditor's opinion.

2. The financial statements should normally be in the general format shown in Illustrative Form of Audit Report (see Annex I). This illustrative format is for manufacturing and commercial companies and would vary for specialized industries like hotels, real estate and financial institutions.

3. To be adequately informative, financial statements should disclose all information necessary for fair presentation in conformity with generally accepted accounting principles.

The more important disclosures the Investment Officer should look for are enumerated in Exhibit 9. Much of this information is disclosed on the face of the financial statements themselves, with the remainder shown in the notes to the financial statements.

C. The Audit Review Memorandum

1. The results of the Investment Officer's review and analysis of the audited financial statements should be addressed to the Department Manager as illustrated in Exhibits 10 and 11.

2. Any auditor's qualifications or reservations on the financial statements and their effect on such statements should be mentioned in the Audit Review Memorandum.

3. In computing analytical ratios and in determining compliance with covenants, the effect of the auditor's qualifications on the financial statements and of any disclosures affecting the computation of such ratios should be considered. For instance, translation of foreign currency long-term debt at historical rates (rates at the time they were incurred) after an unfavorable change in exchange rates results in a misstatement of the long-term debt. This factor should be considered in determining compliance with the required debt equity ratio.

4. The reasons behind material variations in financial statement figures between years (current and preceding) should be included in the analysis. In certain cases, some of these changes are attributable to the pursuit of certain goals and objectives by the company or of future plans for expansion. Where so, mention should be made in the Audit Review Memorandum.

5. A brief comment should be made on any significant matters requiring attention, such as substantial change in profit performance, a low current ratio, a high long-term debt to equity ratio, and other matters of particular interest.

6. The Investment Officer has an intimate knowledge of the company's operations and any information affecting the growth or profitability of the enterprise or of the security of your investment would be helpful in evaluating the other matters discussed in the Audit Review Memorandum.

Where available this should be included under "Other Information."

7. A specific statement of compliance with investment agreement covenants, as can be determined from the financial statements, should be included in the Review, as well as any action taken or recommendations made for action, in case of violations.

8. Other points which should be mentioned include:

   - Whether a management letter from the auditors has been reviewed and, if so, any major weaknesses in internal controls or other significant comments mentioned in the letter.

   - Any changes in auditor from the previous year and reason for the change.

9. Any action needed or recommended should be included in the Review Memorandum.

EXAMPLE OF UNQUALIFIED LONG-TERM REPORT

THE BOARD OF DIRECTORS
ABC COMPANY

We have examined the balance sheets of ABC Company at December 31, 19__ and 19__, and the related statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of ABC Company at December 31, 19__ and 19__, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made primarily for the purpose of forming the opinion stated above. The accompanying supplemental data and schedules, although not considered necessary for a fair presentation of financial position, results of operations and changes in financial position, are presented principally for supplementary analysis purposes and have been subjected to the same audit procedures applied in the examination of the basic financial statements. In our opinion, these data are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A summary of our principal auditing procedures is presented following the supplementary schedules and information.

CPA & CO.

(Place)

(Date)

DISCLOSURE REQUIREMENTS IN FINANCIAL STATEMENTS AND NOTES

To be adequately informative, financial statements should disclose all information necessary for fair presentation in conformity with generally accepted accounting principles. Much of this information is disclosed on the face of the financial statements themselves, with the remainder being disclosed in the notes to the financial statements. The more important disclosures the Investment Officer should look for in the financial statements are enumerated below. The list does not purport to be complete, and the Investment Officer's own knowledge of the company and its business will be helpful in determining the adequacy of the disclosures and information presented in the financial statements.

1. Disclosure of Accounting Policy

Description of the accounting principles followed by the company which materially affect the determination of financial position, changes in financial position and results of operations. (This is normally the first note to the financial statements).

Examples:

- Depreciation (rates and methods) of property, plant and equipment.
- Amortization policy for intangible assets and major items of deferred charges.
- Inventory pricing (e.g., the lower of cost or market) and method of determining cost (e.g., average; first-in, first-out; last-in, first-out).
- Translation of foreign currencies.
- Basis or principles of consolidation of financial statements of the parent company and its subsidiaries.

2. Changes in Accounting Principles

- Nature of the changes
- Effect on income
- Justification for the change

INSTRUCTIONS FOR QUARTERLY FINANCIAL STATEMENT AND PROJECT PROGRESS REPORT REVIEWS

After logging incoming Quarterly Financial Statements and Project Progress Reports the Portfolio Records Assistant should immediately send copies to the Investment Officers responsible for the projects for their review. The Investment Officer, upon conclusion of the review, should complete the appropriate review sheet noting any action required and ensuring that action proposed by a previous review has been completed or stating that it is still in active progress. In the case of Quarterly Financial Statements the appropriate columns in the Balance Sheet and Income Statement Summaries should be completed.

If the Reviewer finds anything during the course of the review which requires Management action or attention then an appropriate memorandum should be prepared.

ABC COMPANY

REVIEW OF QUARTERLY FINANCIAL STATEMENTS

Fiscal Year End	December 31, 19__
Reporting period	First quarter January 1 - March 31, 19 __

Comments of Operating Results

Comments on Financial Position

Compliance with Investment Agreement Convenants

(Comments on contraventions and proposed remedial action)

Other

ABC COMPANY

QUARTERLY FINANCIAL STATEMENT SUMMARY

Fiscal year end 31/12/[illegible]

	Actual Results				Projected
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	for year
Balance Sheet					
Current Assets					
Receivables					
Inventory					
Other					
Fixed Assets (net)					
Other Net Assets					
Total Assets					
Current Liabilities					
Accounts payable and accrued charges					
LTD current maturities					
Net Long Term Debt					
Shareholder Equity					
Paid in capital					
Reserves and surplus					
Total Liabilities					
Ratios Etc.					
Current ratio					
Net LTD to Equity ratio					
Debt service cover ratio					
Number of days inventory					
Number of days trade receivables					

ABC COMPANY

QUARTERLY FINANCIAL STATEMENT SUMMARY

Fiscal Year End 31/12/19

	Actual Results				Projected for Year
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	
Production (MT)					
% Capacity					
Income Statement					
Sales (MT)					
Sales revenues					
Cost of sales					
Gross profit					
General and Admin. expenses					
Other expenses (net)					
Profit (loss) before tax					
Taxes					
Net Profit (loss)					
Selected Unit Costs/ Consumption Rates, Etc.					
Cost per ton produced					
Energy cost per ton produced					
Labor cost per ton produced					
Cash Generation					
Net profit (loss)					
Depreciation, amortization					
Provisions					
Total funds from operations					

ABC COMPANY

REVIEW OF PROJECT PROGRESS REPORT

QUARTER 19

Included here would be a copy of the latest Project Progress Report and pertinent comments on material matters, arising from the Investment Officer's review of the report. Any follow-up action required would be noted with progress recorded on subsequent review sheets.

ANNUAL SUPERVISION WORK PROGRAM
INSTRUCTIONS FOR PREPARATION AND USE

To ensure that supervision covers the entire portfolio and that it is conducted in an orderly manner a supervision work program should be established. Every year each investment in the portfolio should be reviewed by management. A supervision report following an on-site visit to the project should be prepared for Board review. However, in a year in which a project completion report is written a supervision report would not be required (Exhibit 5 contains suggested outlines for these reports).

Attached is an example of a Supervision Work Program and below are instructions for completing it:

1. The Department Manager should classify the portfolio by category as follows:

   (a) - Projects under construction

   (b) - Unseasoned projects (those not yet fully operative).

   (c) - Operating Projects

   (d) - Problem Projects

2. The investments in each category should be listed on separate annual supervision work programs.

3. The columns for the prior period should then be completed.

4. The anticipated supervision activities for the coming year should be charted in the appropriate columns using the code to identify the type of activity involved.

5. The work schedule should be updated monthly and be kept under constant review by the Department Manager to ensure that the supervision program is carried out on time.

An independent person, e.g., the Internal Auditor or Management Secretary, would be responsible for scheduling Board Meetings to review Supervision and Completion Reports. The agenda for such meetings would be derived from the Annual Supervision Work Program as periodically updated. Each month the Internal Auditor or Management Secretary would prepare a status report for inclusion in the Monthly Portfolio Report (Exhibit 16).

ANNUAL SUPERVISION WORK PROGRAMME FOR YEAR TO

CATEGORY: I. Projects under construction, or
II. Unseasoned projects (those not yet fully operative), or
III. Operating projects, or
IV. Problem projects

*C - CODES:

M - Mission
S - Supervision Report
C - Completion Report
R - Review with Department Manager
B - Board Presentation
O - Others

<---- Prior Period ----> <---- This Year ---->

INVESTMENT	LAST SUPERVISION VISIT		Date and Type of last Report	LAST BOARD REVIEW	JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC	
	Date	Investment Officer			DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C	DATE	*C

INSTRUCTIONS FOR MONTHLY PORTFOLIO REPORT

The objective of this report is to bring to Management's attention on a monthly basis the status of various aspects of the Corporation's portfolio and its supervision. Attached is a suggested Index for such a report and illustrative examples of some of the contents. To be of value to Management the report should be issued within one week of the month's end. Set out below are suggestions for which departments should be responsible for producing the various sections of the report. The overall responsibility for the report should be with the Accounting Department or the Internal Auditor.

Report	Responsibility
1. Loan arrears	Accounting Department
2. Problem project and loss reserve position	Internal Auditor/Accounting Department
3. Cash dividends due from investments	Accounting Department
Stock dividends due from investments	Accounting Department
Other non-fixed income due from investments	Accounting Department
4. Status of supervision and completion reports	Internal Auditor/Management Secretary 1/
5. Overdue financial statements and other reports	Portfolio Records Assistant 2/
6. Outstanding Reporting Requirement Letters	Portfolio Records Assistant 2/

1/ See Exhibit 15.

2/ See Section 2, Exhibit 1: Flowchart for Financial and Other Reporting Requirements - step 10.

Report	Responsibility
7. Summary of financial statements and other reports	
Annual audit	Portfolio Records Assistant 1/
Quarterly financial statements	Portfolio Records Assistant 1/
Quarterly project progress reports	Portfolio Records Assistant 1/
Outstanding matters from prior month reviews	Portfolio Records Assistant 1/
Overdue financial statement and other report reviews from investment department	Portfolio Records Assistant 1/

1/ See Section 2, Exhibit 1: Flowchart for Financial and Other Reporting Requirements - step 10.

MONTHLY PORTFOLIO REPORT

__________ 19__

INDEX

SCHEDULE OF LOAN ARREARS AT ____ 19__

	Loans		Number of	Collateral		Arrears				Provision	
						Corporation		Participants			
	Corporation	Participants	Companies	Amount	Basis of Valuation	Principal	Interest	Principal	Interest	For Losses	Remarks
A. Companies Operating Profitability											
B. Companies Under Construction											
C. Companies Operating at a Loss, in Technical or Financial Difficulties											
D. Companies in Liquidation											

SUMMARY OF ARREARS

	As % of Total Portfolio					As % of Disbursed Portfolio				
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
1st Qtr.										
2nd Qtr.										
3rd Qtr.										
4th Qtr.										

Ageing of Arrears	Principal		Interest	
	This Yr.	Last Yr.	This Yr.	Last Yr.
Under 30 days overdue				
30 - 60				
60 - 90				
Over 90				

SCHEDULE OF EQUITY INVESTMENTS AT ____ 19__

Company	% Owned	Number of Shares Held	Amount Held Par Value	Amount Held Cost	Estimated Value Amount	Estimated Value Basis /a	Earnings (Loss) per Share This Yr.	Earnings (Loss) per Share Last Yr.	Dividends Received This Yr.	Dividends Received Last Yr.	Provision for Loss	Remarks
A. Companies Operating Profitability												
B. Companies Under Construction												
C. Companies Operating at a Loss, in Technical or Financial Difficulties												
D. Companies in Liquidation												

/a 1. Quoted Market
2. Over-the-Counter Bid Price.
3. Book value Per current Year's Financial Statements.
4. Other (specify)

COLLECTION PERFORMANCE

		Arrears at Beginning of Year		Amounts Falling Due During Year		Amounts Actually Collected During Year				% of Collection From Amounts Falling Due	
						Amounts Falling Due		Arrears			
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Portfolio at Beginning of Year which is Current with its Principal and Interest Payments											
19__	Principal	---	---								
	Interest	---	---								
	Total	---	---								
19__	Principal	---	---								
	Interest	---	---								
	Total	---	-								
19__	Principal	---	---								
	Interest	---	---								
	Total	---	---								
Portfolio at Beginning of Year which is in Arrears with its Principal and/or Interest Payments											
19__	Principal										
	Interest										
	Total										
19__	Principal										
	Interest										
	Total										
19__	Principal										
	Interest										
	Total										

PROBLEM PROJECT AND LOSS RESERVE
POSITION AT 19

Investment	Investment Amounts: Loan: Corporation	Investment Amounts: Loan: Participant	Equity Corporation	Loss Reserve: Loan	Loss Reserve: Equity	Brief Description of Project Problems

PROBLEM PROJECT AND LOSS RESERVE SUMMARY

	FY	FY	FY	FY	FY
% of total portfolio on problem project list					
% of disbursed loan portfolio with loss reserve					
% of disbursed equity portfolio with loss reserve					
% of total disbursed portfolio with loss reserve					

STATUS OF SUPERVISION AND COMPLETION REPORTS AT 19

	Supervision Report	Completion Report	Other Reports	Remarks
Number of projects in portfolio				
Number of projects reviewed to date				
Number of projects scheduled for review later in year				
Number of projects with reports in arrears				

Listing of projects in arrears

1.

2.

3.

4.

5.

6.

7.

8.

9.

10. etc.

Overdue Financial Statement and Other Reports Etc. at October 31, 19

Company	Problem Project	Type of Report	Period Ended	Due Date	Remarks
ABC	Yes	Minutes of AGM	12/80	6/81	Letter sent 5/81, telephoned 6/81 visited company 7/81. Company accounting systems broke down on change-over from manual to computer system. Auditors are assisting company. FY81 books and accounts written up to 8/81 and FY80 books will be closed 10/81.
		Audit	12/80	4/81	
		Insurance Information	12/80	4/81	
		Quarterly financial	3/81	5/81	
			6/81	8/81	
DEF	No	Quarterly financial	6/81	8/81	Letter sent 9/81, telephoned 10/81. Delays due to annual close down of factory in July for holiday. June and September '81 reports will be received 11/81.
		Quarterly project progress	6/81	8/81	
		Inter-group sales	6/81	8/81	

Summary	October 1981	September 1981	October 1980	September 1980
Annual audit	25	15	20	16
Quarterly financial	16	12	14	13
Quarterly project progress	8	10	9	6
Minutes of AGM	12	12	17	18
Insurance	25	20	24	28
Special reporting requirements	2	0	1	0

SUMMARY OF AUDIT REPORTS REVIEWED DURING 19

Company	Report for FY ended	Investment ($000) Disbursed Loan	Investment ($000) Disbursed Equity	Investment ($000) Undisbursed Loan	Investment ($000) Undisbursed Equity	Loss Reserve	Financial Position Current Ratio	Financial Position LTD/Equity Ratio	Operating Results ($000) Sales This Yr.	Operating Results ($000) Sales Last Yr.	Operating Results ($000) Net Income This Yr.	Operating Results ($000) Net Income Last Yr.

Include after each company a brief description of material changes from one period to the next, of major success or problems, or other relevant information.

SUMMARY OF QUARTERLY FINANCIAL STATEMENTS REVIEWED DURING 19

Company	Report for Quarter ended	Fiscal Year end	Financial Position: Current Ratio	Financial Position: LTD/Equity ratio	Operating Results ($ '000): Sales This Yr.	Operating Results ($ '000): Sales Last Yr.	Operating Results ($ '000): Income This Yr.	Operating Results ($ '000): Income Last Yr.

Include after each company a brief description of material changes from one period to the next, of major success or problems, or other relevant information.

SUMMARY OF PROJECT PROGRESS REPORTS REVIEWED DURING 19

		Project Cost				Project Completion Date		
Company	Report for Quarter ended	Original Estimate	Previous Estimate	Current Estimate	Underrun (Overrun)	Original Estimate	Previous Estimate	Current Estimate

Include after each company a brief description of material changes from one period to the next, of major success or problems, or other relevant information.

OVERDUE FINANCIAL STATEMENT AND OTHER REPORT REVIEWS FROM INVESTMENT DEPARTMENT

Month Received	Company Name	Type of Report	Remarks
April 1981	ABC	FY79 Audit	
May 1981	DEF	FY80 Audit	
July 1981	ABC	3/81 Qtr. Fin. Statements	
	JKL	3/81 Qtr. Fin. Statements	
August 1981	GHI	FY80 Audit	
	NOP	6/81 Qtr. Fin. Statements	
	QRS	6/81 Qtr. Fin. Statements	
September 1981	TUV	6/81 Qtr. Fin. Statements	
		6/81 Qtr. Project Progress Rpt.	
	WXY	6/81 Qtr. Fin. Statements	
	ABC	6/81 Qtr. Fin. Statements	

3. Comparability of Financial Statements

Factors materially affecting comparability of statements between periods, in addition to consistency in the application of accounting principles; such as correction of an error in previously issued financial statements, changes in the classification of accounts, and changes in accounting estimates.

4. Liens

Details of any liens or pledges on any of the company's assets.

5. Related Company Transactions

Material receivables from, payables to, and transactions (indicating the nature and volume) with subsidiaries and affiliates, or with directors, officers and principal stockholders.

6. Marketable securities

Valuation of marketable securities.

7. Long-term Investments

Valuation of long-term investments.

8. Property, Plant and Equipment

- Major classes of property, plant and equipment, showing balance at the beginning of the year, additions and dispositions during the year, and balance at the end of the year.

- The basis of valuation for property, plant and equipment.

- Details of revaluations (basis, amount of revaluation, disposition of revaluation adjustment, and use of revalued figures (if so) for depreciation purposes).

- Important commitments or well-defined programs for additions to property, plant and equipment.

- Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance sheet date.

9. Long-Term Debt

- Interest rate, amounts and number of periodic installments, and maturity dates.
- Nature and amount or extent of assets pledged against the debt.
- Restrictive covenants, such as those affecting dividends, retained earnings or working capital maintenance requirements.
- Default in principal payments, interest, or in other requirements of the loan agreement.
- Convertibility of bonds into capital stock, if applicable.

10. Reserves

Nature, creation, or disposition of any reserves.

11. Stockholders' Equity

A. General

- Changes in the separate accounts comprising stockholders' equity (in addition to retained earnings).
- Changes in the number of equity securities during at least the most recent year.

Disclosure of the above changes may be made in the basic financial statements or notes, or may take the form of a separate statement.

B. Capital Stock

- For all authorized classes of capital stock, whether or not any shares of the class are outstanding. Legal title of stock, number of shares authorized, par or stated value, number and aggregate amount of shares issued and outstanding.
- For preferred stock, in addition to above, nature of the preference; dividend rate, whether cumulative or non-cumulative, any dividends in arrears, redemption price, redemption date, and any restrictive provisions to the payment of dividends or other action by the Company.

- Reservations of shares for any purpose and the number of shares so reserved, and the details of any stock options, including the number of shares and options exercised during the year.

C. Retained Earnings

- Restrictions on retained earnings or dividends.

- Description of any appropriation of retained earnings, including a statement of the purpose of appropriation. Stock dividends declared but not yet issued and the amount of retained earnings to be capitalized for the purpose.

12. Lease Commitments

A. For operating leases (leases not capitalized as an asset).

- The total rental expense.

- Future minimum rental payments required at the balance sheet date (in the aggregate and for each of the five succeeding years).

- A general description of the leasing arrangements and any restrictions imposed by the lease agreement, such as on paying dividends or incurring additional debt.

B. For capital leases (long-term leases capitalized as an asset, such as in cases where the lease transfers ownership of the property to the lessee by the end of the lease term).

- The gross amount capitalized.

- The future minimum lease payments at the balance sheet date.

- Any contingent rentals incurred during the period.

13. Employee Benefits

Existence of a pension plan, the employee groups covered, the company's accounting and funding policies for such a plan and the provisions for pension cost for the period.

14. Contingencies

Examples: litigation, guarantee of the indebtedness of another, possible tax assessment, compliance with environmental standards.

- The nature of the contingencies.
- The degree of probability of occurrence.
- If possible, the best estimate of financial impact.

15. Commitments

Examples: long-term contracts for the purchase of goods or services at a specified price purchase contracts for fixed assets.

- All material factors surrounding the obligation, such as amount, conditions, and timing.

16. Subsequent Events

- Events or transactions and their effect on the financial statements which occur subsequent to the balance sheet date but prior to the issuance of the financial statements but which have a material effect on such statements (Examples: debt incurred, reduced or refinanced; sale of assets; litigation; dividends; catastrophic or other losses; changes in exchange rates).

17. Policy for Translation of Foreign Currencies

- The balance sheet accounts translated at the current rate (rate prevailing at balance sheet date) and those translated at the historical rate (rate prevailing when the transactions occurred).
- The rates used to translate income statement accounts (e.g. historical rates for specified accounts and a weighted average rate for other accounts).
- Method of accounting for exchange adjustments (and, if any portion of the exchange adjustment is deferred, the method of disposition of the deferred amounts in future years).
- The aggregate amount of exchange adjustments originating in the period, the amount included in the income statement and the amount deferred.

18. Debt Restructuring

- A description of the principal changes in terms, the major features of settlement, the aggregate gain on the restructuring of payables and the related income tax effect, and the total amount contingently payable on restructured payables.

19. Major Customers

- If a significant portion of the company's revenue comes from a single customer or small group of customers, the amount of revenue from each such customer. (A group of entities under common control is considered a single customer).

SAMPLE AUDIT REVIEW MEMORANDUM

June 30, 19__

TO: Department Manager

FROM: Investment Officer

SUBJECT: X Country - XYZ Company: Review of Audited Financial Statements for the year ended December 31, 19__

The audited financial statements of XYZ for the year ended December 31, 19__ were received on June 4, 19__; the opinion is dated March 2, 19__. The Company has been reminded that the audit should be sent within 120 days of the fiscal year end.

Auditor: CPA & Co.

Audit Opinion: Unqualified

Quality of Financial Statements: These contain all the required basic financial statements and supplementary information.

Compliance with Investment Agreement Covenants: XYZ has arranged permanent bank overdraft facilities of up to US$15 million, secured by three third mortgages for US$1,750,000 and an undertaking not to create a floating charge on its assets at any time. XYZ's use of overdraft facilities diminished in 19__ to about US$1.5 million; however, XYZ remains in violation of Section 3.02 of the Investment Agement which limits short-term indebtedness to US$80,000. This limitation, made in 19__, should be reviewed in the light of inflation and changed operating conditions since that time.

XYZ has guaranteed a debt of US$5.7 million contracted by an associated company. This is not in violation of an existing covenant but it may affect the ability of XYZ to raise financing for its own expansion.

Operating Results

Production for 19_ of 271,000 MT and sales of 268,000 MT were about 6% lower than corresponding results in 19__. This was due primarily to the production stoppages required to implement conversion of the older of two machinery units from A to B process.

As a result of the conversion, XYZ's fuel bill was 16% lower than in 19___, with savings of about US$650,000. XYZ was also able to attain a significant 12% reduction in its selling and distribution expenses (a saving of about US$650,000) by negotiating more favorable freight rates for its exports. Both the above savings more than outweighed the 25% to 30% increase in wages and salaries, which allowed pre-tax net income to improve by about US$1.5 million over 19__ results. In addition, although XYZ is normally liable for corporate taxes at the rate of 50%, allowances for capital expenditure accumulated in the last three years exempted the company from taxes in 19__.

Financial Position

XYZ's cash flow operations is about US$5.0 million in 19___, giving a long-term debt service coverage of 1.66 times. The company's liquidity improved from 0.93 to 1.5. The increase in working capital came principally from additions to inventory of supplies and a reduction in bank overdraft.

XYZ's share capital was increased by US$5 million to US$20 million in 19__, through the issue of new shares at twice par value to DC Corporation, for which we and other major shareholders waived our rights. The premium of US$5 million received on these shares was distributed to shareholders in the form of 10% stock dividends. As presently capitalized, XYZ's debt to equity ratio is 30:70.

Other Information	The Company is considering an expansion project which will double its production.
Follow-up Action	(a) XYZ has been reminded to provide future audit reports within 120 days of the fiscal year end.
	(b) We should review and update Section 3.02 of the Investment Agreement, limiting short-term indebtedness.
	(c) XYZ has been asked to provide copies of the "management letter" and other communications from the auditors.

SAMPLE AUDIT REVIEW MEMORANDUM

TO: Department Manager

FROM: Investment Officer

SUBJECT: X Country - ABC Company: Review of Audited Financial Statements for the year ended December 31, 19__

The audited financial statements of ABC Company for the year ended December 31, 19__ were received on April 17, 19__; the opinion is dated March 10, 19__.

Auditor	CPA & Co.
Audit Opinion	Unqualified; however, the financial statements should also have included a statement of changes in financial position. The accounts have been prepared in conformity with local auditing and legal practice and CPA & Co. pointed out some differences between the accounts and generally accepted accounting principles. These relate to: (a) Expensing of foreign exchange losses on long-term debt at the time of the payment instead of adjusting the principal to reflect current exchange rates. (b) Accelerated depreciation on plant and equipment. (c) Non-accrual of severance pay provisions. The above have a material effect on the statement of ABC's profitability and financial position. In the case of (a) and (b) above, these were footnoted clearly in the financial statements to disclose their material impact (US$1.5 million on long-term debt and US$3.5 million on depreciation).

In the case of (c) however, there is no indication in the notes to financial statements as to the possible extent of the liabilities not accrued. Clarification of this matter has been requested from the Company.

Quality of Financial Statements

Except as noted above, these complied with our requirements and included detailed notes to the principal statements, containing data for further analysis of profitability trends, productivity, etc.

Compliance with Investment Agreement Covenants

ABC is in compliance with all requirements of its loan agreements with senior creditors.

Operating Results

Results for 19__ showed a 15% increase in sales volume of Product A and 10% decline in sales of Product B. This shift from Product B to Product A is indicative of the growing integration of the country's product A converter industry which requires increasing quantities of product A for the manufacture of consumer durables. In turn, this means that ABC's annual aggregate sales revenue should increase at a relatively faster rate than normal price inflation in view of the significantly higher value added in product A compared with product B. Total sales revenue increased by 16% to US$99 million.

Due to the improvement in ABC's sales, net income rose by 23% to US$16 million, despite a 15% increase in manufacturing costs. The rise in manufacturing costs was due principally to a 25% increase in wages and a 20% rise in electricity cost. Cash flow from operations remained constant at US$26 million.

Electricity costs, which represent about 20% of total manufacturing expenses, could squeeze profits further in future years as the country's authorities begin to phase out the preferential energy tariff system accorded to ABC, in favor of alignment with the region's energy rates.

Financial Position

ABC has a strong financial position. Debt service coverage is 3.0 times; the current ratio is 1.8; the debt to equity ratio is 35:65.

Part of the inventories, valued at US$10.5 million, is pledged to secure a short-term loan for a sister company. This assignment represents 40% of the total value of inventories and 20% of realizable current assets. This assignment is part of the ongoing cross-guarantee arrangements of the DEF Group and is permitted within the covenants of the senior creditors. A further pledge on receivables for US$3.9 million to secure a loan from M Bank represents 15% of total receivables and 7% of realizable current assets. Thus, approximately 27% of current assets are pledged.

Other Information

In accordance with the provisions of the Income Tax Law, an appreciation tax on land and buildings of US$3.5 million is carried in ABC's books, which will be retained from stockholders' dividends in eight equal annual instalments. The first instalment of US$400,000 will be withheld from 19__ dividends. The Legal Department is preparing a position paper on our immunity status relative to this special tax which will be brought to the attention of the fiscal authorities shortly.

Follow-up Action

(a) Auditors will be requested to include statements of changes in financial position in future audits.

(b) ABC has been asked to provide further information on the provision for severance pay.

(c) The Legal Department will review our tax immunity.

ANNEX 8

Format of Regular Report Formats

for OPIC Financial Monitoring System

OPIC Overseas Private Investment Corporation

1615 M Street N.W.
Washington D.C. 20527
(202) 457-7200
Telex 440227 OPIC UI

May 12, 1986

Mr. Lawrence Cooley
President
Management Systems International
600 Water Street, S.W. NBU 7-7
Washington, DC 20024

Re: OPIC Loan Monitoring

Dear Mr. Cooley:

As we discussed last week, attached are copies showing the format of our loan computer files, our monthly loan report, and our semi-annual loan portfolio statistics.

If you have any specific questions regarding our computer system, please contact Phillip Paull, OPIC Computer Specialist, directly at 457-7096.

I hope this information is helpful in your A.I.D. project.

Sincerely,

Sally C. Ganzfried

Sally C. Ganzfried
Senior Financial Officer

cc: Phillip Paul, OPIC/MDC

Report No. C.I.A.
Issued: April 23, 1986
Prepared by OPIC/T

OVERSEAS PRIVATE INVESTMENT CORPORATION

STATUS OF AUTHORITIES

March 31, 1986

	Total	Portion Applicable to FY 1986 Credit Control Limits
Direct Investments:		
Original Authority		
Transfer from retained earnings		
Premium on sale of notes		
Write-offs		
Total Authority		
Less:		
Authorized (Commitment Letters Not Returned)		
Committed:		
Committed (Non-Agreement) DIF		
Undisbursed (Loan Agreement) DIF		
Outstanding DIF		
Total Authorized or Committed		
Direct Investment Funds Available		
Investment Guaranties:		
Investment guaranty reserve		
25% limit on guaranties issued and committed — divided by .25		
Less:		
Authorized (Commitment Letters Not Returned)		
Committed:		
Committed (Non-Agreement) IG		
Undisbursed (Loan Agreement) IG		
Outstanding IG		
Total Authorized or Committed		
Investment Guaranties Available		

FY	PROJECT NAME	AGREEMENT SIGNED	PROJECT DESCRIPTION	SIC/ SIZE	COUNTRY	INT. RATE	ORIGINAL AMOUNT	CANCELLED	UNDISBURS. LOANS	DISBURSED	REPAID	OUTSTANDING

STATUS	FY	PROJECT NAME	COMMITMENT SIGNED	MATURITY DATE	PROJECT DESCRIPTION	SIZE	COUNTRY	AUTHORIZED GUARANTY	COMMITTED

FY	PROJECT NAME	AGREEMENT SIGNED	PROJECT DESCRIPTION	SIC/ SIZE	COUNTRY	AUTHORIZED GUARANTY	TERMINATED	NOT AT RISK	REPAID	OUTSTANDING

Prepared by:
Treasurer's Office 4-17-86

OPIC
Loan Portfolio Statistics
Index
As of: 9-30-85

TABLE I

Prepared by: Treasurer's Office 4 17 86

OPIC
Historical Profile of Loan Portfolio
FY71-FY85
As of: 9-30-85

(Number of Loans)	Outstanding (O/S) O/S/No portion Written-off or CRA	O/S/Portion Written-off or CRA	Total Outstanding	Repaid in Full	Written-off/ CRA Account Settled	Total Disbursed
DIF						
IG						
CRA*						
Total IG/CRA						
Total DIF and IG/CRA						

NOTE: *CRA = Claims Related Assets which originated as IG's and which were not included in 9-30-85 outstanding IG balances.

OPIC
Historical Profile of Loan Portfolio
FY71-FY85
As of: 9-30-85

(U.S. dollars (000) omitted)

		Total Outstanding	Repaid Partially	Repaid in Full	Written off/Charged to CRA: Account Settled	Account with Balance Outstanding	Total W/O/CRA	Total Disbursed
DIF	(A)							
IG								
CRA*								
Total IG/CRA	(B)							
Total DIF and IG/CRA								

NOTE: * CRA = Claims Related Assets which originated as IG's and which were not included in 9-30-85 outstanding IG balances.

Reconciliations:

DIF

Outstanding @ 9-30-85 per CIB Report
Plus: DIF incl. as CRA
Total above (A)

IG

Outstanding @ 9-30-85 per CIC Report
Plus: IG incl. as CRA
Total above (B)

Prepared by: Treasurer's Office 04/16/86

OPIC
Historical Profile of Loan Portfolio
FY71-FY85
(As of 9/30/85)

(U.S. dollars (000) omitted)

	Committed	Cancelled	Undisbursed	Disbursed	Repaid In full	Repaid Partially	Repaid Total	Balance Outstanding	Written off/CRA Account	Written off/CRA Settled	Written off/CRA Total	Outstanding
DIF												
FY71			-									
FY72			-									
FY73			-									
FY74			-									
FY75			-									
FY76			-									
FY77			-									
FY78			-									
FY79												
FY80			-									
FY81			-									
FY82												
FY83												
FY84												
FY85												
Total												
% of com'td	100.0%											
% of disb.												
IG												
FY71 and before			-									
FY72			-									
FY73			-									
FY74			-									
FY75			-									
FY76			-									
FY77			-									
FY78												
FY79												
FY80												
FY81												
FY82												
FY83												
FY84												
FY85												
Total												
% of com'td	[illegible] %											
% of disb.												

Prepared by: Treasurer's Office 4 16 86

OPIC
Historical Profile of Loan Portfolio
FY71-FY85
(As of 9/30/85)

(U.S. dollars (000) omitted)

	Committed	Cancelled	Undisbursed	Disbursed	Repaid In full	Repaid Partially	Repaid Total	Balance Outstanding	Written off/CRA Account Settled	Written off/CRA Total	Written off/CRA Outstanding
DIF and IG											
FY71											
FY72											
FY73											
FY74											
FY75											
FY76											
FY77											
FY78											
FY79											
FY80											
FY81											
FY82											
FY83											
FY84											
FY85											
Total											
% of com'td											
% of disb.											

TABLE II

Prepared by: Treasurer's Office 4 17 86

OPIC
Loan Portfolio Delinquency* Rates
As of: 9 30 85

	Total Outstanding Loan Balance (000) Omitted Dollar Amount	Percent	Delinquent Principal Portion (000) Omitted Dollar Amount	Percent	Number of Loans	Percent
DIF						
Current						
Delinquent princ. only						
Delinquent princ./int.						
Total delinquent princ.						
Delinquent int. only						
Total delinquent						
Total outstanding (A)						
IG/CRA						
Current						
Delinquent princ. only						
Delinquent princ., int. & guar. fees						
Total delinquent princ.						
Delinquent int. & guar. fees only						
Total delinquent						
Total outstanding (B)						
DIF and IG/CRA						
Current						
Delinquent princ. only						
Delinquent princ., int. & guar. fees						
Total delinquent princ						
Delinquent int. & guar. fees only						
Total delinquent						
Total outstanding						

NOTE: *Delinquent = 90 days or more past due as of 9 30 85 (no rescheduling signed)

Reconciliations:

DIF

O/S @ 9 30 85 per CIB Report
Plus: DIF incl. as CRA (Acker)
Total above

IG

O/S @ 9 30 85 per CIC Report
Plus: IG incl as CRA
Total above

Prepared by Treasurer's Office 4 9 86

Support for TABLE II
Page 1 of 2

OPIC
DIF Delinquency* Rates
As of: 9-30-85

(In U.S. dollars)

	Total O/S Loan Balance	#Projects #Loans	Delinquent Principal Portion	#Projects #Loans	Delinquent Interest	#Projects #Loans	Delinquent Principal/ Interest	#Projects Loans
Balances:								
Delinquent principal only								
Delinquent interest only								
Delinquent princ. & interest								
Total Delinquent								
Current								
Total Outstanding (A)								

Percentages:

	Total O/S Loans with Delinquent Balances	Delinquent Principal Portion	Delinquent Interest	Delinquent Principal/Interest
Dollars				
#Projects				
#Loans				

	Total O/S Loans with Current Balances
Dollars	
#Projects	
#Loans	

Note: *Delinquent: 90 days or more past due as of 9/30/85 (no rescheduling signed)

Reconciliation O/S DIF @ 9/30/85 per CIB Report
Plus: DIF incl. in CRA (Acker)
Total above (A)

Prepared by: Treasurer's Office 4 9 86

OPIC
IG Delinquency* Rates
As of: 9 30 85

(In U.S. dollars)

	Total O/S Loan Balance	# Projects #Loans	Delinquent Principal Portion	#Projects #Loans	Delinquent Guar. Fees	#Projects #Loans	Delinquent Principal/ Guar. Fees	#Projects # Loans
Balances:								
Delinquent principal only								oj. ans
Delinquent guar. fees only								oj. ans
Delinquent prin. & guar. fees								oj. ans
Total Delinquent								oj ans
Not delinquent								
Total Outstanding (A)								

Percentages:

	Total O/s Loans with Guar. Fees	Delinquent Principal Portion	Delinquent Guar. Fees	Delinquent Principal/ Guar. Fees
Dollars				
#Projects				
#Loans				

	Total o/s Loans with Current Balances
Dollars	
#Projects	
#Loans	

Note: *Delinquent: 90 days or more past due as of 9/30/85 (no rescheduling signed)

Reconciliation: O/S IG @ 9/30/85 per CIC Report
Plus: IG incl. in CRA
Total above (A)

TABLE III

Prepared by:
Treasurer's Office 4 17 86

OPIC
Aging of Delinquent Loan Principal
As of: 9 30 85

	Total Loan Outstanding	90 days past due	180 days past due	Over 360 days past due	Total Delinquent Principal
(Number of Loans)*					
DIF					
IG/CRA					
Total DIF & IG/CRA					
(U.S. dollars (000) omitted)					
DIF					
IG/CRA					
Total DIF & IG/CRA					

NOTE: *When a loan had delinquent principal portions that belonged in more than one past due category, the loan was included in the oldest of the applicable past due categories.

Support for TABLE III

Prepared by: Treasurer's Office 4-21-86

OPIC
Delinquent DIF & IG/CRA Aging (Delinquent Principal Portions ONLY)
As of: 09/30/85

(In U.S. dollars)

Project	Total Loan O/S	Due 4/1-6/30/85 90 days	Due 10/1/84- 3/31/85 180 days	Due 9/30/84 & earlier 360 days	Total Delinquent Principal	Delinquency Code
DIF						- -
Total DIF						
IG/CRA						
Total IG/CRA						
Total DIF & IG/CRA						

Explanation of Codes	Delinquent Amount	Percent
A - Inconvertibility		
B - Other country-specific problems		
C - Organizational management problems		
D - Financial management problems		
E - Marketing (sales) problems		
F - Operations (production) problems		
G - Under capitalization		
H - Misrepresentations/misleading information in loan application		
I - Start up delays		
J - Poorly conceived project		
Total DIF & IG/CRA		

TABLE IV

Prepared by:
Treasurer's Office 4-14-86

OPIC
DIF Write-off Rate
FY71-FY66
As of: 9-30-85

(U.S. dollars (000) Omitted)

FY	Name	Gross Write-off Thru 9-30-85	Reversal Due To Additional Collections	Net Write-off Thru 2-28-86	Write-off Code

Write-off Rate

Thru 9-30-85 (after reversals):

Total Write-offs =
Total Disbursements (FY71-85)

Explanation of Codes

A = Inconvertibility
B = Other country-specific problems
C = Organizational management problem
D = Financial management problems
E = Marketing (sales) problems
F = Operations (production) problems
G = Under-capitalization
H = Misrepresentations/misleading information in Loan Application
I = Start-up delays
J = Poorly conceived project

Loan Computer files

```
*************************************************************************************
****          1         2         3         4         5         6         7         8 ****
**** 12345678901234567890123456789012345678901234567890123456789012345678901234567890 ****
*************************************************************************************
*  *                                                                               *  *
* 1*  LOAN NO:             PROJECT NAME:                                           * 1*
* 2*  FOREIGN_CO:                                                                  * 2*
* 3*    CONTACT: ATTN:                          TITLE:                             * 3*
* 4*    ADDRESS:                                 ADDR:                             * 4*
* 5*    CITY/ST/ZIP:                                  CTRY:                        * 5*
* 6*    TELEPHONE:              TELEX:                                             * 6*
* 7*  US_SPONSOR:                                                                  * 7*
* 8*    CONTACT:                                TITLE:                             * 8*
* 9*    ADDRESS:                                 ADDR:                             * 9*
*10*    CITY/ST/ZIP:                                                               *10*
* 1*    TELEPHONE:              TELEX:                                             * 1*
* 2*  LENDER:                                                                      * 2*
* 3*    CONTACT:                                TITLE:                             * 3*
* 4*    ADDRESS:                                 ADDR:                             * 4*
* 5*    CITY/ST/ZIP:                                                               * 5*
* 6*    TELEPHONE:              TELEX:                                             * 6*
* 7*  OTHER:                                                                       * 7*
* 8*    CONTACT:                                                                   * 8*
* 9*    ADDRESS:                                 ADDR:                             * 9*
*20*    CITY/ST/ZIP:                                  CTRY:                        *20*
* 1*  __TELEPHONE:              TELEX:                                             * 1*
```

```
LOAN NO:                 PROJECT NAME:
TREASURY NO:             COUNTRY CODE:     S.I.C. CODE:        SIZE    (S, M OR L)
OTHER OPIC LOANS-
DESCRIPTION:
U.S. SPONSOR TAX ID:

AUTH. DATE:                 AUTH. AMT:
CONT. DATE:                 CONT. AMT:
CANC. DATE:   MM/DD/YY      CANC. AMT:
AGR.  DATE:   MM/DD/YY      DISB. AMT:
DISB. DATE:   MM/DD/YY      REPD. AMT:
MAT.  DATE:                 WRITTEN OFF:
                            ERA:
                            OUTSTANDING:
CONT. DATE:                 WRITE OFF CODES:
INT.  DATE:
REM.  DATE:
GUAR. DATE:                                OPIC OFFICER__________CLASS:___SEC
ACCP. BASIS (1, 2 OR 3)?                          GC:
LOANS INTEREST (Y OR N)?                          FINANCE:
DISB. LATER (Y OR N)?___ _ __________             TREASURY:
```

```
         1         2         3         4         5         6         7         8
1234567890123456789012345678901234567890123456789012345678901234567890123456789012345678901234567890
```

FINANCIAL STATEMENT:

THOUSANDS: (Y OR N?)

	CCYY	YEAR-END CCYY	MM/DD CCYY	INTERIM MM/DD/YY	MM/DD/YY	PROJ. CCYY
SALES	0	0	0	0	0	0
NET INCOME	0	0	0	0	0	0
CASH	0	0	0	0	0	0
RECEIVABLES	0	0	0	0	0	0
INVENTORY	0	0	0	0	0	0
CURR. ASSETS	0	0	0	0	0	0
TOTAL ASSETS	0	0	0	0	0	0
CURR. LIAB.	0	0	0	0	0	0
LT DEBT	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
RET. EARN.	0	0	0	0	0	0
NET WORTH	0	0	0	0	0	0
RATIO REQ.						
WC RATIO	0.0	0.0	0.0	0.0	0.0	0.0
D/E RATIO	0.0	0.0	0.0	0.0	0.0	0.0
RATIO COMPLIANCE	N	N	N	N	N	N

CURRENT FINANCIAL STATEMENT ON FILE (Y OR N)?

COMMENTS: ...

```
LOAN NO:                    PROJECT NAME:
SERVICING ACTIVITY:
LAST CONTACT: MM/DD/YY
  ACTION:
LAST SITE VISIT: MM/DD/YY
  COMMENTS:
COLLATERAL:
LAST COLLATERAL REVIEW: MM/DD/YY
  COMMENTS:

LAST PAYMENT DATE:                DAYS DELINQUENT:
PAID THRU DATE:                   AMT DELINQUENT: (P)              (C)
LAST DUE DATE:                                    (I)              (G)
NEXT DUE DATE:      MM/DD/YY                       TOTAL:
DELINQUENCY                       AMT NEXT DUE:   (P)              (C)
 (CODES)                                          (I)              (G)
                                                   TOTAL:

DISPOSITION CODE:
GOOD STANDING (Y OR N)
RISK RATING:
```

LOAN NO: NAME:

RESCHEDULING HISTORY:

MM/DD/YY
RESCHEDULE CODE:

MM/DD/YY
RESCHEDULE CODE:

MM/DD/YY
RESCHEDULE CODE:

AMORTIZATION SCHEDULE:

```
          1         2         3         4         5         6         7         8
 12345678901234567890123456789012345678901234567890123456789012345678901234567890

 LOAN NO.               NAME:                                                       1
 COMMENTS:_______________________________________________________________________  2
                                                                                    3
                                                                                    4
                                                                                    5
                                                                                    6
                                                                                    7
                                                                                    8
                                                                                    9
                                                                                   10
                                                                                    1
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```

ANNEX 9

Augmented Audit for

Intermediate Financing Institutions

AUGMENTED AUDIT FOR INTERMEDIATE FINANCING INSTITUTIONS

I. BACKGROUND

The loan documentation for the loans made to intermediate financing institutions under the Revolving Fund operated by PRE/I requires the borrower to submit annual audited financial statements prepared in accordance with generally accepted accounting and auditing procedures.

The documentation also requires IFI borrowers to obtain annual reports from subborrowers which contain financial information and other indicators of development importance and impact. Whether this requirement is adhered to by IFI borrowers is not known.

However, further information is needed if non-financial aspects are to be examined. In order to obtain the non-financial data, the World Bank requires an augmented audit report on IFI borrowers containing the normal financial statements, plus supplemental information on operations, portfolio investments, arrears, commitments and financial positions.

The scope of work for an augmented audit includes:

a. A review of loan agreements, notes, and collateral security documents.

b. A request to subborrowers for confirmation of outstanding obligations.

c. A review of delinquencies and a verification of the adequacy of allowances for doubtful investments.

d. A review and check of schedules of outstanding investments, commitments, collateral, and arrearages. These schedules are prepared by the IFI borrower.

The Small Business Administration , however, requires licensed Small Business Investment Companies to submit audited annual financial statements with accompanying schedules. In addition to the standard financial statements, schedules concerning the following are required.

a. Statements of Commitments and Guarantees

b. Schedule of Investments

c. Schedule of Delinquencies

d. Schedule of Participations and Joint Financings

II. CURRENT AND NEW PROJECTS IN PRE/I

The outstanding loan agreements do not have a requirement for augmentation of the audit. While the major portion of the information required by a standard audit should be obtainable from the books and records of the IFI, it may be necessary for PRE/I to provide additional financing to cover the incremental cost of the augmented audit. the augmented audit should be made a condition for financing projects authorized in the future.

III. SCOPE OF WORK FOR THE AUGMENTATION OF AUDITS

The examination of the financial records and financial statements would be made in accordance with generally accepted auditing standards and would include such tests of the accounting records and such other auditing procedures that are considered necessary in the circumstances. For projects funded by the loan from AID/PRE/I, additional augmented information and schedules would be required.

a. The Statement of Financial Position will provide a separate category for investments funded by the PRE/I Loan. Revenues from interest and fees from these investments will be segregated on the Statement of Income and Expenses.

b. Notes, loan agreements and collateral security documentation on subprojects funded with the PRE/I loan will be inspected and confirmed by direct correspondence with the subproject. Information and explanations of the value of collateral will be obtained from the management of the IFI and confirmation of value made with the subproject.

c. Delinquent investments will be reviewed and confirmed. Financial statements of subprojects will be reviewed as appropriate. The allowance for doubtful investments on the portfolio funded by the PRE/I loan will be reviewed together with information and explanations from the management of the IFI on the collectability of each investment, and in the aggregate.

d. The following schedules concerning the subprojects funded with the PRE/I Loan (attached) will be prepared either by the auditor or by the IFI and confirmed by the auditor. Totals from the schedules will agree with amounts reported in the financial statements.

    (1) Schedule A Outstanding Investments
    (2) Schedule B Commitments and Guarantees
    (3) Schedule C Loans and Other Credit Operations
    (4) Schedule D Delinquencies
    (5) Schedule E Subproject Operational Information

SCHEDULE A

OUTSTANDING INVESTMENTS FUNDED BY PRE/I AS OF ______

SECTOR	Short-term (Less than One Year)		Medium-term (One to Five Years)		Long-term (Over Five Years)		Guarantee		Equity Investments		TOTAL	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount Cost	Number	Amount
Agriculture												
Manufacturing												
Food and Beverage												
Textile												
Chemical/Pharmaceutical												
Paper and Paper Products												
Printing and Publishing												
Machinery												
Metal Products												
Transportation Equipment												
[illegible]												
Wholesale, Retail												
Hotels & Tourism												
Transportation												
TOTAL												
Total principal with past-due maturities												
Principal of maturities past-due												
Outstanding Commitments												

SCHEDULE B

COMMITMENTS AND GUARANTEES FUNDED

BY PRE/I AS OF ____

Name of Subproject	Description	Amount	Date Made	Expiration Date
A. COMMITMENTS				
1.				
2.				
3.				
B. GUARANTEES				
1.				
2.				
3.				

SCHEDULE C

LOAN AND OTHER CREDIT OBLIGATIONS FUNDED BY PRE/I AS OF ____

NAME OF SUBPROJECT	Term Loans	Short Term Notes	Revolving Credit	Sub Total	Guarantees, Commitments	TOTAL	Collateral Amount	Basis Of Valuation	Total Arrears		Allowable Losses	Remarks
									Principal	Interest		
A. Subprojects Operating Profitably												
1												
2												
3												
TOTAL												
B. Subprojects Under Construction Or In Pre-Operating Stage Not In Technical Or Financial Difficulties												
1												
2												
3												
TOTAL												
TOTAL												
C. Subprojects Operating At A Loss Or In Financial Difficulties												
1												
2												
3												
TOTAL												
D. Subprojects In Liquidation												
1												
2												
3												
TOTAL												
TOTALS												

SCHEDULE D

DELINQUENT PROJECTS FUNDED BY PRE/I AS OF ____

Name of Subproject	Total Outstanding Balance		Total Amounts in Arrears									
			One - Three Months Overdue		Three - Six Months Overdue		Six - Twelve Months Overdue		Over Twelve Months Overdue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1.												
2.												
3.												
4.												
TOTAL												

SCHEDULE E

SUBPROJECT OPERATING INFORMATION AS OF ____

Name of Subproject	REPORTED IN APPLICATION					AS OF LATEST REPORT					
	Date of Financial STATEMENT	Annual SALES	Annual NET PROFIT	Total ASSETS	Number of EMPLOYEES	Date of Financial STATEMENT	Annual SALES	Annual NET PROFIT	Total ASSETS	Number of EMPLOYEES	Outstanding Financing (PRINCIPAL & INTEREST)
1.											
2.											
3.											
4											
TOTAL	____	____	____	____	____	____	____	____	____	____	____

ANNEX 10

Generic Scope of Work

for Future Evaluation Studies

GENERIC SCOPE OF WORK

I. ACTIVITY TO BE EVALUATED:

Note the model or approach to be assessed and the cases intended to serve as sources of primary data.

II. PURPOSE OF THE EVALUATION:

Note that the purpose of the exercise is to document the model or approach being assessed and to answer the following questions:

- What was the impact and cost: effectiveness of the model or approach in the cases studied?
- What are the major lessons learned concerning the conditions necessary for success?
- Based on the experience gained, how could the model or approach be futher strengthened?
- What actions would be required of a USAID or other agency wishing to replicate the model or approach?

III. BACKGROUND:

Briefly describe the mission of PRE, the nature of the Revolving Fund loan model or approach being examined, the history and current status of the cases selected. In addition, provide relevant information on the intended involvement of USAID and recipient organizations in the evaluation effort.

IV. STATEMENT OF WORK:

Note that the evaluation is expected to provide specific answers to the following empirical questions:

FOR IFIs

- Is there any evidence that the loan appraised terms and conditions applied under the project are being extended by the IFI to other portions of its clientele?
- Does the composition of the IFI's portfolio reflect the objectives of the project (e.g., small business, export industries, etc), and is this distribution significantly different than before the project began?
- Have other IFIs modified their lending behavior in any

ways ostensibly related to the policies and practices carried out under the project in the target IFI?

- What is the rate of sub-project disbursement and repayment? Is this consistent with project objectives? If not, why not?

FOR ALL PROJECTS

- Does the evidence suggest that project activities will be sustained after withdrawal of AID funding?

- How many jobs have been created as a result of the project?

- How large an increase in sales can be attributed to the project?

- What quantity of funds have been leveraged from other services as a result of the project?

- How is the project (and the recipient institution) perceived by its members, its clients, its competitors and the USAID?

- What is the rate of project disbursement and repayment? Is this consistent with project objectives? If not, why not.

Among the additional questions which should be addressed are any relating to special concerns of particular USAID or recipient institutions and the possibility of major (positive or negative) unplanned effects.

Note that in carrying out this study, it is anticipated that the contractor will be required to carry out the following tasks:

TASKS	PERSON - DAYS
1. Conduct initial discussions with PRE and develop detailed terms of reference	6
2. Review available documentation on all projects in the portfolio relevant to the model or approach being examined and hold discussion with the appropriate Investment Officers	5
3. Identify and review relevant experience of other donors?	5
4. Collect and compile detailed secondary information on 2-3 case studies from available reports	3
5. Conduct site visits to 2-3 countries including: - Initial briefing with USAID personnel - team planning meeting - detailed discussions and inspection of records at recipient organization - visits and discussions with clients, competitors and collateral institutions - visits to a representative sample of sub-borrowers (for IFIs only) - preparation of case report - de-briefing with mission and recipient and recipient organization	25 Per Country
6. Prepare draft report and presentations material	10
7. Conduct de-briefings	4
8. Prepare final report	4

Note also that the final report should fully document the key elements of the model or approach being assessed and, in addition, should address explicitly each of the 4 management questions noted in point III above, and, in so doing, should clearly differentiate between findings (facts), conclusions (interpretations) and recommendations (proposed actions). Note that the document's intended audience includes USAID's, Regional Bureau Management, other donor agencies and host country institutions.

A model report should be presented as an example of what is required.

V. METHODS AND PROCEDURES:

The following points should be included in a discussion of methods and procedures:

- The unit of analysis is a model or approach, not an individual project.

- The primary sources of data are project files and secondary (reported) data on all relevant projects in the portfolio. interviews with the appropriate Investment Officer, analysis of available information on similar projects by other donors, and intensive field studies of 2-3 projects

- Information from field projects must be collected in a sufficiently comparable way to permit subsequent combination and comparison of the data.

- The primary form of field data collection will be inspection of records and interview with individuals in the recipient organization and other key institutions.

- Data on employment, sales, etc. from IFI sub-borrowers will be obtained through a simple random sample of 10-20% of sub-borrowers (minimum of 15 firms). Additional explanatory information will be obtained by visiting 2-3 very successful sub-borrowers and 2-3 firms that failed to repay their loans.

- In addition to a final report, the contractor will be required to carry out a number of de-briefing and dissemination activities.

VI. COMPOSITION OF EVALUATION TEAM:

Note that the team should have one team leader who is an expert in evaluation with experience in private sector evaluation and the managemetn of field evaluations. Each case study should be carried out by a 2-3 person team augmented (as appropriate) by representatives from the local USAID and/or the recipient organization. The members of the core team should collectively have specific knowledge of basic evaluation methods, knowledge of relevant private sector institutios (i.e. production industries, IFIs, etc.), and (ideally) knowledge of the country where the case study is to be conducted. Relevant language skills are essential and skills in process consulting and writing documents intended for large audiences would be highly desirable.

VII. FUNDING:

Based on the assumption that most reports will be based on 2-3 case studies plus analysis of documentation in Washington, the cost of a completed study of a model or approach should be somewhere in the range of $50-70K plus travel and per diem expenses.

VIII. REPORTING REQUIREMENTS

Be as specific as possible concerning the length of the proposed document, and special items or tables to be included, and any formats to be used. This specification should include|:

- a 2 page executive summary
- a 1-3 page generic description of the model or approach being examined
- a single table summarizing findings, conclusions and recommendations, and relating these to one another
- a table summarizing the data from each case for each of the stipulated indicators
- a companion document presenting all of the relevant raw data and working documents
- if appropriate, photographs, videotapes, direct quotations and product samples to assist in making evaluation findings "come alive".
- a 2-3 page "Replication Plan" detailing the steps and actions to be carried out by a mission or other organization wishing to replicate the model or approach. This plan also should include contact names and addresses, identification of relevant background documentation and other practical information.

Note that the contractor will also be required to provide verbal de-briefings to the USAIDs and recipient institutions in each country and to PRE. Also required will be a standard flipchart or overhead presentation which PRE can use in making additional presentations to interested groups.

The contractor may also be required to conduct a workshop intended to disseminate findings of the report to interested parties inside and outside of AID.

ANNEX 11

Annual Reports from IFC and OPIC

1957

International Finance Corporation

FIRST ANNUAL REPORT
1956 - 1957

INTERNATIONAL FINANCE CORPORATION

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

September 27, 1957

My dear Mr. Chairman:

In accordance with Section 8 of the By-Laws of the International Finance Corporation, I have been authorized by the Board of Directors to submit to the Board of Governors this First Annual Report of the Corporation. It covers developments during the period from July 24, 1956, the date on which the Corporation began operations, to September 10, 1957.

Sincerely yours,

R. L. Garner
President

Chairman, Board of Governors
International Finance Corporation

IFC's Objectives

IFC is a multilateral development institution established in 1956 as an affiliate of the World Bank. IFC's purpose is to promote the growth of productive private investment and to assist enterprises that will contribute to the economic development of its developing member countries.

IFC's capital resources are provided by its 128 member countries, 107 of which are developing, which collectively determine its policies and activities.

The ultimate objective of the Corporation is to improve the well-being of the people in its developing member countries. Its principal tasks are to provide and bring together financing, technical assistance and management needed to develop productive investment opportunities in its developing member countries. The Corporation seeks to invest in privately owned enterprises but will participate in mixed enterprises, with an element of government ownership, where there is no realistic local alternative. In such cases, IFC seeks to encourage movement towards fuller private ownership and control.

IFC makes both equity investments and loans without government guarantees. This permits the Corporation to provide financial assistance suited to the needs of each project and to the ability of each firm to raise funds from other sources on reasonable terms.

In all of its activities, the Corporation works to raise investor confidence. In addition to providing financial and technical assistance, the Corporation may, as an international institution, help facilitate the process by which investors and governments can arrive at mutually satisfactory agreements.

The Corporation seeks to encourage the flow of private capital both domestically and internationally, through the establishment or expansion of local capital markets and financial institutions. It also offers technical assistance to member governments in support of their efforts to create an investment environment which will encourage productive and beneficial domestic and foreign investment.

Table of Contents

International Finance Corporation

1818 H Street, N.W
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address CORINTFIN

August 5, 1986

To the Board of Governors:

The Board of Directors is pleased to report that during Fiscal Year 1986, the Corporation significantly expanded its assistance to the private sectors of its developing member countries and introduced a number of initiatives that permit the Corporation to respond more effectively to the needs of its clients. The total investments of $1,156.3 million, including $710.5 million for IFC's own account, which were approved by the Board of Directors in 85 business ventures reflected the increasingly diversified nature of the Corporation's activities. At the Year's close, the Corporation's portfolio consisted of 378 investments in 72 countries, two regions and one worldwide in scope.

The authorization of $650 million in new shares in the Corporation, approved by the Board of Governors on December 26, 1985, increased the authorized capital stock of the Corporation to $1.3 billion. This will enable the timely implementation of the Corporation's current Five Year Program which has now completed its second year.

As of the end of the Corporation's Fiscal Year, June 30, subscriptions totalling $350 million of the capital increase and payments of $60 million had been received. It is anticipated that by September 1, 1986, subscriptions to 70 percent of the total and payments of 20 percent of this amount will have been received. Subscriptions to much of the remaining 30 percent are expected to be received early in Fiscal Year 1987.

The Corporation increased its market borrowing to $350 million in Fiscal Year 1986, taking advantage of favorable market rates to obtain funding for the Corporation's expanding activities. The timing of these borrowings allowed the Corporation substantially to reduce lending rates to its client companies. In the course of the last 18 months, IFC has raised $500 million through ten bond issues in major financial markets.

Fiscal Year 1986 saw a number of innovative moves by the Corporation. IFC embarked on a new business development and marketing program in industrialized countries to attract new investment partners. The Emerging Markets Growth Fund was successfully launched with the participation of a number of institutional investors to invest in publicly listed shares in certain developing countries. The Africa Project Development Facility to assist sub-Saharan African entrepreneurs was established in cooperation with the United Nations Development Programme and the African Development Bank. And the Corporation set up a Foreign Investment Advisory Service that will assist member governments to attract foreign investment.

The Board expresses its appreciation to the management and staff of the Corporation for their dedication and innovative efforts during this critical year in the history of IFC. This thirtieth anniversary of the Corporation finds the Corporation at a critical point in its history, and the Board is confident that the course now being charted by the management of the Corporation will make it an even more effective instrument for the evolution of the role of the private sector in the economic development of our member countries.

The Board also expresses its thanks to the Corporation's outgoing president, Mr. A.W. Clausen, who strongly supported the growth and development of IFC during his five years in office, and welcomes the new president of IFC and the World Bank, Mr. Barber Conable.

The Board of Directors has had this Annual Report prepared for the Fiscal Year ending June 30th, 1986, in accordance with the By-Laws of the Corporation. Barber Conable, President of the Corporation and Chairman of the Board of Directors, has submitted this Report, together with accompanying audited financial statements, to the Board of Governors.

The Board of Directors

Directors	Alternates
Fawzi Hamad Al-Sultan	Mohammad Al-Shawi
Mourad Benachenhou	Salem Mohamed Omeish
Gerhard Boehmer	Michael von Harpe
	Hugh W. Foster
Kenneth Coates	Felix Alberto Camarasa
Ronald H. Dean	You Kwang Park
Jacques de Groote	Oral Akman
Mario Draghi	Rodrigo M. Guimaraes
Astere Girukwigomba	Mitiku Jembere
Leonor Filardo de Gonzalez	Maria Antonieta Dominguez
Edgar Gutierrez-Castro	Patricio Rubianes
Christian Ulrik Haxthausen	Per Taxell
Timothy P. Lankester	Richard Manning
Helene Ploix	Olivier Debains
Frank Potter	Horace Barber
C. R. Krishnaswamy Rao Sahib	Gholam Kibria
Nicephore Soglo	Andre Milongo
Ferdinand van Dam	Riza Sapunxhiu
Vibul Aunsnunta	Sashi N. Shah
Xu Naijiong	Yang Guanghui
Kenji Yamaguchi	Zenbei Mizoguchi

Senior Management

A.W. Clausen*	President
Sir William Ryrie	Executive Vice President
Francisco J. Alejo	Vice President, Corporate Affairs and Development
Jose E. Camacho	Vice President and General Counsel
Makarand V. Dehejia	Vice President, Engineering
Judhvir Parmar	Vice President, Investment Operations
Hilary P. Reddy	Vice President, Portfolio and Financial Management

Banking Advisory Panel

IFC's Banking Advisory Panel meets regularly with the Corporation's management to discuss its activities and policies. The Corporation wishes to express its appreciation for the valuable advice the panel members have given.

Members are:

Jan Ekman, President,
Svenska Handelsbanken
Stockholm

Dr. Wilfried Guth, Chairman of the
Supervisory Board,
Deutsche Bank A.G., Frankfurt

Jean-Yves Haberer
President Directeur General,
Banque PARIBAS
Paris

Yusuke Kashiwagi, Chairman,
The Bank of Tokyo, Ltd.
Tokyo

Dr. Conrad Oort, Member of
Managing Board,
Algemene Bank Nederland
Amsterdam

Lord Roll of Ipsden, Chairman,
S.G. Warburg and Co., Ltd.
London

Robert V. Roosa, Partner,
Brown Brothers Harriman and Co.
New York

Anthony Solomon
Former Undersecretary for Monetary
Affairs of the United States Treasury
and President of the New York
Federal Reserve Bank
New York

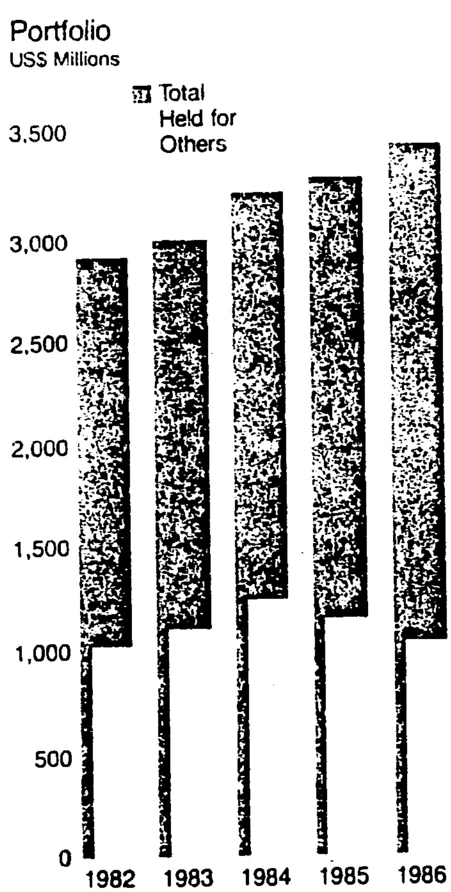
IFC is proposing organizing a new Business Advisory Council consisting of prominent business executives from both developing and industrialized countries. It will provide a forum where concerns and issues affecting the international business community can be discussed in the light of IFC activities.

*Effective July 1, 1986, Barber B. Conable assumed the position of President of IFC.

The Year in Review

This Report covers the Fiscal Year which ended on 30th June 1986, and which was the second year in IFC's current Five Year Program. This year, 1986, also marks the 30th anniversary of the founding of the International Finance Corporation, and the Report summarizes the progress IFC has made in its 30 year history.

The expansion of the Corporation's activities, in line with the Five Year Program, continued strongly during the Year. At the same time, the IFC developed a number of new initiatives, complementing its traditional activities. These will enable the IFC to provide new financial services to its developing country members, while at the same time continuing the Corporation's main role of assisting in the financing of private sector projects. The new activities include advisory services and expanded technical assistance, the application of new financial services and instruments and generally enabling developing countries to benefit more from innovation in financial markets. IFC thus becomes more like an investment bank with a development purpose.



The $650 million capital increase approved by the Board of Governors in December 1985 raised the total authorized share capital of the Corporation to $1.3 billion. By June 30, 1986, 36 of IFC's 128 member countries had subscribed to their full allocations of shares. By the same date, first payments of $60 million had been received by IFC.

At the close of the Fiscal Year, 85 new investments were approved by the Board of Directors, compared to 75 in FY85, and $710 million of investments for IFC's own acccount approved by the Board was up 17 percent over the previous year. Total investments, including participations, were $1,156 million, compared to $937 million in FY85. Net income for the year was $25.4 million, compared to the $28.3 million reported last year.

At June 30, 1986, IFC held 378 investments in 72 countries, two regions and one worldwide, with a total value of $2,387 million. Although the economic outlook for many developing countries improved in FY86, the current situation remained difficult and this was reflected in the experience of a number of companies in which the Corporation has investments. In the Corporation's portfolio, the level of non-accrual of interest income on loans and provisions for losses was somewhat higher in FY86 than originally expected, reflecting this environment. Action intensified during the Year to deal with these problems. At the same time, the trend towards stronger support for the private sector on the part of many developing country governments continued.

Issues related to private sector involvement in the economic recovery of developing countries received considerable public and media attention during the past year. In the initiative launched in Seoul in October 1985, U.S. Treasury Secretary Baker called for increased lending by commercial banks in the developed countries on the basis of sound economic programs, including increased scope for private sector growth. Many developing country governments continued to follow policies designed to encourage the private sector and attract foreign investment. The privatization of state-owned enterprises is a subject of growing interest. IFC is well placed to assist governments in the process of privatization, with expert advice and assistance in restructuring of enterprises and the sale of assets. In providing this service, it can act

International
Finance
Corporation

FIRST ANNUAL REPORT
1956-1957

THE INTERNATIONAL FINANCE CORPORATION was established on July 24, 1956, when 31 countries, with capital subscriptions totaling $78 000,000 had fulfilled the membership requirements of the Articles of Agreement.

The Inaugural Meeting of the Board of Governors of the Corporation was held in conjunction with the Annual Meeting of the International Bank in Washington, D. C., on September 27, 1956. A report covering the period from July 24 to September 15, 1956, was submitted to the Board of Governors at that meeting.

On September 10, 1957, the Corporation had 51 member countries, whose subscriptions totaled $92 million, as set forth in Appendix D. All the capital due has been fully paid with the exception of $590,000 which has been owed by Egypt since August 23, 1955. Additional applications for membership in the Corporation had been received from Afghanistan, Ghana, Libya and Malaya.

As received, the capital has been invested in United States Government obligations with maturities up to five years. Gross income from these investments to June 30, 1957, was $2,408,000, and after deduction of operating expenses of $733,000, net income for the year was $1,675,000. The balance sheet and the statement of income and expenses are attached as Appendices A and B.

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in collaboration both with the World Bank and with private institutions. IFC intends to expand its activities in this field.

The Corporation's new investments in FY86 covered a wide range of industries, including a continued expansion of investments in the food and agribusiness sector, and new investments in a wide variety of industries including textiles, oil and gas exploration and development, tourism, petrochemicals, pharmaceuticals, and automotive industries, mining and financial institutions. This year IFC approved its first investments in Grenada, Mozambique and the Seychelles.

FY86 was the second year in which IFC borrowed directly on the markets to complement its borrowings from the World Bank. The total amount borrowed during the Year was the equivalent of U.S.$350 million compared with $130 million in FY85. These funds were raised through seven borrowings, involving US dollars, Deutsche mark, Swiss francs and ECUs. Borrowings in the latter part of the Year allowed the Corporation to take advantage of lower market interest rates in various currencies and, thus, to offer lower interest rates to its clients. The Corporation was able in all its operations to borrow at highly competitive rates. While IFC will continue to rely on the World Bank as its major source of borrowed funds, the policy of borrowing a part of its requirements from the international capital markets provides the Corporation with greater flexibility in its activities.

To meet the particular needs of sub-Saharan Africa, IFC, in cooperation with the United Nations Development Programme and the African Development Bank, launched the Africa Project Development Facility (APDF) in May 1986. The APDF will help African businessmen and companies to develop sound investment projects and to find financing for these projects. The facility, which will be managed by IFC, will operate out of offices in Nairobi and Abidjan. Funding for the APDF has been provided by the United Nations Development Programme, the African Development Bank, IFC, and twelve donor countries.

One of the highlights of FY86 was the launching of the Emerging Markets Growth Fund, another example of IFC's growing role in the promotion of portfolio investment in developing countries. The Fund will invest in publicly listed shares in certain developing countries. It was established with the participation of a group of large institutional investors from the United States, Western Europe and Japan.

During the year IFC expanded its activities in the field of advice to member governments on foreign investment. The Foreign Investment Advisory Service assists governments of developing countries in creating the framework of policies and institutions necessary to attract and regulate direct foreign investment. The service the Corporation offers is based on many years of practical experience of investing in developing countries, often in collaboration with foreign investors. Activities in this area and others related to

The Past Ten Years

(US$ millions)

Fiscal Years	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
OPERATIONS										
Approved Investments										
number of projects	34	41	48	55	56	65	58	62	75	85
number of countries	21	31	33	30	34	31	36	37	38	39
amount (gross $)	259	338	425	681	811	612	845	696	937	1,156
total project costs	1,228	1,872	1,714	2,377	3,340	2,936	2,894	2,473	2,768	3,588
Cumulative Approvals										
number of projects	388	429	477	532	588	653	711	773	848	933
amount (gross $)	1,808	2,146	2,571	3,252	4,063	4,675	5,520	6,216	7,153	8,309
total project costs	9,190	11,062	12,776	15,153	18,493	21,429	24,323	26,796	29,564	33,152
syndications	548	688	890	1,157	1,559	1,747	2,166	2,471	3,125	3,571
Investment Held										
number of firms	200	225	253	288	314	333	341	349	366	377
loans	704	799	889	1,159	1,374	1,551	1,588	1,644	1,748	2,001
equity	160	184	223	245	273	284	294	346	368	386
total	864	983	1,112	1,404	1,647	1,835	1,882	1,990	2,116	2,387
RESOURCES AND INCOME										
Capitalization										
borrowings	445	462	455	438	509	531	536	582	825	1,223
paid-in capital	108	144	229	307	392	497	544	544	546	602
accumulated earnings	87	100	119	140	159	181	204	230	258	284
Earnings										
net income	8.9	12.5	19.2	20.7	19.5	21.6	23.0	26.3	28.3	25.4

foreign investment promotion will be coordinated with the Multilateral Investment Guarantee Agency (MIGA), once this new World Bank agency becomes operational.

During the Year the Corporation embarked on a promotional program to increase awareness of investment opportunities in developing countries among corporations and financial institutions in the industrialized countries. The aim of this program is to identify new potential investment partners and to broaden understanding of IFC's services and facilities. The program includes the use of advertising and a selective program of contacts with corporations. IFC is also seeking closer cooperation with banks and other financial institutions, finding opportunities for investments and arranging financing through syndications and other techniques.

The Corporation aims to promote investment in developing countries by introducing new financial techniques. An example is the initiative known as the Guaranteed Recovery of Investment Principal, or GRIP. This concept offers investors guaranteed protection of principal in equity investments made through IFC after an agreed period, plus participation in dividend income and capital gains.

Corporate restructuring assistance to existing private sector enterprises was a feature of the Five Year Program and is well under way. In FY86, 15 restructuring investments were approved, compared with four in FY85. Six of the current projects are with private companies with which IFC had not previously invested, compared with one in FY85.

During FY86, IFC continued to give priority to its program in Africa. Apart from the APDF initiative, 24 investments were approved during the Year with IFC investment estimated at $117 million. This represents a 33 percent increase in number and a 9 percent increase in volume compared with FY85. Five of these projects were in the financial markets sector.

Another special emphasis in the Five Year Program is the development of financial markets. The one noteworthy activity in this field during FY86 was the establishment of several equity lines and credit lines with banks and venture capital companies designed to provide help to small and medium-sized businesses in Kenya, Pakistan, Cote d'Ivoire and Argentina, and the launching of the Emerging Markets Growth Fund discussed earlier.

IFC continues to believe that it should aim to sustain energy resources in developing countries and provide the impetus for oil industry activity in these countries, partly by financing exploration. The sharp decline in energy prices and uncertainty about the longer term price outlook within the industry has naturally affected IFC activities in this field. However, this mission is still relevant, although care is needed to ensure that new investments must naturally be based on realistic expectations about oil prices. Energy-related projects for a total value of $193 million were approved by the Board of Directors during FY86.

In FY87, the Corporation expects to continue to expand its investment activity in spite of persisting economic difficulties in many member countries. This continued expansion reflects the aims of the Five Year Program. The Corporation will also continue developing new initiatives that will help IFC meet the changing needs of its member countries.

Investment Climate

The international economic situation has changed dramatically in the last twelve months. Some of the most important changes have been so recent that their effects on economic growth, and on the climate for private investment in developing countries, have not yet been fully felt. It is clear, however, that the major changes have been good for many—but by no means all—developing countries:

- As oil prices fell, the terms of trade of most non-fuel-exporting developing countries improved, some dramatically; for fuel exporters, of course, the fall in oil prices has been damaging.
- Declining interest rates have eased everyone's debt service burden.
- The fall in the value of the dollar has also reduced the real burden of the foreign debt of most developing countries.

There has also been an important step forward in thinking—expressed in the Baker proposals and elsewhere—from short-term emphasis on crisis management of the international debt problem to a longer-term focus on adjustment and growth. However, despite this welcome change, neither commercial bank lending, nor foreign private investment, nor total net capital flows to developing countries have yet risen from their low levels of the last few years.

Thus, the outlook has improved for many developing countries and become dramatically worse for some. But the current situation is that the severe financial constraints on most developing nations have not yet abated. These constraints have induced policy shifts, many of great importance, in most of the countries. Not least among these shifts are policies meant to place increased reliance on the private sector. The final section of this chapter reviews these policies and their prospects, and discusses what is needed to make them work.

The International Environment

For the developing nations, the big news items in international markets during the last year have been drops—the drop in crude oil prices from around $28/barrel in mid-85 to a range around $15 in mid-86; the continued drop in nominal interest rates, from over 10 percent at the end of 1984 to about 8 percent in mid-85 and further to about 7 percent in mid-86 (6-month US dollar LIBOR); and the drop in the value of the dollar itself, about 20 percent in real terms over the last year.

Except for coffee, most commodity prices fell, and so even the non-fuel-exporting developing countries experienced declining terms of trade in 1985—although this movement has reversed and the IMF projects a 3.6 percent increase for 1986. The developing countries as a group ran a somewhat larger current account deficit in 1985, but this was financed not by increased capital inflows (which actually declined), but rather by a reduction in reserves and in capital flight. Industrial country economic growth slowed significantly—from 4.7 percent in 1984 to 2.8 percent in 1985—although again, the effects of the drop in oil prices and in interest rates in 1986 should produce an upturn soon. Growth in the developing countries fell from 4.1 percent in 1984 to 3.2 percent in 1985, with the fuel-exporters' gross domestic product falling slightly (-0.1 percent) and the non-fuel exporters growing at a relatively healthy 4.8 percent.

The most hopeful events on the international financial scene were:

- Steps taken by the industrialized nations to improve the coordination of their economic policies, and to redress imbalances in their exchange rates.
- The recognition, as expressed in the Baker initiative and elsewhere, that when heavily-indebted countries adopt sound policies for efficiency and growth, arrangements should be made to provide them with sufficient resources to permit them to achieve reasonable levels of growth along with the servicing of their debts.
- The "Structural Adjustment Facility" scheme to lend IMF Trust Fund reflows to needy low-income countries on concessional terms.

The Developing Economies

The changes just described are of course affecting IFC's developing member countries in different ways. The sharpest and most obvious effect is the deterioration in the circumstances of the middle-income fuel exporters—including the Congo, Ecuador, Egypt, Indonesia, Mexico, Nigeria, Syria, Trinidad and Tobago, Tunisia and Venezuela. Many of these countries were already in financial difficulties following the cessation of new lending by commercial banks in 1982. As of a year ago, however, things were looking up for many of them. Now the recent fall in oil prices has compounded their problems. The pressures of continued structural adjustments and containment of domestic demand will probably depress the business climate in most of these countries for the next year or two.

For most of the other developing countries, the outlook for private sector growth is better now than it was one year ago—although of course there are a few exceptions. For example, several countries that had large exports of goods and services to the oil exporters are now experiencing drastic declines in such flows. The middle-income fuel-importing countries are now benefiting considerably from the drop in oil prices and the drop in interest rates—although interest rates are still high in real terms. Most of these countries suffered to some extent during 1985 from the weakness in industrialized countries' demand for manufactured exports, and from the slight fall in the prices of most standardized commodities. However, many of these countries have also improved their economic policies; in particular, additional attention has been paid to reducing inflation in some of them, including drastic reforms in Argentina, Bolivia and Brazil. In the low-income countries, the declines both in oil prices and in interest rates are less important, but still welcome events. Against the continued weakness in prices for most of their exports, hope is to be found in the end of the drought in much of sub-Saharan Africa, improvements in policies in many countries, and the new concessionary funds to be made available by the IMF Structural Adjustment Facility.

On balance, economic conditions for private businesses in most of the non-fuel-exporters are still dominated by depressed export revenues, scarce credit and weak demand. In the heavily-indebted members of this group, the burden of servicing the debt aggravates these problems. But these conditions can be expected to improve as the impact of the recent favorable events just mentioned begins to be felt, and as many developing countries give increased scope to their private sectors.

Emphasis on Private Sector Development

After the Second World War ended, the conscious objective of economic development took hold, for the first time, throughout the world. In the poorer countries that already were independent, and in the new countries that gained their independence, virtually all governments wanted to take action to promote development. Many of these governments saw weak or barely existing private sectors, at least in what was seen as the "modern" areas of manufacturing, trade and services. They formed publicly owned entities for these activities, to do what they feared the private sector would not do. Other governments, committed to socialist organization or otherwise concerned to avoid concentrations of wealth and power in private hands, also formed parastatal companies, and enacted laws and regulations to inhibit what they feared would be abuses of unfettered private development.

Now, after several decades of experience with a variety of state interventions and regulations, many governments have begun to look to the private sector to play a more prominent role in their countries' development. This shift in emphasis does not imply any change in the governments' committments to the goals of development. It is, rather, a question of using a better-balanced set of instruments to achieve those goals; of having public and private sector activities complement each other more effectively by each concentrating on what it can do best. The causes of this shift include the recognition of the above-average growth rates that have been achieved by those developing countries that did encourage the private sector. They include severe financial constraints resulting from reduced inflows of capital from abroad, and increasing government budgetary problems, that make it impossible to support the losses of inefficient parastatals. The shift reflects an increasing concern for efficiency in a period of heightened scarcity of resources.

A remarkable aspect of the increased reliance on private sector modes of organization is its occurrence in the most disparate places. It is taking place in all regions of the world, in countries at all levels of income and of different political complexion.

Among the more attention-catching of the developing countries' efforts to increase their reliance on the private sector have been programs to move parastatals to private ownership and/or to private operation ("privatization") and efforts to increase foreign private investment. Not always so remarked upon, but even more important, has been the adoption of more general measures to lay the groundwork and provide support for steady and efficient growth of the private sector. In some cases, these initiatives have so far been only partial, and sometimes have been introduced in an ad hoc manner without taking into account the relevant overall macroeconomic and policy linkages. Results in these cases have often fallen short of expectations. Even where policy changes have been coherent and well coordinated, the necessary adjustments have been difficult and the benefits take more time to appear.

IFC is in an excellent position to assist member countries that wish to promote the development of private sector activities in ways that will be efficient and contribute to their countries' development. It stands ready to assist in privatization, in attracting foreign private investment, and, most important, in helping to design policies, to strengthen institutions and to provide finance that will support the development of the indigenous private sector, throughout all branches of the economy. These are developments that take time, that will require patience and perseverence by all concerned. It would be unfortunate if these efforts were to be abandoned because poorly designed programs or overly optimistic expectations led to unsatisfactory results.

Privatization: During the past several years, countries as diverse as Chile, Guinea, Malaysia and Turkey have moved to privatize significant segments of their public enterprises. The goals and modalities of privatization differ, but the basic objective is to make public sector enterprises more efficient—by exposing them to market discipline, by rationalizing the multiple and conflicting objectives that prevent some of them from doing a good job on any objectives, and by providing them with the management and the outside supporting institutions that they require to function. Privatization can be implemented in a variety of ways, including sale to another company, sale of stock to many investors on the open market, transformation of the parastatal into a joint venture through sale of only part of the ownership, sale of assets, lease of assets, or management contract. The most appropriate form will vary from country to country and from company to company.

In the majority of cases, privatization is a difficult undertaking. Insufficient domestic savings and poorly developed capital markets in many countries make it difficult to finance the transactions. Managerial and technological skills are often scarce. Political difficulties and vested interests sometimes impede the reform of pricing policies, overstaffing, subsidies and other forms of protection that have caused or supported the weaknesses that privatization is supposed to address. But the potential economic gains that can follow from addressing these problems successfully are substantial.

Foreign Private Investment: In the last few years there has been a renewed interest in foreign private investment, in countries as different as China, Ghana, Korea, Mexico, Turkey and the Andean Pact nations. This interest has extended both to direct investment, where the foreign investor obtains a significant amount of control of the company, and to portfolio investment where the investor's share in the enterprise is minimal and gives him no control.

The amount of foreign private investment in developing countries (almost all of it direct rather than portfolio) accounted for about one-fourth of all capital flows to the developing countries in the 1960s and early 1970s, before commercial bank lending grew to such high levels. From 1967 through 1982 it grew in real terms at an annual rate of over 5 percent, peaking at almost $15 billion in 1981. Since 1983 it has stagnated at around $10 billion per year. But the contribution of foreign private investment goes beyond just the money involved. It has furnished technical and managerial know-how, and recently has come to facilitate manufactured exports, as trans-national corporations locate different production facilities in a variety of countries throughout the world.

Most foreign private investment has been concentrated in certain countries and in certain sectors, and will probably continue to be so. During the 1970s only eight countries were the recipients of almost the entire amount that went to all the developing countries. However, the smaller absolute amounts that went to some of the smaller countries have also made significant contributions there. Foreign private investment aimed at domestic markets tends to go into large countries and into process industries such as cement, metals or chemicals; high-tech industries such as transport equipment; or brand-name consumer nondurables such as pharmaceuticals. Foreign private investment aimed at export markets either follows natural resources, or tends to go into countries, and industries such as electronics and clothing, where low-cost, efficient labor provides an important cost advantage.

Foreign private investment, like any private investment, requires complementary infrastructure and human capital. These must be financed by resources additional to the foreign private investment itself. Moreover, foreign private investment tends to respond to increases in demand or other opportunities; therefore it is more likely to follow a renewal of prosperity in the developing countries, rather than to lead it.

For all these reasons, foreign private investment cannot be expected to make up for most of the decline in other capital flows to the developing countries. Nor will it substitute for inadequate levels of domestic saving. It has many things to contribute, including capital as such, but the other sources of finance, as well as a basically stable and prosperous environment, are necessary complements to it.

The Overall Environment: The essential element, the sine qua non of successful private sector development, has to be the local entrepreneur and businessman. It takes not only the right environment, but also time for these actors to develop. It took time in the industrialized countries, it is taking time in the "newly-industrializing countries" that are at the top of the income-level ladder among IFC's developing member countries, and it will take more time in the low income countries. A healthy, prosperous and modern private sector cannot be created in a single year. It requires laws and regulations to lead it in the proper directions, but also freedom from over-regulation and unnecessary constraints. It takes government support, but not excessive coddling. It takes stable rules of the game. Economically, it takes sound fiscal and monetary policies, reasonable exchange rates, well-functioning financial institutions, decent physical infrastructure, education and training, and reasonable labor policies. No rhetoric, marketing programs or special incentives can make up for the absence of these conditions. Businessmen and governments must work together in designing these policies and institutions, and must be prepared to continue to work on them and support them for as long as they wish development to proceed.

The Year's Operations

Investment Approvals: During the Fiscal Year, the Board of Directors approved 85 investments in 39 developing countries and one worldwide in scope. Of this, it is expected that $710 million will be invested for IFC's own account and $446 million will be syndicated, or sold, to other investors.

Of the total, $1,070 million was for loans and $86 million for equity investments. Of the equity, $4 million was approved for the exercise of rights issues by firms in which IFC already has equity investments. Of the loans, 13, totalling $139 million, involved corporate restructuring.

The Corporation estimates that the total capital costs of approved projects it will help to finance will be more than $3,588 million. This means that for every dollar invested by IFC for its own account, others will invest more than four dollars.

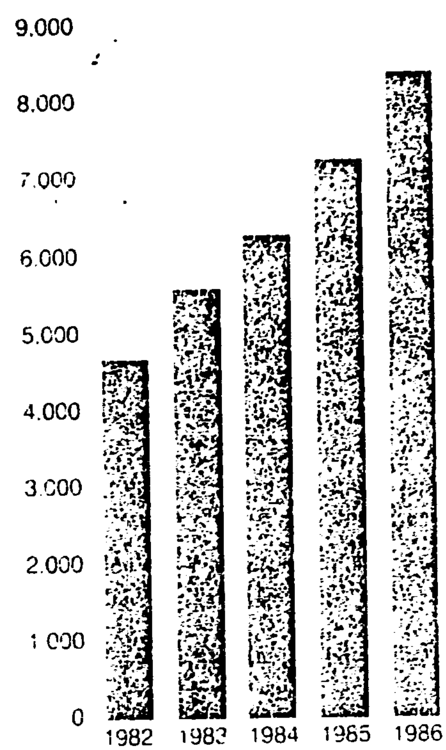
Loans were made at market rates with the typical US dollar fixed rate loan priced at 10.375 percent at year's end for an average life of seven to eight years with a grace period of four years. Maturities of IFC's loans are set to conform with the nature and needs of each project and this year they ranged between 7 years to 12 years.

Over 26 percent of the loans approved by the Board were priced at variable rates, with 43 percent of US dollar denominated loans being so priced. The agreed rates ranged from 1.90 to 2.32 basis points over six-month LIBOR or its equivalent, in addition to appropriate levels of front-end and commitment fees.

The Corporation continued its policy of offering, at the election of its borrowers, loans denominated in currencies other than US dollars. While the majority of loans were still in US dollars, the growth in the use of other currencies continued. For loans approved this Fiscal Year, the currency mix was (in millions of US dollar equivalents):

US dollars	$587.2
Japanese yen	$310.4
German Deutsche mark	$ 85.9
Swiss francs	$ 54.5
UK pounds Sterling	$ 1.5
Other currencies	$ 30.4

Cumulative IFC Investments Approvals
US$Millions



Supplementing its loans, equity and equity-like instruments, the Corporation also provided clients with a broad range of other financial services. During this Year, they included underwritings, guarantees, standby arrangements and swaps.

Non-financial services have always been a significant activity for IFC and it is estimated that up to one-third of IFC's total staff effort is expended in technical assistance to clients through its project investment work. This is in addition to the usual analytical and technical work needed by commercial lenders and investors to reach an investment decision. IFC has generally provided this level of extra services to clients free of charge, while similar services are a source of substantial income for other international lending institutions. To come more in line with market practice, during FY86 IFC sought opportunities to charge fees in cases where the level of services went significantly beyond the level normally provided as part of IFC project financing services. Special service fees generated about $3.9 million in income for IFC in FY86.

International
Finance
Corporation

FIRST ANNUAL REPORT
1956-1957

OPERATIONS

INQUIRIES AND PROPOSALS

The Corporation has received a large number and variety of inquiries and proposals with reference to possible investments in many of its member countries. As was inevitable with a new type of international financial organization, many inquiries have been based on a misunderstanding of its purpose, which is to use its funds for investment in private enterprises, and not to finance transactions such as export credits, installment sales, ship mortgages, and the like.

Other inquiries involving commercial or agricultural projects have been declined in view of the Corporation's policy to confine its activities, in the earlier years, to the field of industrial enterprise, which includes processing of agricultural products and mining.

In addition to the proposals which were outside the scope of the Corporation's activities, numbers of others were vague ideas rather than specific proposals, and had to be declined until they could be put into more tangible form. Where appropriate the Corporation has sought to make suggestions on how this might be accomplished.

The Corporation has also had correspondence and discussions with a large number of industrial firms, financial groups and individuals regarding the Corporation's policies and operations. Many of these are large European and United States companies with long experience in the foreign field, as well as a wide variety of smaller concerns, some of which are considering foreign operations for the first time.

There has also been wide-spread interest, and a number of specific proposals, originating from the less industrially developed countries, in which the Corporation expects to concentrate its investments.

A number of investment proposals which at first appeared promising showed, after investigation, weaknesses of various types making them unsuitable for IFC financing. On the other hand, several proposals on which considerable work was done were postponed or withdrawn by the sponsors for various reasons. Some decided to do the entire financing themselves; some secured financing from other sources. A few have been withdrawn because of inability to agree on financial terms.

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All these factors make it difficult to be specific regarding the number of applications for investment received by the Corporation. However, as a rough approximation, there are now before the Corporation between 25 and 30 proposals which appear to be within the scope of its operations and which offer reasonable prospects of being suitable for investment. The largest number of these proposals concerns projects located in Latin America; a somewhat smaller number is for projects in Asia and the Middle East with relatively few in other areas. The proposals include projects for pulp, paper and forest products; textiles; agricultural, industrial and construction machinery; engineering; chemicals; food processing; cement; mining; and printing.

The projects now under consideration are in various stages of study relating to the character, ability and experience of the sponsor, provisions for management, market prospects, engineering and other technical features, proposed financing, and prospects of profitable operations. It is, of course, necessary also to take into account the general situation in the country in which the investment is to be located, together with the laws and regulations which would apply to the proposal.

INVESTMENTS

As of September 10, 1957, the Corporation had entered into four commitments totaling the equivalent of $5,320,000 as follows: $2 million investment in Siemens do Brasil Companhia de Electricidade, in Brazil; the equivalent of $600,000 in Engranes y Productos Industriales, S.A., in Mexico; $2.2 million in Empresa Minera de Mantos Blancos, S.A., in Chile and the equivalent of $520,000 in Bristol de Mexico S.A., in Mexico.

Siemens do Brasil Companhia de Electricidade, in Brazil

On June 20, 1957, the Corporation reached an agreement, subject to completion of the necessary legal formalities, for a $2 million investment in Siemens do Brasil Companhia de Electricidade. Siemens do Brasil is owned by Siemens of Germany, the largest manufacturing enterprise in that country.

The Corporation's investment, together with the equivalent of $8.5 million being invested by Siemens of Germany, will be used to expand

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Syndications: The Corporation continued to seek out commercial banks and other financial institutions to join in loan syndications and parallel financing. This Year, some $446 million in loans by IFC were syndicated with such institutions.

Disbursements

During the Year, an equivalent of $324.8 million was disbursed against committed loans and equity investments. Of this, $292.5 million was for loans and $32.3 million for equity. In addition, $140.4 million was disbursed for participants in financings which the Corporation manages.

Total disbursements of $465.2 million were $114.8 million larger than the previous year. Sales from the portfolio and repayments to IFC and participants during the Year amounted to $365.3 million so that net disbursements totaled $99.9 million.

Financial Results

Net Income

Net income amounted to $25.4 million, compared to the $28.3 million reported in Fiscal Year 1985. All of the net income was added to accumulated earnings.

Income and Expenses

The Year's operating income of $210.4 million was $37 million higher than the previous year's.

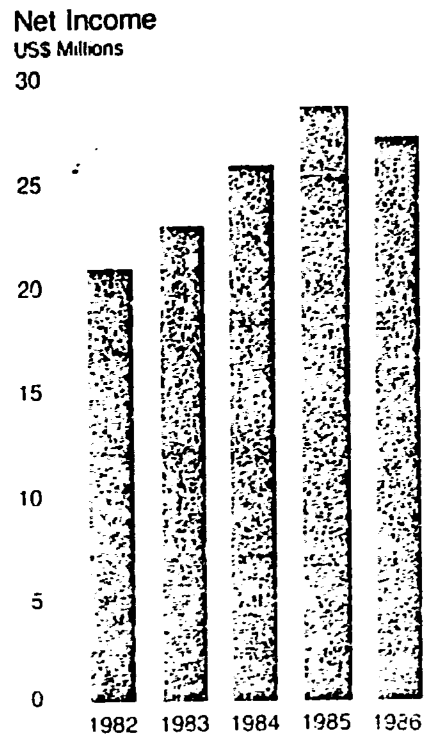
In addition to the increase in operating income from normal operations, IFC enjoyed a significant increase in income from deposits and securities. This was due to profitable investment of the proceeds of its borrowings from private capital markets. The short-term investments of IFC's funds were managed by the World Bank.

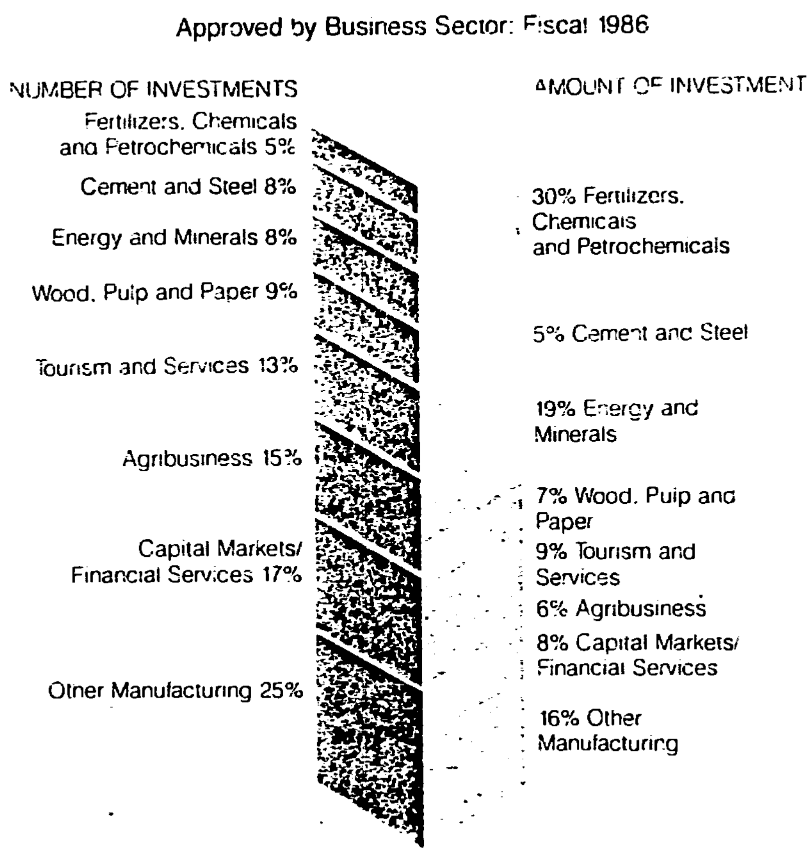
Consistent with its policy of revolving its equity portfolio, i.e., selling its stock in mature companies so as to free up resources to invest in new ventures, IFC sold 12 equity investments made at a cost of $33.8 million, realizing a capital gain of $13.6 million.

Sources of Income (US$ millions)	FY86	FY85
Interest from loans	$174.0	$13[illegible]
Dividends and profit participations	12.5	[illegible]
Realized gains on equity sales	13.6	[illegible]
Commitment fees and other	[illegible]	[illegible]
[illegible] from deposits and securities	[illegible]	[illegible]

Operating expenses rose $39.9 million over the previous year to $184.0 million. About $20.2 million of the increase was due to higher financial charges on borrowings which this Year amounted to $83.7 million.

Reflecting in part the Corporation's increased business activities, administrative expenses increased by $8.7 million over the previous year to $60.2 million.





However, out of every dollar of operating income, administrative expenses accounted for 28.6 cents.

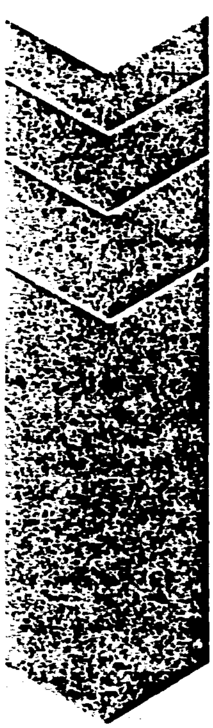
Charges against operating income for reserves against losses increased. This Year, about $39 million was added to the reserve against losses as compared to $29.4 million the previous year.

Financial Resources

Borrowings

While it continues to rely on the World Bank as a principal source of borrowed funds, the Corporation borrowed $350 million from the international capital markets, meeting a portion of its needs, by raising funds through seven private placements. This was possible because of sharp interest rate declines, particularly during the second half of the Fiscal Year, and the favorable reception and pricing accorded to IFC's borrowing transactions.

Payments:
Fiscal Year 1986



Of the seven FY86 borrowings from the international capital markets, three were denominated in US dollars, placed in off-shore markets; two were denominated in Deutsche mark and placed in the German domestic market; and one each was placed in two new markets for IFC: European Currency Units (ECU) issued and sold in France, Belgium and Luxembourg; and Swiss francs issued in Switzerland. The Corporation was assisted in these borrowings by leading financial institutions that were well established in those markets. IFC swapped its ECU issue and one of its fixed rate US dollar issues into floating rate US dollar funds, on a LIBOR basis, at very advantageous costs.

Underwriters of IFC Market Borrowings

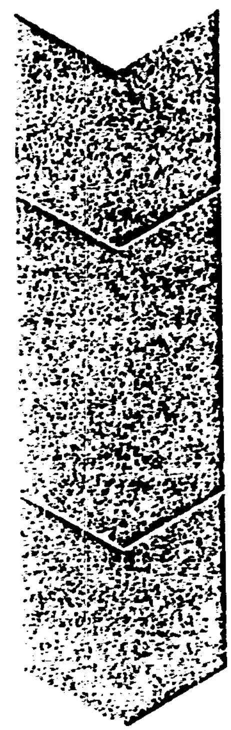
Lead Managers
Bayerische Vereinsbank, Aktiengesellschaft
IBJ International Limited
Deutsche Bank, Aktiengesellschaft
Credit Commercial de France
Deutsche Bank Capital Markets Limited
Yamaichi International (Europe) Limited
Credit Suisse

Co-Managers
Commerzbank
Bank Leu Ltd.
Banque Bruxelles Lambert S.A.
Banque Indosuez
Banque Internationale a Luxembourg S.A.
Banque Generale du Luxembourg S.A.
Banque Nationale de Paris
Bankers Trust International Limited
Berliner Handels-und Frankfurter Bank
Credit Agricole
Credit du Nord
Credit Suisse
Caisse des Depots et Consignations
Credit Industriel et Commercial de Paris
Handelsbank N.W.
Kredietbank International Group
Morgan Grenfell & Co.
Morgan Guaranty (Switzerland) Ltd.
Swiss Volksbank
Swiss Cantonalbanks
Verwaltungs-und Privat-Bank AG
Wirtschafts-und Privatbank

The Corporation borrowed from the market whenever it could do so at costs comparable to or lower than those of obtaining the same currencies from the World Bank. The market borrowings enabled the Corporation to reduce its cost of funds and lending rates significantly. Thus, IFC's fixed lending rate in US dollars was lowered by 300 basis points during FY86. The lending rates in other currencies, such as the Deutsche mark and Swiss franc, were also significantly reduced.

During the Year, the Corporation also borrowed $150 million in various currencies from the World Bank. Repayments during the Year amounted to $49.1 million and drawings on World Bank loans totaled $94.4 million. Total outstanding borrowings from all sources increased from $1,300 million at the end of FY85 to $1,918.1 million.

Receipts:
Fiscal Year 1986



Capital and Accumulated Earnings

The Board of Directors' resolution to increase the capital stock of the Corporation to $1.3 billion, with the authorization of $650 million in new shares, was approved by the Board of Governors on December 26, 1985. Subscriptions to the additional shares and payments of one-fifth of the total ($130 million) are to be received by the Corporation by September 1, 1986. As of the end of the Fiscal Year (June 30, 1986), subscriptions totalling $350 million of the capital increase and payments of $60 million had been received. It is anticipated that by September 1, 1986, subscriptions to about 70 percent ($450 million) of the total and payments of roughly one-fifth of this amount ($115 million) will have been received. Subscriptions to much of the remaining 30 percent of the capital increase are being delayed by legislative and budgetary circumstances in a few IFC member countries and it is expected that most of this amount will be received early in FY87. The remaining payment periods for the capital increase run to February 1, 1987–1990.

The capital increase will provide IFC with the foundation for implementation of the second Five Year Program, which began in FY85. This program includes 7 percent per annum real growth in operations and net investment over the five year period, FY85–89, with special emphasis on sub-Saharan Africa, financial markets and institutions, corporate restructuring and energy exploration. During FY87 the Five Year Program will be reviewed with the Board of Directors to determine whether any shifts in direction or emphasis may be warranted by recent or foreseeable changes in the international economic environment and the needs of the private sector in IFC's member countries.

The entire $25.4 million of net income was added to accumulated earnings, bringing the total up to $283.8 million. With paid-in capital of $601.8 million, the Corporation's net worth equaled $885.6 million, up from $804.2 million at the end of the previous Fiscal Year.

Portfolio

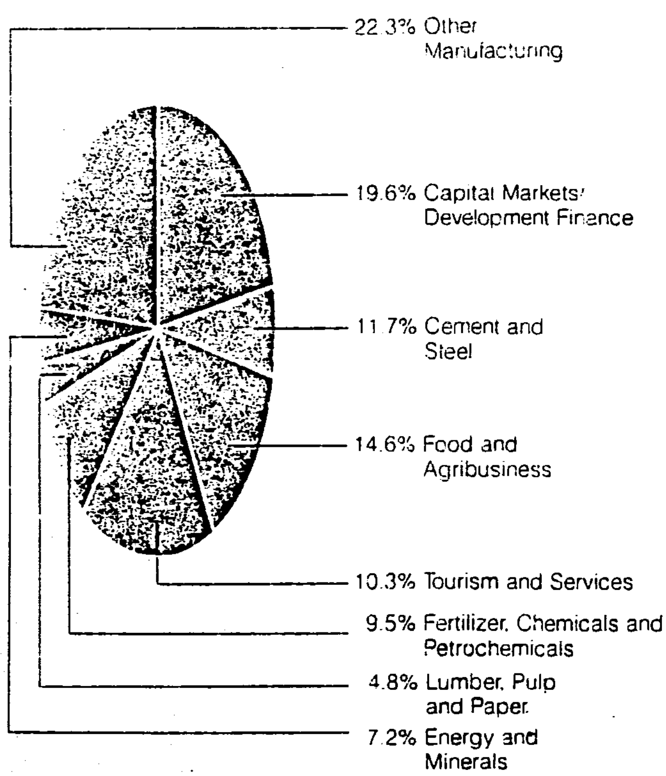
Status: At the end of the Fiscal Year, IFC's portfolio contained loans and equity investments in 377 companies located in 72 developing countries and two regions, and one investment worldwide in scope. The total value of the portfolio was (in millions of US dollars):

Loans for IFC's account	$2,001
Equity for IFC's account	[illegible]
Total undisbursed	[illegible]
Total disbursed portfolio	[illegible]

The Corporation mobilizes funds from commercial banks and other financial institutions through loan participations and administers such loans on behalf of the participants. During the year, the Corporation called and disbursed $140.4 million of participants' funds

New commitments for the Year totalled $681.2 million. After taking account of repayments, cancellations and write-offs, the net increase in the portfolio was

Portfolio
Number of Ventures by Sector



As of June 30, 1985

$271 million. This net increment reflects an increase of $252.8 million for loans and $18.2 million for equity for IFC's account. There was also a reduction in the portfolio managed for participants of $147.8 million.

Loan repayments amounted to $174.3 million and $172.4 million of investments was sold. While adding 40 new companies to the portfolio during the Year, in 29 cases loans were repaid, equities sold or investments written off.

Arrears and Write-Offs: The Corporation has paid particularly close attention to the performance of its portfolio. The incidence of write-offs and arrearages on repayments of principal and charges increased during the period. After write-offs, interest payments overdue more than 60 days were 4.7 percent of total disbursed loans at the end of the Fiscal Year, the same as in the previous year. 27.2 percent of the companies in IFC's portfolio were in arrears. This reflects mainly the cumulative effect of companies with long-term arrears remaining in the portfolio while the Corporation provides technical assistance to help them resolve unusual difficulties. In most cases the difficulties with the portfolio could be traced to the general adverse economic conditions which have prevailed over the past several years.

IFC supervises the portfolio continuously. All companies in which IFC invests are required to submit quarterly financial statements to the Corporation. Almost one quarter of the Corporation's administrative expenses goes to portfolio supervision. This includes providing work-out assistance to companies facing unusual difficulties as well as the efforts of a special unit established within the Corporation to resolve particularly difficult jeopardy cases. The Corporation has further strengthened the mechanisms for monitoring the portfolio.

Losses written off by the Corporation since its founding in 1956 on investments held for its own account have amounted to $51.9 million against disbursements over the same period of $2,993.8 million. Loan losses were 1.1 percent of its disbursed loans and equity losses 5.4 percent of its disbursed equity. During the Year, 12 write-offs against the reserve for losses amounted to $18.1 million. Adequate reserves had already been set aside for such eventualities.

Reserve Against Losses: The Corporation follows a conservative policy of building an adequate reserve against losses by charging income with a provision for losses following an extensive semi-annual review of the portfolio. Reflecting mainly the difficult business climate in many developing countries, $39 million was added to the reserve compared with $29.4 million added during the previous year.

Total reserve after write-offs stood at $177.7 million at Year-end against loans and equity commitments outstanding of $1,768 million. Thus, by the end of the Year, the reserve was 10.0 percent of the total disbursed portfolio as against 10.0 percent the previous Year.

Sales from the Portfolio: During the Year, $33.8 million of equity was sold from the portfolio. On these sales, the Corporation realized a gain of $13.6 million.

Consistent with IFC's policy to encourage and broaden local ownership in the private sector, most of the portfolio sales were undertaken in the countries where IFC investments were located.

The Year's Investments

Regional Distribution: The 85 projects approved by the Board of Directors during the Year were located in 39 countries, plus one that was global in scope. The previous year, 75 investments were made in ventures in 38 countries and in one region.

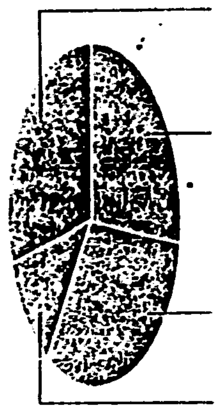
In FY86, IFC approved investments for the first time in three countries—Grenada, Mozambique and the Seychelles. The Corporation also approved investments in two other countries where it had not made investments during the prior three years. Of the total approved investments of $1,156 million, 33, with a total value of $295 million, were located in countries with a per capita annual income of less than $800. These investments accounted for 39 percent of the investments that IFC approved this Year and 26 percent of the amount approved.

Regionally, investments were distributed as follows:

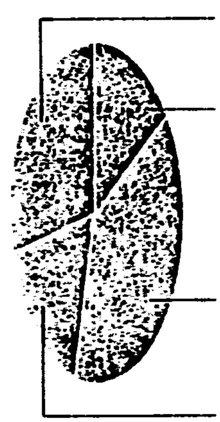
	Dollar Volume (US$ millions)	Number of Projects
Africa	$117.1	24
Asia	$478.1	22
Latin America and the Caribbean	$366.5	28
Middle East/Europe	$185.9	10
Worldwide	$ 8.7	1

Regional Distribution of IFC Investments: Fiscal 1986

NUMBER OF PROJECTS



AMOUNT OF INVESTMENT



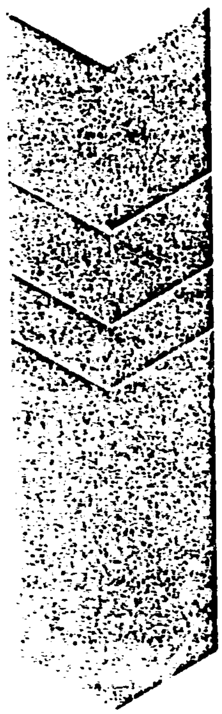
The continued diversification of investment activity is in part due to IFC's more intensive promotional efforts in both the developed and developing worlds. In the latter, project promotion has been concentrated on some of the smaller and poorer member countries. About 16 percent of IFC's administrative expenses were dedicated to promotional efforts last Fiscal Year.

Sectoral Distribution: The Corporation continued to seek out and invest in a wide variety of business and financial institutions. This is particularly important because, in all ventures, the Corporation tries to respond to the specific needs of, and circumstances prevailing in, each of its member countries.

Investments in food and agribusiness, which has been an important sector for IFC investments, amounted to $64.7 million for 14 ventures. This compares with last Fiscal Year's 13 food and agribusiness investments amounting to $59.3 million.

Capital markets projects also accounted for a significant part of IFC's activities—12 investments totalling $85 million. These encompassed a variety of operations including, for the first time, a mutual fund to invest in shares and other securities of companies in a number of developing countries. Previously, IFC had assisted a mutual fund investing in enterprises in just one country.

Ownership in IFC Investments
Fiscal 1986



The range of sectors represented by IFC's investments in Fiscal Year 1986 reflect the increasing diversity of the projects being undertaken by the Corporation. They included:

aluminum sulphate
bananas
cement
coal
fiberglass
financial institutions
fruit processing
health care
hydrogen peroxide
logging and sawmills
meat packing
mining and refining
motorcycles
oil exploration
poultry
pulp and paper
resorts and hotels
shrimp farming
steel for construction
synthetic rubber
textiles
tomato paste

Sources of Financing and Ownership: It is estimated that 44 percent of the total project financing came from sources within the developing countries where the projects are located. Most of the foreign funds were in the form of suppliers' credits or funding from international sources. Of the estimated $640.3 million provided by foreign commercial banks, over 70 percent was raised through the syndication of IFC loans. It is estimated that some 71 companies from industrial countries participated in one form or another in business ventures that were supported by IFC this Year. In 35 cases, foreign companies from 17 industrial countries were equity investors.

Approximately $254.7 million of IFC investments was taken up by government related financial institutions of industrial countries which specialize in providing assistance to private enterprises in developing countries. These included the German Company for Economic Co-operation (Development Company) (DEG) in eight projects, the Commonwealth Development Corporation of the United Kingdom and the European Investment Bank in four projects each, the Overseas Private Investment Corporation in three projects. Caisse Centrale and the Netherlands Finance Company for Developing Countries in two project each, and the Australian Guarantee Corporation, Overseas Economic Cooperation Fund of Japan, the Export-Import Bank of the United States, the Industrial Fund for Developing Countries of Denmark, and Swedfund in one project each.

Of the investments approved by the Board of Directors, 37 were in wholly privately owned enterprises and 48 were in mixed private/government enterprises.

Africa

Board Approvals:

During FY86, the Board of Directors approved loans and equity investments totalling $117 million for 24 African business ventures. Of the total financing approved, $107 million was for loans and $10 million for equity. $5 million of the loans was syndicated to other financial institutions.

At the end of the Fiscal Year, the Corporation held $480 million in 103 ventures in 29 African countries including one regional project: about $421 million in loans and $59 million in equity. This compares with IFC investments in 98 ventures with $348 million in loans and $69 million in equity at the end of the prior Fiscal Year. As in last year's Annual Report, the Corporation's investments in Egypt were included in the Europe and Middle East Region. The focus of IFC activity during FY86 in Africa has continued to be agro-industrial projects, light industries—in particular textiles—and natural resources.

Of this Year's approved investments, 17 percent were in the agro-industry sector, which reflects the continuing effort by most countries in Africa to reduce their dependence on imported foodstuffs. Three of this Year's agribusiness projects merit particular reference: IFC made its first investment in Mozambique, where the Government has begun to open its economy to the private sector. This was a loan of $2.5 million to LOMACO, an agricultural project which will privatize and rehabilitate several farms previously owned and operated by Government. The project will produce citrus and cotton for export, as well as food crops for the domestic market.

The second agribusiness project of interest was in the Cameroon: SILAC, a company which will use imported milk powder to produce sterilized milk yogurt and ice cream. This project provides a good example of IFC's efforts to promote business ventures with African entrepreneurs. It will involve a substantial participation by Cameroonian shareholders.

In Zimbabwe IFC has approved financing for the modernization and expansion of another agribusiness enterprise. It is investing $5.3 million in a program to nearly double production of Crest Breeders International Pvt. Ltd., the country's largest poultry raising operation. This project will have important economic benefits both in expanding foreign exchange earnings and in assisting small poultry growers to increase their incomes by supplying them with day-old chicks.

Light industries, in particular textiles, represented another main trend of IFC's investments in Africa this Year. The African textile industry is in need of major modernization programs to allow it to remain competitive with imports and to develop its export potential. In Tunisia, for example, IFC invested $8.2 million to assist in the modernization and privatization of SITEX (Societe Industrielle des Textiles, S.A.). SITEX is the largest integrated textile mill in Tunisia.

Also within the textile sector, IFC provided a loan of $11.14 million to Nigerian Textile Mills Ltd. to help modernize its facilities. This investment also marked a re-activization of IFC's operations in Nigeria after some years. It reflected IFC's resolve to assist the development of companies with established records of performance and reasonable prospects in the period of lower growth and difficult economic adjustments which the country is likely to face in the short to medium term.

Natural resources continued to constitute an important part of IFC investments in Africa this Fiscal Year with the development of five projects in the logging and mining sectors in four countries.

In Liberia, for example, IFC assisted in the rehabilitation and expansion of the Liberian Timber and Plywood Corporation in connection with the company's return to private operation. IFC made an $8.5 million loan to this $25.9 million project.

An important characteristic of IFC investments in Africa this Year has been the privatization and rehabilitation of previously government-owned ventures. Of the 24 investments approved this year, two involved such efforts. In Swaziland, for instance, IFC joined with the Government, other multi-national and bilateral financial institutions to take over the assets of a Government-owned development finance company which was defunct. A new company is being formed in which the Government will have a minority of the share capital. IFC will provide a total of $3 million for the project.

Investment Overview

The economic situation in most of sub-Saharan Africa has remained difficult. While many countries in eastern and southern Africa emerged from one of the worst

IFC FY86 Investment in Africa

Company	Country	Type of Business	IFC Investment	Project Costs
			(US$ millions)	
Cotonniere Industrielle du Cameroun	Cameroon	Textiles	2.85	6.80
Societe Industrielle Laitiere du Cameroun	Cameroon	Foods and agribusiness	2.45	9.60
Congolaise des Bois Impregnes	Congo	Pulp, paper and timber	1.83	5.50
Congolaise Industrielle des Bois	Congo	Pulp, paper and timber	.86	2.10
Etablissements R. Confreville, S.A.	Côte d'Ivoire	Textiles	7.99	21.30
Liberian Timber and Plywood Operation Company	Liberia	Pulp, paper and timber	8.50	25.90
Socota Textile Mills Limited	Mauritius	Textiles	6.00	22.10
Societe Metallurgique d'Imiter	Morocco	Energy and mining	4.59	33.90
Companhia Agro-Industrial Lonrho-Mocambique Limitada	Mozambique	Food and agribusiness	2.50	15.50
Nigeria Engineering Works Ltd.	Nigeria	Manufacturing	9.10	20.00
Nigeria Textile Mills Limited	Nigeria	Textiles	11.14	25.00
Societe de Teinture, Blanchiment, Apprets et d'Impressions Africaines	Senegal	Textiles	2.57	7.40
Ailee Development Corporation Limited	Seychelles	Tourism and services	9.45	40.80
The Royal Swaziland Sugar Corporation Limited	Swaziland	Food and agribusiness	2.09	3.40
Swaziland Investment and Development Company Limited	Swaziland	Development financing	3.00	31.00
ADWYA S.A.	Tunisia	Pharmaceuticals	2.32	9.90
Societe Industrielle des Textiles	Tunisia	Textiles	8.20	20.20
Crest Breeders International Pvt. Ltd.	Zimbabwe	Food and agribusiness	5.34	12.30
Hunyani Paper & Packaging Limited	Zimbabwe	Pulp, paper and timber	15.67	28.80
		Sub-total	106.41	341.50
	Africa capital markets investments (see page 32)		10.71	48.00
		TOTAL	117.12	389.50

famines caused by the prolonged drought. these gains were partly offset in some countries by both internal and external constraints. Although the process of adjustment of Government's policies with regard to price control and rates of exchange has begun in several countries, distortions continue in many others and hinder the prospects for sustained growth.

The foreign exchange and balance of payment problems have continued to be severe. In some cases, these difficulties were accentuated by lower prices for commodities on the international markets. While several sub-Saharan countries have begun the process of economic adjustment, there is still a long way to go and the situation in the intervening period will remain difficult. Economic adjustment programs will have to be applied consistently over a relatively long period if they are to reduce the inflationary pressures, bring the exchange rates to more realistic levels and provide relatively efficient enterprises an environment in which they can function profitably. In the interim, the economies face slower growth and constraints on investment. Thus, while uncertainties continue, the stage is perhaps being set for more promising medium and long-term growth.

Several African countries are increasingly looking to the private sector as the main driving force for sustained economic growth. However, the structure of administrative regulations, policies which have the effect of protecting inefficient public sector enterprises and price controls which have been in place for many years, are still major problems in a number of countries. In these cases, it will take some time to establish a positive business climate in which the private sector has real confidence to undertake genuine new investments.

Regional Initiatives

In the context of its technical assistance activities, IFC is developing a regional program to help member countries in Africa to increase the inflow of productive foreign direct investment. This regional program, which is part of a more general effort described in the section on Other Operations, will help member governments to review and adjust policies, regulations and investment promotion strategies that affect foreign direct investment. Financial support for the preparation of the regional program is being provided by UNDP and IFC. During FY86, efforts were directed mainly at identifying the interest of member countries in the region in receiving such policy advice assistance. A number of countries have expressed interest in IFC assistance, and IFC has begun to define the terms of reference for an advisory project in Ghana.

Other initiatives taken by IFC in FY86 include the launching of the African Project Development Facility, a program to help sub-Saharan African entrepreneurs, described in detail in the section on Other Operations of this Report.

Asia

Board Approvals:

During Fiscal Year 1986, the Board of Directors approved loans and equity investments totalling $478 million for 22 Asian business ventures. Of the financing approved, $443 million was for loans and $35 million for equity. $319 million of the loans were syndicated to other financial institutions.

At the end of the Fiscal Year, the Corporation held $508 million in 95 ventures in 13 Asian countries including one regional project: about $412 million in loans and $96 million in equity. This compares with IFC investments in 95 ventures with $336 million in loans and $96 million in equity at the end of the prior Fiscal Year.

Fourteen of this Year's investments were to establish new companies or were made in companies never before having received IFC assistance.

How the Corporation's private sector efforts can benefit from the infrastructure work of the World Bank Group was illustrated in FY86 by a project in IFC's East Asia Region where an IFC assisted resort hotel project is to be located in an International Development Association funded tourism development area on Indonesia's island of Bali.

Also in the East Asia Region, IFC's first investment in a private hospital is being made in Thailand. It will provide much-needed hospital facilities in the Bangkok area, help develop quality health services and enable the Government to apply scarce medical resources to rural areas.

A new trans-Pacific optic fiber cable linking the Philippines with North America will be financed with the help of a $30 million IFC loan. The cable replaces a soon-to-be retired analog cable and will increase the efficiency and capacity of electronic traffic to and from the Philippines.

Three investments in agribusiness projects, all relatively small in size, are expected to have substantial impact:

- Fiji's wood products will be upgraded in a project increasing the value of its forest resources

IFC FY86 Investment in Asia

Company	Country	Type of Business	IFC Investment	Project Costs
			(US$ millions)	
Bata Shoe Company (Bangladesh) Limited	Bangladesh	Shoe manufacturing	0.25	2.60
Fiji Forest Industries	Fiji	Wood processing	3.98	13.30
Escorts Limited	India	Automotive	8.04	48.30
Gujarat Fusion Glass Limited	India	Plate glass	9.36	40.10
Hero Honda Motors Limited	India	Automotive	7.10	21.90
Nagarjuna Signode Limited	India	Steel	0.33	3.30
The Great Eastern Shipping Company Limited	India	Shipping	10.00	45.30
The Tata Iron and Steel Company Limited	India	Steel	11.37	79.90
Wimco Limited	India	Agribusiness	4.70	16.10
P.T. Bali Holiday Village	Indonesia	Tourism	9.84	28.10
Korea Zinc Company, Ltd.	Korea	Zinc/lead	6.00	100.40
Fecto Cement Limited	Pakistan	Cement	7.24	87.50
BPI Agricultural Development Bank	Philippines	Agricultural financing	1.00	3.70
Philippines Cocoa Estates Corporation	Philippines	Agribusiness	4.60	18.70
Philippine Long Distance Telephone Company	Philippines	Telecommunications	30.00	120.00
Pure Foods Corporation	Philippines	Shrimp farming	1.43	4.70
Naco Tomato Paste	Thailand	Agribusiness	4.88	7.40
National Fertilizer Corporation Limited	Thailand	Fertilizer	323.03	481.90
Phya Thai II Hospital	Thailand	Hospital	4.94	20.10
		Sub-total	448.09	1,143.30
		Asia capital markets investments (see page 32)	29.99	117.70
		TOTAL	478.08	1,261.00

and expanding exports;

- a shrimp farming and processing enterprise—stemming from a recent IFC study on developing exports through the Philippine aquaculture sector—is expected to generate significant foreign exchange earnings and encourage similar enterprises in the area; and
- A tomato paste venture in Thailand will improve tomato yields, increase farmers' incomes in an underdeveloped region and diversify crops away from tobacco.

In IFC's South Asia Region, IFC made its first investment in the shipping sector in India with $10 million in equity and a convertible loan that will help strengthen a promising shipping company's capital structure. The Corporation invested $9.4 million in India's first high quality sheet glass plant—a project where IFC was instrumental in negotiating technology transfer arrangements. In another venture, IFC provided $11 million to further improve the efficiency of India's only private sector integrated steel plant.

IFC made its first investment in the Indian agribusiness sector with a $4.7 million loan for a fruit juice processing project that has significant export potential. Two other investments will support the indigenization of motorcycle production. A $7.1 million loan will help finance the production of motorcycle engines, while an $8 million loan to another company will assist the introduction of new motorcycle models.

The Corporation also provided $7 million to support a cement project in Pakistan and made a loan to help complete a tannery enterprise in Bangladesh.

Investment Overview

Conditions generally continued to favor private investment in South Asia in FY86, especially in India where the private sector has responded enthusiastically to lower taxes, simplified investment approval procedures and other policies increasing the scope for investment.

Recent elections in Pakistan and initial Government steps to implement a deregulation policy are laying the groundwork for increased private investment there. Bangladesh and Sri Lanka moved to privatize a number of public firms.

Foreign investment interest in China remained strong despite the Government's more cautious approach due to the temporary decline in the country's foreign exchange reserves. Following the first IFC joint venture in China announced last year, discussions are proceeding on various other projects in cooperation with foreign investors.

In the Philippines, there appears to be a resurgence in investor confidence following the installation of the new Government.

The sharp decline in oil prices has meant that oil-exporting countries, such as Malaysia and Indonesia, have had to make significant adjustments in public expenditures while encouraging the private sector to take on more of the responsibility for economic growth.

The private sector in Thailand is also being encouraged to play a larger role in selected, previously public sector activities. Moreover, export-oriented enterprises are being encouraged, as are large-scale projects that can utilize the country's natural gas resources. The economy, despite unfavorable terms of trade, has registered moderate growth.

IFC's Regional Initiatives

During the past Year, IFC initiated a new program of policy advice in the Asian Region. The regional program, which is part of a general effort described in the section on Foreign Investment Advisory Service, is designed to help member countries review and adjust their policies and institutions dealing with foreign direct investment. The intent is to assist members develop an environment that is conducive to foreign direct investment.

During the past Year, a number of countries in the region have expressed their interest in the new program, and discussions have been initiated with several countries to define programs of assistance for FY87. In addition, the work was carried out to prepare a seminar in FY87 for Chinese officials designed to review a number of important policy issues in light of IFC experience and the experience of major host countries.

The regional program is being supported financially by the UNDP, IFC, bilateral donors and the client countries.

In the Philippines, IFC is continuing technical assistance to help rehabilitate sound enterprises that have encountered difficulties because of economic disruptions over the past few years.

In Korea, IFC has begun exploring possible assistance to Korean companies interested in potential joint ventures in other developing countries. IFC will also focus on the needs of smaller companies in developing financial instruments to strengthen their financial structures. In Thailand, IFC's focus will continue to be on natural resource based projects and on agribusiness ventures.

The increased IFC investment in South Asia was heavily influenced by greater activity in India where the Corporation is particularly interested in projects involving technological innovation or technology transfer—whether sponsored by larger, established firms or smaller, emerging business groups. The Corporation also emphasized mobilizing foreign exchange financing for larger-scale projects and assisting in project arrangements.

In Pakistan, IFC continued its interest in the oil and gas sectors—both exploration and field development—and in assisting the Government's public sector disinvestment program. It also developed a novel means to finance small-scale ancillary manufacturers in the engineering sector.

In Bangladesh, IFC supports the Government's efforts to develop domestic raw materials, principally natural gas, and projects in areas such as the transportation and distribution of liquified petroleum gas, fertilizer, petrochemicals and cement. This includes actively promoting promising projects through investor identification, project negotiations and feasibility studies. In Nepal, IFC sees investment opportunities principally in the mining sector and in rehabilitation of tea estates and, in Sri Lanka, it has been asked to assist in the privatization of the telecommunications sector.

Europe and the Middle East

Board Approvals:

During FY86, the Board of Directors approved loans and equity investments totalling $186 million for 10 business ventures in the Region. Of the total financing approved, $165 million was for loans and $21 million for equity. $33 million of the loans were syndicated to other financial institutions.

At the end of the Fiscal Year, the Corporation held $559 million in 63 ventures in 11 countries in the Region: about $505 million in loans and $54 million in equity. This compares with IFC investments in 58 ventures with $375 million in loans and $54 million in equity at the end of the prior Fiscal Year.

Nine of this Year's approved investments were to establish new companies or were made in companies never before having received IFC assistance.

During the Year, most projects undertaken focused on developing foreign exchange earning potential. Prominent among these were two projects in the energy sector. In North Yemen, significant oil discoveries were made and IFC helped finance an early oil production and refining operation based on these discoveries.

Similarly in Egypt, IFC and a consortium of banks are providing a $79 million package to help develop the newest and most promising areas of low cost oil production, located in the Western desert. IFC was instrumental in arranging the financial package for the venture.

The four projects financed in Turkey are also focusing on generating foreign exchange. IFC helped finance two hotel complexes on the Mediterranean coast to cater mainly to the German tourist market and other foreign visitors. A $15.5 million fiberglass expansion project of Cam Elyaf to boost production capacity will enable the company to substantially increase its exports to Western European countries. Cam Elyaf is the sole producer of fiberglass materials in the country, including reinforced plastics, and a subsidiary of Turkiye Sise ve Cam Fabrikalari A.S., the largest glass manufacturing group and the fourth largest exporter in the country. IFC also helped finance the modernization of Guney Sanayi, one of Turkey's oldest and largest textile concerns which earns substantial foreign exchange by exporting largely to the Middle East and neighboring countries. IFC's assistance helped the company to remain competitive.

Investment Overview

Several host countries in the Region have pursued an open door policy and have actively sought the participation of foreign investors. In the two projects approved by IFC this year in Egypt, foreign investors played a major role with the participation of Denison Mines Ltd. of Canada in the Meleiha Oil project and Boliden Kemi Aktiebolag of Sweden in the Aluminium Sulphate Company project. Similarly, German investors and management companies are participating in the hotel/resorts which IFC is helping to finance in Turkey. In Yugoslavia, the two major projects financed

IFC FY86 Investment in Europe and the Middle East

Company	Country	Type of Business	IFC Investment	Project Costs
			(US$ millions)	
Aluminium Sulphate Company of Egypt	Egypt	Energy and mining	7.47	16.50
Meleiha Oil Development Project	Egypt	Energy and mining	79.50	180.00
Cam Elyaf Sanayii A.S.	Turkey	Manufacturing	8.23	15.50
Eska Turizm ve Ticaret A.S.	Turkey	Tourism and services	2.18	9.90
Guney Sanayi Ve Ticaret Islemeleri A.S.	Turkey	Textiles	15.50	31.80
Silkar Turizm Yatirim Ve Isletmeri A.S.	Turkey	Tourism and services	5.69	24.50
Marib Agriculture Company	Yemen	Foods and agribusiness	2.86	12.30
Yemen Refinery and Marketing Company	Yemen	Energy and mining	9.00	50.30
Tovarna Avtomobilov in Motorjev	Yugoslavia	Automotive/vehicles	22.97	90.10
Tovarna Glinice in Aluminija Boris Kidric	Yugoslavia	Manufacturing	32.38	115.90
		TOTAL	185.78*	546.80*

*Excludes $110,000 investment in $2.8 million Trukish enterprise, not counted as a project.

during the Year had significant European involvement. In the TAM truck project, Klockner Humboldt Deutz is the joint venture partner and in the modernization project of Tovarna Glinice in Aluminija Boris Kidric, Pechiney of France has a major technical assistance role.

Yugoslavia, Turkey and Hungary in particular are becoming more aggressive in seeking to attract foreign investors and IFC will concentrate its efforts in assisting both domestic and foreign investors to strengthen joint venture relationships in all three countries.

Agriculture related projects in the Region are expected to pick up and become an important sector in the coming years—in particular in countries such as Turkey, Egypt, Hungary and the Yemen Arab Republic. This year IFC helped finance a commercial scale citrus farm in North Yemen which will make an important contribution to the availability of fresh fruit to Yemeni households.

IFC's Regional Initiatives

During the year IFC opened a Regional Office in Istanbul to help establish and strengthen the Corporation's relationship with the Turkish business and financial communities and broaden contacts with the Government in order to identify and help develop new private sector business opportunities. The Office will also help both foreign and domestic investors who could benefit from IFC's financial assistance and other services available from the Corporation. The Cairo Office remains a critical link to IFC's business efforts in Egypt as well as in other Middle East countries. This office is well placed to support IFC's efforts in the Region in assisting foreign partners in ventures in Egypt and neighboring countries.

Latin America and the Caribbean

Board Approvals:

During FY86, the Board of Directors approved loans and equity investments totalling $366 million for 28 Latin American and Caribbean business ventures. Of the total financing approved, $352 million was for loans and $14 million for equity. $59.5 million of the loans were syndicated to other financial institutions.

At the end of the Fiscal Year, the Corporation held $831 million in 115 ventures in 20 Latin American and Caribbean countries: about $663 million in loans and $168 million in equity (43 percent of IFC world-wide).

In IFC's Latin America and Caribbean I (LAC I) Region—comprising Mexico, Colombia, Central America, Panama and the Caribbean basin—the Corporation undertook 13 investments, totaling $90 million, in seven countries. Despite the difficult economic situation faced by the private sector, IFC substantially increased its activities in Mexico. It is providing a guarantee facility for Constructores ICA to continue its overseas contracting activity by meeting its foreign bonding and construction financing requirements. With its investment in Celulosa y Papel de Durango, the Corporation, in close cooperation with Nacional

IFC FY86 Investment in Latin America and the Caribbean

Company	Country	Type of Business	IFC Investment	Project Costs
			(US$ millions)	
Alpargatas S.A.I.C.	Argentina	Textiles, shoes	16.02	80.00
Atanor S.A.M.	Argentina	Hydrogen peroxide	8.00	30.00
Hidra oil development project	Argentina	Oil development	80.00	470.00
Juan Minetti S.A.	Argentina	Cement	9.00	11.50
Lindero Atravesado oil field development	Argentina	Oil development	33.00	132.00
Massuh S.A.	Argentina	Pulp and paper	.40	11.00
CIMINAS—Cimento Nacional de Minas, S.A.	Brazil	Cement	30.00	30.00
Companhia Siderurgica da Guanabara (COSIGUA)	Brazil	Steel	5.12	5.12
Nitriflex S.A.	Brazil	Synthetic rubber	14.00	55.70
Perdigao S.A. Comercio e Industria	Brazil	Agribusiness	25.00	80.60
PISA—Papel de Imprensa S.A.	Brazil	Paper	30.90	72.00
Volvo do Brasil Motores e Veiculos S.A.	Brazil	Trucks	2.10	10.80
Carbones del Caribe	Colombia	Coal	2.90	2.90
Enka de Colombia S.A.	Colombia	Nylon tire fabric	6.00	13.30
Productora Nacional de Algodon, C. por A.	Dominican Republic	Cotton	1.60	1.80
Transamerican Hoteles, S.A.	Dominican Republic	Tourism	6.00	24.00
Issa Nicholas (Grenada) Ltd.	Grenada	Tourism	6.00	16.70
Granjas Marinas San Bernardo, S.A. de C.V.	Honduras	Shrimp farming	0.58	4.30
St. Mary Banana Estate Limited	Jamaica	Agribusiness	4.65	17.10
Agroindustrial Exportadora, S.A. de C.V.	Mexico	Agribusiness	2.00	7.30
Celulosa y Papel de Durango, S.A. de C.V.	Mexico	Pulp	15.90	45.00
CICASA construction guarantee facility	Mexico	Construction guarantee	20.00	100.00
Hotel Camino Real Ixtapa S.A. de C.V.	Mexico	Tourism	1.10	7.00
Vidreos Pananmenos, S.A.	Panama	Glass Bottles	.70	3.60
Compania de Minas Orcopampa S.A.	Peru	Gold/silver	10.00	30.00
		Sub-total	330.97	1,261.72
Latin America and Caribbean capital markets investments (see page 32)			35.50	66.00
		TOTAL	366.47	1,327.72

Financiera, is helping to establish a thermo-chemo-mechanical pulp mill using, for the first time in Latin America on a commercial scale, a new process developed in Scandinavia and Canada. IFC also made investments in an agro-industrial project and a hotel venture, both of which are priority sectors for Mexico.

Another major IFC focal point has been Colombia: helping to finance a tire fabric expansion project of its long-standing client, Enka de Colombia, and assisting the expansion of Carbones del Caribe, a major coal mining operation with considerable export potential.

In Honduras, IFC is helping to establish an integrated shrimp farming operation that shows promise for replication in small developing countries in the Region and elsewhere.

The Corporation continued to expand its investment program in the Caribbean. Among the projects were a banana growing operation in Jamaica, a major hotel in the Dominican Republic and the restructuring of a glass container producer in Panama. During the Year IFC approved its first investment—also a hotel project—in Grenada.

During FY86, the Corporation undertook 15 investments totalling $276 million in the Latin America and Caribbean II (LAC II) Region—which comprises all other developing Western Hemisphere member countries not in the LAC I Region.

In Argentina, IFC is supporting a consortium of French, German and Argentinian companies to help finance the Hidra project—the first commercial development of an important Argentina offshore oil discovery. And, in another project in that country, it is encouraging increased participation of local private companies in the oil sector by helping finance development of the Lindero oil field.

In Peru, IFC continued to assist the local private sector by investing in Orcopampa, an important gold and silver producer that generates significant amounts of foreign exchange for the country.

Part of IFC's efforts focused on restructuring existing companies. For example, in Argentina IFC helped restructure Minetti, a leading cement producer, and also Alpargatas, a textile and footwear manufacturer, where IFC played a catalytic role in attracting new funds from both local and foreign banks.

In Brazil, three of the six investments were restructurings. The new projects/expansions were in the petrochemical and agribusiness sectors and the restructurings in steel and cement. An IFC investment helped transfer advanced technology for producing high-value synthetic rubber not previously manufactured in Latin America and another optimized the expansion productivity improvements of the second largest pork and poultry producer in Brazil. Other investments aimed at strengthening the finances of companies in the steel, cement and truck sectors.

The Corporation continues to promote private investments in Chile, Ecuador, Paraguay, Uruguay and Bolivia.

Investment Overview

The investment climate in Mexico and most of the Caribbean continued to be difficult. Entrepreneurs tended to be cautious, and project development was often delayed by the condition of local economies and international markets. Depressed internal demand and pressure on international commodity prices limited investment opportunities. As a result, many new ventures consist of small expansions to achieve economies of scale, improve efficiency and maintain competitiveness.

Mexico has been particularly hurt by the decline in oil prices which impedes recovery and clouds the private sector investment outlook. However, several new ventures are being developed in specific sectors, often including the restructuring of existing operations. Colombia's economic situation has improved and the private sector has begun to respond with new investment initiatives.

Problems also continue in the Caribbean and in Central America but local and foreign investors have begun to develop projects, particularly in export agriculture and the hotel sector, which has benefited from increased tourism from North America.

There were important positive developments in the economic climate of many other countries in the LAC2 Region—the continued good export performance of Argentina, Brazil and Chile, the anti-inflation packages implemented by Brazil, Bolivia and Argentina, and the privatization efforts undertaken by most governments. These developments result from governments' efforts to improve the effectiveness of their trade, fiscal and investment policies and from private sector companies' improvement in their operating efficiencies and financial positions. This has been most evident in Brazil, where the capitalization of most private companies has dramatically improved, and in Chile, where new trade and foreign exchange policies led to a 10 percent growth in the volume of non-copper exports last year.

But these developments are not enough. The decline in world prices for exported raw materials, the continuing exacting cost of foreign debt payments, the lack of new long-term foreign capital inflows, and governments' difficulties in reducing public spending, controlling inflation, and privatizing productive industries—all make for uncertain prospects for investment and growth.

The outlook for private investment in the Region is cautious. With the possible exception of Argentina and Chile, in connection with low-value gas-based export projects, and Brazil, due to continued strong local demand, the investment climate is likely to continue to be difficult with entrepreneurs, focusing on marginal expansions to improve productivity and competitiveness.

Regional Initiatives

The Corporation has broadened its project identification and promotion efforts. It is moving forward with several attractive investment opportunities such as the production of manufactured goods for export, the use of natural gas to produce fertilizers and chemicals, and agricultural products for the winter market in North America and Europe.

IFC will continue to support restructuring initiatives in the Region, and many of its projects today include such an element.

Given the environment and outlook in the region, IFC's objectives are threefold: to assist the development of resource-based export projects; to assist equipment modernization/financial restructuring of viable companies; and to assist the privatization of viable public sector companies.

For raw material based export projects, IFC is studying gas-based fertilizer/chemical export plants and mining/mineral projects, and is looking at expansion and modernization of agro-industrial companies. For modernization and financial restructuring ventures, IFC is increasing efforts to assist both large and medium-size companies in acquiring advanced technologies.

Capital Markets

The Capital Markets Department has been active since its establishment in 1971 as the focal point for World Bank-IFC financial market activities. The Department has three main roles: it advises governments on how to organize, modernize and internationalize their financial markets; it invests in financial institutions aimed at making the financial sector more efficient; and it promotes the flow of foreign portfolio investment.

Changing Attitudes to Financial Markets

Financial markets—money, bond and equity markets —and non-bank financial institutions are, with some major exceptions, still a relatively under-developed part of the financial system of many developing countries. Until a few years ago, a number of these countries discriminated, often unintentionally, against the development of these markets through interest rate controls, foreign exchange policies, tax policies, subsidized loan schemes, and the practice of selling government bonds at below-market rates to captive holders. But this vital tool of development finance has now become the center of attention in many countries, for the following reasons:

- the international debt crisis has focused on the need for domestic savings mobilization and on the crucial role of equity in the financial system as a buffer against external and internal shocks;
- the inefficiencies in intermediation and resource allocation of financial systems which depend exclusively on commercial and development banks have become more apparent; and
- the risk of ignoring "market signals" in the financial sector has become increasingly well documented.

During FY86, the Board of Directors approved loans and equity investments totaling $85 million for 12 capital markets institutions. Of the total financing approved, $59 million was for loans and $26 million for equity. The Corporation also provided a substantial amount of policy advice on financial market development to governments in 27 countries, with a focus on financial sector surveys together with the World Bank, the development of securities markets and banking policy.

Policy Advice

In conjunction with the World Bank, the Corporation conducted financial sector studies in Brazil, Cameroon, China, Colombia, Ecuador, Hungary, India, Malaysia, Pakistan, Swaziland, Saudi Arabia and Venezuela during the Year, generally focusing on financial markets. The Corporation has also cooperated with the United Nations Development Programme and the

IFC FY86 Investment in Capital Markets

Company	Country	Type of Business	IFC Investment	Project Costs
			(US$ millions)	
Banco Roberts	Argentina	Capital markets	10.00	20.00
Compagnie Financiere de la Côte d'Ivoire	Côte d'Ivoire	Capital markets	4.56	8.00
Merchant Bank of Fiji	Fiji	Capital markets	2.34	17.70
Banque Internationale pour le Commerce et l'Industrie de la Guinee	Guinea	Capital markets	1.00	16.10
Export-Import Bank of India	India	Capital markets	15.00	60.00
Industrial Promotion Services Kenya (Limited)	Kenya	Capital markets	1.50	3.00
Korea Fund	Korea	Capital markets	12.65	40.00
First Leasing and Financing Company Limited	Malawi	Capital markets	.72	3.70
Banco Latinoamericano de Exportaciones	Panama	Capital markets	22.50	40.00
Societe Tunisienne de Leasing	Tunisia	Capital markets	2.93	17.20
Surinvest	Uruguay	Capital markets	3.00	6.00
Emerging Markets Growth Fund	World	Capital markets	8.70	60.00
		TOTAL	84.90	291.70

U.S. Agency for International Development, and participated in a major policy paper promoting venture capital finance initiated by the OECD Developmental Centre.

Typically, IFC provided Turkey with its specialized financial assistance for the development of a local money and capital market. This effort, carried out in coordination with World Bank financial sector work, culminated in the opening, in January 1986, of a new Istanbul Stock Exchange and several institutional and regulatory improvements, including the enactment of auditing and accounting legislation, tax reforms, the creation of interbank and treasury bill markets, and the broadening of the corporate bond market. IFC also played a key role in shaping the leasing legislation enacted by Turkey in July 1985.

Institution Building

At the end of FY86, the Corporation had investments of $127.3 million in 45 capital markets institutions in 29 countries, one region, and one worldwide in scope. Of this, $88.5 million was in loans and $38.7 million in equity. This compares with 42 ventures with $86.5 million in loans and $28.7 million in equity at the end of FY85. Six of this Year's approved investments were to establish new companies or were made in companies never before having received IFC assistance. Included were four agency lines to institutions in Argentina, Cote d'Ivoire, India and Kenya. Agency lines are a way of assisting small and medium-sized companies, allowing IFC to work in parallel with a local financial institution which does the credit analysis and lends a similar amount as IFC in each case.

The Corporation invested in several projects to promote the development of financial markets in smaller economies. In Fiji, for example, IFC established the country's first merchant bank, which will initially provide leasing and hire purchase contracts primarily for machinery and equipment and, in subsequent stages, other types of merchant banking services. In Guinea, the Corporation has approved an investment in a commercial bank as part of a government program to establish a group of new, independently managed commercial banks. And in Malawi, IFC helped set up a leasing company. One of IFC's earlier investments, a Zimbabwean leasing company, served as the Corporation's technical partner and co-investor in this project.

Promotion of Foreign Portfolio Investment

Acting as a catalyst for the shift from debt to equity financing for developing countries, the Corporation evolved the concept and privately placed an offering of $50 million in the Emerging Markets Growth Fund Inc., an investment company whose primary purpose is to invest in publicly listed equities with attractive investment prospects in developing countries. This Fund is the first of its kind, designed to attract investors by offering diversified investments in several developing countries. Including IFC, twelve international financial institutions from seven major capital exporting countries participated in this offering. The broad geographical scope of the Emerging Markets Growth Fund serves to complement national investment funds such as the Korea Fund, for which IFC was co-lead manager in the underwriting of both the initial public offering in 1984 and a second offering in 1986. The Korea Fund is helping to familiarize foreign investors with the Korean securities market while improving Korea's access to foreign capital markets, and serves as a model for other countries.

The Corporation was also the lead manager in the underwriting of a $40 million Eurodollar medium term floating rate note issue for a regional export bank based in Panama. Together with IFC's underwriting of the bank's initial offering in FY85, these two offerings are among the few cases of new money raised from international capital markets institutions on behalf of a Latin American issuer since 1982. This second issue is also unique in that it has an equity aspect through the inclusion of warrants to purchase a like amount of participating preferred stock.

Future Plans

During the coming years, IFC, through its Capital Markets Department, expects to focus its efforts on areas such as:

- enhancing the efficiency of emerging financial systems by creating flexible forms of domestic finance. Examples might include risk capital oriented institutions such as investment banks and venture capital companies, and contractual savings institutions, life insurance companies, pension funds, etc., which could facilitate mobilization of domestic financial resources;

- assisting developing countries to link their domestic securities markets to the international capital markets through country funds, international issues of stocks and bonds as well as through credit insurance and improvement of communication and computerization systems;
- upgrading the flow of information from emerging markets to international investors through expansion of IFC's Emerging Financial Markets Data Base which contains information on the equity, bond and money markets of developing countries; establishment of rating agencies and improvement of disclosure standards; and
- introducing new financial concepts such as swap markets, securitization of financial assets and unbundling of financial risks.

Other Operations

Africa Project Development Facility

As was reported in last year's Annual Report, the Corporation began negotiations with a number of member countries concerning the establishment of an Africa Project Development Facility (APDF). These discussions were successfully completed and in May 1986, the Corporation announced the launching of the Facility in joint sponsorship with the United Nations Development Programme and the African Development Bank (ADB). Funding commitments have been given by the following 12 member countries: Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland and the U.S. In addition, the authorities of Brazil and India have indicated an interest in providing technical assistance to the Facility.

The UNDP will provide the Facility with the largest single contribution and will chair the Facility's advisory board. The UNDP's extensive network of resident representatives in Africa will greatly assist the work of the Facility staff. The ADB's significant contribution reflects the importance that this institution puts on the development of the private sector in Africa in the coming years.

The APDF responds to the decision of many of the Region's member countries to assist the private sector in assuming an increasing role in the development of their countries.

The APDF will provide advisory services to private African entrepreneurs in the preparation of viable projects. While the Facility will not provide financing for the projects, it will guide clients in preparing their projects for submission to appropriate institutions. It will also help entrepreneurs cover a portion of the costs involved in preparing feasibility, market, technical and other studies needed in the project preparation cycle.

The APDF will be staffed by two teams of professionals, one based in Abidjan and the other in Nairobi, both managed by senior IFC officers. These teams will seek out promising African entrepreneurs who are interested in expanding, modernizing or diversifying their businesses and will work directly with the entrepreneurs through the whole cycle of project preparation. It is expected that the Africa Project Development Facility will be able to assist some 100 private projects involving African entrepreneurs over a four-year period.

Caribbean Project Development Facility

During the twelve months ending on May 31, 1986* the Caribbean Project Development Facility (CPDF) achieved a 58 percent increase in its volume of business over the same period last year.

Nineteen new projects were completed during this period and covered the following sectors: agribusiness (6); food processing and beverages (5); tourism (4); timber (1); and furniture and light industry (3). These projects, which had an aggregate investment cost of approximately $60 million, are being undertaken in: the Bahamas (1); Barbados (1); Belize (3); British Virgin Islands (1); the Dominican Republic (3); Grenada (2); Grand Cayman (1); Guyana (2); Haiti (1); Jamaica (3); and St. Lucia (1); and are expected to provide over 1,800 new jobs.

Strong cooperation between CPDF and IFC has led during this period to four projects, developed by CPDF, being considered by the Corporation as investment prospects.

In addition, CPDF has played a key role in helping another private Caribbean financial institution, Trafalgar Development Bank Ltd. of Jamaica, in obtaining two important European development banks as shareholders.

Since CPDF was established in October 1981, under the auspices of the United Nations Development Programme (with IFC acting as its Executing Agency), the Facility has put together over 49 projects in 18 different Caribbean states. These projects have an aggregate investment cost of about $115.6 million, of which over $30 million has so far been directly raised by CPDF.

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*CPDF's Fiscal Year now terminates on December 31, 1986.

Agreements have recently been signed whereby the Federal Republic of Germany has become a major new supporter of the Facility. Thus, eight international and governmental development agencies now provide funding assistance for CPDF's mandate to assist the Caribbean private sector in raising finance for new investment projects.

The Energy Program

The current Five Year Program places particular emphasis on the exploration for and development of energy resources in member countries. The Corporation has recruited experienced personnel from the international oil industry to staff a specialized unit dedicated to the implementation of an ambitious program in this area. Despite the turmoil in energy markets, the Corporation believes that the development of energy resources remains a major strategic priority for member governments and is determined to play a significant role in this important sector.

The Corporation's ability and willingness to participate with risk capital in energy exploration is unique in the international development financing community. This ability, allied to an increased willingness to commit substantial funds for its own account and to arrange syndications for the project financing of oil and gas ventures, has been welcomed by both the international industry and host governments.

Because the Corporation has been able to respond to opportunities presented to it, considerable progress has been made in FY86 towards the implementation of the energy element in the Five Year Program. During FY86, the Corporation has been involved in the initiation, appraisal and negotiation of exploration ventures in, among other countries, Argentina, Colombia, Ghana, Tunisia and Turkey; in the appraisal and financing of oil projects in Argentina, Egypt and the Yemen Arab Republic; and in the development of a coal project in Colombia.

Actual investments approved by the Board of Directors in the energy sector in FY86 totalled $193 million (of which $123 million were in the form of loans, $20 million in equity, and $50 million in syndications) out of total project costs of $782 million. The goals and progress of the energy program will be carefully monitored during the Five Year Program's mid-term review in FY87.

Corporate Promotion

The past fiscal year marked the beginning of a promotional campaign in developed countries to attract new partners for investment in the developing world. This activity is being carried out by IFC's new Corporate Promotion and Syndications Department. The program has as its objective a significant increase in awareness of IFC among corporations and financial institutions in North America, Europe and Japan, leading to greater involvement by these institutions in developing country investment.

Activities undertaken in FY86 include the establishment of a Business Development Unit, which has targeted a list of qualified corporations for a direct contact program. Presentations related to these companies' specific interests in overseas investment will be conducted by Unit personnel.

The Business Development Unit will also follow up on qualified business leads produced by the Corporation's first advertising and direct mail campaign, a campaign that began in late FY86. While initial focus was on the US market, the campaign will be extended to European markets during FY87. Promotional contacts with financial institutions in North America, Europe and Japan was increased in FY86, with a view to expanding working relationships with these institutions and their clients. Missions were sent to Canada, Germany, Italy, Japan, Switzerland, the United Kingdom and U.S. financial centers.

To enhance the Corporation's promotional activities in Europe, Gunter Kreuter was appointed Special IFC Representative in Paris in late FY85. Mr. Kreuter joins Hans Pollan, IFC Special Representative in London, in the planning and execution of IFC's promotional program in Western Europe.

The Corporation has also embarked on an aggressive conference and seminar program in cooperation with other organizations. This program, which will be implemented in FY87, will include conference activity in North America, Western Europe and Asia. A program to identify and arrange speaking opportunities for IFC personnel in key business centers is also being implemented.

Foreign Investment Advisory Service

IFC, through its Development Department, expanded its technical assistance during FY86 to help member countries increase the flow of productive foreign direct investment into their economies by establishing the Foreign Investment Advisory Service. This program aims to help member governments to review and adjust policies, regulations, and investment promotion strategies that affect foreign direct investment. It provides assistance to member governments in any of five areas:

- formulating a general framework of policies and institutions to promote and regulate direct foreign investment;
- establishing policies that will facilitate direct investment in specific priority industries;
- devising foreign investment promotion strategies;
- establishing institutional arrangements for promoting, screening and monitoring foreign direct investment; and
- developing policies to govern technology transfer.

In initiating this activity in FY86, the main efforts lay in further exploration of the interests of specific member countries, and identification of sources of external funding to help support the program. Funding from UNDP was obtained to support regional advisory programs in Asia and Africa (described more fully in the sections dealing with IFC operations in those regions). In addition, IFC initiated work in China to assist the Government in a review of its foreign investment policies (described more fully in the section reviewing IFC operations in Asia). In FY87, the program of foreign investment policy advice will be expanded to other countries in Asia and Africa, and to other regions where the necessary funding to support the program can be obtained. It is the intention that this program be mainly self-supporting rather than being funded out of the IFC budget. Because of funding and staff constraints, it is expected that IFC will be able to undertake only a relatively small number of such projects in any year.

Syndications

One of the most effective methods IFC uses to increase the flow of capital into private productive enterprises in developing countries is by syndicating portions of its loans with commercial banks and other financial institutions.

During FY86, the Corporation syndicated or had pending the syndication of $434 million of participations in the $1,070 million of loans approved by the Board of Directors.

During the past five Fiscal Years, IFC has signed participation agreements with banks totalling $989 million and at present has under administration for the account of the other financial institutions a portfolio of $1,053.8 million.

The Corporation's catalytic role was especially important this Year as many commercial lenders and export credit agencies were reluctant to direct additional funds to many developing countries, particularly those experiencing foreign exchange availability problems.

Syndications processed with commercial banks during the Year included new funding for projects in Argentina, Bangladesh, Brazil, Colombia, Egypt, India, Thailand and Zimbabwe. Many of the larger projects involving syndications were in the field of energy development. In Egypt, IFC is syndicating with commercial banks a $60 million project loan to finance development by Denison Mines Limited (Canada) of oil finds at its 'Meleiha' concession in the Western Desert.

In Argentina, IFC supported a $470 million project financing, including a loan from IFC and participating banks of $80 million, for the Hidra Oil Development Project, a joint venture of Argentine, German and French interests. IFC's loan made possible the on-

Financial Institutions that Participated in IFC Loans During FY86

Algemene Bank Nederland N.V.
American Express Bank Ltd.
ANZ Merchant Bank
Arab Banking Corporation (ABC)
Arab Latin American Bank
Banca del Gottardo
Bank fuer Handel und Effekten
Bank of America, NT & SA
Bank of Montreal
Bank of Tokyo Trust Company
Banque Arabe et Internationale d'Investissement
Banque Europeenne de Credit S.A.
Banque Indosuez
Banque Internationale pour l'Afrique Occidentale
Banque Nationale de Paris, S.A.
Canadian Imperial Bank of Commerce
Chase Manhattan Bank, N.A.
Citibank, N.A.
Citicorp Bank (Switzerland)
Credit Commercial de France
Credit Lyonnais
Creditanstalt-Bankverein
Deutsch-Suedamerikanische Bank AG
Deutsche Bank Compagnie Financiere Luxembourg
Dresdner Bank AG
Euro-Latinamerican Bank Limited
Generale Bank
Grindlays Bank p.l.c.
HandelsBank N.W.
Hessische Landesbank – Girozentrale
Hongkong and Shanghai Banking Corporation
Irving Trust Company
Kleinwort, Benson Ltd.
Kredietbank S.A. Luxembourgeoise
Kreditanstalt fuer Wiederaufbau
Libra Bank PLC
Manufacturers Hanover Trust Company
Mitsui Trust Finance (Switzerland) Ltd.
Morgan Guaranty Trust Company of New York
National Westminster Bank PLC
Nederlandsche Middenstandsbank (Switzerland) Ltd.
Riggs National Bank of Washington, D.C.
Royal Bank of Canada
Sanwa Bank Limited
J. Henry Schroder Bank & Trust Company
J. Henry Schroder Wagg & Co. Limited
Standard Chartered Bank
Swiss Bank Corporation
Swiss Volksbank
Union Bank of Switzerland

lending to this project of additional money committed by commercial banks in connection with debt restructuring in Argentina.

IFC continued to develop its relationships in the financial community, seeking areas of common interest and encouraging commercial banks to refer projects to IFC for possible loan and equity investments. Among the advantages that IFC can offer these institutions is the Corporation's ability to assist the clients of banks whose own ability to commit new funds may be restricted.

IFC's Syndications Unit is also broadening the range of available financing mechanisms. In particular, besides traditional syndicated loans, it can now offer to arrange securitized finance in the form of note issues underwritten by banks (together with IFC) and placed with investors. This mechanism, now in widespread use in international finance, can provide cheaper and more flexible funding for borrowers as well as balance sheet advantages for participant banks.

Other ways of improving the flow of funds of projects derive from the restructuring of existing debt. For example, IFC encourages lenders in appropriate cases to convert loans into equity, in conjunction with new money from IFC. Alternatively, IFC can help to lower the cost of new corporate investments in the developing world by arranging debt-for-equity swaps on advantageous terms.

New Product Development

In the rapidly changing environment for developing country finance, an institution like IFC must remain innovative if its role is to retain its relevance. IFC has therefore established a new product development function, which has already begun to have an important impact on the way the Corporation does business.

In FY85, IFC pioneered the use of risk-transformation guarantees, which isolate and cover specific concerns, qualitatively modifying the overall risk perceived by lenders (rather than merely transferring the risk in toto, as is usually the case). In FY86, IFC has developed what may prove to be a valuable technique for attracting equity investment to developing countries —The Guaranteed Recovery of Investment Principal (GRIP) program. Through a combination of standard financial devices, GRIP will give investors security on equity principal while at the same time generating a variety of attendant benefits. Through GRIP, IFC hopes to enhance further its catalytic role and tap new sources of investment for developing countries.

Technology and Project Development

During FY86, the Corporation continued its collaboration with the United Nations Development Programme in pursuing joint technical assistance activities. An agreement was made with the UNDP African Regional Bureau to fund a major feasibility study on the establishment of food irradiation processing in four West African countries; this is a promising technology for preserving perishable food for export or for local sales. The study included market research in industrialized countries to which economically preserved fresh food from Africa might be exported. IFC also continued to explore opportunities for the UNDP's special facility for financing feasibility studies for potentially viable investment projects in less developed countries.

The Corporation continued to provide its traditional technical assistance related to specific investment projects and enterprises. Examples, some of which relate to broader sectoral concepts carried out at the request of member Governments, are shown in the table below.

In China, IFC staff joined World Bank staff in conducting an Industrial Projects Financing Seminar for the Industrial and Commercial Bank of China in Jilin City. The Corporation also participated in a Government-sponsored project management seminar in Sweden, concentrating on the technical aspects of appraising investment projects.

Sector	*Activities*	*Country*
Chemicals	Process evaluation for propane de-hydrogenation technology.	Thailand
	Advice to Government on technology for upgrading lignite processing and low-grade coal.	Hungary
Mining & Metallurgy	Delineation of minerals exploration program, including probability modeling.	Mexico
	Assessment of development priorities and formulation of investment strategy in precious metal mining.	Zaire
	Evaluation of strategic options, and cost/benefit analysis for light metal investment project.	Yugoslavia
Manufacturing	Assistance in negotiating technology transfer and management agreements for an automotive project.	China
	Advice on product range improvement in pharmaceutical industry.	Tunisia
Textiles	Project restructuring involving cost improvements and enhanced mill flexibility and performance.	Argentina, Senegal, Nigeria
Pulp and Paper	Optimization of small-scale mill project to suit market and capital constraints.	Zimbabwe
	Advice to industry on process inputs and improved cost control.	Costa Rica
Agriculture	Rationalization and operational planning to improve agribusiness profitability.	Brazil
	Introduction of plantation valuation techniques.	Philippines

The Corporation reviews every investment project with the Environment, Science & Technology Unit of the World Bank to ensure that proper health and environmental protection is provided. IFC environmental policy was discussed at a UNIDO workshop in Ghent, Belgium, and at other international meetings.

Looking ahead, the Corporation plans to broaden its technical assistance activities, including both project-related technical assistance, and new initiatives on technology transfer and development. Innovative technical concepts, with prospects for application in a range of sectors and regions, will be sought. IFC will pursue opportunities to utilize these concepts in new business developments, in project promotion strategies, and to assist the rehabilitation of enterprises experiencing difficulties, whether or not in IFC's portfolio. In pursuing these objectives, the Corporation intends to collaborate closely with UNDP and other specialized United Nations agencies.

Technology Transfer and Development–IFC as Catalyst

While many institutions engaged in development work, including the World Bank Group, are encouraging appropriate science and technology for the benefit of LDCs, there is no single strategy for achieving success in this complex field.

Most organizations involved in the development process agree that science-based technologies for LDCs should be simply designed, easy to use and capable of providing real benefits to end-users. In practice, the implementation of such technologies has proven extremely difficult, partly because of problems of assimilation and of other constraints in the recipient country.

Generally, when engaged in project financing involving the transfer of technology, the Corporation is concerned to put the technology to proper use. To this end, IFC endeavors to cooperate with the recipients to see that competent managers and engineers are available for project execution. No benefits will be generated unless technologies are operable on a practical and sustained basis.

The transfer of technology involves diverse capabilities in implementing operational projects. It may entail sellers' equity participation or other transfer modes, e.g., licensing and technical service contracts. Some supplier firms excel as engineers and plantbuilders while others, specializing in manufacturing, share production, management and marketing knowhow with the recipient.

IFC typically acts as a catalyst or adviser to donor and recipient firms, or indeed has identified specific opportunities for technology transfer. The Corporation believes that in fulfilling this role, it is helped by the perception among others that IFC is impartial and well equipped to act as "honest broker". Four examples of IFC's activities in this area are summarized below:

Biotechnology in Hungary: At present, Hungary imports all of its requirements of 1-Lysine, one of the essential amino acids—the building blocks of protein. Amino acids are vitally important components in the diet of certain animals, such as swine and poultry. IFC assisted the Hungarian Government and an agricultural cooperative in the evaluation and selection of a suitable 1-Lysine process, based on bacteria fermentation of local molasses. This process has potential for considerable savings in foreign exchange.

Pulp and Paper Technology in Mexico: The "Chemo-Thermo-Mechanical Pulp" (CTMP) process is a high yield technology for the production of pulp for paper. IFC was instrumental in recommending this process to Mexican industry and subsequently assisted both technically and financially in its introduction. The availability of this pulp in Mexico opens new possibilities for cost savings in the production of several grades of paper.

Textiles in Africa: Wax printing is a specialized method of producing unique design printed fabrics used extensively by women in Africa. The technology is complex in terms of design, color mixing and processing; marketing the fabrics in a fashion-conscious environment is also specialized. The process has been limited to a few sources. IFC's presence has helped to transfer this unique technology from Europe to textile plants in Zaire and Nigeria.

Flat Glass Manufacture in India: Superior quality flat glass at present is mostly produced by the float process. IFC has assisted a medium-sized Indian company in evaluating the "fusion process" for manufacture of comparable quality glass perfected in the United States, and for which the technology is being transferred to a developing country for the first time. With this new process, installed unit cost, quality and operating efficiencies are likely to be comparable to the float technology. IFC assistance was vital in finalizing project parameters and the technical assistance agreement and in obtaining a "put right" guarantee from the U.S. company that the Indian plant will meet the performance guarantees.

Although IFC's presence in a project has in the past often helped to foster the "technology transfer" process, the Corporation has now decided to take a more active role. The newly created Technology & Development Unit (under the Vice-President, Engineering) will identify suitable technologies, innovative concepts, products and processes, and adapt them as necessary for transfer to entrepreneurs in developing member countries.

Although this activity has only recently been started on an organized basis, progress so far has been encouraging. The Unit is developing methods of operation: a thorough and painstaking study of each development is essential. Potential concepts, processes or products in selected sectors are identified through publications and contacts with companies, and research institutions. The Unit selects interesting ideas which are then critically reviewed by IFC's Engineering staff. Visits are made to laboratories, demonstration models and pilot plants. Detailed feasibility studies may then be undertaken on selected items, by IFC staff and/or outside consultants, probably financed by external sources—such as UNDP. The Unit then may promote the most promising ideas in selected countries, encouraging local private sector sponsors and financial institutions to start pilot plants for a practical test of the benefits under real local conditions, before a project involving full-scale commercial application is actively pursued.

Initially, it has been decided to concentrate on selected sectors, especially agribusiness, and also on processes which have good potential for application in a number of different countries or industries. Examples of studies currently being pursued include:

- the intensive cultivation of fruits and vegetables in specially designed plastic containers, particularly where arable land and water are scarce;
- an irradiation process for preserving fresh food for local storage and exports (referred to on the previous page);
- methods of providing business and technical consultancy for selected sectors in developing countries. Joint venture consulting firms would be established with IFC assistance, employing both expatriate and local experts, who could provide assistance at lower cost than international consultants on their own;
- centralized hazardous waste treatment facilities for heavily industrialized urban regions;
- containerized shipment of fresh tropical vegetables and fruits in a protective inert gas atmosphere; and
- small scale manufacture of certain industrial products which are uneconomic to produce by conventional processes except in very large volumes.

The Year's Investments

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	ARGENTINA			
TE	*Alpargatas S.A.I.C.**, the leading Argentine textile and shoe manufacturer, whose performance has been hindered by domestic economic and financial conditions, is carrying out an $80 million restructuring—a joint effort by the company, shareholders and creditors to safeguard medium and long-term viability.	Loan	$ 11,020	$
		Equity	—	
		Syndications	5,000	
		Total	16,020	80,000
CP	*ATANOR S.A.M.*, an established, diversified chemicals company, is increasing its hydrogen peroxide capacity from 3,500 metric tons a year at present to 8,500 tons and will build a plant to produce 1,650 tons a year of a non-toxic herbicide intermediate. The project will add value to locally available raw materials, replace imports and result in estimated foreign exchange savings of $5.7 million annually.	Loan	7,000	
		Equity	1,000	
		Syndications	—	
		Total	8,000	30,000
CM	*Banco Roberts* will provide long term loans to Argentinian medium-size private sector enterprises through a new credit line. Emphasis will be placed on agricultural and agroindustries, manufacturing industries, export-oriented industries and service industries.	Loan	10,000	
		Equity	—	
		Syndications	—	
		Total	10,000	20,000
EM	*Hidra oil development project* will bring into commercial production for the first time in Argentina an off-shore oil discovery with initial production estimated at 27,000 barrels of oil a day. The joint venture is sponsored by Brazilian, French and West German companies.	Loan	60,000	
		Equity	—	
		Syndications	20,000	
		Total	80,000	470,000
CC	*Juan Minetti S.A.**, a leading Argentinian cement producer with intrinsically sound, efficient, cost-competitive operations but hampered by domestic economic conditions, is implementing a restructuring program to improve operating margins, restore liquidity and strengthen its financial structure.	Loan	1,500	
		Equity	—	
		Syndications	7,500	
		Total	9,000	11,500+
EM	*Lindero Atravesado oil/gas field project* will further develop Argentina's most important petroleum basin and help ensure the country's self-sufficiency in oil. The project consists principally of drilling 21 wells and building an LPG recovery plant and a gas compression plant.	Loan	33,000	
		Equity	—	
		Syndications	—	
		Total	33,000	132,000
PT	*Massuh S.A.** made a stock offering to shareholders to which IFC subscribed.	Loan	—	
		Equity	400	
		Syndications	—	
		Total	400	11,000
	BANGLADESH			
MF	*Bata Shoe Company (Bangladesh) Limited*,* experienced a financing shortfall for its expansion and IFC approved a supplemental loan to assure project completion.	Loan	250	
		Equity	—	
		Syndications	—	
		Total	250	2,600
	BRAZIL			
CC	*CIMINAS—Cimento Nacional de Minas, S.A.** is undertaking a restructuring program which is being assisted by IFC.	Loan	10,000	
		Equity	—	
		Syndications	20,000	
		Total	30,000	30,000

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
IS	*Companhia Siderurgica da Guanabara (COSIGUA)** common and preferred shares held by IFC were sold to the Brazilian Gerdau Group, COSIGUA's principal stockholder.	Loan	$ 5,120	$
		Equity	—	
		Syndications	—	
		Total	5,120	5,120
IS	*Nitriflex S.A. - Industria e Comercio* will build a 10,000 metric tons-a-year, ethylene propylene diene monomer (synthetic rubber) plant near Porto Alegre, Rio Grande do Sul, as part of Brazil's southern petrochemical complex. Nitriflex is a major Brazilian synthetic rubber and resin manufacturer, majority privately owned by Brazilian and U.S. interests. The venture will result in estimated foreign exchange benefits of $9 million a year, introduce new technology into the country and meet growing domestic demand.	Loan	14,000	
		Equity	—	
		Syndications	—	
		Total	14,000	55,700
FA	*Perdigao S.A. Comercio e Industria,* a leading integrated, export-oriented, pork and poultry producer and Brazil's second largest agro-industrial enterprise, is completing a restructuring program that will consolidate its expanded operations—laying the groundwork for future growth while improving its financial structure.	Loan	25,000	
		Equity	—	
		Syndications	—	
		Total	25,000	80,600
PT	*PISA - Papel de Imprensa S.A.**, a newsprint and pulp producer, is undertaking a restructuring program—including financial, operational and marketing improvements—in which IFC is participating.	Loan	9,500	
		Equity	1,400	
		Syndications	20,000	
		Total	30,900	72,000
AV	*Volvo do Brasil Motores e Veiculos S.A.** made a stock offering to shareholders to which IFC subscribed.	Loan	—	
		Equity	2,100	
		Syndications	—	
		Total	2,100	10,800
	CAMEROON			
TE	*Cotonniere Industrielle du Cameroun,* the country's only fully integrated textile manufacturing company, will modernize a weaving mill and finishing plant to improve production of African prints for the domestic and regional market.	Loan	2,850	
		Equity	—	
		Syndications	—	
		Total	2,850	6,800
FA	*Societe Industrielle Laitiere du Cameroun* will produce 7,840 tons per year of milk products, principally sterilized milk, yogurt and ice cream from imported powdered milk to help supply domestic demand and improve nutrition in the most populated part of the country.	Loan	1,960	
		Equity	490	
		Syndications	—	
		Total	2,450	9,600
	COLOMBIA			
EM	*Carbones del Caribe** is revising its original open-pit coal mining project, including the acquisition of additional equipment, revision of the transportation component and restructuring the equity financing plan.	Loan	2,900**	
		Equity	—	
		Syndications	—	
		Total	2,900	2,900
TE	*Enka de Colombia S.A.** is expanding its current nylon tire fabric capacity of 5,000 metric tons a year to 6,500 tons and will shift part of its output to higher priced yarns. This is IFC's fifth investment in the company, which is sponsored by Colombian and Dutch investors, and involves a private placement of the company's paper to help prepare the ground for the company to make a public offering in the European market.	Loan	3,000	
		Equity	—	
		Syndications	3,000	
		Total	6,000	13,300

The Year's Investments (continued)

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	CONGO			
PT	*Congolaise des Bois Impregnes* will build and operate a utility pole plant in Pointe Noire which will process eucalyptus trees with a nominal capacity of 100,000 poles/year. The plant will also be equipped to produce crossarms used as support for electric insulation. Production will be sold in Central and West African countries as well as in the Middle East and Asia.	Loan	$ 1,600	$
		Equity	230	
		Syndications	—	
		Total	1,830	5,500
PT	*Congolaise Industrielle des Bois* will undergo a financial restructuring to complete its current investment program partially financed in 1984. When completed, the project's logging capacity will be expanded to 110,000 cubic meters from 59,000 cubic meters per year.	Loan	860	
		Equity	—	
		Syndications	—	
		Total	860	2,100
	COTE D'IVOIRE			
CM	*Compagnie Financiere de la Cote d'Ivoire*, a merchant bank, will administer a French francs credit line to finance agro-industrial and manufacturing investments by Ivorian medium-sized enterprises with IFC matching the medium and long-term loans.	Loan	4,560	
		Equity	—	
		Syndications	—	
		Total	4,560	8,000
TE	*Etablissements R. Gonfreville, S.A.*, an integrated textile mill, will be modernized and upgraded to increase its sales and profits, reduce labor and administrative costs and improve production to remain competitive.	Loan	7,990	
		Equity	—	
		Syndications	—	
		Total	7,990	21,300
	DOMINICAN REPUBLIC			
FA	*Productora Nacional de Algodon, C. por A.** is undertaking a re-structuring program which is being assisted by IFC.	Loan	—	
		Equity	1,100	
		Syndications	500	
		Total	1,600	1,800
TS	*Transamerican Hoteles, S.A.* will reopen, rehabilitate and expand the Jaragua Caribe Hotel in Santo Domingo, making it into a first-class, resort hotel that will generate net foreign exchange benefits of $7 million annually, create some 400 direct jobs and help expand the country's tourism industry.	Loan	6,000	
		Equity	—	
		Syndications	—	
		Total	6,000	24,000
	EGYPT			
CP	*Aluminium Sulphate Company of Egypt, S.A.E.* will establish a plant to produce, at full capacity, 75,000 tons per annum of aluminum sulphate, to be used mainly for water treatment. Production will be based on local raw materials and is expected to meet the whole of Egypt's projected demand for aluminum to 1990/1991.	Loan	3,700	
		Equity	570	
		Syndications	3,200	
		Total	7,470	16,500
EM	*Meleiha Oil Development Project*, an onshore oilfield development, will finance development expenditures to produce a minimum of 50 million barrels from proven oil reserves in the Western desert of Egypt in the Meleiha concession area and complete exploration work in deeper zones of the concession which have the potential for considerable further oil discoveries, opening the area as a new major oil province.	Loan	30,000	
		Equity	19,500	
		Syndications	30,000	
		Total	79,500	180,000

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	FIJI			
PT	*Fiji Forest Industries*—a joint venture of Fijian and Australian sponsors—will modernize and expand its operations by adding 1,990 drying kilns, improving existing log processing facilities and building a new 60,000 cubic meters-a-year sawmill. The project will approximately double the company's log throughput, improve quality, increase foreign exchange earnings and develop a previously unutilized forest area.	Loan Equity Syndications Total	$ 1,990 1,990 — 3,980	$ 13,300
CM	*Merchant Bank of Fiji* will constitute the first merchant bank in Fiji to initially provide hire purchase, leasing operations for agricultural, industrial and commercial machinery and equipment as well as some consumer goods. In addition, other types of merchant banking activities such as underwriting of securities, investment advisory services and money market operations will be developed.	Loan Equity Syndications Total	2,000 .340 — 2,340	 17,700
	GRENADA			
TS	*Issa Nicholas (Grenada) Ltd.* will revitalize two existing hotels into a first-class, 236-room, beach resort to be called the Ramada Renaissance Grenada. The project, IFC's first venture in the country, is sponsored by a Trinidad and Tobago businessman. It will generate some $7 million in net foreign exchange earnings a year and result in approximately 200 new direct jobs.	Loan Equity Syndications Total	6,000 — — 6,000	 16,700
	GUINEA			
CM	*Banque Internationale pour le Commerce et l'Industrie de la Guinee* will be a joint venture multipurpose bank to reintroduce normal commercial banking services to Guinea. It will operate as a commercial bank, engage in deposit mobilization, short term credits, foreign exchange transactions, money management and transfers and undertake some medium and long-term lending for productive investments.	Loan Equity Syndications Total	— 1,000 — 1,000	 16,100
	HONDURAS			
FA	*Granjas Marinas San Bernardo, S.A. de C.V.*, sponsored by Honduran and U.S. investors, will establish an integrated shrimp farming project that will produce 1.4 million pounds of shrimp tails a year for export, generating an estimated $4.3 million in foreign exchange a year. The operation will consist of 400 hectares of growout ponds, hatchery and related infrastructure located about 125 miles southwest of Tegucigalpa.	Loan Equity Syndications Total	— 580 — 580	 4,300
	INDIA			
AV	*Escorts Limited**, India's leading motorcycle producer, is building a plant to produce 150,000 two-wheel motor vehicles a year in a project that will upgrade the company's technology and help meet rapidly growing domestic demand.	Loan Equity Syndications Total	8,040 — — 8,040	 48,300
CM	*Export-Import Bank of India* will manage a credit line on an agency basis to help finance new projects, modernization and expansion of small and medium-size export oriented private enterprises.	Loan Equity Syndications Total	15,000 — — 15,000	 60,000

The Year's Investments (continued)

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
MF	*Gujarat Fusion Glass Limited** is being established to build and operate a 33,000 metric tons-a-year, fusion-process sheet glass plant about 300 kilometers north of Bombay. The project will introduce new technology into the country, create some 450 jobs and result in estimated balance of payments benefits of $4.3 million annually.	Loan Equity Syndications Total	$ 7,530 1,830 — 9,360	$ 40,100
AV	*Hero Honda Motors Limited* is implementing a project to produce 150,000 motorcycles a year. The second phase, which IFC is helping to finance, includes a plant to produce 150,000 engines annually and expanding motorcycle assembly capacity from 120,000 at present to the targeted 150,000.	Loan Equity Syndications Total	7,100 — — 7,100	21,900
IS	*Nagarjuna Signode Limited** is undertaking a restructuring program which is being assisted by IFC.	Loan Equity Syndications Total	— 330 — 330	3,300
TS	*The Great Eastern Shipping Company Limited*, the largest private sector shipping company in India, is expanding and modernizing its fleet and strengthening its capital structure.	Loan Equity Syndications Total	8,000 2,000 — 10,000	45,300
IS	*The Tata Iron and Steel Company Limited** will build a 1.62 million metric tons-a-year sinter plant as the key component of its Phase II modernization and expansion program. The project will utilize currently unutilized iron ore fines and extend the life of the company's iron ore mine.	Loan Equity Syndications Total	11,370 — — 11,370	79,900
FA	*Wimco Limited*, the largest processed fruit products exporter in India, is undertaking an investment program that will expand and modernize the existing facilities of its subsidiaries, establish a research center, and initiate production of fruit juice in consumer packs for the domestic market.	Loan Equity Syndications Total	4,700 — — 4,700	16,100
	INDONESIA			
TS	*P.T. Bali Holiday Village*, sponsored by Indonesian and French investors, is building a $28.1 million, 700-bed, beach holiday village on Bali. The project is located in the Nusa Dua tourism development area which is partly financed by the World Bank's International Development Association affiliate. The venture will create some 300 direct jobs, expand Indonesia's tourism industry and generate estimated net foreign exchange earnings of $6.5 million annually.	Loan Equity Syndications Total	7,840 — 2,000 9,840	28,100
	JAMAICA			
FA	*St. Mary Banana Estates Limited* is being established to develop four tracts of land totalling approximately 1,600 acres to produce some 25,600 metric tons of bananas a year for export—generating an estimated $38.1 million a year in sales revenues and reducing the Jamaican economy's reliance on bauxite and sugar.	Loan Equity Syndications Total	3,750 900 — 4,650	17,100
	KENYA			
CM	*Industrial Promotion Services Kenya (Limited)*, a venture capital company, will make co-equity investments together with IFC and for identical amounts in small and medium-sized Kenyan companies identified and appraised by IPS.	Loan Equity Syndications Total	— 1,500 — 1,500	3,000

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	KOREA			
CM	A second tranche public offering in the *Korea Fund* is aimed at strengthening the Korean securities markets by attracting foreign investors without increasing debt. The increase in the Fund follows the Korean Government policies for securities markets internationalization.	Loan	$ —	$
		Equity	1,730‡	
		Syndications	10,920	
		Total	12,650	40,000
MF	*Korea Zinc Company, Ltd.** is more than doubling its existing zinc refining capacity to 150,000 metric tons a year and constructing a 35,000 tons-a-year electrolytic lead refinery. The project will make the company one of the largest zinc refiners in Asia and help meet growing domestic demand. The refinery will quadruple the country's lead processing capacity, help meet local demand and reduce the need for imports. The project is expected to save some $29 million a year in foreign exchange.	Loan	6,000	
		Equity	—	
		Syndications	—	
		Total	6,000	100,400
	LIBERIA			
PT	*Liberian Timber and Plywood Operation Company* will rehabilitate and expand a forestry concession including a sawmill and plywood factory. Production will be mainly for exports, and the project will earn significant amounts of foreign exchange with a notable impact on the economy of the region.	Loan	8,500	
		Equity	—	
		Syndications	—	
		Total	8,500	25,900
	MALAWI			
CM	*First Leasing and Finance Company Limited.* Malawi's first leasing and equipment finance company, will supplement term financing for investments, offering primarily leasing, hire-purchase, commercial lending facilities and factoring, mainly for productive sectors. The project, a new and innovative financial intermediary in the country, will offer an incremental supply of medium term financing for capital equipment at reasonable costs.	Loan	630	
		Equity	90	
		Syndications	—	
		Total	720	3,700
	MAURITIUS			
TE	*Socota Textile Mills Limited* will establish a greenfield semi-integrated textile mill to produce 7 million linear meters of finished fabrics in cotton and polyester-cotton blends to supply the expanding Mauritian garment exporting industry.	Loan	5,000	
		Equity	1,000	
		Syndications	—	
		Total	6,000	22,100
	MEXICO			
FA	*Agroindustrial Exportadora, S.A. de C.V.* will reactivate, expand and diversify its operations to produce a variable mix of frozen, packaged, pickled and canned agricultural products for export. The venture will generate foreign exchange earnings and result in 300 direct jobs and 1,000 indirect jobs.	Loan	1,500	
		Equity	500	
		Syndications	—	
		Total	2,000	7,300
PT	*Celulosa y Papel de Durango, S.A. de C.V.* will produce 75,000 metric tons a year of bleached chemi-thermomechanical pulp, a new type of virgin pulp, from wastewood. The project will substitute for imports, permit substantial foreign exchange savings, help a less developed region of the country and introduce a new technology into Mexico.	Loan	10,000	
		Equity	1,900	
		Syndications	4,000	
		Total	15,900	45,000

The Year's Investments(continued)

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
GF	*Constructoras ICA, S.A. de C.V.*'s overseas construction contracts—principally in the Caribbean basin—will be covered by a guarantee facility with a cumulative value of up to $100 million, allowing the company to maintain its present level of activity.	Loan	$20,000††	$
		Equity	—	
		Syndications	—	
		Total	20,000††	100,000††
TS	*Hotel Camino Real Ixtapa, S.A. de C.V.** made a stock offering to shareholders to which IFC subscribed.	Loan	—	
		Equity	1,100	
		Syndications	—	
		Total	1,100	7,000
	MOROCCO			
EM	*Societe Metallurgique d'Imiter* will expand its silver mining operations to increase the quantity of treated ore to 400 tons per day from 200 tons per day with annual silver production rising to 120 tons of silver ingots to be sold entirely for export.	Loan	4,590	
		Equity	—	
		Syndications	—	
		Total	4,590	33,900
	MOZAMBIQUE			
FA	*Companhia Agro-Industrial Lonrho-Mocambique Limitada* will privatize and rehabilitate three large state farms of over 6,000 hectares to grow cotton, dry beans and citrus fruit largely for export and other agricultural and livestock produce for the local market. The project includes rehabilitation of a cotton ginnery and a vegetable canning plant as well as the installation of an overhead irrigation system on 1,000 hectares of cropland and 400 hectares of citrus orchards.	Loan	2,500	
		Equity	—	
		Syndications	—	
		Total	2,500	15,500
	NIGERIA			
MF	*Nigeria Engineering Works Ltd.* will diversify its construction sector into manufacturing automobile wheels and other components to supply local automotive assembly companies. The project represents a continuation of the company's diversification strategy.	Loan	9,100	
		Equity	—	
		Syndications	—	
		Total	9,100	20,000
TE	*Nigerian Textile Mills Limited* will modernize and diversify to improve production efficiency and reduce operating costs. It will also establish facilities for the production of real wax prints.	Loan	11,140	
		Equity	—	
		Syndications	—	
		Total	11,140	25,000
	PAKISTAN			
CC	*Fecto Cement Limited** is implementing a 2,000 metric tons-a-day cement project near Sangjani in northern Pakistan where there is a cement shortfall. The venture will employ some 600 people, result in estimated net foreign exchange savings of $17.6 million a year at full production and is in line with the Government's encouragement of private investment in the cement industry.	Loan	7,240	
		Equity	—	
		Syndications	—	
		Total	7,240	87,500

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	PANAMA			
CM	*Banco Latinoamericano de Exportaciones, S.A.*, is a specialized regional bank which provides export financing to its shareholder banks for use in on-lending to exporters as well as directly to selected state-owned exporting institutions. IFC assisted BLADEX in raising $30 million through the issuance of medium-term Floating Rate Notes in the Eurodollar market. It will help BLADEX to stabilize and diversify its funding base and facilitate its access to the international markets while enhancing its ability to finance Latin American exports.	Loan Equity Syndications Total	$ 13,860‡ — 8,640 22,500	$ 40,000
MF	*Vidrios Panamenos, S.A.** is installing equipment on its new one-way bottle line which will improve its competitive position. IFC is providing a standby loan to help finance the project and is also selling to another investor the Corporation's existing loan to the company.	Loan Equity Syndications Total	700 — — 700	 3,600
	PERU			
EM	*Compania de Minas Orcopampa S.A.* is doubling its ore mining and treatment capacity to 1,000 metric tons a day. The project will expand gold and silver output, reduce unit operating costs, increase earnings, improve workers' housing and social facilities and generate estimated net foreign exchange benefits of $14.5 million a year.	Loan Equity Syndications Total	9,000 1,000 — 10,000	 30,000
	PHILIPPINES			
DF	*BPI Agricultural Development Bank* will be the first private sector agricultural bank in the Philippines and will focus, initially, on assisting aquaculture and other export-oriented agricultural enterprises with equity and quasi-equity investments, project development support, and financial intermediation.	Loan Equity Syndications Total	— 1,000 — 1,000	 3,700
FA	*Philippine Cocoa Estates Corporation* will intercrop about 2,000 hectares of existing coconut plantations with cocoa to produce, at full output, some 4,460 metric tons of cocoa and 2,650 tons of copra annually. The project will restore rundown plantations, earn an estimated $5.9 million in foreign exchange annually and provide employment for about 800 regular workers.	Loan Equity Syndications Total	4,600 — — 4,600	 18,700
TS	*Philippine Long Distance Telephone Company** is participating in a $778 million, North America-Hawaii-Japan-Guam-Philippines fiber optic communications cable system that will help meet rapidly expanding trans-Pacific telecommunications needs and improve PLDT's overseas telephone service.	Loan Equity Syndications Total	30,000 — — 30,000	 120,000
FA	*Pure Foods Corporation* is implementing a semi-integrated shrimp farming enterprise that will produce, on about 300 outgrower farms, approximately 1,100 metric tons of shrimp a year and result in estimated net foreign exchange earnings of $7.6 million annually. Philippine and U.S. companies are sponsoring the project.	Loan Equity Syndications Total	— 1,430 — 1,430	 4,700

The Year's Investments (continued)

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	SENEGAL			
TE	*Societe de Teinture, Blanchiment, Apprets et d'Impressions Africaines*, the only producer of textile prints in Senegal, will modernize its facilities by replacing the pre-treatment equipment and printing and finishing of wax and fancy cloth. The project will enable the Company to strengthen its established position in the local and regional market.	Loan Equity Syndications Total	$ 2,570 — — 2,570	$ 7,400
	SEYCHELLES			
TS	*Ailee Development Corporation Limited* (Intercontinental Hotel Seychelles) will complete construction of a 206-room, first-class hotel which will offer a standard and range of facilities unique in the Seychelles, including all-day and specialty restaurants, tennis and squash courts, water activities, bank, shops, discotheque and a banquet/convention hall.	Loan Equity Syndications Total	8,350 1,100 — 9,450	 40,800
	SWAZILAND			
DF	*Swaziland Investment and Development Company Limited*, a new development finance company, will take over the Government-owned institution and will operate independently on a commercially-oriented basis. It will invest in enterprises in Swaziland.	Loan Equity Syndications Total	2,300 700 — 3,000	 31,000
FA	*The Royal Swaziland Sugar Corporation Limited* will establish a 720 hectare cotton and bean diversification scheme producing 2,520 metric tons of seed cotton and 630 metric tons of beans per annum. The project will commence a diversification program into alternate crops and reduce the Company's dependence on sugar.	Loan Equity Syndications Total	2,090 — — 2,090	 3,400
	THAILAND			
CP	*National Fertilizer Corporation Limited* will build a 1 million metric tons-a-year, integrated fertilizer complex. The venture will produce a reliable, flexible, efficient, reasonably-priced supply of fertilizer to help Thailand sustain agricultural growth, crop productivity and exports and achieve substantial foreign exchange savings. The IFC financing is the largest it has ever provided to a single project.	Loan Equity Syndications Total	10,000 10,000 303,030 323,030	 481,900
FA	*Northeast Agriculture Company, Ltd.* will establish a tomato paste factory and nucleus farm to produce approximately 7,000 metric tons per year of tomato paste for domestic sale and export. The project will create 275 direct jobs, improve the income of some 3,000 outgrowers in a less developed region in Thailand, and generate estimated net annual foreign exchange benefits of $5 million.	Loan Equity Syndications Total	1,530 450 2,900 4,880	 7,400
TS	*Phya Thai II Hospital Limited* will replicate an existing hospital operated by the sponsor, Prasit Development Co., Ltd., by building a 15-floor, 268-bed, acute care hospital. The project will increase the availability of medical care in Bangkok and permit scarce Government resources to be applied to rural areas. It is the first project of its kind IFC has assisted.	Loan Equity Syndications Total	4,200 740 — 4,940	 20,100

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	TUNISIA			
CP	*ADWYA S.A.* will establish a plant to manufacture brand name pharmaceutical products based on imported active ingredients. The plant will produce a variety of drugs under license from well-known foreign companies. It is the first IFC investment in the pharmaceutical sector.	Loan Equity Syndications Total	$ 1,960 320 — 2,280	$ 9,900
TE	*Societe Industrielle des Textiles*, a fully integrated Tunisian textile company specializing in the manufacture of blue denim for the export markets, will modernize and expand the capacity of its spinning and weaving plants to increase production to 37 million square meters by 1988 from 23 million square meters currently.	Loan Equity Syndications Total	5,000 3,200 — 8,200	20,200
CM	*Societe Tunisienne de Leasing* will increase the volume of its activities, providing medium-term lease financing to private sector small and medium-scale enterprises, with special emphasis on export-oriented firms.	Loan Equity Syndications Total	2,930 — — 2,930	17,200
	TURKEY			
MF	*Cam Elyaf Sanayii A.S.*, the sole producer in Turkey of fiberglass material for reinforcement of plastic resins, will expand its production capacity to 7,000 tons per annum from 4,200 tons per annum to cater to profitable export orders which could not be supplied due to lack of capacity. In addition, the company will develop two new product lines—glass reinforced plastic pipes and sheet molding compounds—to promote sales of fiberglass and polyester resins.	Loan Equity Syndications Total	8,230 — — 8,230	15,500
TS	*Eska Turizm Ve Ticaret A.S.* will build a 315-room holiday village on the south coast of Turkey at Side near Antalaya. The village will offer activities with trained personnel such as arts, ceramics, and riding, as well as facilities for children. It will cater to the German-speaking market.	Loan Equity Syndications Total	2,180 — — 2,180	9,900
TE	*Guney Sanayi Ve Ticaret Islemeleri A.S.*, a diversified and integrated textile mill, will rehabilitate and modernize its production facilities to reduce operating costs, increase production flexibility, and improve product quality, thus enhancing the competitiveness of the company. Furthermore, the project will eliminate some technical deficiencies, shifting the output mix to higher value added products.	Loan Equity Syndications Total	15,500 — — 15,500	31,800
TS	*Silkar Turizm Yatirim Ve Isletmeri A.S.*, a 332-room holiday resort on the south coast of Turkey at Kemer, will build a second 412-room holiday village also on the south coast of Turkey at Side to be called Club Robinson-Side with many recreational facilities to cater mainly to European tourists.	Loan Equity Syndications Total	5,690 — — 5,690	24,500
	URUGUAY			
CM	*Surinvest*, a merchant bank, will receive a capital increase to restructure and expand its operations. The project will allow the Company to match debt repayments with cash generation in order to eliminate a present serious liquidity crisis; to reduce current prohibitive interest burden; and to strengthen its capital base so as to enable it to attract foreign deposits and trade financing lines.	Loan Equity Syndications Total	1,500 1,500 — 3,000	6,000

The Year's Investments(continued)

Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	YEMEN ARAB REPUBLIC			
FA	*Marib Agriculture Company Y.S.C.* will finance the establishment of a 300 hectare citrus plantation on a 500 hectare site to produce about 10,000 tons of oranges per year at full development, for domestic consumption as fresh fruit. Located near Marib, 150 kilometers east of Sana, the project includes land preparation, and infrastructures, installation of 16 tube-wells, pumps and irrigation equipment, the planting of some 170,000 self-pollinating citrus trees, and the installation of a fruit packing plant.	Loan Equity Syndications Total	$ 2,400 460 — 2,860	$ 12,300
EM	*The Yemen Refinery and Marketing Company* will develop a crude oil refinery and early production system to be located some 56 kilometers east of Marib with a capacity of 10,000 barrels per day of refined product. At full production, the refinery is expected to meet some 33 percent of the country's needs and will serve the markets in closest proximity.	Loan Equity Syndications Total	9,000 — — 9,000	50,300
	YUGOSLAVIA			
AV	*Tovarna Avtomobilov in Motorjev,* Yugoslavia's largest producer of commercial vehicles, will upgrade product and production technology, balance and modernize production, tooling, testing and quality control facilities. The project will expand effective and realizable annual production capacity from about 11,000 commercial vehicles and 10,000 diesel engines to 14,000 respectively. The project scope also includes the expansion of the aluminum foundry from 950 tons per annum to 2,500 tons per annum.	Loan Equity Syndications Total	22,970 — — 22,970	90,100
MF	*Tovarna Glinice in Aluminija Boris Kidric,* Republic of Slovania, a manufacturer of primary aluminum intermediate and semi aluminum products, will modernize and expand its smelter, casting, quality control and auxiliary facilities to bring production capacity to 70,000 metric tons a year and fill a current domestic shortage.	Loan Equity Syndications Total	32,380 — — 32,380	115,900
	ZIMBABWE			
FA	*Crest Breeders International Pvt. Ltd.* will expand its capacity to increase annual production of day-old chicks from 11.1 to 23.4 million, broiler meat from 5.1 to 9.9 million kilograms and poultry feed from 29,000 to 51,000 tons, in order to supply the domestic and export markets. In addition, a restructuring of the ownership will enable local private sponsors to acquire majority control.	Loan Equity Syndications Total	4,710 630 — 5,340	12,300
PT	*Hunyani Paper & Packaging Limited* will rehabilitate, modernize and expand its diversified industrial paper and packaging operations. Paper mill production will increase by 10,000 tons per annum (25 percent) and packaging production by 10 percent.	Loan Equity Syndications Total	10,570 — 5,100 15,670	28,800

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Sector	Investments as approved by the Board of Directors (US$ thousands equivalent at date of Board approval[1])	IFC		Project Cost
	WORLD			
CM	*The Emerging Markets Growth Fund, Inc.*, a diversified, U.S. incorporated investment company, will promote portfolio investment in publicly listed equity securities in developing countries. The total value of the initial issue was offered on a private placement basis to a small group of large, sophisticated institutional investors with long term investment objectives. These investors are domiciled in seven different capital exporting countries. It will be the first fund formed to make multinational, diversified investments in the securities markets of developing countries.	Loan	$ —	$
		Equity	8,700	
		Syndications	—	
		Total	8,700	60,000

Total Loan	$ 635,550‡‡		
Total Equity	$ 74,920		
Total Syndications	$ 445,790		
Grand Total	$ 1,156,260‡‡	3,587,820‡‡	

AV automotive/vehicles
CC cement and construction materials
CM capital markets
CP chemicals and petrochemicals
DF development financing
EM energy and mining
FA foods and agribusiness
GF guarantee facility
IS iron and steel
MF manufacturing
PT pulp, paper and timber
TE textiles
TS tourism and services

*The Corporation has made one or more previous investments in this company.
**Replaces $1.5 million equity commitment in Fiscal 1984.
†Includes $2.5 million IFC subordinated convertible loan provided under IFC's second investment in the Company, approved in Fiscal 1981.
††Contractor bonding facility.
‡Primary underwriting commitment.
‡‡Includes contractor bonding facility.

[1]Expressed in US dollars with amounts invested at the exchange rates prevailing at the time of Board approval.

Personnel Management and Administration

The reorganization of the Corporation begun in FY85 has been completed, and although the Corporation is broadening its activities and developing new initiatives in the execution of its mandate, it is doing so by means of a realistic and prudent staffing policy. It is IFC's practice to deploy its resources carefully and to emphasize staff efficiency and productivity. Its recruitment practice is therefore restrained by demonstrable need.

At the end of the Fiscal Year, the Corporation had a total staff of 498, compared with 433 a year earlier. Of these, 330 were higher level or professional staff.

Reflecting the international character of the Corporation, a total of 70 nationalities are represented on the staff, including staff from 54 developing countries. In fact, 38 percent of higher level staff and 40 percent of managers are from developing countries.

Women now occupy 11 percent of higher-level positions in IFC. More than half come from developing countries.

In terms of recruitment, 90 percent of higher level staff come from the private sector and almost all return to it on leaving the Corporation. In its recruiting program, IFC particularly seeks professionals who have already demonstrated success in the private sector, but who find a challenge in the development work of the Corporation. Beyond replacement, higher level employment is expected to remain relatively constant over the next Fiscal Year, reflecting management's desire to control operating expenditures.

In light of these budget restraints and the expansion of the Corporation's activities, there is an obvious need for greater productivity. Greater emphasis has therefore been placed on providing an adequate human resource infrastructure and the consolidation of the office technology initiatives of recent years. Particular attention has been paid to training courses and programs designed to maximize staff productivity through the use of microcomputers and word processing outputs. A new Human Resource Planning and Development System has been designed and is now in operation by the Personnel Office. This program includes training that focuses on rapid deployment of new investment staff and state of the art financial management.

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MANAGEMENT AND STAFF

In anticipation of the formation of the Corporation, a beginning was made on recruiting management and staff early in 1956. By late autumn the initial staff had reported for duty. The number of full-time officers and professional staff is 12, all located in Washington, and includes nationals of five countries. In addition, several members of the World Bank staff, including one representative located in Paris, are giving part time to the Corporation.

Also, in the interests of economy, the Corporation uses the services of the World Bank's Economic Staff, and Legal, Treasurer's, Secretary's, Information and Administration Departments. The Corporation reimburses the Bank for these services.

Supplementing the work of its own full-time staff, the Corporation has retained two engineering consultants on part time. In addition, it has used the services of 15 other consultants on specific assignments in the fields of engineering, production, marketing and accountancy. They have been recruited from professional firms and industrial companies in North America, Europe and Latin America.

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APPENDIX A

Balance Sheet

JUNE 30, 1957

ASSETS

Due from Banks		$ 25,444
United States Government Obligations ($94,205,000 face amount; at cost plus accumulated discount)	$92,429,111	
Accrued Interest	472,996	92,902,107
Receivable on Account of Subscribed Capital Past Due (Egypt)		598,000
Other Assets		36,738
TOTAL ASSETS		$93,604,281

LIABILITIES AND CAPITAL (Note)

Accounts Payable and Accrued Expenses			$ 69,340
Capital			
Capital Stock: Authorized 100,000 shares of $1,000 par value each; Subscribed 91,892 shares		$91,892,000	
Net Income: For the period July 24, 1956 to June 30, 1957 (See Appendix B)	$1,675,382		
Less—Organization expenses incurred prior to July 24, 1956	32,430	1,642,952	93,534,952

The Corporation has entered into a commitment for a $2,000,000 investment in Siemens do Brasil Companhia de Electricidade for expansion of manufacturing operations subject to the completion of customary legal formalities and satisfaction of other conditions. The investment is to be represented by 6% notes maturing in 15 years with amortization beginning at the end of the eleventh year. In addition, the Corporation is to receive a 15-year option on shares of the Company.

TOTAL LIABILITIES AND CAPITAL	$93,604,281

Note:
At June 30, 1957, the Corporation held in trust 2,171.389 fine ounces of gold received from the Government of Afghanistan in connection with an application for membership submitted by Afghanistan.

APPENDIX B

Statement of Income and Expenses

FOR THE PERIOD JULY 24, 1956 TO JUNE 30, 1957

Income	
Income from investments	$2,408,048
Expenses	
Administrative expenses:	
Personal services	$ 424,905
Contributions to staff benefits	30,294
Fees and compensation	42,123
Representation	13,004
Travel	69,395
Supplies	13,611
Rent and utility services	51,729
Communication services	15,826
Furniture and equipment	33,743
Books and library services	8,834
Printing	13,850
Insurance	1,901
Other expenses	5,343
	$ 732,666
Net Income	$1,675,382

Financial Statements

International Finance Corporation
Annual Report 1986

International Finance Corporation

Balance Sheet

Exhibit A

June 30, 1986 and June 30, 1985
In Thousands of United States Dollars—See Notes to Financial Statements, Exhibit E

		1986	1985
ASSETS			
Loan and Equity Investments—Note B			
Investments committed		$2,387,200	$2,116,269
Less—Undisbursed		619,224	552,912
Disbursed and outstanding		1,767,976	1,563,357
Less—Reserve against losses		177,663	156,707
		1,590,313	1,406,650
Accrued income on loans		25,293	27,662
Receivables from purchasers of loan and equity investments		23,443	3,601
Deposits and Securities			
Obligations of governments		406,053	75,580
Time deposits and other obligations of banks and financial institutions		94,584	144,473
Accrued income on deposits and securities		4,056	2,135
Cash		17,086	4,040
Other Assets		19,196	8,702
TOTAL ASSETS		$2,180,024	$1,672,843
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings—Note D			
Loans from the International Bank for Reconstruction and Development		$1,421,739	$1,170,576
Less—Undrawn		584,194	474,826
Withdrawn and outstanding		837,545	695,750
Loans from others		496,388	129,405
Less—Undrawn		110,685	—
Withdrawn and outstanding		385,703	129,405
		1,223,248	825,155
Accrued charges on borrowings		23,894	17,078
Accounts payable and other liabilities		31,745	16,564
Deferred income		15,536	9,821
TOTAL LIABILITIES		1,294,423	868,618
Capital and Accumulated Earnings			
Capital stock, authorized 1,300,000 shares of $1,000 par value each, (650,000 shares—1985)—Note E			
Subscribed 880,340 shares (545,784 shares—1985)	$880,340		545,784
Less—Portion for which payment is not yet due 278,585 shares, (Nil-1985)	278,585		—
		601,755	545,784
Accumulated earnings		283,846	258,441
TOTAL LIABILITIES AND CAPITAL		$2,180,024	$1,672,843

International Finance Corporation

Statement of Income

Exhibit B

For the Fiscal Years Ended June 30, 1986 and June 30, 1985
In Thousands of United States Dollars—See Notes to Financial Statements, Exhibit E

	1986	1985
INCOME		
Income from loan and equity investments:		
Interest	$141,919	$131,770
Dividends and profit participations	12,528	14,418
Commitment fees	5,467	4,786
Realized gains on equity sales	13,618	4,565
Other investment fees	3,867	2,580
	177,399	158,119
Income from deposits and securities	32,789	15,157
Other income	196	167
TOTAL INCOME	210,384	173,443
EXPENSES		
Charges on borrowings	83,716	63,508
Administrative expenses	60,196	51,458
Translation losses, net	2,060	746
Provision for losses	39,007	29,396
TOTAL EXPENSES	184,979	145,108
NET INCOME	$ 25,405	$ 28,335

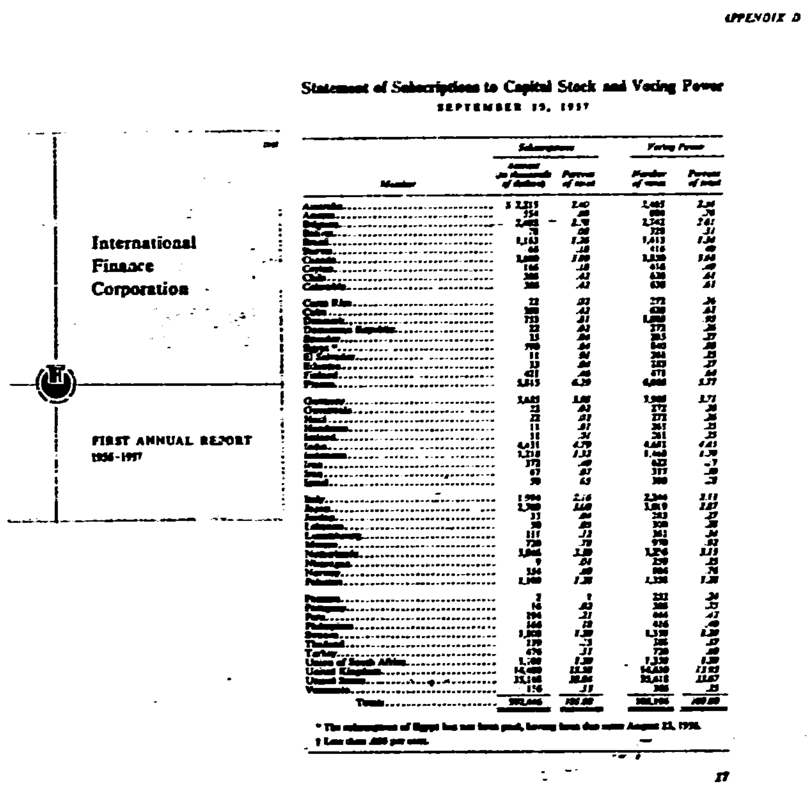
International Finance Corporation

Statement of Changes in Financial Position

Exhibit C

For the Fiscal Years Ended June 30, 1986 and June 30, 1985
In Thousands of United States Dollars—See Notes to Financial Statements, Exhibit E

	1986	1985
FUNDS PROVIDED		
Net income	$ 25,405	$ 28,335
Items not requiring or providing cash:		
Provision for losses	39,007	29,396
Net changes in accrued income and expenses	12,096	2,073
Translation adjustments:		
On loans	(106,037)	12,801
On borrowings	120,301	(12,989)
On other non-cash	(3,280)	79
Funds provided from operations	87,492	59,695
Capital subscription payments	55,971	1,546
Borrowings	326,110	332,422
Repayments of loan investments	174,289	125,316
Other	23,700	16,994
TOTAL FUNDS PROVIDED	667,562	535,973
FUNDS USED		
Disbursements of loan and equity investments	324,832	266,448
Repayments of borrowings	49,100	77,533
TOTAL FUNDS USED	373,932	343,981
INCREASE IN CASH, DEPOSITS, AND SECURITIES	$293,630	$191,992



International Finance Corporation

Statement of Capital Stock and Voting Power

Exhibit D

June 30, 1986 and June 30, 1985
In Thousands of United States Dollars—See Notes to Financial Statements, Exhibit E

Members	Capital Stock: Amount Paid	Capital Stock: Percent of Total	Voting Power: Number of Votes	Voting Power: Percent of Total
Afghanistan	$ 111	.02	361	.06
Argentina	9,821	1.63	10,071	1.59
Australia	12,191	2.03	12,441	1.96
Austria	5,085	.85	5,335	.84
Bangladesh	2,328	.39	2,578	.41
Barbados	115	.02	365	.06
Belgium	13,723	2.28	13,973	2.20
Belize	26	*	276	.04
Bolivia	490	.08	740	.12
Botswana	29	*	279	.04
Brazil	10,169	1.69	10,419	1.64
Burkina Faso	245	.04	495	.08
Burma	666	.11	916	.14
Burundi	100	.02	350	.06
Cameroon	490	.08	740	.12
Canada	20,952	3.48	21,202	3.35
Chile	2,328	.39	2,578	.41
China	4,154	.69	4,404	.69
Colombia	2,083	.35	2,333	.37
Congo, People's Republic of the	67	.01	317	.05
Costa Rica	245	.04	495	.08
Cote d'Ivoire	1,131	.19	1,381	.22
Cyprus	682	.11	932	.15
Denmark	5,921	.98	6,171	.97
Djibouti	21	*	271	.04
Dominica	11	*	261	.04
Dominican Republic	306	.05	556	.09
Ecuador	674	.11	924	.15
Egypt, Arab Republic of	3,124	.52	3,374	.53
El Salvador	11	*	261	.04
Ethiopia	33	.01	283	.04
Fiji	91	.02	341	.05
Finland	5,009	.83	5,259	.83
France	36,582	6.08	36,832	5.81
Gabon	429	.07	679	.11
Gambia, The	35	.01	285	.04
Germany, Federal Republic of	41,135	6.84	41,385	6.53
Ghana	1,306	.22	1,556	.25
Greece	1,777	.30	2,027	.32
Grenada	21	*	271	.04
Guatemala	306	.05	556	.09
Guinea	134	.02	384	.06
Guinea-Bissau	18	*	268	.04
Guyana	368	.06	618	.10
Haiti	306	.05	556	.09
Honduras	184	.03	434	.07
Hungary	1,364	.23	1,614	.25
Iceland	11	*	261	.04
India	19,788	3.29	20,038	3.16
Indonesia	7,351	1.22	7,601	1.20
Iran, Islamic Republic of	372	.06	622	.10
Iraq	67	.01	317	.05
Ireland	332	.06	582	.09
Israel	550	.09	800	.13
Italy	19,114	3.18	19,364	3.06
Jamaica	1,103	.18	1,353	.21
Japan	31,648	5.26	31,898	5.03
Jordan	429	.07	679	.11
Kenya	1,041	.17	1,291	.20
Korea, Republic of	2,450	.41	2,700	.43
Kuwait	4,533	.75	4,783	.75
Lebanon	50	.01	300	.05
Lesotho	18	*	268	.04

Members	Capital Stock: Amount Paid	Capital Stock: Percent of Total	Voting Power: Number of Votes	Voting Power: Percent of Total
Liberia	$ 83	.01	333	.05
Libya	55	.01	305	.05
Luxembourg	683	.11	933	.15
Madagascar	111	.02	361	.06
Malawi	368	.06	618	.10
Malaysia	4,857	.81	5,107	.81
Maldives	4	*	254	.04
Mali	116	.02	366	.06
Mauritania	55	.01	305	.05
Mauritius	429	.07	679	.11
Mexico	6,004	1.00	6,254	.99
Morocco	2,328	.39	2,578	.41
Mozambique	182	.03	432	.07
Nepal	306	.05	556	.09
Netherlands	14,458	2.40	14,708	2.32
New Zealand	923	.15	1,173	.19
Nicaragua	184	.03	434	.07
Niger	67	.01	317	.05
Nigeria	5,575	.93	5,825	.92
Norway	4,533	.75	4,783	.75
Oman	379	.06	629	.10
Pakistan	5,465	.91	5,715	.90
Panama	344	.06	594	.09
Papua New Guinea	490	.08	740	.12
Paraguay	123	.02	373	.06
Peru	1,777	.30	2,027	.32
Philippines	3,247	.54	3,497	.55
Portugal	2,144	.36	2,394	.38
Rwanda	306	.05	556	.09
St. Lucia	19	*	269	.04
Saudi Arabia	9,251	1.54	9,501	1.50
Senegal	707	.12	957	.15
Seychelles	7	*	257	.04
Sierra Leone	83	.01	333	.05
Singapore	177	.03	427	.07
Solomon Islands	11	*	261	.04
Somalia	83	.01	333	.05
South Africa	4,108	.68	4,358	.69
Spain	6,004	1.00	6,254	.99
Sri Lanka	1,838	.31	2,088	.33
Sudan	111	.02	361	.06
Swaziland	184	.03	434	.07
Sweden	8,577	1.43	8,827	1.39
Syrian Arab Republic	72	.01	322	.05
Tanzania	724	.12	974	.15
Thailand	3,491	.58	3,741	.59
Togo	368	.06	618	.10
Tonga	9	*	259	.04
Trinidad and Tobago	1,059	.18	1,309	.21
Tunisia	919	.15	1,169	.18
Turkey	3,063	.51	3,313	.52
Uganda	735	.12	985	.16
United Arab Emirates	1,838	.31	2,088	.33
United Kingdom	37,900	6.30	38,150	6.02
United States	174,488	29.00	174,738	27.57
Uruguay	919	.15	1,169	.18
Vanuatu	55	.01	305	.05
Venezuela	7,106	1.18	7,356	1.16
Viet Nam	166	.03	416	.07
Western Samoa	9	*	259	.04
Yemen Arab Republic	184	.03	434	.07
Yugoslavia	2,879	.48	3,129	.49
Zaire	1,929	.32	2,179	.34
Zambia	1,286	.21	1,536	.24
Zimbabwe	546	.09	796	.13
Total June 30, 1986	$601,755	100.00†	633,755	100.00
Total June 30, 1985	$545,784	100.00†	577,534	100.00†

* Less than .005 percent.
† May differ from the sum of the individual percentages shown because of rounding.

Exhibit E

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Corporation conform to generally accepted accounting principles. The Corporation carries its assets and liabilities principally on the historical cost basis, and, except where noted otherwise, follows the accrual method of accounting. Equity investments disbursed in currencies other than United States dollars are expressed in United States dollars at the exchange rates which applied at the time of disbursement. All other assets and liabilities not denominated in United States dollars are expressed in United States dollars at the approximate market rates prevailing at June 30, 1986 and 1985. Translation gains and losses are credited or charged to income.

The significant accounting policies are summarized as follows:

Revenue Recognition—Dividends, profit participations and other fees are recorded as income when received. Interest and commitment fees are recorded as income on an accrual basis. The Corporation does not recognize income on loans where collectibility is in doubt and payments of principal or interest are past due more than sixty days unless management anticipates that collection will occur, in the near future. Any interest which has been accrued on a loan placed on a nonaccrual basis is reversed out of the current income. Interest on nonaccrual loans is thereafter recognized as income only when actual payment is received. Gains on sales of investments are measured against the average cost of the investments sold and are credited to income when received. Unrealized losses on investments are provided for as described below in the Reserve Against Losses.

Reserve Against Losses—The Corporation charges income with a provision for losses on investments. The annual provision represents identifiable losses on specific investments with a significant and relatively permanent decline in value; and an estimate, based on historical experience, of the amount of losses on investments which cannot yet be identified.

Deposits and Securities—Deposits and securities are carried at cost or amortized cost, which approximates market

NOTE B—LOAN AND EQUITY INVESTMENTS AND RESERVE AGAINST LOSSES

As of June 30, 1986 investments approved by the Board of Directors but not signed as investment commitments totalled $998.4 million ($890.2 million—1985) of which $379.8 million ($396.6 million—1985) are to be placed with participants (see Note C) and $618.6 million ($493.6 million—1985) are to be held by the Corporation. Investments are recorded at the date investment commitments are signed by the Corporation and are reflected as assets when disbursed. At June 30, 1986 the disbursed portfolio was $1.457.2 million loans and $310.8 million equity.

Loans disbursed are summarized below ($ thousands):

US Dollars	1,001,222	Pounds Sterling	5,019
Deutsche Mark	343,010	French Francs	3,745
Swiss Francs	78,595	Netherlands Guilders	1,616
Japanese Yen	22,534	Jamaican Dollars	1,414

Loans on which the accrual of interest has been discontinued amounted to $263.0 million ($210.6 million—1985). If interest on these loans had been recognized, such income for the fiscal years, net of amounts collected on these loans of $8.8 million ($6.3 million—1985), would have been $21.7 million ($17.0 million—1985).

Changes in the Reserve Against Losses are summarized as follows:

	Fiscal Years Ended June 30 ($ thousands)	
	1986	1985
Balance beginning of period ...	$ 156,707	$ 127,526
Investments written off	(18.051)	(215)
Provision charged to income ...	39,007	29,396
Balance end of period	$ 177,663	$ 156,707

NOTE C—PARTICIPATIONS

The Corporation mobilizes funds from commercial banks and other financial institutions through loan participations. Participations are sold without recourse to the Corporation. The Corporation administers and services such loan participations on behalf of its participants. The Corporation called and disbursed $140.0 and $84.0 million of participants' funds during the fiscal years ended June 30, 1986 and 1985, respectively. At June 30, 1986 and 1985 undisbursed participants' commitments were $243.0 and $354.2 million, respectively.

NOTE D—BORROWINGS

Loans outstanding from the International Bank for Reconstruction and Development are summarized below:

	Principal Amount ($ millions)		Weighted Interest Rate at June 30		Maturity Date
	1986	1985	1986	1985	
US Dollars	449	492	8.06%	8.23%	1986 to 1998
Deutsche Mark	277	166	8.90%	9.11%	1986 to 1998
Swiss Francs	76	30	6.54%	6.54%	1986 to 1998
Japanese Yen	25	5	7.74%	8.14%	1986 to 1997
Other Currencies	10	3	11.82%	12.36%	1986 to 1997
	$ 837	$ 696			

Principal and interest are payable in the currency borrowed. The principal amounts repayable in all currencies during the fiscal years ending June 30, 1987 through June 30, 1991 are $57.4, $107.6, $152.7, $72.8 and $52.7 respectively and $393.8 million thereafter.

A commitment fee is payable on the undrawn balances of the loans at rates from 2/5 to 3/4 of 1% per annum. For the fiscal year ended June 30, 1986 such fees aggregated $3.5 million ($2.0 million—1985). The proceeds of these loans may only be used by the Corporation in its lending operations.

Borrowings outstanding from others are summarized below:

	Principal Amount ($ Millions)		Weighted Interest Rate at June 30		Maturity Date
	1986	1985	1986	1985	
US Dollars	150	50	9.54%	11.75%	1995
Deutsche Mark	132	29	6.52%	7.13%	1992-1996
European Currency Unit	54	—	6.63%	—	1995
US Dollars Discount Bonds 50		50	8.00%	8.00%	1995
US Dollars Annuity Bonds 9		9	10.85%	10.85%	1987-1995
Less: Unamortized Discount (9)	50	(9)			
	$ 366	$ 129			

Principal and interest are payable in the currency borrowed. The principal amounts repayable on the annuity bonds during the fiscal years ending June 30, 1987 through June 30, 1991 are approximately $.8 million each year and $5.5 million thereafter. Under its borrowing agreements, the Corporation is not permitted to mortgage or allow a lien to be placed on its assets (other than purchase money security interests) without extending equivalent security to the holders of such borrowings.

During the fiscal year ending June 30, 1986, the Corporation entered into a currency swap agreement in which an ECU 55 million borrowing was converted into US dollars and, simultaneously, executed a forward exchange agreement for reexchanging the two currencies on December 20, 1995. Under this agreement, the Corporation is obligated to make interest payments on a variable rate basis (7.0% at June 30, 1986) in exchange for fixed rate payments (6.93% at June 30, 1986).

The Corporation has also entered into interest swap agreements with respect to notional principal amount of $100 million under which it is obligated to make interest payments on a variable rate basis (7.0% at June 30, 1986) in exchange for fixed payments (9.8% at June 30, 1986). As a result of the interest rate and currency swaps, the charges on borrowings were reduced by $1.6 million (nil-1985).

NOTE E—CAPITAL STOCK

On December 26, 1985 the Board of Governors approved a resolution increasing the authorized capital to $1,300,000,000. The resolution, as amended, also allocated $650,000,000 for additional subscriptions by members during a subscription period ending August 1, 1986. Members may elect to pay subscriptions in full or in installments payable not later than August 1, 1989.

NOTE F—OTHER MATTERS

Guarantee—The Corporation and two Cypriot banks have severally guaranteed the payment of principal and interest on a debenture issue of Cyprus Pounds 775,000 by Dome Investments Limited in Cyprus. The Corporation's participation in the outstanding guaranteed debenture issue is limited to 34.8%, which at June 30, 1986, amounted to approximately $533,300 ($432,500—1985).

Staff Retirement Plan—The International Bank for Reconstruction and Development has a contributory retirement plan for its staff, which also covers the staff of the Corporation. The staff contribute a fixed percentage of pensionable remuneration and the Bank and the Corporation contribute the remainder of the cost of funding the Plan. The total contribution is determined in accordance with an aggregate funding method. The cost of the Plan is funded as accrued. The total cost allocated to the Corporation for the fiscal year ended June 30, 1986 was $5,649,100 ($5,234,476—1985). All contributions to the Plan and all other assets and income held for the purposes of the Plan are held by the Bank separately from the other assets and income of the Bank and Corporation and can be used only for the benefit of the participants in the Plan and their beneficiaries until all liabilities to them have been discharged.

Service and Support Fee—The International Bank for Reconstruction and Development is charging the Corporation an annual Service and Support Fee which for the year ended June 30, 1986 was fixed at $3,130,000 ($2,975,000—1985).

Report of Independent Accountants

1801 K Street, N.W.
Washington, D.C. 20006
July 30, 1986

Price Waterhouse

President and Board of Governors,
International Finance Corporation

In our opinion, the accompanying financial statements present fairly, in terms of United States Dollars, the financial position of International Finance Corporation at June 30, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Financial Statements Covered by the Foregoing Report

Balance Sheet
Statement of Income
Statement of Changes in Financial Position
Statement of Subscriptions to Capital Stock
and Voting Power
Notes to Financial Statements

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APPENDIX E

Governors and Alternates

SEPTEMBER 10, 1957

Member Government	Governor	Alternate
Australia	Sir Arthur Fadden	Sir Roland Wilson
Austria	Reinhard Kamitz	Wilhelm Teufenstein
Belgium	Henri Liebaert	Jean Van Nieuwenhuyse
Bolivia	Miguel Gisbert	Fernando Pou Munt
Brazil	Jose Maria Alkmim	Eurico de Aguiar Salles
Burma	Boh Khin Maung Gale	U Kyaw Nyun
Canada	Donald M. Fleming	A. F. W. Plumptre
Ceylon	Stanley de Zoysa	R. S. S. Gunawardene
Chile		Felipe Herrera
Colombia	Ignacio Copete-Lizarralde	Eduardo Arias Robledo
Costa Rica	Angel Coronas	Mario Fernandez
Cuba		Joaquin E. Meyer
Denmark	Svend Nielsen	Hakon Jespersen
Dominican Republic	Arturo Despradel	Oscar G. Ginebra Henriquez
Ecuador	Luis Ernesto Borja	Guillermo Perez-Chiriboga
Egypt	Ahmed Zaki Saad	Albert Mansour
El Salvador	Carlos J. Canessa	Luis Escalante-Arce
Ethiopia	Menasse Lemma	George Peters Rea
Finland	Klaus Waris	Ralf Torngren
France	Felix Gaillard	Pierre Mendes-France
Germany	Ludwig Erhard	Fritz Schaeffer
Guatemala	Edgar Alvarado Pinetta	Mario Asturias-Arevalo
Haiti	Maurepas Alcenor	Silvere Pile
Honduras	Jorge Bueso Arias	Guillermo Lopez Rodezno
Iceland	Petur Benediktsson	Vilhjalmur Thor
India	T. T. Krishnamachari	H. M. Patel
Indonesia	Jusuf Wibisono	Loekman Hakim
Iran	Ali Asghar Nasser	Djalaleddin Aghili
Iraq	Ali Mumtaz Al-Daftari	Muzaffer H. Jamil
Israel	David Horowitz	Martin Rosenbluth
Italy	Donato Menichella	Giorgio Cigliana-Piazza
Japan	Hisato Ichimada	Masamichi Yamagiwa
Jordan	Anastas Hanania	Mohammed Ali Rida
Lebanon	Andre Tueni	Raja Himadeh
Luxembourg	Pierre Werner	Rene Franck
Mexico	Antonio Carrillo Flores	Jose Hernandez Delgado
Netherlands	H. J. Hofstra	A. M. de Jong
Nicaragua	Guillermo Sevilla-Sacasa	Enrique Delgado
Norway	Arne Skaug	Carsten Nielsen
Pakistan	Syed Amjad Ali	M. A. Mozaffar
Panama	Ricardo M. Arias Espinosa	Julio E. Heurtematte
Paraguay	Osvaldo Chaves	Federico Mandelburger
Peru	Fernando Berckemeyer	Emilio Foley
Philippines	Miguel Cuaderno, Sr.	Eduardo Z. Romualdez
Sweden	G. E. Straeng	N. G. Lange
Thailand	Serm Vinicchayakul	Puey Ungphakorn
Turkey	Hasan Polatkan	Sait Naci Ergin
Union of South Africa	Jozua Francois Naude	M. H. de Kock
United Kingdom	Peter Thorneycroft	Sir Leslie Rowan
United States	Robert B. Anderson	C. Douglas Dillon
Venezuela	Jose Joaquin Gonzalez-Gorrondona, Jr.	Alejandro J. Hernandez-Aguiar

APPENDIX F

Directors and Alternates and Their Voting Power

SEPTEMBER 10, 1957

Director	Alternate	Casting votes of	Total votes
APPOINTED			
	John S. Hooker	United States	35,418
G. F. Thorold	David B. Pitblado	United Kingdom	14,650
Rene Larre	Jean-Maxime Leveque	France	6,065
V. Narahari Rao	P. J. J. Pinto	India	4,681
ELECTED			
Thomas Basyn (*Belgium*)	Max Thurn (*Austria*)	Austria, Belgium, Luxembourg, Turkey	4,633
Takeshi Watanabe (*Japan*)	U Thet Tun (*Burma*)	Burma, Ceylon, Japan, Thailand	4,240
Sven Viig (*Norway*)	Bjorn Tryggvason (*Iceland*)	Denmark, Finland, Iceland, Norway, Sweden	4,097
Mohammed Shoaib (*Pakistan*)	Ali Akbar Khosropur (*Iran*)	Egypt, Ethiopia, Iran, Iraq, Jordan, Lebanon, Pakistan	4,003
Luis Machado (*Cuba*)	Jorge A. Montealegre (*Nicaragua*)	Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Venezuela	3,995
Otto Donner (*Germany*)	Karl-Heinz Drechsler (*Germany*)	Germany	3,905
Louis Rasminsky (*Canada*)	Alan B. Hockin (*Canada*)	Canada	3,850
B. B. Callaghan (*Australia*)	B. E. Fleming (*Australia*)	Australia, Union of South Africa	3,823
Soetikno Slamet (*Indonesia*)	Carlo Gragnani (*Italy*)	Indonesia, Italy	3,712
P. Lieftinck (*Netherlands*)	J. Sesolo (*Yugoslavia*)	Israel, Netherlands	3,596
Jorge Mejia-Palacio (*Colombia*)		Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines	3,296
Victor A. Pane (*Paraguay*)		Bolivia, Chile, Paraguay	1,232

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Governors and Alternates/ Appendix A

As of June 30, 1986

Member	Governor	Alternate
Afghanistan	Mohamad Kabir	Abdul Ghafoor Joushan
Argentina	Juan Vital Sourrouille	Alfredo Concepción
Australia	P. J. Keating	R. B. Dun
Austria	Franz Vranitzky	Othmar Haushofer
Bangladesh	M. Syeduz-Zaman	M. K. Anwar
Barbados	Richard C. Haynes	Stephen E. Emtage
Belgium	M. Eyskens	Jean Godeaux
Belize	Dean Barrow	Henry E. C. Cain
Bolivia	Juan Cariaga Osorio	Javier Nogales Iturri
Botswana	P. S. Mmusi	Baledzi Gaolathe
Brazil	Joao Sayad	Fernao C. B. Bracher
Burkina Faso	Justin Damo Baro	Youssouf Ouedraogo
Burma	Tun Tin	Nyunt Maung
Burundi	Pierre Ngenzi	Anselme Habonimana
Cameroon	Sadou Hayatou	Simon Ngann Yonn
Canada	Michael H. Wilson	Margaret Catley-Carlson
Chile	Hernán Buchi	Jorge Selume Zaror
China	Wang Bingqian	Li Peng
Colombia	Hugo Palacios-Mejía	Francisco J. Ortega
Congo, People's Republic of the	Pierre Moussa	André Batanga
Costa Rica	Fernando E. Naranjo	Eduardo Lizano Fait
Cote d'Ivoire	Abdoulaye Kone	Leon Naka
Cyprus	Christos Mavrellis	George V. Hadjianastassiou
Denmark	Uffe Ellemann-Jensen	Bjorn Olsen
Djibouti	Ibrahim Mohamed Sultan	Ahmed Samireh Omar
Dominica	Mary Eugenia Charles	Alick B. Lazare
Dominican Republic	Hugo Guiliani Cury	Opinio Alvarez Betancourt
Ecuador	Alberto Dahik Garzozi	Marco Flores T.
Egypt, Arab Republic of	Kamal El-Ganzoury	Erfan A. Shafey
El Salvador	Ricardo González Camacho	Fidel Chávez Mena
Ethiopia	Tesfaye Dinka	Bekele Tamirat
Fiji	Mosese Qionibaravi	Jone Y. Kubuabola
Finland	Pekka Vennamo	Osmo Sarmavuori
France	Edouard Balladur	Daniel Lebegue
Gabon	Pascal Nze	J. Felix Mamalepot
Gambia, The	Sheriff S. Sisay	Mousa Gibril Bala Gaye
Germany, Federal Republic of	Juergen Warnke	Hans Tietmeyer
Ghana	Kwesi Botchwey	Theresa Owusu
Greece	Constantine Simitis	Yannis Papantoniou
Grenada	Herbert Augustus Blaize	Lauriston F. Wilson, Jr.
Guatemala	Rodolfo Paiz Andrade	Lizardo Arturo Sosa López
Guinea	Edouard Benjamin	Kerfalla Yansane
Guinea-Bissau	Pedro A. Godinho Gómes	José Lima Barber
Guyana	Carl Greenidge	W. Haslyn Parris
Haiti	Marcel Leger	Onill Millet
Honduras	J. Efraín Bu Girón	Gonzalo Carías Pineda
Hungary	Miklós Pulai	Tibor Melega
Iceland	Matthias Bjarnason	Thorsteinn Palsson
India	Vishwanath Pratap Singh	S. Venkitaramanan
Indonesia	Arifin M. Siregar	Soegito Sastromidjojo
Iran, Islamic Republic of	Mohammad Javad Iravani	Seyed Ali Akbar Afjei
Iraq	Hisham Hassan Tawfik	Subhi Frankool
Ireland	John Bruton	Maurice F. Doyle
Israel	Michael Bruno	Emanuel Sharon
Italy	Carlo Azeglio Ciampi	Mario Sarcinelli
Jamaica	Edward Seaga	Headley Brown
Japan	Noboru Takeshita	Satoshi Sumita
Jordan	Taher H. Kanaan	Mohammad Saqqaf
Kenya	George Saitoti	H. M. Mule
Korea, Republic of	In Yong Chung	Sung Sang Park
Kuwait	Jassim Mohamed Al-Kharafi	Faisal Abdul Razzak Al-Khaled
Lebanon	Khattar Chebli	Raja Himadeh
Lesotho	E. R. Sekhonyana	A. M. Monyake
Liberia	Paul R. Jeffy	Johnny N. Gaye
Libya	Kasem M. Sherlala	Abdul Alrahman R. Shalgham

Governors and Alternates/ Appendix A (continued)

As of June 30, 1986

Member	Governor	Alternate
Luxembourg	Jacques Santer	Raymond Kirsch
Madagascar	Pascal Rakotomavo	Jean Robiarivony
Malawi	S. C. Hara	J. C. Malewezi
Malaysia	Daim Zainuddin	Zain Azraai
Maldives	Fathulla Jameel	B. Ibrahim Saleem
Mali	Ousmane M. Diallo	Ibrahima Bocar Ba
Mauritania	Mohamed Salem Ould Lekhal	Mohamedou Ould Michel
Mauritius	Dwarkanath Gungah	Madhukarlall Baguant
México	Gustavo Petricioli	(vacant)
Morocco	Mohamed Berrada	Mustapha Faris
Mozambique	Abdul Magid Osman	Eneas da Conceiçao Comiche
Nepal	Bharat Bahadur Pradhan	Lok Bahadur Shrestha
Netherlands	H. O. Ruding	E. M. Schoo
New Zealand	B. V. Galvin	Graham C. Scott
Nicaragua	Joaquín Cuadra Chamorro	Pedro Antonio Blandón Lánzas
Niger	Almoustapha Soumaila	Amadou Nouhou
Nigeria	Chu S. P. Okongwu	Alhaji U. K. Bello
Norway	Rolf Presthus	Odd Jostein Saeter
Oman	Qais Bin Abdul Munim Zawawi	Sherif Lotfy
Pakistan	Ghulam Ishaq Khan	M. A. G. M. Akhtar
Panamá	Ricaurte Vásquez M.	Héctor Alexander
Papua New Guinea	Sir Julius Chan	John Vulupindi
Paraguay	César Romeo Acosta	Carlos Alberto Knapps
Perú	Luís Alva Castro	Gustavo Saberbein Chevalier
Philippines	Jaime V. Ongpin	Solita C. Monsod
Portugal	Miguel Cadilhe	(vacant)
Rwanda	Jean Damascéne Hategekimana	Cleophas Mugaragu
St. Lucia	John G. M. Compton	Dwight Venner
Saudi Arabia	Mohammed Abalkhail	Hamad Saud Al-Sayari
Senegal	Cheikh Hamidou Kane	Youssou Diop
Seychelles	D. de St. Jorre	E. Faure
Sierra Leone	S. H. Kanu	Peter J. Kuyembeh
Singapore	Richard Hu Tsu Tau	Lee Ek Tieng
Solomon Islands	George Kejoa	Barry Clarke
Somalia	Mohamed Sheikh Osman	Mohamud Mohamed Nur
South Africa	G. P. C. de Kock	J. A. Lombard
Spain	Carlos Solchaga Catalán	Mariano Rubio Jiménez
Sri Lanka	Ronnie de Mel	W. M. Tilakaratna
Sudan	Bashir Omer Fadlalla	El Sayid Ali Zaki
Swaziland	Kenneth Mbuli	V. E. Sikhondze
Sweden	Kjell-Olof Feldt	Lena Hjelm-Wallen
Syrian Arab Republic	Kahtan Al-Siufi	Marwan Kodsi
Tanzania	Cleopa D. Msuya	Gilman Rutihinda
Thailand	Sommai Hoontrakool	Panas Simasathien
Togo	Yaovi Adodo	Comlanvi Tamata Addra
Tonga	James Cecil Cocker	Selwyn Percy Jones
Trinidad and Tobago	George Chambers	Thomas A. Harewood
Tunisia	Ismail Khelil	Zein Mestiri
Turkey	Ekrem Pakdemirli	Yener Dincmen
Uganda	Ponsiano Serumaga Mulema	J. Kahoza
United Arab Emirates	Hamdan Bin Rashid Al Maktoum	Ahmed Humaid Al-Tayer
United Kingdom	Robert Leigh-Pemberton	Sir Peter Middleton
United States	James A. Baker, III	W. Allen Wallis
Uruguay	Ricardo Zerbino Cavajani	Ariel Davrieux
Vanuatu	Kalpokor Kalsakau	Martin Tamata
Venezuela	Leopoldo Carnevali	Héctor Hurtado
Viet Nam	Nguyen Duy Gia	Le Hoang
Western Samoa	Faasootauloa S. P. Saili	Kolone Va'ai
Yemen Arab Republic	Mohammed Saeed Al-Attar	Kaid Mohammed Al-Hirwi
Yugoslavia	Svetozar Rikanovic	Cvitan Dujmović
Zaire	Djamboleka Loma Okitongono	Bazundama Luzumbulu Mbandanu
Zambia	Basil Kabwe	E. S. S. Nebwe
Zimbabwe	Bernard Thomas Chidzero	K. J. Moyana

Directors and Alternates and Their Voting Power/Appendix B

June 30, 1986

Director	Alternate	Casting Votes of	Total Votes	% of Total
Appointed				
	Hugh W. Foster	United States	174,738	27.77
Gerhard Boehmer	Michael von Harpe	Federal Republic of Germany	41,385	6.58
Tim Lankester	Richard Manning[1]	United Kingdom	38,150	6.06
Helene Ploix	Olivier Debains	France	36,832	5.85
Kenji Yamaguchi	Zenbei Mizoguchi	Japan	31,898	5.07
Elected				
Fawzi Hamad Al-Sultan (Kuwait)	Mohammad Al-Shawi (Saudi Arabia)	Egypt (Arab Republic of), Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Pakistan, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen Arab Republic	28,396	4.51
C. Ulrik Haxthausen (Denmark)	Per Taxell[2] (Sweden)	Denmark, Finland, Iceland, Norway, Sweden	25,301	4.02
Frank Potter (Canada)	Horace Barber (Jamaica)	Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Lucia	25,197	4.01
Jacques de Groote (Belgium)	Oral Akman (Turkey)	Austria, Belgium, Hungary, Luxembourg, Turkey	25,168	4.00
C. R. Krishnaswamy Rao Sahib (India)	Gholam Kibria (Bangladesh)	Bangladesh, India, Sri Lanka	24,704	3.93
Mario Draghi (Italy)	Rodrigo M. Guimaraes (Portugal)	Greece, Italy, Portugal	23,785	3.78
Leonor Filardo de González (Venezuela)	María Antonieta Dominguez (Honduras)	Costa Rica, El Salvador, Guatemala, Honduras, México, Nicaragua, Panamá, Spain, Venezuela	22,638	3.60
Ferdinand van Dam (Netherlands)	Riza Sapunxhiu (Yugoslavia)	Cyprus, Israel, Netherlands, Yugoslavia	19,569	3.11
Vibul Aunsnunta (Thailand)	Sashi N. Shah (Nepal)	Burma, Fiji, Indonesia, Malaysia, Nepal Singapore, Thailand, Viet Nam	19,105	3.04
Edgar Gutierrez-Castro (Colombia)	Patricio Rubianes (Ecuador)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines	18,285	2.91
Ronald H. Dean (Australia)	You Kwang Park (Republic of Korea)	Australia, Korea (Republic of), New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa	17,879	2.84
Astere Girukwigomba (Burundi)	Mitiku Jembere (Ethiopia)	Botswana, Burundi, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Mozambique, Nigeria, Seychelles, Sierra Leone, Sudan, Swaziland, Tanzania, Trinidad and Tobago, Uganda, Zambia, Zimbabwe	17,333	2.76
Kenneth Coates (Uruguay)	Felíx Alberto Camarasa (Argentina)	Argentina, Bolivia, Chile, Paraguay, Perú, Uruguay	16,958	2.70
Nicephore Soglo (Benin)	Andre Milongo (People's Republic of the Congo)	Burkina Faso, Cameroon, Congo (People's Republic of the), Cote d'Ivoire, Djibouti, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Somalia, Togo, Zaire	10,822	1.72
Mourad Benachenhou (Algeria)	Salem Mohamed Omeish (Libya)	Afghanistan, Ghana, Iran (Islamic Republic of), Libya, Morocco, Tunisia	6,591	1.05
Xu Naijiong (China)	Yang Guanghui (China)	China	4,404	0.70

In addition to the Directors and Alternates shown in the foregoing list, the following also served after June 30, 1985:

Director	End of period of service:	Alternate Director	End of period of service:
James B. Burnham (United States)	July 12, 1985	Francis Mayer (France)	October 14, 1985
Bruno de Maulde (France)	January 24, 1986	George L. Reid (Barbados)	October 31, 1985
Pekka Korpinen (Finland)	July 31, 1985	Guillermo Rivera (Dominican Republic)	December 30, 1985
Reinhard Munzberg (Germany)	August 31, 1985	Toshihiro Yamakawa (Japan)	July 5, 1985
Phaichitr Uathavikul (Thailand)	November 7, 1985		
Nigel Wicks (United Kingdom)	August 31, 1985		

Note: South Africa (4,358 votes) did not participate in the 1984 Regular Election of Executive Directors. Tonga (259 votes) became a member after that Election.

[1] Has resigned effective July 9, 1986; to be succeeded by J. A. L. Faint (United Kingdom).

[2] Has resigned effective July 31, 1986; to be succeeded by Veikko Kantola (Finland).

International Finance Corporation

Investment Portfolio

Appendix C

June 30, 1986

Expressed in United States Dollars (in thousands)

COUNTRY, REGION OR OTHER AREA AND OBLIGOR	Type of business	Fiscal years in which commitments were made	Original Commitments(1)		Investments held for the Corporation (including undisbursed balances)		
			Total IFC	Total Syndications	Loans	Equity (at cost)	Total loans and equity
Argentina							
Alpargatas S.A.I.C.	Textiles and fibers	1977, 1984, 1986	$26,935	$ 7,500	$ 20,139	$ 2,000	$ 22,139
Alpesca S.A.	Food and food processing	1979, 1983, 1984	6,811	—	3,847	1,611	5,458
Celulosa Argentina, S.A.	Pulp and paper products	1965, 1972	8,500	4,000	1,300	—	1,300
Inversiones Industriales S.A. and Roberts Participaciones S.A.	Money and capital market	1986	1,275	—	—	1,275	1,275
Ipako Industrias Petroquimicas Argentinas S.A.	Chemicals and petrochemicals	1978, 1979, 1982	20,000	—	11,384	—	11,384
Juan Minetti S.A.	Cement and construction material	1978, 1981, 1982, 1986	33,000	57,500	16,888	—	16,888
Massuh S.A.	Pulp and paper products	1978, 1985	12,500	3,000	7,990	2,000	9,990
Petroquimica Cuyo S.A.I.C.	Chemicals and petrochemicals	1984, 1986	25,000	17,151	21,000	4,000	25,000
Soyex S.A.	Food and food processing	1977, 1985	24,993	—	24,993	—	24,993
					107,541	10,886	118,427
Bangladesh							
Bata Shoe Company (Bangladesh) Limited	Shoes	1985, 1986	3,551	1,415	3,188	509	3,697
Highspeed Shipbuilding and Heavy Engineering Company Limited	Ship-building	1979	1,564	—	550	364	914
Industrial Development Leasing Company of Bangladesh Limited	Money and capital market	1985	2,535	—	2,367	168	2,535
Industrial Promotion and Development Company of Bangladesh Limited	Development finance	1980	1,051	—	—	1,051	1,051
					6,105	2,092	8,197
Barbados							
Caribbean Financial Services Corporation	Money and capital market	1984	300	—	—	300	300
Bolivia							
Banco Industrial, S.A.	Development finance	1976	550	—	—	550	550
Molino Andino S.R.L.	Food and food processing	1978	1,300	1,000	849	—	849
Plasmar, S.A.	Plastic products	1973	359	41	—	100	100
					849	650	1,499
Botswana							
Botswana Development Corporation Limited	Development finance	1979, 1985	612	—	—	612	612
Brazil							
Acos Villares, S.A.	Iron and steel	1966, 1968, 1972	7,282	2,644	—	116	116
Atlas Frigorifico S.A.	Food and food processing	1983	10,000	3,000	9,309	—	9,309
Brasilpar Comercio e Participacoes S.A.	Money and capital market	1981	1,500	—	—	1,185	1,185
Capuava Carbonos Industriais, Ltda.	Chemicals and petrochemicals	1975, 1979	3,673	3,700	138	841	979
Cimento Caue S.A.	Cement and construction material	1982	25,000	20,000	19,300	5,000	24,300
Cimetal Siderurgia S.A.	Iron and steel	1978, 1984	11,380	—	3,280	3,000	6,280
CIMINAS—Cimento Nacional de Minas, S.A.	Cement and construction material	1972, 1975, 1981	41,084	134,756	20,000	6,700	26,700
Companhia Alcoolquimica Nacional—Alcoolquimica	Chemicals and petrochemicals	1984	24,000	—	20,000	4,000	24,000
Companhia Brasileira de Agropecuaria- -COBRAPE	Food and food processing	1981	8,500	—	5,500	3,000	8,500
Companhia Dende do Amapa—CODEPA	Palm oil	1983	6,100	—	6,100	—	6,100
Dende do Para S/A—DENPASA—Agricultura, Industria e Comercio de Oleaginosas	Palm oil	1980	4,500	—	2,804	1,000	3,804
Destilaria Cianorte S.A.	Chemicals and petrochemicals	1980	250	—	—	250	250
Empresa de Desenvolvimento de Recursos Minerais "CODEMIN" S.A.	Mining	1973, 1978, 1983	26,140	67,600	2,500	4,340	6,840
FMB S.A. Produtos Metalurgicos	Iron and aluminum castings	1977	20,000	—	7,130	—	7,130
Iochpe S/A—Arrendamento Mercantil ("IAM")	Money and capital market	1982	10,450	20,000	6,000	—	6,000

Mineracao Rio do Norte S.A.	Mining	1977	15,000	—	2,812	—	2,812
Nitroclor Produtos Quimicos S.A.	Chemicals and petrochemicals	1986	8,000	—	3,000	5,000	8,000
Oxiteno, S.A. Industria e Comercio	Chemicals and petrochemicals	1971	6,040	—	—	1,240	1,240
Papel e Celulose Catarinense, S.A.	Pulp and paper products	1966, 1969	7,903	1,601	—	5,720	5,720
Petroquimica Triunfo S.A.	Chemicals and petrochemicals	1981	19,000	31,000	13,236	4,000	17,236
Petroquimica Uniao S.A.	Chemicals and petrochemicals	1969	5,921	2,459	—	2,046	2,046
PISA—Papel de Imprensa S.A.	Pulp and paper products	1983, 1985	33,500	31,670	27,969	3,500	31,469
Poliolefinas, S.A. Industria e Comercio	Chemicals and petrochemicals	1970	7,302	1,075	—	1,422	1,422
Polisul Petroquimica S.A.	Chemicals and petrochemicals	1980, 1981	19,999	28,000	12,625	5,000	17,625
PPH—Companhia Industrial de Polipropileno	Chemicals and petrochemicals	1980	17,000	—	8,756	1,642	10,398
Quimica da Bahia Industria e Comercio S.A.	Chemicals and petrochemicals	1985	5,055	—	3,255	1,800	5,055
SOCOCO S/A—Agroindustrias da Amazonia	Food and food processing	1983	5,500	—	3,000	2,500	5,500
Sotave Amazonia Quimica e Mineral S/A	Fertilizers	1980, 1983	28,000	13,000	22,000	6,000	28,000
Tecanor S.A. Textil Catarinense do Nordeste and Hering do Nordeste S.A.—MALHAS	Textiles and fibers	1976, 1980	18,200	—	5,997	—	5,997
Villares Industrias de Base S.A.—VIBASA	Iron and steel	1980	5,000	—	3,751	—	3,751
Volvo do Brasil Motores e Veiculos S.A.	Motor vehicles and accessories	1979, 1983	15,269	50,000	3,188	5,269	8,457
					211,650	74,571	286,221
Burkina Faso							
Societe Voltaique de Plastique SARL (SOVOLPLAS)	Plastic packaging material	1979	542	—	105	—	105
Burundi							
Verreries du Burundi, S.A.R.L.	Glass containers	1981, 1982	5,634	—	4,532	864	5,396
Cameroon							
Alucam—Compagnie Camerounaise de l'Aluminium Pechiney-Ugine	Nonferrous metal	1979	7,932	—	3,500	932	4,432
Bata Societe Anonyme Camerounaise	Shoes	1975	127	253	—	127	127
Cotonniere Industrielle du Cameroun (CICAM)	Textiles & fibers	1986	2,830	—	2,852	—	2,852
S.A.F.A. Cameroun, S.A.C.	Food and food processing	1977, 1979, 1981	1,382	—	—	1,382	1,382
Societe Camerounaise de Minoteries	Food and food processing	1981	1,308	—	702	186	888
Societe Camerounaise de Verrerie	Glass containers	1981	1,802	—	—	102	102
Societe des Palmeraies de al Ferme Suisse, S.A.	Palm oil plantation	1985	2,381	—	1,854	558	2,412
Societe Sucriere du Cameroun	Food and food processing	1983	1,444	—	1,327	—	1,327
					10,235	3,287	13,522
Chile							
Compania Chilena de Inversiones S.A. Agente de Valores	Money and capital market	1982	200	—	—	200	200
Compania de Carbones de Chile COCAR S.A.	Mining	1986	18,700	—	16,500	2,200	18,700
Empresa Minera de Mantos Blancos, S.A.	Mining	1958, 1959, 1966, 1984	23,658	15,693	16,500	4,251	20,751
Signal Methanol Inc.	Chemicals and petrochemicals	1986	55,000	—	50,000	5,000	55,000
					83,000	11,651	94,651
China							
Guangzhou Peugeot Automobile Company Ltd.	Motor vehicles and accessories	1986	17,738	—	15,000	2,738	17,738
Colombia							
Carbones del Caribe, S.A	Mining	1984	11,882	—	10,689	1,641	12,330
Cementos Rioclaro S.A.	Cement and construction material	1984	16,000	11,144	11,000	5,000	16,000
Compania Colombiana de Clinker, S.A.	Cement and construction material	1977, 1980	2,732	—	250	2,245	2,495
Corporacion Financiera Colombiana	Development finance	1962, 1985	8,024	—	—	959	959
Corporacion Financiera del Norte	Development finance	1969 1973	454	—	—	449	449
Corporacion Financiera Nacional	Development finance	1962, 1963, 1985	8,042	—	—	211	211
Enka de Colombia, S.A.	Textiles and fibers	1967, 1970, 1974, 1985	10,840	3,515	3,375	—	3,375
Frigorificos Colombianos S.A.	Food and food processing	1983	1,540	—	1,000	540	1,540
Leasing Bolivar, S.A.	Money and capital market	1981, 1985	3,195	6,000	1,744	195	1,939
Petroleos Colombianos Limited	Oil and gas	1981, 1982	6,750	9,259	1,963	3,859	5,822
Pro-Hoteles, S.A.	Tourism	1970, 1977	973	71	—	136	136
Promigas, S.A.	Utilities	1977	8,000	7,000	378	2,000	2,378
San Fernando/Chucuri Oil Exploration Program	Chemicals and petrochemicals	1986	5,000	—	—	5,000	5,000
					30,399	22,235	52,634

International Finance Corporation

Investment Portfolio *(continued)*

June 30, 19865
Expressed in United States Dollars (in thousands)

COUNTRY, REGION OR OTHER AREA AND OBLIGOR	Type of business	Fiscal years in which commitments were made	Original Commitments[1] Total IFC	Total Syndications	Investments held for the Corporation (including undisbursed balances) Loans	Equity (at cost)	Total loans and equity
Congo, People's Republic of the							
Congolaise Industrielle des Bois (C.I.B.), S.A.	Logging	1985, 1986	$ 2,134	$ —	$ 2,567	$ —	$ 2,567
Costa Rica							
Matas de Costa Rica, S.A.	Ornamental plants	1983	1,524	—	1,616	—	1,616
Scott Paper Company de Costa Rica, S.A.	Pulp and paper products	1978	2,500	—	417	—	417
					2,033	—	2,033
Cote d'Ivoire							
Banque Ivoirienne de Developpement Industriel, S A.	Development finance	1965, 1978	424	—	—	424	424
Ets R. Gonfreville, S.A.	Textiles and fibers	1977	885	—	—	885	885
Moulin du Sud-Ouest	Food and food processing	1980	3,306	—	2,900	406	3,306
Societe Ivoirienne d'Engrais (Siveng)	Fertilizers	1980	6,392	—	3,837	1,272	5,109
					6,737	2,987	9,724
Cyprus							
Dome Investments Limited	Tourism	1983	2,058	—	1,357	274	1,631
The Cyprus Cement Company Limited	Cement and construction material	1973	2,287	597	—	107	107
The Cyprus Investment and Securities Corporation Limited	Money and capital market	1983	195	—	—	195	195
The Cyprus Pipes Industries Limited	Cement and construction material	1977	728	—	67	228	295
					1,424	804	2,228
Dominican Republic							
Cementos Nacionales, S.A.	Cement and construction material	1974, 1981	7,740	—	4,010	1,740	5,750
Compania Dominicana de Leasing, S.A.	Money and capital market	1984	3,150	—	—	150	150
Productora Nacional de Algodon, C. por A.	Cotton cultivation	1983, 1984	2,573	2,400	1,600	973	2,573
					5,610	2,863	8,473
Ecuador							
Ecuatoriana de Desarrollo, S.A. (Compania Financiera)	Development finance	1969, 1973, 1975, 1977, 1981, 1982	520	—	—	306	306
La Cemento Nacional, C.E.M.	Cement and construction material	1978, 1980, 1982, 1983, 1984	13,056	—	3,002	1,056	4,058
Sociedad Agricola e Industrial San Carlos, S.A	Food and food processing	1976	5,000	—	588	—	588
					3,590	1,362	4,952
Egypt, Arab Republic of							
Alexandria National Steel Company, S.A.E.	Iron and steel	1984	38,400	64,000	31,200	7,200	38,400
Aluminium Sulphate Company of Egypt S A E.	Chemicals and petrochemicals	1986	565	—	—	565	565
Arab Ceramic Company S.A.	Ceramics	1976, 1982	6,243	1,500	2,871	1,114	3,985
Crocodile Tourist Project Company SAE	Tourism	1982	5,131	—	1,882	722	2,604
Delta Sugar Company S.A.E.	Food and food processing	1978, 1983	15,506	8,000	11,430	3,506	14,936
Egypt Investment Finance Corporation, S A.E.	Money and capital market	1985	1,876	—	1,500	376	1,876
Ismailia Fish Farming Company S.A.E.	Food and food processing	1980, 1981, 1983	5,009	—	1,930	554	2,484
Ismailia Misr Poultry Company, S.A.E.	Food and food processing	1979, 1983	14,353	—	—	2,285	2,285
Nile Clothing Company, S.A.	Ready-made garments	1978	592	—	36	—	36
Suez Cement Company	Cement and construction material	1980	30,000	—	30,000	—	30,000
					80,849	16,322	97,171

El Salvador							
Hoteles de Centro America, Sociedad Anonima	Tourism	1969	934	—	—	233	233
Fiji							
Capos Limited	Tourism	1986	8,329	—	8,412	—	8,412
The Fiji Sugar Corporation Limited	Food and food processing	1984	6,000	—	5,250	—	5,250
					13,662		13,662
Gambia, The							
Kombo Beach Hotel Limited	Tourism	1984	2,823	—	3,498	—	3,498
Ghana							
Ashanti Goldfields Corporation (Ghana)	Mining	1985	27,500	27,500	27,500	—	27,500
Greece							
Aluminium de Grece, Societe Anonyme Industrielle et Commerciale	Nonferrous metal	1970, 1972	5,372	3,281	—	577	577
Asbestos Mines of Northern Greece, Mining S.A.	Mining	1980	10,792	—	5,142	2,792	7,934
National Investment Bank for Industrial Development, S.A.	Development finance	1966, 1977	5,719	35,000	500	—	500
					5,642	3,369	9,011
Grenada							
Issa Nicholas (Grenada) Limited	Tourism	1986	6,000	—	6,000	—	6,000
Guinea							
Societe Mixte Aredor-Guinee S.A.	Mining	1983	14,835	—	14,074	1,228	15,302
Guyana							
Industrial Domestic and Electrical Appliances Limited	Home appliances	1979	2,000	—	1,367	—	1,367
Haiti							
Promoteurs et Investisseurs Associes, S.A.	Food and food processing	1982	1,500	—	1,288	150	1,438
Honduras							
Textiles Rio Lindo, S.A. de C.V.	Textiles and fibers	1978	4,000	6,000	2,400	1,000	3,400
India							
Ashok Leyland Limited	Motor vehicles and accessories	1982	14,000	14,000	8,500	—	8,500
Bajaj Auto Limited	Motor vehicles and accessories	1985	11,634	11,634	12,322	—	12,322
Baja Tempo Limited	Motor vehicles and accessories	1986	13,364	13,365	13,364	—	13,364
Bharat Forge Company Limited	Iron and steel	1982	7,903	8,000	2,911	—	2,911
Bihar Sponge Iron Limited	Iron and steel	1985	13,357	—	12,599	758	13,357
Deepak Fertilisers and Petrochemicals Corporation Limited	Chemicals and petrochemicals	1980, 1982	8,706	—	7,500	1,206	8,706
Housing Development Finance Corporation Limited	Money and capital market	1978	5,223	—	1,800	616	2,416
India Equipment Leasing Limited	Money and capital market	1986	2,859	—	2,500	359	2,859
India Lease Development Limited	Money and Capital Market	1985	5,359	—	2,500	359	2,859
Indian Explosives, Ltd.	Fertilizers	1967	10,534	928	—	591	591
Larsen and Toubro Limited	Cement and construction material	1986	9,933	9,682	10,650	—	10,650
Mahindra Ugine Steel Company, Ltd.	Iron and steel	1964, 1975, 1979	13,000	142	1,781	1,176	2,957
Modi Cement Limited	Cement and construction material	1985	12,767	—	16,829	—	16,829
Nagarjuna Steels Limited; Nagarjuna Signode Limited; Nagarjuna Coated Tubes Limited	Iron and steel	1981	7,510	—	4,819	785	5,604
The Great Eastern Shipping Company Limited	Shipping	1986	10,075	—	8,000	2,075	10,075
The Gwalior Rayon Silk Manufacturing (Weaving) Company, Limited	Cement and construction material	1984, 1986	10,681	4,746	12,190	—	12,190
The Indian Rayon Corporation Limited	Cement and construction material	1982	8,108	—	4,094	—	4,094
The Tata Iron and Steel Company Limited	Iron and steel	1981, 1986	29,371	20,000	22,542	—	22,542
Zuari Agro Chemicals, Ltd.	Fertilizers	1969, 1970	14,961	3,950	—	36	36
					144,901	7,961	152,862

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Investment Portfolio *(continued)*

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COUNTRY, REGION OR OTHER AREA AND OBLIGOR	Type of business	Fiscal years in which commitments were made	Original Commitments[1] Total IFC	Total Syndications	Investments held for the Corporation (including undisbursed balances) Loans	Equity (at cost)	Total loans and equity
Indonesia							
P.T. Daralon Textile Manufacturing Corporation	Textiles and fibers	1972, 1977, 1979	$ 5,548	$ 1,733	$ 2,658	$ —	$ 2,658
P.T. Jakarta International Hotel	Tourism	1973	4,434	7,000	—	1,600	1,600
P.T. Papan Sejahtera	Money and capital market	1980	5,202	—	—	1,202	1,202
P.T. Private Development Finance Company of Indonesia	Development finance	1974	483	—	—	362	362
P.T. Saseka Gelora Leasing	Money and capital market	1982, 1985	3,371	2,000	—	372	372
P.T. Semen Andalas Indonesia	Cement and construction material	1980	25,000	28,000	20,000	5,000	25,000
P.T. Semen Cibinong	Cement and construction material	1971, 1973, 1974, 1976, 1984	26,546	25,270	4,620	2,200	6,820
P.T. Unitex	Textiles and fibers	1971	2,050	1,250	—	800	800
					27,278	11,536	38,814
Israel							
Makhteshim Chemical Works Ltd.	Chemicals and petrochemicals	1974, 1976	10,500	—	760	—	760
Jamaica							
Jamaica Flour Mills Limited	Food and food processing	1982	5,000	—	3,439	—	3,439
Pegasus Hotels of Jamaica, Ltd.	Tourism	1969	1,987	926	—	669	669
The Falcon Fund (1985) Limited	Guarantee facility	1986	2,555	—	2,555	—	2,555
West Indies Glass Company Limited	Glass containers	1981	2,250	—	1,353	—	1,353
					7,347	669	8,016
Jordan							
Jordan Ceramic Industries Company Ltd.	Ceramics	1974	1,576	250	150	226	376
Jordan Fertilizer Industry Company, Ltd.	Fertilizers	1975, 1978, 1982	38,229	50,000	19,873	8,746	28,619
Jordan Leasing Company, Ltd.	Money and capital market	1982	289	—	—	289	289
Jordan Lime and Silicate Brick Industries Company Limited	Cement and construction material	1979, 1985	3,848	—	1,539	1,348	2,887
					21,562	10,609	32,171
Kenya							
Bamburi Portland Cement Company Limited	Cement and construction material	1982	4,430	—	3,753	—	3,753
Development Finance Company of Kenya Limited	Development finance	1980, 1984	6,160	—	5,458	1,314	6,772
Diamond Trust of Kenya Limited	Money and capital market	1982	804	—	—	804	804
Equatorial Beach Properties Limited	Tourism	1986	3,671	—	5,076	—	5,076
Industrial Promotion Services (Kenya) Limited	Money and capital market	1982	546	—	—	546	546
Kenya Commercial Finance Company Limited	Money and capital market	1981	5,000	—	3,980	—	3,980
Kenya Hotel Properties, Ltd.	Tourism	1967, 1968, 1973	4,918	962	—	718	718
Leather Industries of Kenya Limited	Tanning	1984	2,544	—	1,948	596	2,544
Oil Crop Development Limited	Food and food processing	1986	10,736	—	9,491	1,400	10,891
Panafrican Paper Mills (E.A.), Ltd.	Pulp and paper products	1970, 1974, 1977, 1979, 1981	24,549	3,965	7,208	4,510	11,718
Rift Valley Textiles Limited	Textiles and fibers	1976	8,069	1,000	5,167	2,769	7,936
Tetra Pak Converters Limited	Pulp and paper products	1983	2,540	—	1,550	370	1,920
Tourism Promotion Services (Kenya) Ltd.	Tourism	1972	1,629	791	334	45	379
Loans to small and medium scale industries in Kenya in cooperation with Kenya Commercial Bank Limited	Money and capital market	1977	2,000	—	26	—	26
					43,991	13,072	57,063

Korea, Republic of							
Chonju Paper Manufacturing Co., Ltd.	Pulp and paper products	1976, 1984	5,797	—	—	797	797
Gold Star Company, Ltd.	Electric products	1975, 1976, 1977, 1979, 1980, 1984, 1985	24,976	13,000	—	8,141	8,141
Hae Un Dae Development Company, Ltd.	Tourism	1975	3,450	—	724	700	1,424
Korea Development Investment Corporation	Money and capital market	1983, 1985	5,952	—	—	5,952	5,952
Korea Development Leasing Corporation	Money and capital market	1977, 1979	5,621	10,000	312	311	623
Korea Investment and Finance Corporation	Money and capital market	1971, 1974, 1976, 1979, 1980, 1982, 1985	3,765	—	—	2,635	2,635
Korea Long Term Credit Bank	Development finance	1968, 1974, 1976, 1977, 1978, 1980	13,565	8,938	—	3,868	3,868
Korea Securities Finance Corporation	Money and capital market	1975, 1977, 1980, 1982, 1984	8,392	—	—	2,014	2,014
Korea Zinc Company, Ltd.	Nonferrous metal	1976, 1986	25,017	—	7,625	4,017	11,642
Taihan Bulk Terminal Co., Ltd.	Grain bulk terminal	1981	6,000	3,500	2,680	2,500	5,180
Tong Yang Nylon Company, Limited	Textiles and fibers	1975	9,000	—	—	2,070	2,070
					11,341	33,005	44,346
Liberia							
Liberian Bank for Development and Investment	Development finance	1966, 1977, 1984	702	1	—	702	702
Madagascar							
Bata S.A. Malgache	Shoes	1980	1,250	—	250	—	250
La Colonniere d'Antsirabe (COTONA), S.A.	Textiles and fibers	1986	9,001	—	9,142	184	9,326
Les Pecheries de Nossi Be, S.A.	Food and food processing	1984	2,669	—	1,596	99	1,695
Societe Textile de Majunga S.A.	Textiles and fibers	1977	11,300	—	3,850	300	4,150
					14,838	583	15,421
Malawi							
David Whitehead and Sons (Malawi) Ltd.	Textiles and fibers	1976, 1982	10,784	—	5,133	—	5,133
Dwangwa Sugar Corporation Limited	Food and food processing	1977, 1981, 1985	11,306	—	9,572	—	9,572
Ethanol Company Limited	Chemicals and petrochemicals	1981, 1982	2,458	—	1,308	245	1,553
Investment and Development Bank of Malawi Limited	Development finance	1979	605	—	—	605	605
Malawi Hotels Limited	Tourism	1980, 1984	2,085	—	399	—	399
The Leasing and Finance Company of Malawi Limited	Money and capital market	1986	715	—	633	82	715
					17,045	932	17,977
Malaysia							
Pacific Hardwoods Sdn. Berhad	Pulp and paper products	1985	11,500	—	9,970	1,530	11,500
SEAVI Project	Money and capital market	1985	1,000	—	—	1,000	1,000
					9,970	2,530	12,500
Mali							
Societe Industrielle de Karite du Mali, S.A.	Sheanut butter	1982, 1983	2,297	—	1,742	453	2,195
Societe Mamadou Sada Diallo et Freres SARL (SOMACI)	Bleach and plastic products	1978	600	—	471	—	471
					2,213	453	2,666
Mexico							
Cancun Aristos Hotel	Tourism	1974, 1981	1,304	—	48	328	376
Celulosa y Papel de Durango, S.A. de C.V.	Pulp and paper products	1986	11,900	—	10,000	1,900	11,900
Celulosicos Centauro, S.A.	Pulp and paper products	1981	15,500	44,000	15,500	—	15,500
Cementos Veracruz, S.A.	Cement and construction material	1973, 1979	11,352	4,500	4,014	—	4,014
Conductores Monterrey, S.A.	Electrical wire and cable	1979	5,000	13,000	4,677	—	4,677
Corporacion Agroindustrial, S.A. de C.V.	Food and food processing	1981	9,300	5,000	2,485	3,000	5,485
Empresas Tolteca de Mexico, S.A.	Cement and construction material	1979, 1984	37,950	138,000	21,840	7,950	29,790
Hotel Camino Real Ixtapa, S.A.	Tourism	1979, 1981	3,101	—	—	3,101	3,101
Industrias Resistol, S.A.	Particle board	1980	8,000	17,000	3,500	—	3,500
Metalsa, S.A.	Motor vehicles and accessories	1984	4,400	—	3,000	1,400	4,400
Mexinox, S.A.	Iron and steel	1975, 1978	15,180	—	2,766	3,180	5,946
Minera Real de Angeles, S.A. de C.V.	Mining	1980	30,000	80,000	14,000	—	14,000
Papeles Ponderosa, S.A.	Pulp and paper products	1978, 1981, 1984	11,157	4,500	3,156	4,957	8,113
Promociones Industriales Mexicanas, S.A. de C.V.	Phthalate plasticizers	1985	12,000	4,400	12,000	—	12,000
Proteison, S.A. de C.V.	Cottonseed processing	1985	2,770	—	1,950	820	2,770
Tereftalatos Mexicanos, S.A.	Chemicals and petrochemicals	1978	19,000	—	9,500	—	9,500
Vidrio Plano de Mexico, S.A. and Vitro Flotado, S.A.	Flat glass	1980	15,000	99,900	11,250	—	11,250
					119,686	26,636	146,322

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Investment Portfolio *(continued)*

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COUNTRY, REGION OR OTHER AREA AND OBLIGOR	Type of business	Fiscal years in which commitments were made	Original Commitments[1] Total IFC	Total Syndications	Investments held for the Corporation (including undisbursed balances) Loans	Equity (at cost)	Total loans and equity
Morocco							
Asment de Temara S.A.	Cement and construction material	1977, 1980	$ 8,328	$ —	$ 2,005	$ 3,357	$ 5,362
Banque Nationale pour le Developpement Economique	Development finance	1963, 1978, 1984, 1986	46,690	40,240	51,996	1,544	53,540
Cimenterie Nouvelle de Casablanca—Cinouca, S.A.	Cement and construction material	1982, 1983	17,614	—	13,842	2,044	15,886
Fruitiere Marocaine de Transformation "FRUMAT"	Food and food processing	1986	6,913	—	6,913	—	6,913
Societe des Ciments de Marrakech, S.A.	Cement and construction material	1976	1,216	—	—	1,112	1,112
Societe Miniere du Bou-Gaffer "SOMIFER"	Mining	1980	15,335	—	6,067	2,348	8,415
					80,823	10,405	91,228
Nepal							
Nepal Orind Magnesite (Private) Limited	Mining	1982	4,966	—	6,595	—	6,595
Soaltee Hotel Limited	Tourism	1975	3,128	—	2,110	428	2,538
					8,705	428	9,133
Niger							
Les Moulins du Sahel, S.A.	Food and food processing	1982	2,168	—	2,274	242	2,516
Nigeria							
Arewa Textiles, Ltd.	Textiles and fibers	1964, 1967, 1970	847	728	—	442	442
Funtua Cottonseed Crushing Company Limited	Cottonseed oil	1973	1,064	516	304	—	304
Ikeja Hotel Limited	Tourism	1981, 1985	11,803	—	10,129	1,345	11,474
Nigerian Aluminium Extrusions Limited	Nonferrous metal	1973, 1974	1,328	—	216	326	542
Nigerian Textile Mills Limited	Textiles and fibers	1980	6,880	—	6,154	735	6,889
Tiger Battery Company (Nigeria) Limited	Dry-cell batteries	1985	2,850	2,145	4,065	—	4,065
					20,868	2,848	23,716
Oman							
Oman Development Bank S.A.O.	Development finance	1979	2,029	—	—	1,014	1,014
Pakistan							
Asbestos Cement Industries Limited	Cement and construction material	1982	4,020	—	2,048	—	2,048
Dawood Hercules Chemicals, Ltd.	Fertilizers	1969	3,923	—	—	2,923	2,923
Fauji Foundation	Woven polypropylene bags	1980	1,776	—	36	—	36
Gharibwal Cement, Ltd.	Cement and construction material	1962, 1965	5,379	289	—	417	417
Habib Arkady Limited	Food and food processing	1981	3,315	—	3,150	165	3,315
Mari Gas Company Limited	Chemicals and petrochemicals	1986	23,911	21,225	12,950	—	12,950
Milkpak Limited	Food and food processing	1979	2,254	500	814	355	1,169
National Development Leasing Corporation Limited	Money and capital market	1985	5,377	—	5,012	366	5,378
Packages Limited	Pulp and paper products	1965, 1980, 1982	10,736	9,362	6,726	605	7,331
Pakistan Industrial Credit and Investment Corporation, Ltd.	Development finance	1963, 1969, 1975	520	—	—	483	483
Pakistan Oilfields Limited and Attock Refinery Limited	Oil and gas	1979, 1982, 1984	16,540	14,500	6,000	2,040	8,040
Pakistan Paper Corporation, Ltd.	Pulp and paper products	1967, 1976	6,855	546	4,512	2,019	6,531
Pakistan Petroleum Limited	Oil and gas	1983, 1985	24,958	79,200	23,617	1,560	25,177
					64,865	10,933	75,798
Panama							
Banco Latinoamericano de Exportaciones, S.A.	Money and capital market	1979, 1985, 1986	40,500	4,327	17,250	2,500	19,750
Corporacion de Desarrollo Hotelero, S.A.	Tourism	1971	1,473	—	214	—	214
Vidrios Panamenos, S.A.	Glass containers	1978	3,800	—	—	1,400	1,400
					17,464	3,900	21,364

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Paraguay							
Empresa Hotelera de Encarnacion S.A.	Tourism	1981, 1986	1,450	—	270	280	550
Sociedad Agricola Golondrina S.A.	Food and food processing	1982	7,000	—	5,000	2,000	7,000
Western Agri Produccion del Paraguay S.R.L.	Food and food processing	1986	800	—	800	—	800
					6,070	2,280	8,350
Peru							
Compania Aurifera Rio Inambari, S.A.	Mining	1986	6,500	—	6,000	500	6,500
Compania de Cemento Pacasmayo, S.A.	Cement and construction material	1964, 1967	296	1,309	—	91	91
Compania de Minas Buenaventura, S.A.	Mining	1979, 1983	6,460	—	2,672	460	3,132
Compania de Minas Orcopampa, S.A.	Mining	1986	10,000	—	9,000	1,000	10,000
Compania Minera Poderosa S.A.	Mining	1986	3,300	—	3,300	—	3,300
Compania Minera San Ignacio de Morococha, S.A.	Mining	1980, 1985	7,200	—	4,675	500	5,175
Consorcio Energetico de Huancavelica, S.A.	Utilities	1982	4,500	—	4,154	—	4,154
S.A. Minera Regina	Mining	1985	5,240	—	5,000	240	5,240
Sogewiese Leasing, S.A.	Money and capital market	1982	3,137	—	2,400	137	2,537
					37,201	2,928	40,129
Philippines							
Acoje Mining Company, Inc.	Mining	1977	3,521	—	1,238	—	1,238
All Asia Capital and Leasing Corporation (AACL)	Money and capital market	1980, 1983, 1985	4,940	6,000	3,538	152	3,690
Cebu Shipyard and Engineering Works, Inc.	Ship-repairing	1978	2,100	—	1,181	—	1,181
Davao Union Cement Corporation	Cement and construction material	1981	16,000	—	8,500	—	8,500
General Milling Corporation	Food and food processing	1979	5,082	—	2,000	1,082	3,082
Maria Cristina Chemical Industries, Inc.	Iron and steel	1974, 1979	2,190	—	—	436	436
Marinduque Mining and Industrial Corporation	Mining	1972	15,000	—	3,125	—	3,125
Mariwasa Manufacturing, Inc.	Cement and construction material	1970, 1972	646	547	—	98	98
NDC-Guthrie Plantations, Inc.	Palm oil	1982	11,000	—	11,000	—	11,000
Philagro Edible Oils, Inc.	Coconut oil and copra	1976, 1980	2,839	—	497	—	497
Philippine Associated Smelting and Refining Corporation	Mining	1981	5,000	—	—	5,000	5,000
Pure Foods Corporation	Food and food processing	1986	1,390	—	—	1,390	1,390
Sarmiento Industries, Inc.	Plywood	1977	3,500	—	—	292	292
Ventures in Industry and Business Enterprises, Inc.	Money and capital market	1980	246	—	—	246	246
					31,371	8,404	39,775
Portugal							
Banco Portugues de Investimento	Development finance	1982, 1985	11,229	—	5,208	1,230	6,438
SOFINLOC—Sociedade Portuguesa de Locacao Financeira, S.A.R.L.	Money and capital market	1983, 1985	3,733	9,000	3,000	733	3,733
					8,208	1,963	10,171
Rwanda							
Societe Rwandaise pour la Production et la Commercialisation du The (SORWATHE)	Food and food processing	1976, 1979, 1985	1,127	—	594	—	594
Senegal							
African Seafood, S.A.	Food and food processing	1986	3,423	—	2,795	628	3,423
Banque de l'Habitat du Senegal S.A.	Money and capital market	1980	465	—	—	465	465
Industries Chimiques du Senegal, S.A.	Fertilizers	1982	25,000	—	10,000	405	10,405
Societe Financiere Senegalaise pour le Developpement de l'Industrie et du Tourisme	Development finance	1974, 1985	339	—	—	339	339
Societe Hoteliere du Barachois, S.A.	Tourism	1980	3,000	—	2,581	—	2,581
					15,376	1,837	17,213
Sierra Leone							
Sierra Cement Manufacturing Company Limited—"SERACEM"	Cement and construction material	1980	2,050	—	2,050	—	2,050
Somalia							
Somali Bag Company Limited	Polypropylene bags	1985	863	—	863	—	863
Somali Molasses Company Limited	Food and food processing	1981	375	—	159	—	159
					1,022	—	1,022

International Finance Corporation

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COUNTRY, REGION OR OTHER AREA AND OBLIGOR	Type of business	Fiscal years in which commitments were made	Original Commitments[1] Total IFC	Original Commitments[1] Total Syndications	Investments held for the Corporation (including undisbursed balances) Loans	Equity (at cost)	Total loans and equity
Spain							
Sociedad Espanola de Financiacion de la Innovacion, S.A.	Money and capital market	1978	$ 877	$ —	$ —	$ 877	$ 877
Sri Lanka							
Bank of Ceylon	Money and capital market	1978, 1981	7,000	—	4,823	—	4,823
Ceylon Synthetic Textile Mills Limited	Textiles and fibers	1979, 1981	2,412	1,272	1,875	537	2,412
Development Finance Corporation of Ceylon	Development finance	1978, 1980, 1983	457	—	—	457	457
Lanka Orient Leasing Company Limited	Money and capital market	1980, 1984, 1985	3,338	—	—	338	338
Mikechris Industries Limited	Woven polypropylene bags	1979	985	—	623	94	717
Taj Lanka Hotels Limited	Tourism	1981	8,900	11,100	8,200	700	8,900
					15,521	2,126	17,647
Sudan							
Cotton Textile Mills, Ltd.	Textiles and fibers	1976	9,979	—	8,714	1,265	9,979
Gezira Managil Textile Company Limited	Textiles and fibers	1978	8,083	—	6,687	1,396	8,083
River Nile Petroleum Company Limited	Chemicals and petrochemicals	1982	300	—	—	300	300
					15,401	2,961	18,362
Swaziland							
The National Textile Corporation of Swaziland Limited	Textiles and fibers	1985	2,527	—	2,120	551	2,671
The Royal Swaziland Sugar Corporation Limited	Food and food processing	1978, 1986	10,429	—	6,088	461	6,549
					8,208	1,012	9,220
Tanzania							
Amboni Limited	General manufacturing	1985	2,776	691	3,639	—	3,639
Highland Soap and Allied Products Limited	Soap	1978	1,741	—	1,375	366	1,741
Metal Products Limited	Household utensils	1979	1,510	—	1,001	184	1,185
					6,015	550	6,565
Thailand							
Bangkok Glass Industry Co., Ltd.	Glass containers	1979, 1980, 1983	10,298	—	4,220	448	4,668
National Petrochemical Corporation Limited	Chemicals and petrochemicals	1984, 1986	512	—	—	512	512
Phya Thai II Hospital Company, Limited	Hospital facilities	1986	4,961	—	4,200	761	4,961
Sea Minerals Limited	Mining	1983	556	—	—	556	556
SEAVI Project	Money and capital markets	1985	1,000	—	—	1,000	1,000
Siam City Cement Co., Ltd.	Cement and construction material	1979, 1981, 1985	51,490	68,000	32,597	4,300	36,897
Thailand Tantalum Industry Corporation Limited	Mining	1984	21,884	35,000	18,500	3,384	21,884
The Mutual Fund Company Limited	Money and capital market	1977	294	—	—	294	294
The Siam Cement Co., Ltd.	Cement and construction material	1969, 1976, 1978, 1980, 1985	17,878	14,874	—	1,422	1,422
World Aquaculture Company, Ltd.	Food and food processing	1984	3,389	—	3,230	561	3,791
Loans to small and medium-scale industries in Thailand in cooperation with Siam Commercial Bank, Limited	Money and capital market	1978	2,005	—	312	—	312
					63,059	13,238	76,297

Tunisia							
Banque de Developpement Economique de Tunisie	Development finance	1966, 1970, 1978	2,305	—	—	2,305	2,305
Banque Nationale de Developpement Touristique	Tourism	1969	9,081	1,167	—	2,248	2,248
Industries Chimiques du Fluor, S.A.	Chemicals and petrochemicals	1974	641	—	—	641	641
Societe d'Etudes et de Developpement de Sousse-Nord	Tourism	1973, 1975	3,161	—	633	631	1,264
Societe Industriene des Textiles (SITEX)	Textiles and Fibers	1986	8,432	—	5,000	3,432	8,432
Societe Miniere de Spath-fluor et Barytine (Fluobar), S.A.	Mining	1985	245	—	—	245	245
Societe Touristique et Hoteliere Rym, S.A.	Tourism	1973	1,930	—	74	—	74
Societe Tunisienne de Leasing "Tunisie Leasing", S.A.	Money and capital market	1985, 1986	3,430	—	2,935	495	3,430
					8,642	9,997	18,639
Turkey							
Anadolu Cam Sanayii, A.S.	Glass	1970, 1986	8,388	3,294	—	1,682	1,682
Asil Celik Sanayi ve Ticaret A.S.	Iron and steel	1976, 1979	16,000	—	3,430	—	3,430
Cam Elyaf Sanayii A.S.	Fiberglass	1986	7,983	—	8,233	—	8,233
Ege Mosan Motorlu Araclar Sanayi ve Ticaret A S.	Engines for mopeds	1979	2,150	—	331	—	331
Eska Turizm ve Ticaret A.S.	Tourism	1986	2,183	—	2,183	—	2,183
Istanbul Segman Sanayi ve Ticaret A S.	Motor vehicles and accessories	1979, 1980, 1982, 1984, 1985	11,186	—	4,651	2,337	6,988
Kirklareli Cam Sanayii A.S.	Glass tableware	1981	11,000	1,955	8,250	—	8,250
Man Kamyon ve Otobus Sanayi A.S.	Motor vehicles and accessories	1985	6,466	—	9,097	—	9,097
M.A.N. Motor Sanayi ve Ticaret A.S.	Motor vehicles and accessories	1982	7,886	—	9,238	—	9,238
Mensucat Sanayi ve Ticaret, A.S.	Textiles and fibers	1980	4,000	—	1,714	—	1,714
Nasas—Aluminyum Sanayii ve Ticareti A.S.	Nonferrous metal	1971, 1976, 1983, 1984	10,036	—	—	1,461	1,461
Pinar Entegre et ve Yem Sanayii A.S.	Food and food processing	1984	3,900	—	3,900	—	3,900
Silkar Turizm Yatirim ve Isletmeleri A.S.	Tourism	1986	5,685	—	5,685	—	5,685
Trakya Cam Sanayii A.S.	Glass	1979, 1981, 1983, 1984	24,977	11,395	7,250	3,226	10,476
Turkiye Sinai Kalkinma Bankasi, A.S.	Development finance	1964, 1967, 1969, 1972, 1973, 1975, 1976, 1977, 1980, 1983	19,742	45,028	—	2,698	2,698
Viking Kagit ve Seluloz, A.S.	Pulp and paper products	1970, 1971, 1982, 1983	3,323	—	—	823	823
					63,962	12,227	76,189
Uganda							
Development Finance Company of Uganda Limited	Development finance	1985	375	—	—	375	375
Sugar Corporation of Uganda Limited	Food and food processing	1984	8,000	—	8,000	—	8,000
The Toro and Mityana Tea Company Limited	Food and food processing	1984	1,153	500	1,261	—	1,261
Uganda Tea Corporation Limited	Tea and coffee	1985	2,685	—	2,755	—	2,755
					12,016	375	12,391
Uruguay							
Acodike Supergas S.A.	Chemicals and petrochemicals	1979	950	—	74	—	74
Astra Pesquerias Uruguayas S.A.	Food and food processing	1979, 1983	8,175	—	5,925	2,250	8,175
Azucitrus S.A.	Food and food processing	1985	9,482	—	7,230	2,400	9,630
Fabrica Uruguaya de Neumaticos, S.A.	Motor vehicles and accessories	1976	3,800	—	475	—	475
Sur Invest Casa Bancaria S.A.	Money and capital market	1980	10,586	—	6,154	586	6,740
					19,858	5,236	25,094
Yemen Arab Republic							
National Company for Vegetable Oil and Ghee Industries Limited	Vegetable oil and ghee	1985	4,652	—	5,569	—	5,569
Yemen Battery Manufacturing Company, Y.S.C.	Dry batteries	1984, 1985	3,797	349	3,250	547	3,797
Yemen Dairy and Juice Industries	Food and food processing	1978	2,400	750	857	—	857
Yemen Hunt Oil Company	Chemicals and petrochemicals	1986	9,000	—	9,000	—	9,000
					18,676	547	19,223

International Finance Corporation

Investment Portfolio *(continued)*

June 30, 1986
Expressed in United States Dollars (in thousands)

COUNTRY, REGION OR OTHER AREA AND OBLIGOR	Type of business	Fiscal years in which commitments were made	Original Commitments[1] Total IFC	Total Syndications	Investments held for the Corporation (including undisbursed balances) Loans	Equity (at cost)	Total loans and equity
Yugoslavia							
Belisce-Bel Tvornica Papira, Poluceluloze i Kartonaze—Belisce	Pulp and paper products	1973, 1981	$30,976	$ 39,889	$ 17,334	$ —	$ 17,334
Frikom Ro Industrija Smrznute Hrane	Food and food processing	1977	5,427	1,000	315	2,427	2,742
Ina-Naftaplin	Oil and gas	1985	28,873	8,909	31,843	—	31,843
Industrija Za Avtomobilski Delovi I Traktori—"Ruen" Kocani	Motor vehicles and accessories	1982	10,631	—	11,769	—	11,769
Institut Za Fizikalnu Medicinu I Rehabilitaciju—Dr. Simo Milosevic—Igalo	Physical medicine center	1982	14,072	—	17,193	—	17,193
International Investment Corporation for Yugoslavia	Development finance	1970	1,812	188	—	1,625	1,625
Investiciona Banka Titograd-Udruzena Banka	Tourism	1980	21,000	—	13,000	—	13,000
Iskra	Telecommunications	1985	13,514	10,600	17,556	—	17,556
Jugobanka—Udruzena Banka Beograd	General Manufacturing	1986	24,855	10,174	28,010	—	28,010
Ljubljanska Banka-Zdruzena Banka	Development finance	1983	70,635	29,249	82,780	—	82,780
Radna Organizacija Hermeticki Kompresori u Osnivanju, Mostar	Hermetic compressors	1978	7,000	—	1,750	—	1,750
Radoje Dakic	Machinery	1980	18,700	—	14,025	—	14,025
Sour Energoinvest	Power transmission	1985	14,465	—	15,463	—	15,463
Tovarna Avtopnevmatike "Sava-Semperit"	Motor vehicles and accessories	1972, 1978, 1980	13,692	1,341	1,825	—	1,825
Tvornica Kartona I Ambalaze Cazin	Pulp and paper products	1977	10,821	7,366	1,028	2,569	3,597
UNIAL-Tovarna Glinice in Aluminija Boris Kidric	Non-ferrous metal	1986	32,377	—	32,377	—	32,377
Loan to Eight Banks for Small-Scale Enterprises	Money and capital market	1980	26,000	4,233	17,390	—	17,390
					303,658	6,621	310,279
Zaire							
Grand Hotels du Zaire, S.Z.A.R.L	Tourism	1985	15,000	—	15,000	—	15,000
Societe Financiere de Developpement	Development finance	1970, 1985	1,297	—	—	1,297	1,297
Societe Textile Agricole Zairoise	Textiles and fibers	1985	100	—	—	100	100
Societe Textile de Kisangani	Textiles and fibers	1985	8,985	—	9,049	575	9,624
					24,049	1,972	26,021
Zambia							
Century Packages Limited	Plastic wrappings	1975, 1978	1,086	—	55	—	55
Development Bank of Zambia	Development finance	1976	545	—	—	545	545
Kafue Textiles of Zambia Limited	Textiles and fibers	1980, 1985	10,746	—	11,316	—	11,316
Mpongwe Development Company Limited	Food and food processing	1985	2,112	—	2,199	293	2,492
Zambia Bata Shoe Company Limited	Shoes	1972, 1973	1,146	1,131	—	228	228
Zambia Consolidated Copper Mines Limited	Mining	1980, 1982	45,142	8,000	35,575	—	35,575
Zambia Hotel Properties Limited	Tourism	1984	7,500	11,392	7,500	—	7,500
					56,645	1,066	57,711
Zimbabwe							
Crest Breeders International (Private) Limited	Food and food processing	1986	5,295	—	4,711	625	5,336
UDC Limited	Money and capital market	1985	2,445	—	2,409	193	2,602
Wankie Colliery Company Limited	Mining	1981	20,000	18,000	9,750	—	9,750
					16,870	818	17,688
Emerging Markets Growth Fund, Inc.	Money and capital market	1986	8,700	—	—	8,700	8,700

Regional Investments							
Africa							
SIFIDA Investment Company, S.A.	Development finance	1971, 1976, 1985	3,277	1,940	2,729	635	3,364
Asia							
SEAVI Project	Money and capital market	1985	1,050	—	—	1,050	1,050
					2,729	1,685	4,414
Other[2]							
Asia Cement Corporation	Cement and construction material	1970	4,119	100	—	205	205
Far Eastern Textile Limited	Textiles and fibers	1970, 1971	5,055	570	—	124	124
					—	329	329
				Total	$2,000,789	$386,411	$2,387,200

Summary

	JUNE 30, 1986			JUNE 30, 1985		
	Loans	Equity (at cost)	Total Loans and Equity	Loans	Equity (at cost)	Total Loans and Equity
INVESTMENTS HELD FOR THE CORPORATION	$2,000,789	$386,411	$2,387,200	$1,748,035	$368,234	$2,116,269
Undisbursed balances	543,593	75,631	619,224	491,031	61,881	552,912
Disbursed balances	$1,457,196	$310,780	$1,767,976	$1,257,004	$306,353	$1,563,357
INVESTMENTS HELD BY THE CORPORATION FOR PARTICIPANTS						
Total	$1,051,810	$2,019	$1,053,829	$1,199,554	$ 2,025	$1,201,579
Undisbursed balances	243,049	—	243,049	353,878	355	354,233
Disbursed balances	$ 808,761	$2,019	$ 810,780	$ 845,676	$ 1,670	$ 847,346
TOTAL INVESTMENTS HELD FOR THE CORPORATION AND FOR PARTICIPANTS						
Total	$3,052,599	$388,430	$3,441,029	$2,947,589	$370,259	$3,317,848
Undisbursed balances	786,642	75,631	862,273	844,909	62,236	907,145
Disbursed balances	$2,265,957	$312,799	$2,578,756	$2,102,680	$308,023	$2,410,703

Note (1): Commitments include funds to be provided by IFC for its own account, funds to be provided by participants through the purchase of an interest in IFC's investment, and funds to be provided by other financial institutions in association with IFC, where IFC has rendered material assistance in mobilizing those funds.

Original commitments are composed of disbursed and undisbursed balances. The undisbursed portion is revalued at current exchange rates while the disbursed portion represents the cost of the commitment at the time of disbursement. Loan investments held for the Corporation are revalued at the current exchange rates.

Note (2): Represents investments made at a time when the authorities on Taiwan represented China in the International Finance Corporation (prior to May 15, 1980)

General: The operational investments are represented by loans and equity, as stated. In addition, in certain investments, the Corporation has the right to acquire shares and/or participate in the profits of the enterprise.

International Finance Corporation

Statement of Cumulative Gross Commitments

Appendix D

June 30, 1986
In Thousands of United States Dollars

COUNTRY, REGION OR OTHER AREA	Number of Enterprises	Cumulative Gross Commitments[1] IFC	Syndications	Total
Afghanistan	1	$ 322	—	$ 322
Argentina	16	183,090	94,284	277,374
Australia	2	975	—	975
Bangladesh	5	12,190	4,155	16,345
Barbados	1	300	—	300
Bolivia	5	8,246	1,041	9,287
Botswana	1	612	—	612
Brazil	47	531,808	505,052	1,036,860
Burkina Faso	1	542	—	542
Burundi	1	5,634	—	5,634
Cameroon	9	20,151	253	20,404
Chile	8	113,987	16,118	130,105
China	1	17,738	—	17,738
Colombia	30	110,159	39,317	149,476
Congo, People's Republic of the	3	5,790	—	5,790
Costa Rica	4	6,497	217	6,714
Cote d'Ivoire	4	11,007	—	11,007
Cyprus	4	5,268	597	5,865
Dominican Republic	4	16,463	2,400	18,863
Ecuador	6	27,343	696	28,039
Egypt, Arab Republic of	10	117,676	73,500	191,176
El Salvador	2	1,074	—	1,074
Ethiopia	3	13,136	2,632	15,768
Fiji	2	14,329	—	14,329
Finland	4	1,490	1,658	3,148
Gambia, The	1	2,823	—	2,823
Ghana	1	27,500	27,500	55,000
Greece	7	26,906	40,207	67,113
Grenada	1	6,000	—	6,000
Guatemala	3	18,200	—	18,200
Guinea	1	14,835	—	14,835
Guyana	1	2,000	—	2,000
Haiti	1	1,500	—	1,500
Honduras	3	4,352	6,101	10,453
India	31	268,700	92,064	360,764
Indonesia	13	90,494	72,803	163,297
Iran, Islamic Republic of	7	34,343	8,193	42,536
Israel	1	10,500	—	10,500
Italy	1	960	—	960
Jamaica	5	12,016	926	12,942
Jordan	5	44,617	50,250	94,867
Kenya	15	88,065	35,371	123,436
Korea, Republic of	16	130,670	44,499	175,169
Lebanon	4	6,305	2,600	9,105
Lesotho	1	330	—	330
Liberia	1	702	1	703
Madagascar	4	24,220	—	24,220
Malawi	6	$ 27,953	—	$ 27,953
Malaysia	6	19,562	1,629	21,191
Mali	2	2,897	—	2,897
Mauritania	1	10,449	9,558	20,007
Mauritius	2	2,267	98	2,365
Mexico	28	265,850	499,942	765,792
Morocco	8	112,308	40,360	152,668
Nepal	2	8,094	—	8,094
Nicaragua	3	8,542	929	9,471
Niger	1	2,168	—	2,168
Nigeria	8	26,311	3,389	29,700
Oman	1	2,029	—	2,029
Pakistan	17	115,474	125,744	241,218
Panama	3	45,773	4,327	50,100
Paraguay	4	14,650	—	14,650
Peru	16	81,744	3,573	85,317
Philippines	26	139,446	22,458	161,904
Portugal	2	14,963	9,000	23,963
Rwanda	1	1,127	—	1,127
Senegal	7	36,531	—	36,531
Sierre Leone	1	2,050	—	2,050
Somalia	2	1,238	—	1,238
Spain	5	20,433	300	20,733
Sri Lanka	7	25,041	13,672	38,713
Sudan	6	26,535	6,464	32,999
Swaziland	2	12,956	—	12,956
Tanzania	4	8,871	2,505	11,376
Thailand	16	117,845	117,874	235,719
Trinidad and Tobago	2	2,350	—	2,350
Tunisia	9	31,813	2,079	33,892
Turkey	24	187,601	74,171	261,772
Uganda	6	15,156	2,176	17,332
Uruguay	5	32,993	—	32,993
Venezuela	8	24,540	7,581	32,121
Yemen Arab Republic	4	19,849	1,099	20,948
Yugoslavia	24	399,785	168,191	567,976
Zaire	6	29,714	—	29,714
Zambia	8	72,562	20,524	93,086
Zimbabwe	3	27,740	18,000	45,740
Emerging Markets Growth Fund	1	8,700	—	8,700
Regional:				
Africa	1	3,277	1,940	5,217
Latin America	1	10,000	—	10,000
Asia	1	1,050	—	1,050
Other[2]	2	9,174	670	9,844
TOTAL	589	$4,071,476	2,280,688	$6,352,164

Note (1): Cumulative commitments are composed of disbursed and undisbursed balances. The undisbursed portion is revalued at current exchange rates while the disbursed portion represents the cost of the commitment at the time of disbursement.

Note (2): Represents investments made at a time when the authorities on Taiwan represented China in the International Finance Corporation (prior to May 15, 1980).

IFC Management

Appendix E

*President	A.W. Clausen
Executive Vice President	William S. Ryrie
Vice President, Corporate Affairs and Development	Francisco J. Alejo
Vice President, Investment Operations[1]	Judhvir Parmar
Vice President, Portfolio and Financial Management[1]	Hilary P. Reddy
Vice President and General Counsel	Jose E. Camacho
Vice President, Engineering	Makarand V. Dehejia
*Secretary	Timothy T. Thahane

INVESTMENT DEPARTMENTS[1]

Director, Department of Investments, Africa I	Andre G. Hovaguimian
Divisional Manager—Burkina, Cameroon, Cote d'Ivoire, Congo, Gabon, Ghana, Mali, Niger, Togo	Philippe Lietard
Divisional Manager—Cape Verde, Gambia, Guinea, Guinea-Bissau, Liberia, Mauritania, Morocco, Senegal, Sierra Leone, Tunisia	G. K. van der Mandele
Director, Department of Investments, Africa II	M. Azam K. Alizai
Divisional Manager—Botswana, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Seychelles, Swaziland, Tanzania, Uganda, Zambia	Michael Dixon
Divisional Manager—Burundi, Djibouti, Madagascar, Nigeria, Rwanda, Somalia, Sudan, Zaire, Zimbabwe	Michael H.R. Jordan
Director, Department of Investments, Asia I	Torstein Stephansen
Divisional Manager—China, Indonesia, Malaysia, Philippines, Viet Nam	Sakdiyiam Kupasrimonkol
Divisional Manager—Fiji, Korea, Papua New Guinea, Solomon Islands, Thailand, Vanuatu, Western Samoa	Carlos M. Tan
Director, Department of Investments, Asia II	Wilfried E. Kaffenberger
Divisional Manager—Burma, India, Nepal	Jemal-ud-din Kassum
Divisional Manager—Afghanistan, Bangladesh, Maldives, Pakistan, Sri Lanka	Mohan R. Wikramanayake
Director, Department of Investments, Europe and Middle East	Douglas Gustafson
Divisional Manager—Cyprus, Greece, Portugal, Spain, Turkey, Yugoslavia	Jean-Philippe F. Halphen
Divisional Manager—Egypt, Hungary, Iran, Iraq, Israel, Jordan, Lebanon, Oman, Syria, Yemen Arab Republic	Edward A. Nassim
Director, Department of Investments, Latin America and Caribbean I	Helmut Paul
Divisional Manager—Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua	Peter Jones
Divisional Manager—Barbados, Belize, Colombia, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Panama, St. Lucia, Trinidad and Tobago, Venezuela	Pho Ba Quan
Director, Department of Investments, Latin America and Caribbean II	Daniel F. Adams
Divisional Manager—Bolivia, Brazil, Paraguay, Uruguay	Everett J. Santos
Divisional Manager—Argentina, Chile, Ecuador, Peru	Eduardo Costa
Director Capital Markets Department	David B. Gill
Deputy Director	Antoine W. van Agtmael
Divisional Manager	Jayant S. Tata
Divisional Manager	R. Michael Barth

SUPPORT DEPARTMENTS

CORPORATE PROMOTION AND SYNDICATIONS

Director	Giovanni Vacchelli
Manager, Business Development and Syndications	Francis deC. Hamilton
Manager, Corporate Relations	Bruce W. McWilliams
Senior Adviser, Corporate Promotion	Carl T. Bell
Senior Adviser, Investment Strategy	Emmanuel C. Gonzalez

DEVELOPMENT

Director and Economic Adviser	Richard W. Richardson
Deputy Director	Dale R. Weigel
Manager, Economics	Nissim H. Ezekiel
Chief Operations Evaluations Officer	Walter I. Cohn
Chief Operations Evaluation Officer	Phiroze B. Medhora
Manager, Caribbean Project Development Facility	Hugh Henry-May

ENGINEERING	
Deputy Director	David B. Minch
Technical Manager, Agriculture and Forest Products	Youssef F.A. Fouad
Technical Manager, Chemicals and Petroleum	Gilbert Hunt
Technical Manager, General Manufacturing	Hussein Mustafa
Technical Manager, Mining and Metals	Claus A. Westmeier
Manager, Technology and Development	Alakadri K. Bose
Manager, Energy Unit	Irving Kuczynski
Coordinator, Africa Project Development Facility	Alexander N. Keyserlingk
FINANCIAL MANAGEMENT AND PLANNING	
Director	Richard H. Frank
Manager, Programming and Budgeting	Peter A. Dickerson
Manager, Financial Policy and Planning	Vasant H. Karmarkar
Manager, Corporate Planning and Policy	Peter R. Nichols
INFORMATION TECHNOLOGY	
Senior Adviser	Allen F. Shapiro
LEGAL	
Deputy General Counsel	Walter F. Norris
Chief Counsel	Fernando Cabezas
Chief Counsel	David G.T. d'Adhemar
Chief Counsel	Daoud L. Khairallah
MANAGEMENT SYSTEMS AND ACCOUNTING	
Director	Roswitha J. Klement-Francis
Manager, Accounting	Christos A'iftiras (acting)
Manager, Management Systems	John C.N. Tetley (acting)
PERSONNEL AND ADMINISTRATION	
Manager	John H. Stewart
SPECIAL OPERATIONS	
Chief Special Operations Officer	Jorge A. Navarrete
Chief Special Operations Officer	Ernest M. Kepper

SPECIAL REPRESENTATIVES AND REGIONAL MISSIONS

Special Representative, Middle East (Cairo)	Cherif Hassan
Special Representative, Far East (Tokyo)	Naokado Nishihara
Special Representative in Europe (London)	Hans Pollan
Special Representative in Europe (Paris)	Gunter H. Kreuter
Regional Mission in East Asia (Manila)	Vijay K. Chaudhry
Regional Mission in Eastern and Southern Africa (Nairobi)	V. S. Raghavan
Regional Mission in India (New Delhi)	Athishdam Tharmaratnam
Resident Mission in Indonesia (Jakarta)	Peter L.F. Edmonds
Resident Mission in Turkey (Istanbul)	Apinya Suebsaeng
Regional Mission in Western Africa (Abidjan)	Jean-Olivier Fraisse
Special Adviser	James M. Kearns

* These officers hold the same positions in the IBRD.

[1] For investment activities, the Directors of the Investment Departments report to the Vice President, Investment Operations and the Director, Capital Markets Department reports to the Vice President, Corporate Affairs and Development; all report to the Vice President, Portfolio and Financial Management with regard to investments in portfolio.

International
Finance
Corporation

FIRST ANNUAL REPORT
1956-1957

APPENDIX G

Principal Officers of IFC

President	ROBERT L. GARNER
Vice President	JOHN G. BEEVOR
Assistant to the President	RICHARD H. DEMUTH
General Counsel	DAVIDSON SOMMERS
Financial Adviser	BRODERICK HASKELL
Engineering Adviser	WILLIAM J. JENKINS

The Offices of *Treasurer, Secretary, Director of Administration,* and *Director of Information* are held by the corresponding officers of the International Bank for Reconstruction and Development (World Bank).

International Finance Corporation

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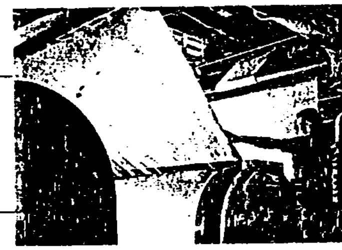
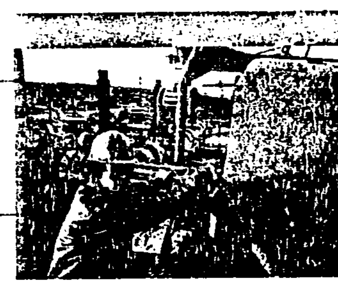
The Overseas Private Investment Corporation
1985 Annual Report





The Overseas Private Investment Corporation

1985 Annual Report

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OPIC

1615 M Street, N.W.
Washington, D.C. 20527

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A Message from the President

Record insurance volume of $5.3 billion, and net income of more than $100 million, helped stamp fiscal 1985 as the most productive year in the history of the Overseas Private Investment Corporation (OPIC).

For the twelve months ending September 30, 1985, OPIC was able to report:

- Assistance to a total of 157 investment projects in the developing world, the highest in a decade;
- An increase of $1 billion, or 23 percent, in insurance volume over 1984's record-setting level of $4.3 billion;
- Financing commitments of $166 million for a record-equalling 24 investment projects in 18 countries;
- Small-business participation in more than 40 percent of the projects insured or financed during the year, a new high;
- Funding of 53 feasibility studies, a 51 percent increase over the previous year's record of 35 commitments;
- Capital and reserves of $984 million, an 11 percent increase over the previous high of $883 million, set in 1984.

Of even greater significance was the Corporation's success in furthering the developmental process while bolstering the U.S. economy as well. Specifically, OPIC was able to report the following contributions for fiscal 1985:

- Third World nations will benefit from an aggregate total investment of $5.2 billion as a result of the 157 projects supported by OPIC during the year.
- A projected 27,587 host-country jobs will be created by these projects over their first five years of operations.
- An estimated 27,252 man-years of U.S. employment, and $2.8 billion in U.S. exports, will be generated over the first five years of project operations.
- A net positive trade effect of $2.1 billion will accrue to the United States over the same five-year period.

Taken together, these results can be viewed as encouraging signs for economic recovery in the Third World, for increased U.S. business penetration of the international marketplace and for the creation of new jobs here at home.

Recognizing OPIC's unique ability to spur overseas development while bolstering the U.S. economy, Congress passed legislation extending OPIC's operating authority through 1988, thereby casting its vote in support of the Corporation's programs.

Bolstering the U.S. Economy

Although the Agency's primary objective is to facilitate U.S. private investment to benefit developing countries around the world, the positive contributions that OPIC-supported investments can make to the U.S. economy and balance of payments cannot be overlooked.

There is a great deal of validity to the maxim that trade follows closely on the heels of investment. In fact, U.S. private investment in the Third World frequently leads to the establishment of trade ties through increased exports of U.S. capital equipment and supplies to support overseas investment projects. For example, the 665 projects supported by OPIC in the past five years will generate more than 125,000 man-years of U.S. employment and $11 billion in new American exports.

Yet for too long, American business has watched from the sidelines as other industrialized nations have seized the opportunities that exist in the rapidly growing markets of the developing world. By encouraging more U.S. firms to invest in Third World nations, OPIC can play a pivotal role in helping American companies capitalize on these opportunities, rather than handing them to our competitors by default. And, as the base of U.S. investment overseas broadens, increased exports, new jobs, access to new resources and a positive contribution to the U.S. balance of payments should result.

But these markets of the future will not become U.S. business bonanzas simply for the asking. Their potential significance has not escaped the notice of our industrialized competitors, most of whom have established investment promotion agencies patterned after OPIC. However, unlike OPIC, these counterpart agencies are rarely required to operate on a self-sustaining basis. Instead they can provide virtual subsidies to their private-sector investors.

Given this intensely competitive environment in the international marketplace, it is more important than ever that OPIC market its programs aggressively to the U.S. business community, forging a closer and more effective working partnership with the private sector. The stakes are too high for anything less than an all-out effort.

Overseas Investment Trends

Many of OPIC's recent achievements reflect the Third World's changing attitude toward foreign investment. While the developing nations once viewed foreign direct investment with suspicion, an unprecedented number are now issuing new investment codes and offering more incentives in a race to win foreign private investment flows.

Part of this new receptivity to foreign investment can be traced to a reduction in concessional aid levels and the curtailment of commercial bank loans. More frequently, however, the staggering debt-service burdens carried by almost all Third World nations have brought into painful focus the critical need for infusions of new investment capital.

Debt service materially reduces a nation's foreign exchange reserves and hampers its ability to implement much-needed development programs. On the other hand, investment projects that generate or save foreign exchange can be key factors in accelerating growth and creating a broader base for development planning. Recognizing this, many developing countries are turning toward private-sector expansion as the surest and most direct route to building stronger economies.

In line with this trend, OPIC has been able to play a major role in encouraging more American businesses to invest overseas and compete for a greater share of the vast Third World market.

The Promise of Small Business

As OPIC searches for new ways to encourage increased American business investment abroad, the potential of the U.S. small business community holds the greatest promise.

Until recently, multinational corporations dominated the international marketplace, given their management expertise, knowledge and financial ability to capitalize on the advantages of investing overseas. With few exceptions, small and medium-sized firms played a very minor role in expanding U.S. exports and markets through foreign investment. Over the past five years, however, OPIC has become particularly effective in stimulating the participation of small and medium-sized U.S. businesses in overseas ventures.

For the most part, OPIC has found that smaller firms are particularly well suited to operating successfully in the relatively small-scale economies of the poorer developing nations. In turn, the U.S. small business community is learning that the once mysterious world of overseas investment is accessible, profitable and a logical route to expansion.

That the winds of change are at work in this area is reflected by the fact that 40 percent of the projects insured or financed by OPIC in fiscal 1985 involved U.S. small-business firms. This marks the highest level of participation by small businesses in OPIC's history, and suggests an ever-widening role for them in expanding and diversifying the U.S. economy and its growth potential.

Outlook for the Future

As we stand midway into the 1980s, the economic outlook for most Third World countries offers some basis for cautious optimism.

Certainly the challenges facing the developing nations have not disappeared, and debt problems still cloud the horizon. But significant Third World advances in productivity and economic self-discipline have laid the groundwork for steady progress during the second half of the decade.

Supporting this trend toward greater economic maturity and stability is the changing perception of the need for private-sector growth and the role that foreign investment can play in furthering that growth.

Since 1971, OPIC has played a consistent and effective role in strengthening the development process and bolstering our own economy. But the achievements to date are just a beginning, not an end. With fifteen years of successful operation behind it, OPIC believes it will become an even greater factor in strengthening our domestic economy, and accelerating investment flows to the developing world in the years ahead.

Craig A Nalen

Craig A. Nalen
President and Chief Executive Officer
Overseas Private Investment Corporation
Washington, D.C.

Highlights of Fiscal Year 1985

Upper photo: OPIC President Craig A. Nalen offers Congressional testimony on the Corporation's recent operations.
Lower photo: Seated from left to right—Colombia Ambassador Rodrigo Lloreda, Colombia President Belesario Betancur, U.S. Secretary of State George P. Shultz, and OPIC Executive Vice President L. Ebersole Gaines following signing of bilateral agreement.

Over the past four years, OPIC management has made a concerted effort to improve its programs as a means of enlarging the amount of U.S. private investment overseas and accelerating the development process.

In fiscal 1985, the cumulative impact of these efforts produced a record year marked by new highs in insurance volume, net income and small-business participation.

Beyond such obvious measures of increased program usage, and their ultimate effect in encouraging greater U.S. investment abroad, fiscal 1985 also witnessed heightened activity for broadening the Corporation's programs and client base.

By simultaneously expanding its ability to assist more American businesses undertaking overseas enterprises, and more Third World countries seeking infusions of U.S. private capital, OPIC anticipates playing an ever greater investment-facilitating role in future years.

Following is a brief review of major highlights for fiscal 1985.

Reauthorization

At the close of 1985, President Reagan signed legislation extending OPIC's insurance and guaranty authority through September 30, 1988. Of particular note was a new provision allowing OPIC to issue coverage against losses due to "business interruption."

Generally speaking, business interruption coverage is designed to protect investors against consequential rather than direct losses resulting from war, revolution, insurrection, civil strife, expropriation and/or currency inconvertibility.

For example, under OPIC's current political violence coverage, physical damage caused by war or other bellicose actions would give rise to a compensable claim, with the amount of compensation based on the value of the damaged property.

Under the proposed business interruption coverage, a less-direct, war-related loss would be covered—such as damage to a raw material supplier which, in turn, caused financial loss to the insured's operations. In such a case, the business interruption coverage could compensate the investor for increased costs involved in sourcing the raw material elsewhere, or for the reduction of cash flow due to the reduced availability of the raw material.

OPIC has initiated a comprehensive analysis of the underwriting and policy issues associated with business interruption coverage, and will report its findings and recommendations to Congress for final approval before it begins issuing the new coverage.

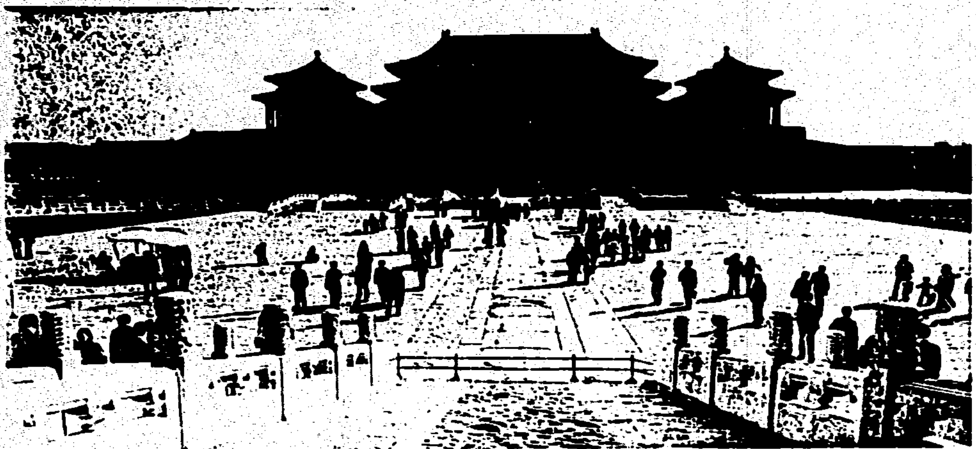
OPIC's ability to offer business interruption coverage should prove an important new incentive for encouraging more U.S. companies to invest abroad, especially smaller firms that may be particularly vulnerable to such losses.

New Countries

During fiscal 1985, OPIC added five developing nations to the growing list of countries and areas in which it operates. Following the signing of bilateral agreements with Colombia, Ecuador, Cape Verde, Guinea-Bissau and Tonga, OPIC programs were operable in 104 countries and regions around the world.

Of special note was the reintroduction of OPIC programs in Ecuador and Colombia, where the Corporation has been unable to operate in recent years due to the lack of effective bilateral agreements. The renegotiation of bilateral agreements with these two Andean Pact nations, combined with the agreements reached in the past three years with Uruguay and Chile, mark a significant breakthrough in OPIC's attempt to expand its support of U.S. private investment in South America.

The agreements recently reached with these South American nations employ a novel approach to resolving investment disputes. In order to accommodate traditional Latin American insistence on local jurisdiction over investment disputes,



OPIC has clarified its willingness to seek redress, if necessary, in the host-country court systems. In turn, Latin American governments have acknowledged that, in limited circumstances, recourse might be made to international arbitration. This approach, which balances the concerns of the South American nations with the Corporation's legitimate salvage interests, has encouraged OPIC to initiate additional talks with other South American nations.

As the Corporation continues its efforts in negotiating bilateral agreements with other countries in the region, it is anticipated that substantial new U.S. private investment flows will result.

Activities in China

When the People's Republic of China (PRC) reopened its doors to the Western world, it immediately captured the imagination and commercial interests of American businesses seeking new international markets.

Standing ready to turn that intense interest into investment reality was OPIC, which issued its first insurance coverage in China in 1982, following passage of special enabling legislation and the signing of a bilateral agreement two years earlier.

To date, OPIC has issued more than \$225 million in expropriation and political violence coverage to 20 U.S. companies operating there, in addition to approving a loan guaranty and 15 feasibility studies for various other U.S.-Chinese ventures. The Corporation has also received insurance registrations for another 100 projects in China, representing a potential \$3 billion in additional investment.

To introduce additional firms to the diverse investment opportunities that exist in the PRC, OPIC undertook sponsorship of an investment mission to China in fiscal 1985. The 13-day mission, which included representatives from 14 U.S. companies, resulted in half of the participants targeting specific investment projects for further study and negotiation.

In addition, OPIC committed an investment encouragement grant of \$187,000 in 1985 to help fund a three-year, \$390,000 project with the National Council for U.S.-China Trade.

Specifically, the project calls for establishing a permanent, self-sustaining investment advisory division within the National Council. This division will work to identify promising joint-venture opportunities for U.S. firms, conduct seminars on investing in China, help American executives arrange in-country business meetings and site visits, offer advice on common problems faced in the investment review and negotiations process, and provide in-depth market research on a contract basis for U.S. firms seeking to enter the Chinese marketplace.

Given widespread investor interest in China's huge market, and continual reassurance from the Chinese that investment liberalization is a permanent and widely supported policy, OPIC envisions steadily increasing investment flows to the PRC throughout the 1980s.

Small Business

While OPIC has consistently encouraged America's small and mid-sized firms to enter the overseas marketplace, in 1982 the Corporation began to intensify its efforts in that direction.

As a first step, its investment encouragement efforts—most notably the feasibility study program—were "targeted" to those industries and companies whose products, services and expertise were most compatible with Third World development needs.

Later, the Corporation restructured its investment missions program, and introduced two new pre-investment assistance activities—the Opportunity Bank and the Investor Information Service. All of these changes were designed to allow OPIC to reach a broader segment of the U.S. small-business community with programs specifically tailored to meet their overseas investment needs.

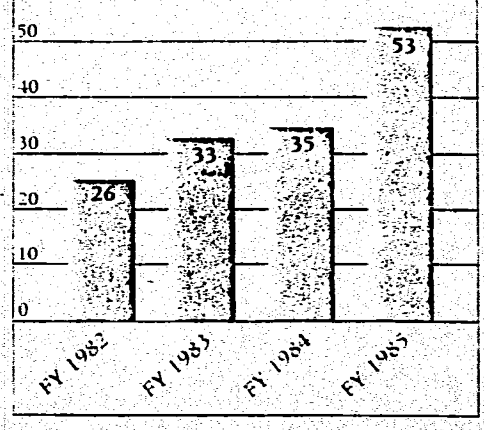
OPIC's record year in terms of small-business participation—more than 40 percent of the 1985-supported projects were sponsored by small businesses or cooperatives—reflects the compounded success of these earlier efforts, and validates OPIC's belief that small firms can make significant contributions to furthering Third World development.

Underscoring OPIC's recent achievements in encouraging more small companies to invest overseas is the dramatic growth of the feasibility study program. In fiscal 1985, OPIC funded 53 feasibility study projects for enterprises in 29 countries, a 51 percent increase over the record 35 projects committed in fiscal 1984.

Since OPIC restructured its feasibility study program in 1982 to make it more attractive to potential investors, the number of projects funded per year has more than doubled, and the average number of feasibility studies approved annually has increased by 700 percent over the level recorded between 1972 and 1981.

As smaller American firms seek new markets for expanding their business base, OPIC will continue to encourage these companies to explore the wide-ranging benefits of Third World investment.

Feasibility Studies Committed



The World of OPIC

In general, OPIC's insurance and finance programs are operable in the following countries and areas. Coverages may be limited in higher income areas, which are indicated by an asterisk.

Investors are urged to contact OPIC directly for up-to-date information on OPIC services available in specific countries and areas, as well as information on program availability in countries not listed.

Anguilla
Antigua/Barbuda
Bahamas, The*
Bangladesh
Barbados*
Belize
Benin
Botswana
Brazil
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Rep.
Chad
Chile
China
China (Taiwan)
Colombia
Congo, People's Rep.
Cook Islands
Costa Rica
Cyprus*
Djibouti
Dominica
Dominican Rep.
Ecuador
Egypt, Arab Rep.
El Salvador
Equatorial Guinea
Ethiopia
French Guiana
Fiji
Gabon*
Gambia, The
Ghana
Greece*
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
India
Indonesia
Israel*
Ivory Coast
Jamaica
Jordan
Kenya
Korea
Lebanon
Lesotho
Liberia
Madagascar
Malawi
Malaysia
Mali
Malta*
Mauritania
Mauritius
Morocco
Mozambique
Nepal
Netherlands Antilles*
Nicaragua
Niger
Nigeria
Oman*
Pakistan
Panama
Papua New Guinea
Paraguay
Philippines
Portugal
Romania
Rwanda
St. Kitts-Nevis
St. Lucia
St. Vincent/Grenadines
Saudi Arabia*
Senegal
Sierra Leone
Singapore*
Somalia
Sri Lanka
Sudan
Swaziland
Syria
Tanzania
Thailand
Togo
Tonga
Trinidad-Tobago*
Tunisia
Turkey
Uganda
Uruguay
Western Samoa
Yemen Arab Rep.
Yugoslavia
Zaire
Zambia

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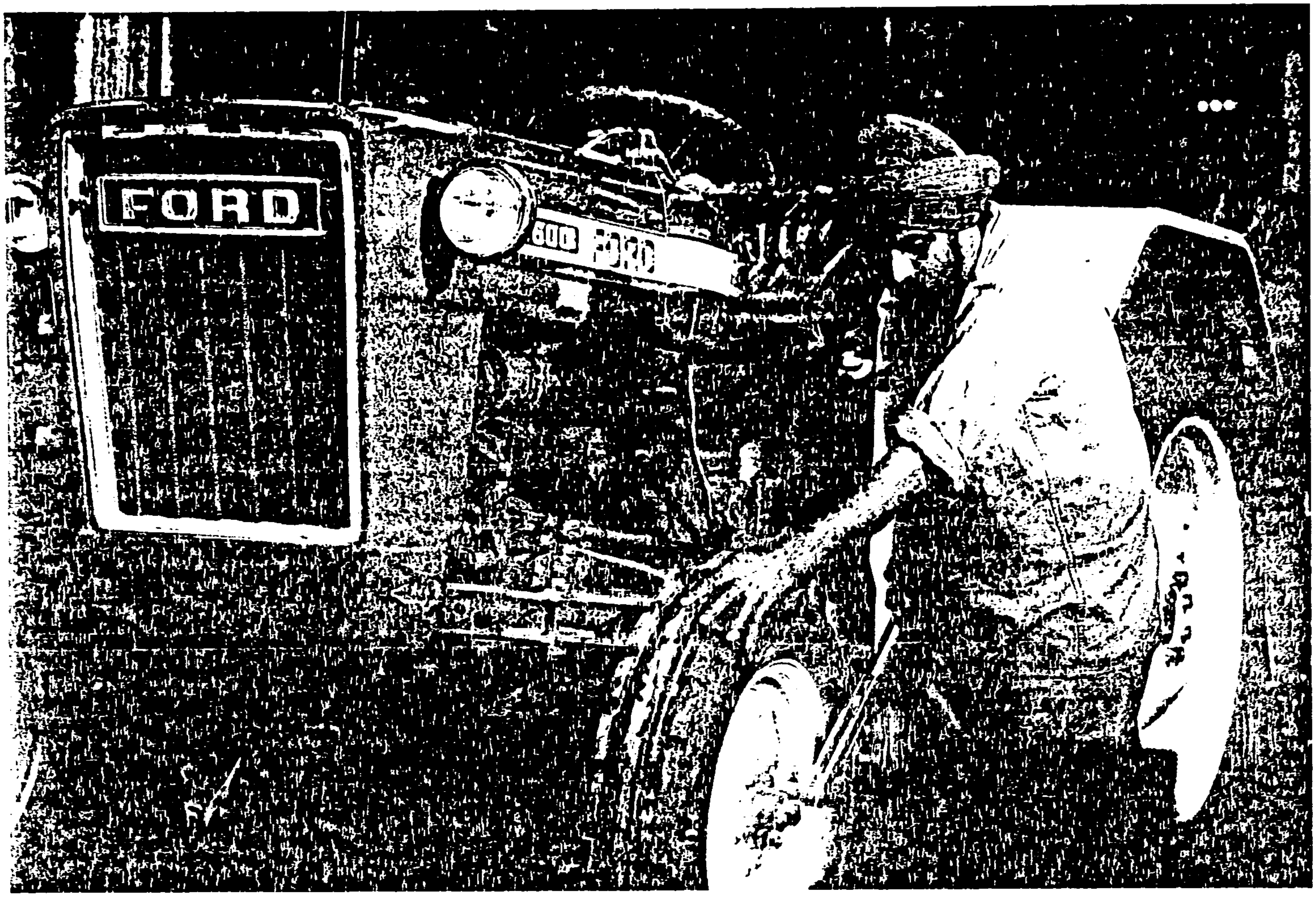
An OPIC Portfolio
Directions for the Future

Since it began operations in 1971, OPIC has made significant contributions in marshaling U.S. private investment flows to the friendly, less developed countries of the world. ■ Specifically, the Corporation has issued some $28 billion in political risk insurance coverage and nearly $1 billion in direct loan and loan guaranty commitments to support some 2,000 investment projects in more than 80 developing nations. ■ These investments are as varied as the developmental needs of the Third World nations serviced by OPIC and include not only conventional equity projects, but goods and services provided under contractual arrangements, licensing and technical assistance agreements, production sharing agreements and special joint venture arrangements. ■ Within such broad parameters, U.S. investors have found scores of industry sectors in which to invest—agricultural production and processing, light manufacturing, telecommunications, pharmaceutical equipment and medical supplies, branch banking, food packaging and distribution, chemicals, energy exploration and development, heavy construction, electronic equipment, leasing and distributorships, to name a few. ■ OPIC assistance itself comes in a variety of forms, including political risk insurance, loan guaranties, direct loans, local currency loans, special project grants, reconnaissance survey and feasibility study fundings, as well as combinations of the above. ■ The following section features a typical OPIC-supported project from each year of the Corporation's operations, illustrating the many ways in which U.S. private investment can contribute to the development process.



Ford Motor Company

India

Insurance

Agricultural modernization is often a key element in the development process, and many U.S. companies have made significant contributions to Third World progress by introducing farmers to mechanized equipment and new techniques for increasing productivity.

In 1969, the Ford Motor Company entered into a joint venture with local private interests to establish Escorts Tractors, Ltd. near New Delhi. Production at the OPIC-insured assembly plant began in 1971, and increased progressively each year to the point where today over 95 percent of the tractor is produced in India. In addition, the project manufactures and distributes spare parts to farmers through dealerships and retail outlets. The dealerships also serve as training centers for local farmers seeking to increase crop yields through the use of modern methods and equipment.

Seaboard Corporation

Sierra Leone

Insurance

Were it not for the availability of OPIC programs, the Kansas City-based Seaboard Corporation says it would not be involved in five developing nations today. The Midwestern company has utilized both OPIC insurance and financing to enter the overseas marketplace.

One of the firm's earliest overseas projects was an agreement with the government of Sierra Leone to build and operate a flour mill in Freetown. The OPIC-insured project, started in 1967, made high-grade enriched flour available in Sierra Leone for the first time. Within three years, production increased by 50 percent, and in 1972, Seaboard obtained additional insurance from OPIC to cover expansion of the mill. Exported U.S. wheat, equipment, flour additives and packaging materials are used by the project.

1973

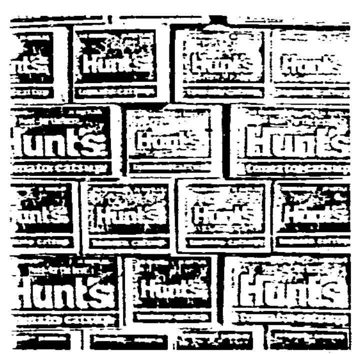
Hormel International

Philippines

Insurance

By the early 1970s, agricultural production in the Philippines was approaching a level that demanded the establishment of new processing, storage and distribution facilities to create a "food chain" linking agricultural and urban areas. The process began in 1973, when Hormel International of Minnesota, and the Pure Foods Corporation of the Philippines, began a joint operation for processing meat and various food products.

Originally, Hormel served as a technical supervisor for training and production, and later acquired an interest in the project as operations expanded. Currently, production output serves a market of more than 20 million people. Much of the major equipment used in the venture was purchased in the United States. OPIC insurance was issued for the original project and subsequent expansions.



1974

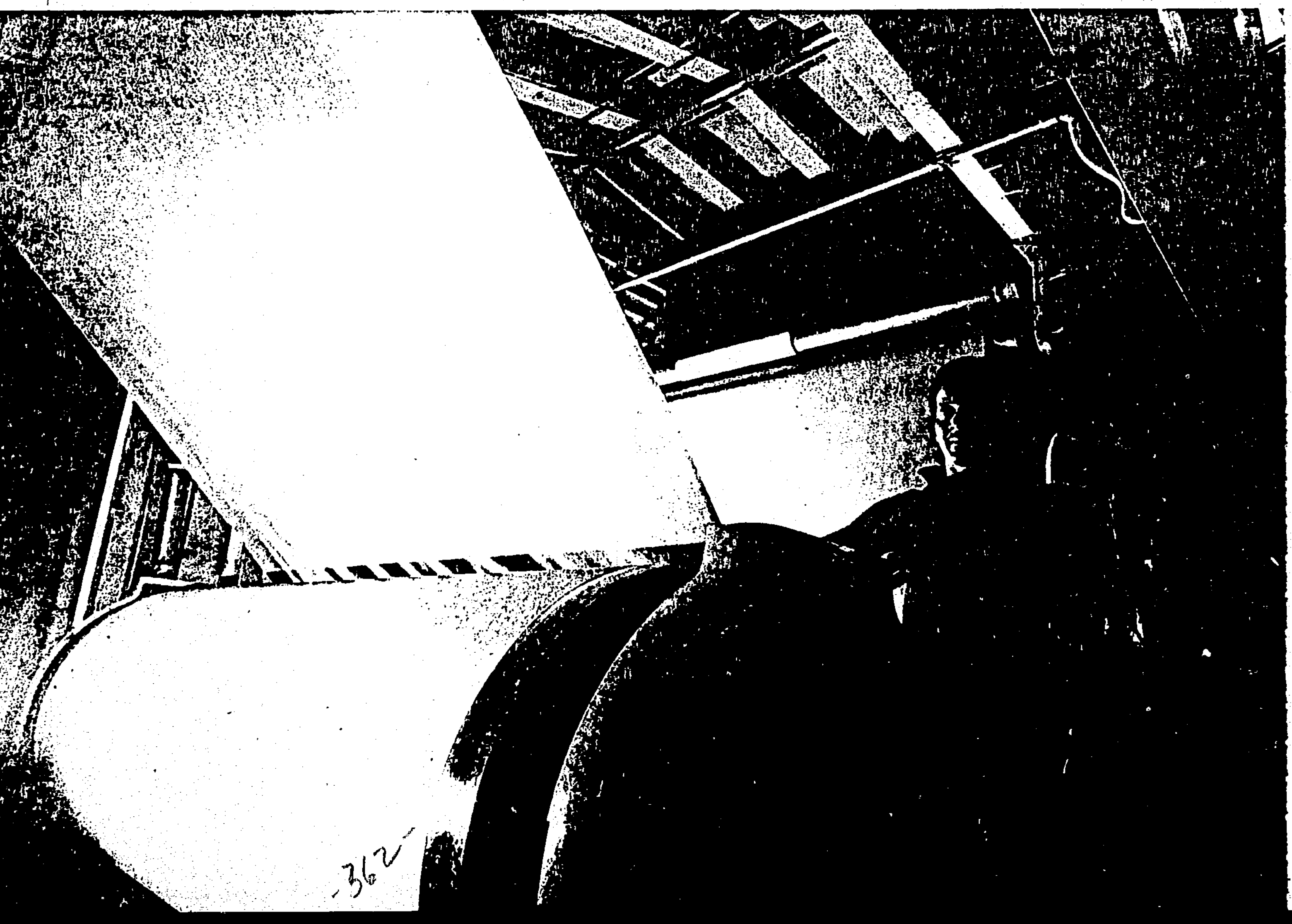
As its economy accelerated during the 1970s, Brazil emerged as one of the world's fastest-growing markets, and became a prime focal point for foreign investors from the United States and other developed nations.

In 1972 and 1973, Manville Forest Products Corporation (then Olinkraft, Inc.) used OPIC insurance and financing for a plant to manufacture pulp, paperboard and a variety of related paper products from local timber sources. In 1974, and again in 1976, the project was expanded to increase production, and the company implemented a comprehensive timber management program to protect Brazil's most valuable renewable resource. The OPIC-insured expansions created more than 250 new jobs for Brazilians, while a comprehensive employee training program has helped to maintain quality control and productivity.

Olinkraft, Inc.

Brazil

Insurance: Direct Loan



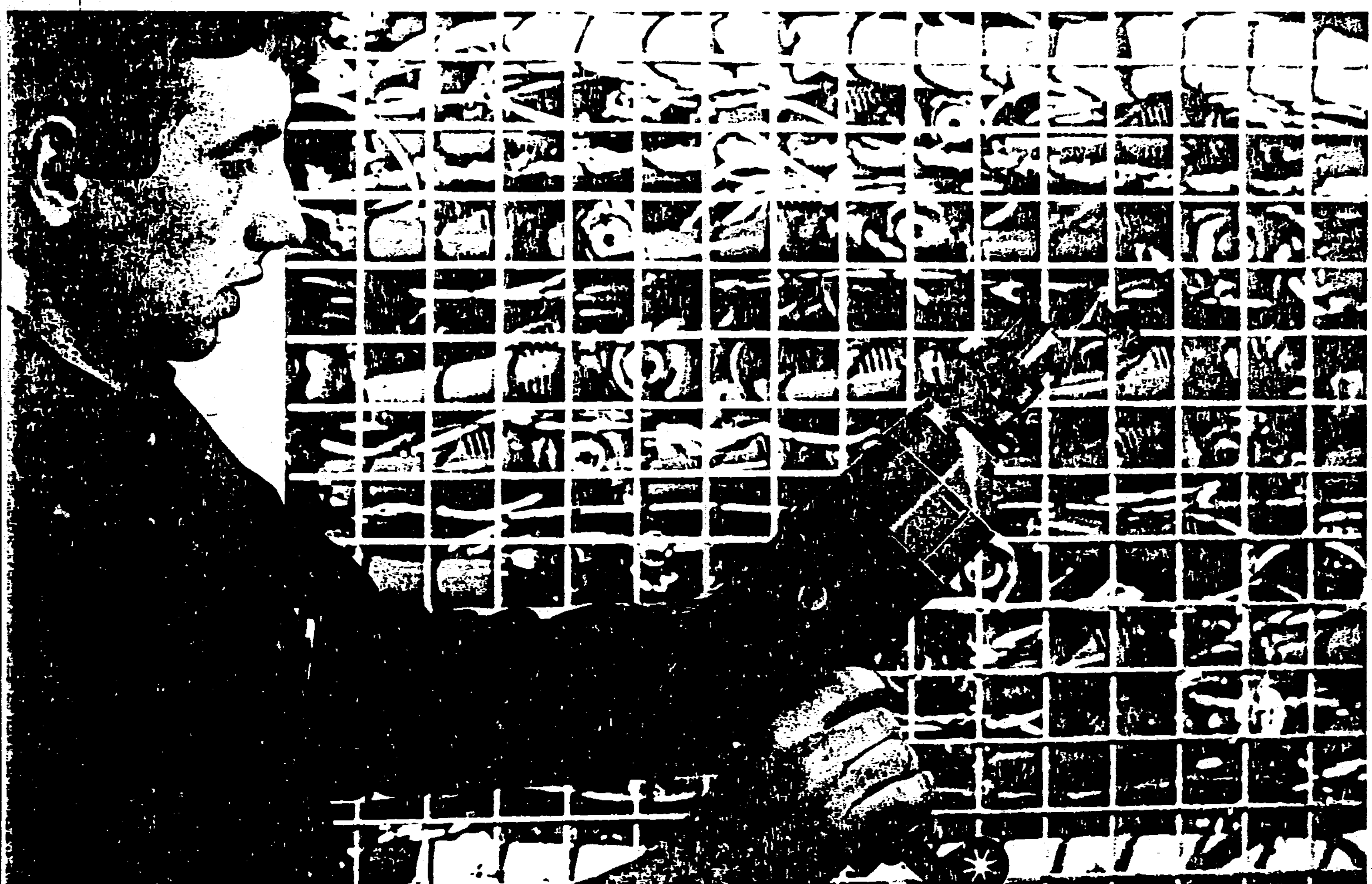
Congress passed special legislation in 1973 authorizing the start-up of OPIC programs in Yugoslavia. The action was welcomed by a number of U.S. companies interested in the region's market potential, including The Black & Decker Corporation of Maryland, a leading manufacturer of electric power tools, parts, attachments and accessories.

Protected by OPIC insurance, the company entered into a joint venture with Yugoslav partners, and began operations in 1975 with a manufacturing facility located in Ljubljana. Much of the plant's output is retailed within Yugoslavia itself, and exports to various areas of the Eastern Hemisphere are increasing.

The Black & Decker Corporation

Yugoslavia

Insurance



1976

Kaiser Cement Corporation

Indonesia

Loan Guaranty: Insurance

During the late 1960s, Indonesia implemented a major plan to attract private investment. In a few years, more than 650 projects involving foreign partners were in various stages of operation. Although the country had to construct roads, energy plants and manufacturing facilities to sustain the resulting growth, it had inadequate capacity to produce cement, a critical construction material.

In 1971, Kaiser Cement Corporation of Oakland, California, agreed to design, construct and manage a joint-venture project to produce 570,000 metric tons of cement annually. By the time construction began in 1973, demand had already outrun capacity and the company made provisions to double its capacity. Financing for the $50-million project included an OPIC loan guaranty of $17.5 million, plus funding from the Export-Import Bank and the International Finance Corporation. OPIC issued insurance for the original project, as well as for its 1974 and 1976 expansions.

One of the first U.S. investors to contact OPIC after the Agency began operations was J. deBeer & Son, Inc. of New York, a company that started producing baseballs in 1889. Because of the demand for hand-stitched covers, and the scarcity of U.S. workers in this field, the company decided in 1972 to establish a modest production facility in Haiti.

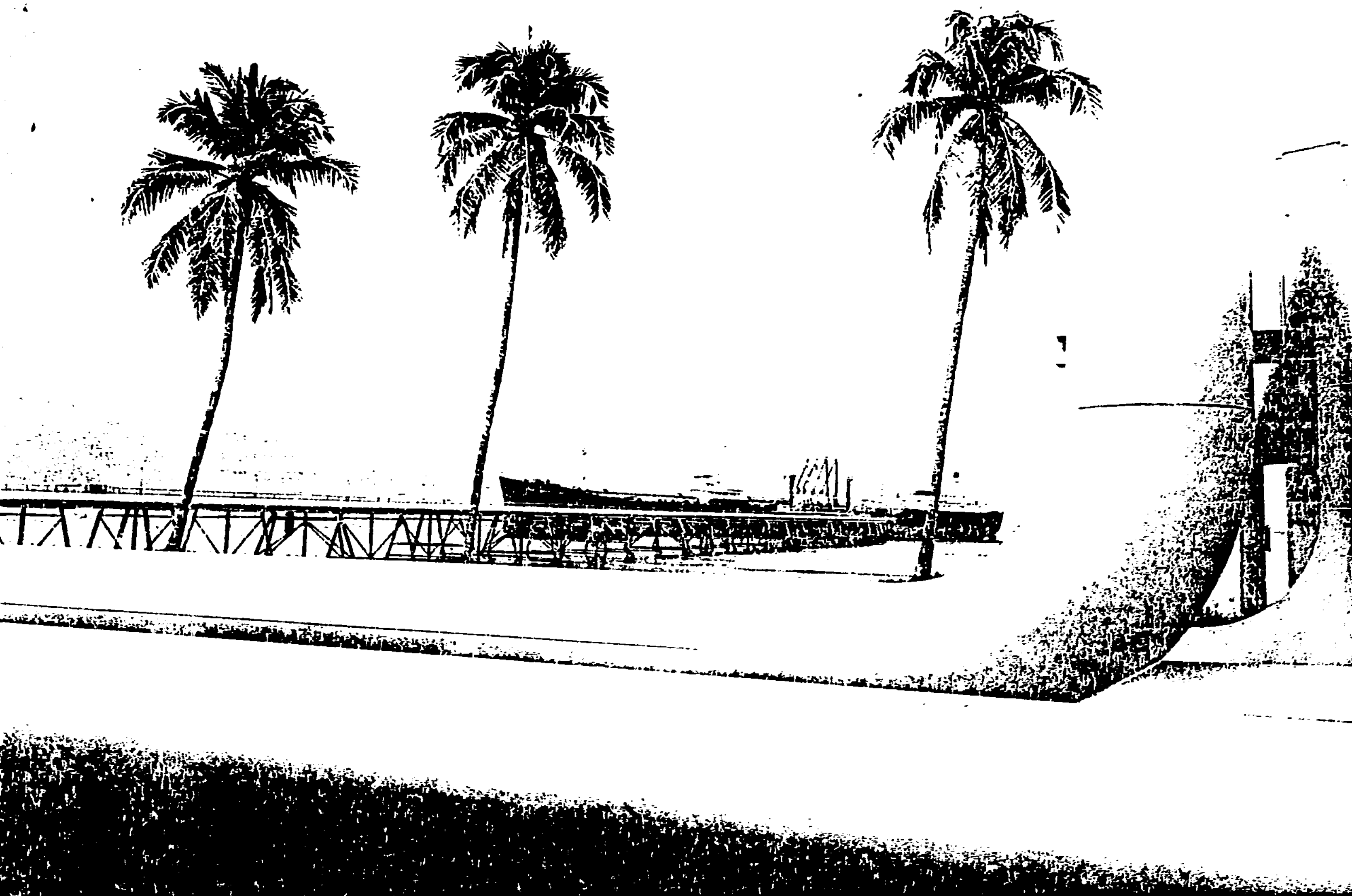
OPIC insurance was obtained at the start of the project and again in 1977, when the plant was expanded. The expansion of the facility, which produces cork and rubber baseball cores as well as hand-stitched covers, created new jobs, additional exports and increased tax revenues for Haiti. Over its first five years of operation, the project generated more than $1.5 million in U.S. exports.

J. deBeer & Son, Inc.

Haiti

Direct Loan

1978



Northville Terminal Corporation

Panama

Insurance

Few projects have generated more developmental impact than the construction of the trans-Panama pipeline and related distribution terminals, which helped expedite the transfer of Alaskan crude oil from the Pacific to the Caribbean, with eventual delivery to Gulf and Atlantic Coast refineries.

The OPIC-insured project, managed by Northville Terminal Corporation of New York, employed about 1,200 people during its construction period. It currently employs more than 400 permanent Panamanian workers. Completed in 1982, the project is expected to yield Panama approximately $150 million in annual revenues during the pipeline's first five years of operation. U.S. contractors, supplies and equipment were used during the project's construction phase.

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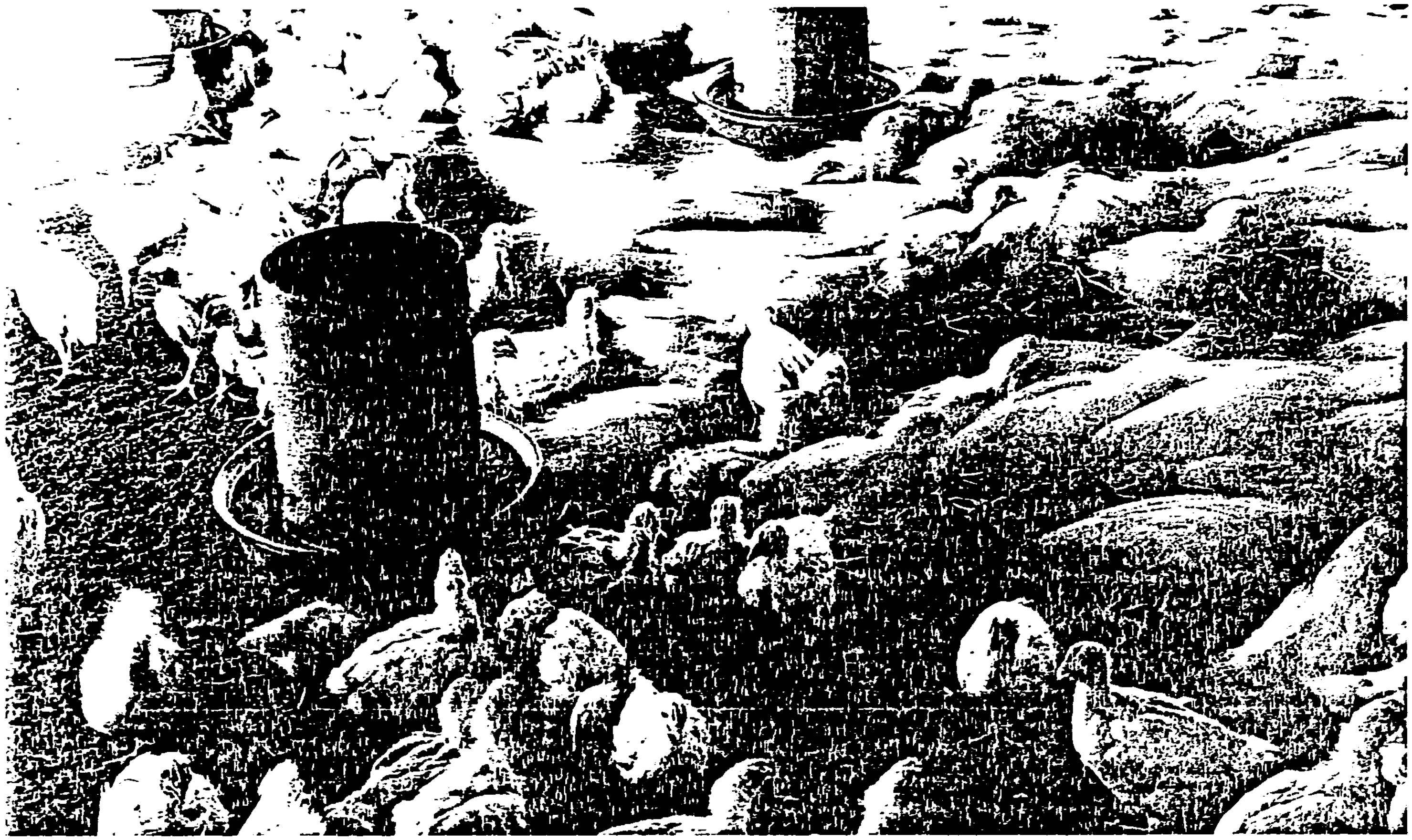


Agro-Tech International, Inc.

Dominican Republic

Direct Loan

In 1979, Agro-Tech International, Inc. of Miami, Florida, turned to OPIC for an $800,000 loan to finance expansion and reconstruction of its poultry breeding and commercial broiler operations in the Dominican Republic. The expansion was designed to eliminate production bottlenecks and meet rising local demand. But before work could be completed, Hurricane David struck, damaging the project and making reconstruction a priority.

In 1981, Agro-Tech returned to OPIC for an additional $400,000 loan and extension of its original financing. Since then, the project has prospered, providing the local populace with a relatively inexpensive source of protein, and increasing U.S. exports of feed grains.

Through a system of loans and grants to private voluntary organizations, OPIC has been able to broaden its developmental impact by channeling capital to entrepreneurs seeking to establish indigenous projects. In 1980, for example, a special project grant/loan totalling $125,000 was made to the Virginia-based Institute for International Development, Inc. to support the start-up of small enterprises in Honduras, Kenya, Colombia and Indonesia.

A timber project, started by two brothers in Kenya, is typical of the kind of small business being supported. Funds for purchasing tractors, power saws and other basic equipment enabled the company to expand its work force. The timber is harvested under a prearranged plan, which provides for continuing reforestation to guarantee future supply.

Institute for International Development, Inc.

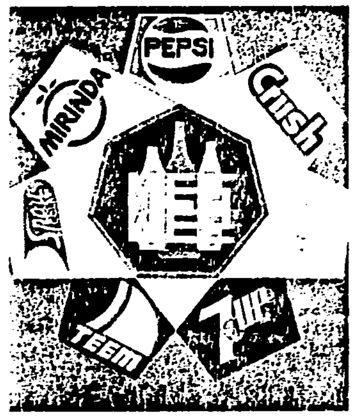
Kenya

Special Project Grant/Loan

1981

New investment programs initiated by Egypt's President Hosni Mubarak and his predecessor, the late Anwar Sadat, have established a firm base for building a strong private sector economy in Egypt. Recognizing this, as well as Egypt's strategic location to Middle East and North African markets, Owens-Illinois, a worldwide packaging manufacturer, entered into a joint-venture partnership in 1981 to establish a glass container manufacturing facility in Cairo.

Owens-Illinois supervised the design and construction of the plant, and provided specialists to train nationals in all phases of manufacturing and marketing. The OPIC-insured project employs some 500 Egyptians and is expected to account for an estimated $55 million in foreign exchange savings over its first five years of operation.'

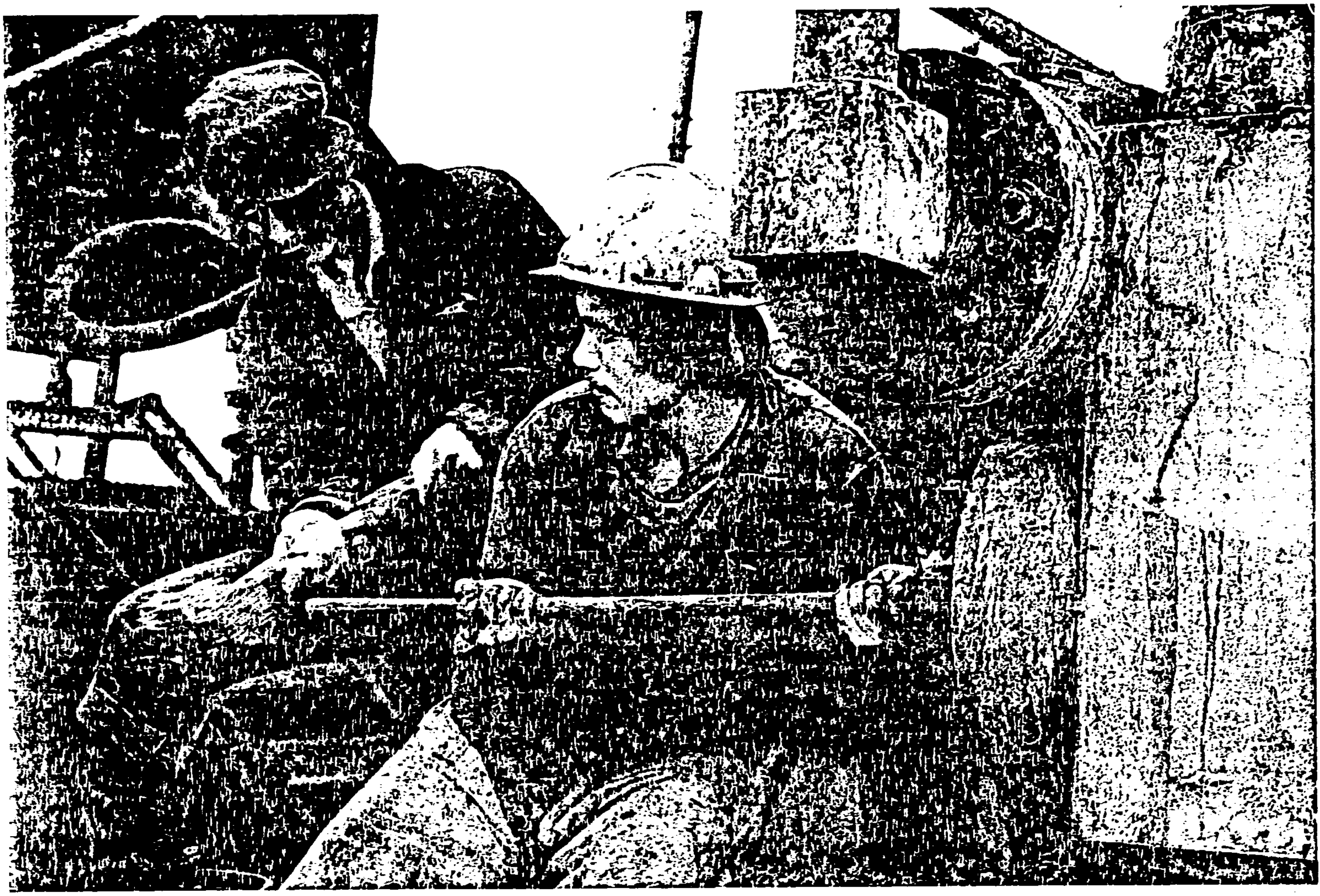


Owens-Illinois, Inc.

Egypt

Insurance

1982



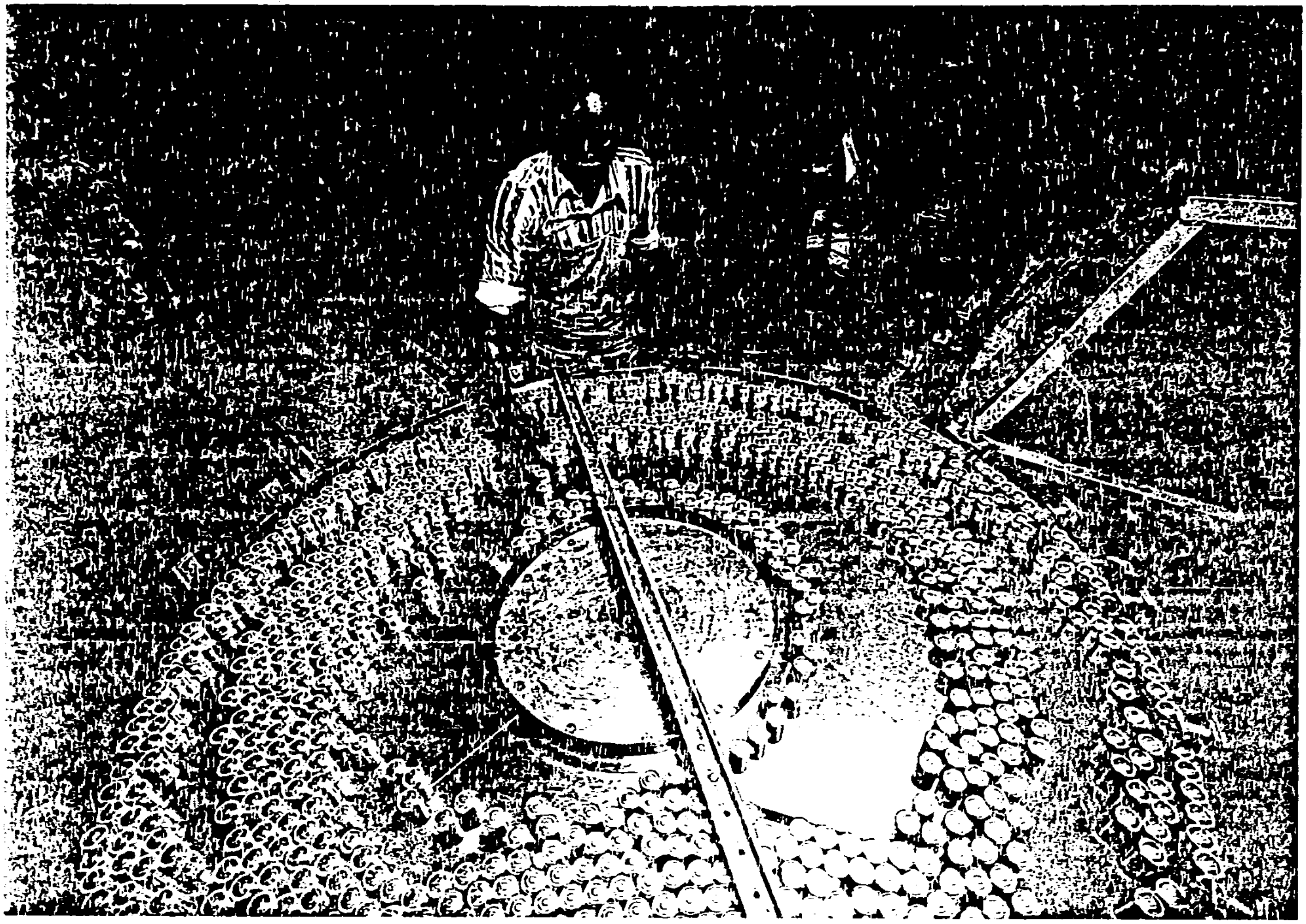
Dresser Industries

China

Insurance

As part of its efforts to develop energy self-sufficiency, the People's Republic of China (PRC) has placed high priority on developing its petroleum and natural gas resources. In 1982, Dresser Industries of Dallas, Texas, obtained OPIC insurance for equipment used by a Dresser joint venture with the Petroleum Corporation of the PRC to furnish highly sophisticated oil drilling equipment and services.

Specifically, the joint venture is providing electronic "logging" services. These create tabular or graphic descriptions of drilling conditions and sub-surface features during exploration operations, and develop subsequent evaluation of potential yields. Dresser is also training Chinese engineers at its Houston facilities and the PRC drilling sites to equip them for future takeover of most of the technical jobs involved.



Union Carbide

Sudan

Insurance

Although the largest nation in Africa, Sudan has been hampered in part by the lack of electrification and a communications network. Some progress toward an interim solution has been made since 1975, when the Union Carbide Corporation entered into a joint venture for the production of dry-cell batteries in Khartoum. The batteries are put to a variety of uses including lighting, radios and communications devices for transmitting news and information to Sudan's largely rural population.

Since the beginning of the OPIC-insured project, which has been expanded several times, Union Carbide has conducted a comprehensive training program for its employees, more than 98 percent of whom are Sudanese nationals. In 1983, OPIC issued additional insurance to cover a plant expansion necessitated by growing demand.

1984

Few Third World leaders have expressed greater interest in attracting U.S. private investment than Pakistan's President Mohammad Zia-ul-Haq. In line with his desire to improve Pakistan's health care standards, he encouraged the formation of Squibb Pakistan, Ltd., a joint-venture project for the formulation and production of a broad line of pharmaceutical products.

Located in the Korangi Industrial Estate, the OPIC-insured and -financed plant has created some 250 local jobs and generated additional new business for Pakistani packaging and bottle manufacturers. In establishing the plant, Squibb conducted an intensive training program at all employee levels, and introduced an incentive program. Plant safety and environmental standards have been established according to U.S. requirements.

Squibb

Pakistan

Local Currency Loan; Insurance

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Despite the unforeseen problems and difficulties of doing business 10,000 miles away, the H.B. Zachry Company of San Antonio, Texas, and Dillingham Construction International, Inc. of Pleasanton, California, hope to complete one of the largest and most critical infrastructure projects in Sri Lanka's history by mid-1986.

The Zachry/Dillingham team was formed in 1982 to undertake the huge irrigation project that will bring water to thousands of acres in the Mahaweli District, creating more arable land and new areas for future development. Financed by the Agency for International Development, the project involves the construction of more than 100 kilometers of irrigation canals at an estimated cost of $120 million. OPIC insured the start-up phase, and issued additional policies in 1985 to cover added equipment and supplies.

H.B. Zachry Company/Dillingham Construction International

Sri Lanka

Insurance (Contractors' Program)

Operational Review

OPIC's gross revenues reached their highest level in history, ending fiscal 1985 at $123.9 million. Net income, after deducting operating expenses, stood at $100.5 million. After payment of $794,247 for inconvertibility and expropriation reinsurance premiums covering the October through December 1984 period, net revenues from insurance premiums were $32.2 million.

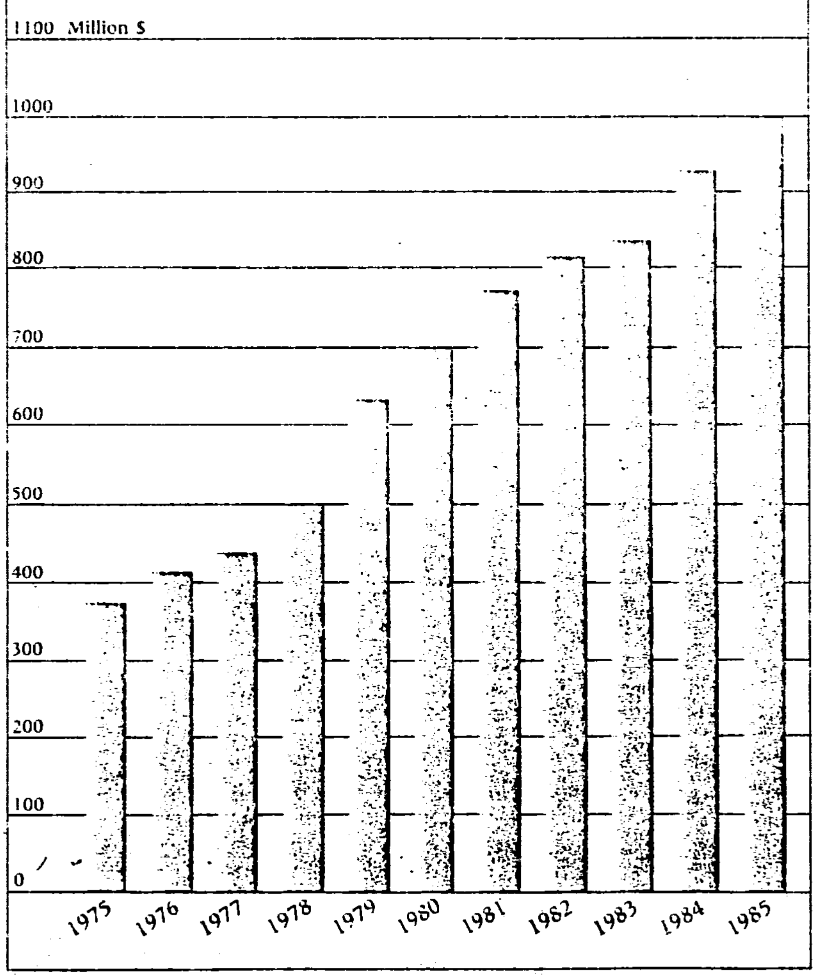
Income from the finance portfolio stood at $6.5 million, and interest from a record portfolio of investments in U.S. Treasury securities was $81 million. Administrative expenses for the year totalled $11.6 million.

As of September 30, 1985, OPIC's cash and portfolio of U.S. Government securities reached their highest level of $926.8 million, an increase of 14 percent over the $814.9 million recorded for the previous year. Combined insurance and finance reserves rose to $922.3 million from $825.2 million. At year end, retained earnings stood at $11.4 million.

Funds available for claims payments exceeded $1.0 billion, including the Corporation's $100 million borrowing authority for claims settlements. OPIC believes these funds to be more than adequate when compared with its maximum potential liability as to claims, which was $3.3 billion at September 30, 1985.

Summary of Funds Available for Claims Payments

Borrowing Authority = 100 Million



Insurance Claims

During fiscal 1985, OPIC settled 22 inconvertibility claims with cash payments of $16,819,131. Under two indemnity agreements previously entered into, OPIC paid approximately $498,000 during the fiscal year. As of September 30, 1985, OPIC had already recovered $4,471,981 with respect to the inconvertibility claim payments made during the year; additional recoveries of $11,279,388 were anticipated.

Of the four OPIC "salvage" claims pending before the Iran-United States Claims Tribunal, one claim was settled as of the beginning of fiscal 1985. A decision is pending for another claim, which was heard by the Tribunal in fiscal 1984. A hearing has been scheduled for one of the remaining cases, and it is expected that a hearing may be held for the other during 1986.

For the fiscal year ending September 30, 1985, foreign governments met scheduled obligations payable to, or guaranteed by, OPIC as a result of previous claims payments with two exceptions. Two governments are currently in arrears on installments totalling $269,136, but they have not repudiated their debts.

Insurance

During fiscal 1985, the Insurance Department continued a pattern established over the past four years by again writing record levels of political risk insurance. Total insurance issued amounted to nearly $5.3 billion, a 23 percent increase over the $4.3 billion written in 1984. A total of 140 projects were assisted, a 13 percent increase over the 124 projects supported during the previous year. Aggregate insurance coverage outstanding at the conclusion of 1985 reached nearly $11 billion, also a new record.

Program Achievements

The proportion of small-business participation in OPIC's insurance programs reached an all-time high in fiscal 1985, representing a major achievement for the Department. Fifty-three of the 140 projects assisted, or 38 percent, involved investments made by small businesses, as compared with the 27 and 33 percent small-business levels recorded in 1984 and 1983, respectively. Small-business participation was particularly significant in the Caribbean Basin area, where 24 of 27 OPIC-assisted projects, or 90 percent, involved small-business companies.

Utilization of OPIC's special program for U.S. contractors and exporters continued to broaden during fiscal 1985, with coverage being provided in 12 countries, a new record. This trend underscores the effectiveness of the program in helping American contractors and exporters maintain their competitive position in a broad range of overseas markets.

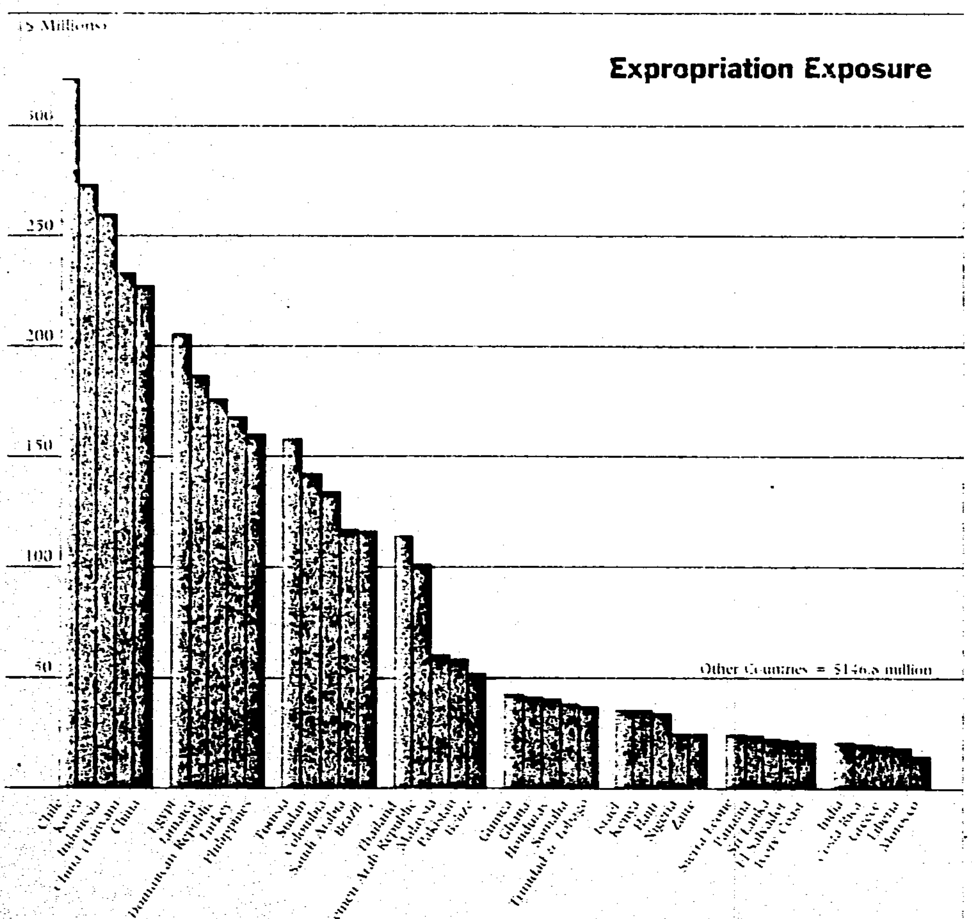
Insurance protection against the risk of damage due to civil strife, first made available in fiscal 1983, also continued to meet investor needs. Approximately $1.3 billion in civil strife coverage was written in conjunction with the $1.5 billion of war coverage issued during the year.

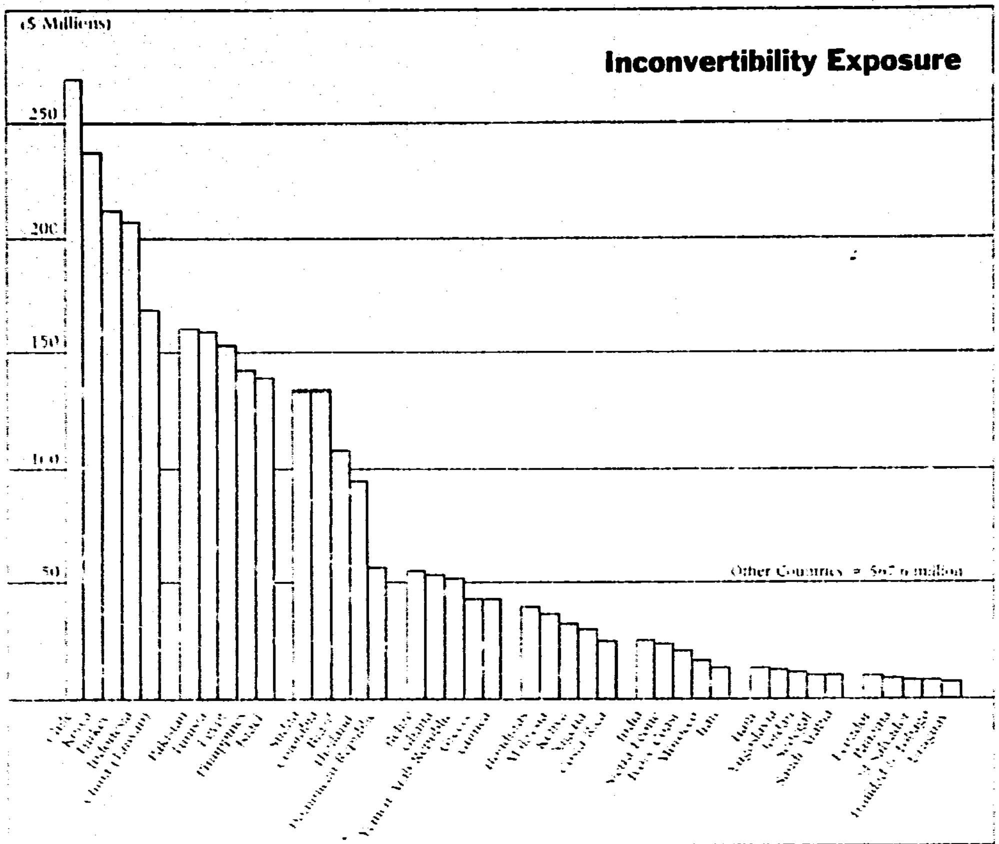
Administrative Services

Throughout 1985, the Insurance Department continued its emphasis on providing the best possible service to U.S. investors. A new comprehensive insurance contract and a shorter, simplified application form were placed in service during the year. In addition, a record number of contract consolidations were processed to facilitate investor record-keeping and premium payments. Also, common contract anniversary dates were provided for the first time to many investors with multiple active insurance contracts.

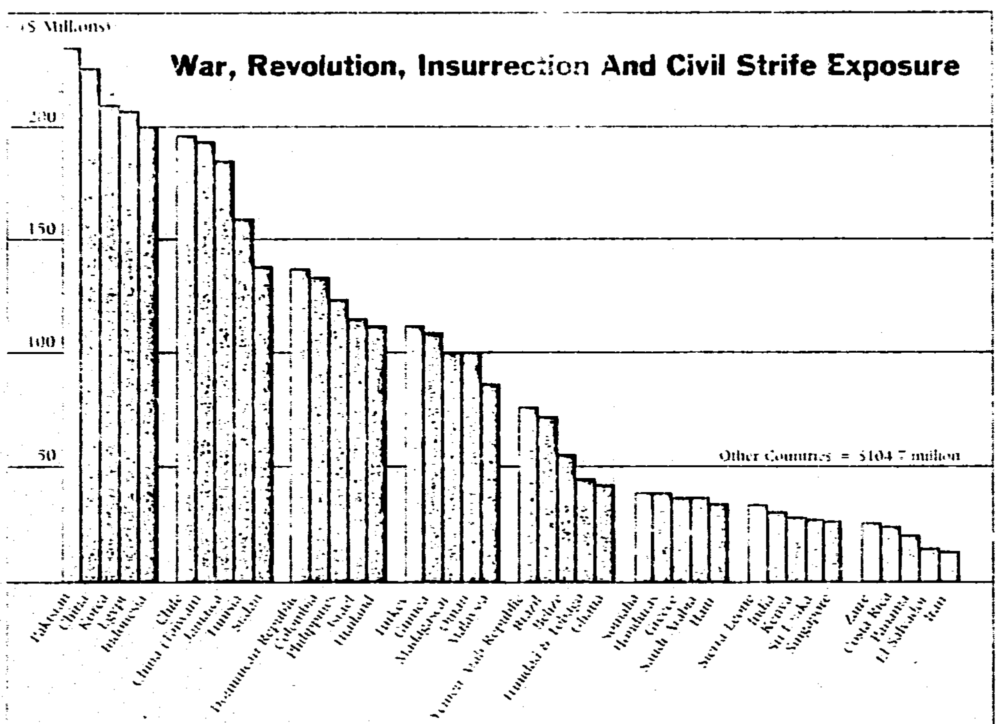
Progress also continued to be made in providing better service to investors through refinement of data processing and forms automation. The automation of registration correspondence, in particular, improved the Corporation's ability to respond quickly to prospective investors.

Finally, the Insurance Department continued its practice of expanding existing coverages whenever possible by broadening the definition of an event of loss under the disputes coverage provided to U.S. contractors and exporters.





($ Millions)
Inconvertibility Exposure
250
200
150
50



($ Millions)
War, Revolution, Insurrection And Civil Strife Exposure
200
150
100
50
Other Countries = $104.7 million

Finance

During fiscal 1985, the Finance Department reached its authorized financing limit of $15 million for direct loans and $150 million for loan guaranties. In addition, funding was committed for a $1-million, local-currency loan.

In all, assistance was provided for 24 investment projects in 18 developing countries, equalling the previous high of 1984.

Loan guaranties ranging from $4.5 million to $44.6 million were committed during the year in such wide-ranging sectors as agribusiness, energy production, hotels and telecommunications.

By comparison, virtually all of the direct loans committed were for projects involving either agribusiness or light manufacturing. The average dollar amount of the direct loans committed in fiscal 1985 was $900,000; OPIC's direct loans are reserved exclusively for small-business firms and/or cooperatives.

Of the 24 projects supported during fiscal 1985, 16 are located in Latin America and the Caribbean, three are located in the Near East, two in East Asia, and one each in South Asia, Africa and Europe.

In addition to funding 24 investment projects through direct loans, loan guaranties and local-currency loans, the Finance Department also committed $928,000 in support of a record 53 feasibility studies. Small-business investors accounted for more than 96 percent of the year's feasibility study clients, while 42 percent of the projects involved investment investigations in the lower-income developing countries.

As of September 30, 1985, the Finance Department portfolio, including authorized commitments not yet disbursed, amounted to $589.3 million. OPIC's Direct Investment Fund contributed $54.9 million to this total.

The total finance portfolio is distributed 37 percent in Africa, 27 percent in Latin America and the Caribbean, 23 percent in East Asia, and 13 percent in the Near East, South Asia and Europe.

Since OPIC commenced operations in 1971, it has financed or agreed to finance $968 million for 164 projects in 52 developing countries; approximately 61 percent is included in the current finance portfolio.

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ABC Dominicana, C. por A.
Dominican Republic
A $4.5-million OPIC loan guaranty will be used to establish this 2,500-acre farm for growing, packing and distributing cantaloupes and cucumbers for winter export to the United States and Canada. At the peak of the growing season, the project will employ more than 3,000 people and provide technical assistance and marketing outlets for approximately 400 local growers.

Agro Inversiones, C. por A.
Dominican Republic
An OPIC loan of $500,000 will allow this company to expand its winter fruit and vegetable growing and packing operation. The expansion, which will quintuple production acreage and triple packaging capacity, will result in the creation of 422 jobs. During the off-season, the project will grow grain for local poultry feed usage.

Allied Circuits, S.A.
Haiti
A $350,000 OPIC loan will help fund Haiti's first printed circuit board manufacturing plant. The facility, which is expected to employ 125 people, will sell the boards to Haitian companies involved in circuit board assembly. The project will transfer previously unavailable technology to the country, and will reduce reliance on Far East imports.

Ankara International Hotel S.A.
Turkey
A $20-million OPIC loan guaranty will help construct a 350-room, high-rise hotel in Ankara's central business district. The hotel, to be managed by Hilton International, will be the first facility of five-star quality to be built in the capital city. The project will generate some 400 local jobs during the construction phase, and nearly as many jobs when completed.

The Arab Company for Optics
Egypt
An OPIC loan of $4.6 million will assist in establishing a manufacturing facility for producing eyeglass lenses and frames. An estimated 80 percent of the company's production will be marketed to Egyptian opticians, with the remainder exported to other countries in the Middle East and Africa. The project will employ 125 persons in skilled and unskilled positions.

Belize Timber, Ltd.
Belize
An OPIC direct loan of $1.5 million will help expand an existing logging and lumber manufacturing operation in western Belize. The expansion will provide for doubling its production of primary and secondary hardwoods, and will create employment for 22 individuals. Approximately 85 percent of the output will be sold locally to lumber wholesalers; the remainder will be exported to North America and the United Kingdom.

Cat-Ketch Cayman Corporation, Ltd.
Honduras
A $407,000 OPIC direct loan will fund the expansion of a power boat and sailboat manufacturing company near Puerto Cortes. To meet increased production capacity, the company will hire 155 new workers and provide training in woodworking and yacht production skills. The project supports the country's efforts to diversify its economy through increased non-traditional exports.

Concentrados Marinos Bayovar, S.A.
Peru
A $1.3-million OPIC loan will help refit four fishing vessels and complete a processing plant for producing fish protein isolate, fish meal and fish oil. In addition to creating 39 new jobs, the operation will provide the technology needed to fish in deeper waters. The project will also generate an increase in the amount of fish sold for human consumption rather than feed, a high priority of the Peruvian government.

Eli Lilly-Gohar Private Limited
Pakistan
Through a $1-million local currency loan, OPIC will provide funding for the rehabilitation of an idle pharmaceutical plant. The refurbished facility will manufacture, package and distribute antibiotics for the Pakistani market. The project, which will employ 66 people, will provide important foreign exchange savings as well as increased tax revenues.

Fabrica Industrial de Alimentos de Honduras
Honduras
An OPIC loan of $196,000 will fund the expansion of this condiment packaging and processing plant, thereby allowing the company to improve its operating efficiency, expand its chile pepper line for bulk export, and introduce mayonnaise for local sale. The expansion will create 15 new jobs, increase purchases from local farmers and generate foreign exchange savings.

Golden Bay Farms, Ltd.
Bahamas
A $400,000 OPIC direct loan will assist in establishing a 600-acre farm for raising and processing poultry for sale to the local market. The operation will create 30 new jobs on the island of Eleuthera, an area with very high unemployment. The project, located on a once-operational poultry/dairy farm, will allow many workers to resume their previous positions.

Jamaica Hotel Properties, Inc.
Jamaica
A $5.4-million loan guaranty and $600,000 direct loan will be used to refurbish, renovate and operate an existing 207-room beachfront hotel in Ocho Rios. The hotel, under new management and ownership, is expected to employ 270 Jamaicans and provide approximately $39 million in net foreign exchange for the country over the first five years of operation.

Korea Airtech Corporation
Korea
OPIC funding in the amount of $800,000 will assist in the start-up of a manufacturing plant to produce high-efficiency particulate air filters for use in the pharmaceutical, medical and electronic industries. The state-of-the-art facility will sell exclusively to the local market, and will be the first plant of its kind in the country. An estimated 30 jobs will be created by the project.

Liberian Agricultural Company
Liberia
A $5.9-million OPIC loan guaranty will provide funding for adding new acreage to a 25,000-acre rubber plantation and expanding the plantation's processing plant. An estimated 600 new jobs will be created in connection with the expansion plans. In addition, improvements made to the processing plant will permit nearby independent producers to use the facility.

Mariscos Reina del Pacifico, S.A.
Costa Rica
An OPIC direct loan of $400,500 will fund the expansion and modernization of a facility for catching, freezing and packing fresh shrimp and fish. The company will purchase the majority of its fish from local fishermen. The renovation and expansion will double packing capacity, upgrade health and quality standards, improve efficiency and generate 38 new jobs.

Philippine Long Distance Telephone Company; Philippine Global Communications, Inc.
Philippines
A $44.6-million loan guaranty will enable five privately-owned Filipino telecommunications firms to participate in the first fiber optic submarine cable connecting the Philippines and Guam. The cable, to be constructed and operated by AT&T, will allow the Philippines to meet increased demand for international telecommunications, offer an improved business environment and provide state-of-the-art technology.

Pinewood Products, Inc.
Honduras
With the help of a $1.4-million direct loan from OPIC, a U.S. small business will rehabilitate and expand a wood products manufacturing facility near Tegucigalpa. The plant will produce broom and mop handles, porch swings, picnic tables, and wood peg edging. This export project is expected to generate much-needed foreign exchange earnings, as well as employ and train 200 Hondurans.

Quimicas Stoller, S.A.
Guatemala
An OPIC direct loan of $150,000 will provide funding for backward integration of an existing fertilizer company. The expansion will allow the company to begin manufacturing fertilizers as well as continue its distributing operations. The fertilizer, which will be marketed locally, is expected to improve crop yields and resulting agricultural export revenues. The expansion will create 14 new jobs.

Roydan, Ltd.
Antigua
OPIC financing of $700,000 is helping establish a 200-acre farm to grow and package fruits and vegetables for winter export to Europe. In addition to employment for 188 Antiguans, the sponsoring company will provide technical assistance and marketing outlets to local farmers. During the summer months, the project will produce animal feed crops for local use.

Taino Farms, Ltd.
Bahamas
A direct loan of $502,500 will enable this company to establish a farm for growing and packaging papaya for export to Europe, the eastern United States and Canada. A juice processing facility will also be built to utilize fruit not suitable for export. The juice plant will supply the local market with a product that is presently imported. An estimated 38 jobs will be created by the project.

Trinidad Nitrogen Co., Ltd.
Trinidad and Tobago
A $40-million OPIC loan guaranty will support the expansion of an ammonia production facility in Point Lisas. An estimated $209 million in net foreign currency earnings will accrue to Trinidad and Tobago during the first five years of operations. Approximately 800 people will be employed during the three-year construction phase, while 80 permanent jobs will be created upon project completion.

Verhelechos, Ltda.
Costa Rica
An OPIC direct loan of $500,000 will fund the start-up of a 50-acre leatherleaf fern farm in Cartago. All of the farm's production will be purchased by a U.S. partnership which, in turn, will market the ferns to wholesalers in Europe. An estimated 200 jobs and significant foreign exchange savings will be created by the project.

Yemen Pipeline & Terminal Company
Yemen Arab Republic
An $8.9-million loan guaranty represents OPIC's first commitment for funding this 250-mile crude oil pipeline and export terminal linking oil fields in the eastern part of Yemen with the Red Sea. The $500-million project, which will employ some 300 people once pipeline operations begin, will provide valuable foreign exchange savings to a country with a severe balance-of-payments problem.

Yemen Refining and Marketing Company
Yemen Arab Republic
A loan guaranty of $20.7 million will assist in the drilling of five production oil wells in the Alif oil field, and the construction of a crude-oil gathering system and refinery. All production will be for use by the local Yemeni market. The project will meet half of the country's current refined products demand, and will provide $45 million in annual foreign exchange savings.

Developmental and U.S. Effects

In recent years, many developing countries have become aware that private enterprise is the principal source of new investment, innovation, employment and, therefore, future growth. This is a vitally important attitudinal change, evidenced by the fact that many governments are revising deeply-ingrained policies and practices to make their countries more attractive places for both local and foreign investors to do business.

The OPIC program has both contributed to, and benefitted from, this fundamental transformation on the part of host-country governments. Indeed, the expected developmental benefits from OPIC-assisted projects for 1985 are among the best in the Corporation's 15-year history.

Developmental Benefits

The 157 investment projects that OPIC assisted in fiscal 1985 involved an aggregate total investment of approximately \$5.2 billion. Of this sum, \$2 billion will be provided by U.S. investors, \$1.6 billion by host countries, \$1.3 billion by third countries, and \$260 million by multilateral lending institutions. These projects will directly contribute to two of the Third World's most urgent needs: creation of employment and generation of foreign exchange.

During the first five years of operations, the 1985 OPIC-assisted projects are expected to generate 27,587 jobs, of which 5,957 will be at the management level. Additional employment will be created because some \$1.2 billion of the total \$5.2 billion invested will be utilized to obtain goods and services in the host countries, with approximately \$71 million obtained in other developing nations.

The net effect of these projects on the host countries' balance of payments will be strongly favorable. While average annual production-related imports will amount to \$210 million, and capital outflows will be \$1.1 billion, the projects will enable the host countries to replace an average of \$863 million in imports and earn \$2.9 billion annually from additional exports. Therefore, host governments will generate a net foreign exchange savings of \$2.4 billion per year during the first five years of project operations. Also, the average annual net income from taxes and duties paid to host countries will amount to \$1.3 billion during the same period.

It is especially important to note that 74 of the 157 OPIC-supported projects for 1985 are located in the poorest developing countries (defined as having a per-capita GNP of \$680 or less in 1979 dollars). Most OPIC-supported investments will take place in Latin America and the Caribbean (62 projects), followed by East Asia (36 projects), South Asia (25), the Near East (24), Africa (6) and Europe (4).

Finally, it should be noted that 40 percent of the fiscal 1985 projects were sponsored by, or significantly involved, U.S. small businesses, exceeding considerably the 1978 Congressional mandate directing OPIC to strive for at least 30 percent.

U.S. Benefits

OPIC-assisted projects also provide substantial benefits for the United States by expanding markets, increasing exports, creating new jobs, opening access to new resources and contributing positively to the U.S. balance of payments.

The 157 projects supported by OPIC during fiscal 1985 will generate, over a five-year period, total initial and follow-on U.S. exports of \$2.8 billion. The net direct trade effect of these projects, after accounting for U.S. imports and the displacement of exports, will amount to \$2.1 billion.

U.S. employment benefits resulting from these projects also will be significant. During the first five years of project operations, an estimated 27,252 man-years of employment will be generated in the United States in connection with the manufacturing, mining, growing, processing and shipping of these additional U.S. exports. The continued economic growth of developing countries, stimulated by these investments, should eventually create thousands of additional domestic jobs resulting from exports of more U.S. equipment, materials and services.

Not all foreign investments, however, are beneficial to the U.S. economy. Therefore, pursuant to Congressional directives, OPIC screens each proposed investment to ensure that it contributes positively to the host country's development and that it will not have a significant adverse effect on the U.S. economy or U.S. employment. Thereafter, these benefits are reaffirmed through on-site monitoring.

OPIC's economists analyze the probable impact of every proposed project on the U.S. economy. Such factors as U.S. employment, the sensitivity of U.S. business to imports, the competitiveness of U.S. exports in foreign markets, the imposition of trade-related performance requirements by the host country, and the transfer of high technology abroad are analyzed.

Based on this, OPIC refuses assistance to "runaway" plant projects or any other investment that might have a significant adverse effect on U.S. employment. Thirteen projects were formally rejected in fiscal 1985; since 1974, OPIC has formally rejected 112 projects that might have caused job loss or produced significantly negative effects on the U.S. economy. Many others were discouraged informally in the early stages of inquiry.

OPIC-Assisted Projects For FY 1985

Total Project Investment	\$5,208,000,000
U.S. Investment in Projects	\$2,028,000,000
U.S. Percent of Total	39%
U.S. Exports	
Initial Procurement	\$2,224,000,000
Follow-on Procurement Production Inputs (5 years)	\$ 547,000,000
Total Direct U.S. Project Exports (5 years)	\$2,771,000,000
Estimated Man-Years of U.S. Employment Generated (5 years)	27,252

430

OPIC Insured Investors in Fiscal 1985

Investor	Country	Project	Insured Investment	Largest Single Cover
Agrotex Products, Inc.	Guatemala	Cold crop vegetables	$ 27,000	$ 145,800
American Express Leasing	Taiwan	Leasing company	1,125,000	3,375,000
American Standard, Inc.	Korea	Railway signalling equipment	720,000	720,000
American Standard, Inc.	Philippines	Plumbing fixtures	1,710,000	1,710,000
American Standard, Inc.	India	Railway brakes	453,600	453,600
American Standard, Inc.	Indonesia	Plumbing fixtures	3,275,000	900,000
American Standard, Inc.	Korea	Plumbing fixtures	2,287,025	6,861,075
Argosy Energy International	Colombia	Oil & gas	20,000,000	20,000,000
Armco, Inc.	Indonesia	Galvanized steel products	2,344,500	2,474,550
Asec International, Inc.	Saudi Arabia	Computer system	792,774	792,774
Asec International, Inc.	Saudi Arabia	Facility support system	300,000	300,000
AT&T International	Korea	Optical fiber	1,125,000	1,125,000
AT&T International	Korea	Optical fiber	2,853,000	3,150,000
Autodynamics, Inc.	Pakistan	Digital training systems	599,793	599,793
BankAmerica Holding Company S.A.	Nigeria	Banking	5,138,721	5,183,721
BDM Corporation	Egypt	Identity card system	1,350,000	1,350,000
Bechtel International, Inc.	India	Gas turbine plant	900,000	900,000
Besser Company	Egypt	Concrete block plants	1,709,500	1,709,500
Big Creek Enterprises, Inc.	Belize	Remove & export pine stumps	301,970	301,970
Black & Decker Corporation	Singapore	Electric irons & scales	1,250,000	6,750,000
Borden, Inc.	Chile	Pasta products	2,054,700	10,273,500
Boston Overseas Financial Corporation	Nigeria	Banking	851,101	851,101
Brink's, Inc.	Pakistan	Armored car service	103,370	103,379
Budnik, Norbert J., et al.	Haiti	Mining	2,160,000	5,400,000
Cargill, Inc.	Indonesia	Animal feedmill	2,862,000	3,784,000
Cargill, Inc.	Pakistan	Seed production	540,900	1,082,700
Cargill, Inc.	Philippines	Seed production	450,000	286,000
Cargill, Inc.	Thailand	Tapioca pelletizing	3,150,000	7,920,000
Cargill, Inc.	Thailand	Poultry farm	4,320,000	12,137,233
Cargill, Inc.	Thailand	Seed production	571,090	1,183,090
Caribbean Beef Industries	Jamaica	Beef livestock	1,108,800	2,127,150
Caribbean Beef Industries	Jamaica	Beef livestock	54,000	54,000
Chase Manhattan Bank, N.A.	Thailand	Banking	2,970,000	2,970,000
Citibank Overseas Investment Corporation	Chile	Finance company	7,020,000	7,020,000
Citibank Overseas Investment Corporation	Korea	Leasing company	1,334,982	4,004,944
Citibank Overseas Investment Corporation	Chile	Leasing company	405,000	405,000
Citibank Overseas Investment Corporation	Chile	Banking	2,700,000	2,700,000
Citibank, N.A.	Chile	Banking	37,800,000	37,800,000

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Investor	Country	Project	Insured Investment	Largest Single Cover
Citibank, N.A.	Ecuador	Banking	$ 792,876	$ 2,378,628
Citibank, N.A.	Korea	Banking	2,322,000	2,580,000
Citibank, N.A.	Morocco	Banking	2,229,959	6,689,877
Citibank, N.A.	Pakistan	Banking	642,070	642,070
Citicorp International Trading Company	Chile	Trading company	225,000	675,000
Columbian International Chemicals	Philippines	Carbon black	2,038,500	2,038,500
Commercial Credit Company	Israel	Leasing company	89,370,000	100,000,000
Dana Corporation	Indonesia	Axles and drive shafts	517,500	517,500
Data General Corporation	Philippines	Circuit boards	1,575,000	1,575,000
Dillingham Pakistan, Ltd.	Pakistan	Cofferdam & ancillary works	3,000,000	5,000,000
E. R. Squibb & Sons, Inc.	China	Pharmaceuticals	900,000	2,700,000
E. R. Squibb & Sons, Inc.	Korea	Pharmaceuticals	8,061,300	13,731,300
E. R. Squibb & Sons, Inc.	Taiwan	Pharmaceuticals	4,005,000	8,865,000
E.I.L. Export International, Inc.	Egypt	Electrical testing vans	23,587	23,587
Ellicott Machine Corporation International	Egypt	Dredges	99,000	99,000
Excellent Products Corporation, S.A.	Ecuador	Shrimp hatchery	675,000	2,025,000
F. C. Schaffer & Associates	Haiti	Sugar refining	1,215,000	1,215,000
Far West, Inc.	Costa Rica	Leather-leaf fern farm	225,000	225,000
First National Bank of Boston	Chile	Banking	19,800,000	35,800,000
First National Bank of Boston	Cameroon	Banking	663,002	1,989,006
Fischbach & Moore International Corporation	Egypt	Pump station	11,612,492	9,612,492
FMC Corporation	Indonesia	Oil services	1,657,800	4,973,400
FMC Corporation	Indonesia	Oil services	560,000	560,000
Ford Motor Company	Turkey	Vehicles and parts	10,800,000	10,800,000
Foxboro Company	Korea	Control equipment	576,000	1,728,000
Front St. Overseas Funding	Saudi Arabia	Leasing company	442,800	1,328,400
Frutas Tropicales I. Ltd.	Costa Rica	Tropical fruit plantation	472,500	525,000
General Electric Company	Pakistan	Power station	6,826,833	6,826,833
General Electric Company	Pakistan	Power station	6,753,546	6,753,546
General Electric Company	Korea	X-ray equipment	4,455,000	4,455,000
General Foods Corporation	China	Starch & dextrin	1,440,000	1,440,000
General Ionex Corporation	Saudi Arabia	Ion accelerator system	285,300	285,300
Gilley & Associates, Inc.	India	Petroleum consulting	13,500	13,500
Griffin & Brand of McAllen	El Salvador	Vegetables	675,000	675,000
GTE International, Inc.	Yugoslavia	Telephone switching equipment	1,385,100	2,770,000
Hamco, Ltd.	Saudi Arabia	Contractual services	360,000	1,660,000
Harsco Corporation	Indonesia	Scrap metal	2,161,153	2,202,120
Holiday Inns (Andina), Inc.	Chile	Hotel	3,561,232	16,149,532

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Investor	Country	Project	Insured Investment	Largest Single Cover
Integro Investors, Inc.	Egypt	Poultry breeding	$ 360,000	$ 1,080,000
Intel Corporation	Philippines	Integrated circuits	9,000,000	9,000,000
International Bechtel, Inc.	China	Engineering consulting firm	1,350,000	1,350,000
International Nabisco Brands	China	Biscuits	4,050,000	12,150,000
International Tank Terminals	Bangladesh	Edible oils	205,200	205,200
Ionics, Inc.	Saudi Arabia	Water treatment	3,690,000	3,690,000
ITEC International, Inc.	Pakistan	Telephone switching equipment	113,854	113,854
Jamaica Hotel Properties, Inc.	Jamaica	Hotel	4,243,500	6,243,500
JBM Associates, et al.	Dominican Republic	Furniture	127,440	277,920
Kellwood Asia, Ltd.	Sri Lanka	Apparel	8,124,845	4,675,020
Kellwood Asia, Ltd.	Sri Lanka	Apparel	1,500,000	1,500,000
Kimberly-Clark Corporation	Brazil	Disposable paper products	4,000,000	8,000,000
Kimberly-Clark Corporation	Malaysia	Sanitary paper products	222,300	445,000
Kimberly-Clark Corporation	Panama	Sanitary paper products	834,000	1,800,000
Kohler Company	Egypt	Railroad car generators	393,054	393,054
MacLean Grove & Company, Inc.	Egypt	Sewer/drainage system	7,000,000	7,000,000
Manuel Blanco, et al.	Costa Rica	Lubricating oils	54,000	100,000
Marcus Trading International, Inc.	Pakistan	Date processing	97,999	293,997
Master, Joseph, et al.	Costa Rica	Leather-leaf fern farm	54,000	162,000
Minnkota Systems, Ltd.	Bahamas	Housing construction	1,800,000	4,300,000
Mortonville, N.V.	Uruguay	Cement plant	1,350,000	1,350,000
Motorola, Inc.	Israel	Electronic communication systems	4,500,000	12,150,000
Nylint Corporation	Korea	Toys	810,000	1,260,000
Occidental International Exploration & Production Company	Colombia	Oil & gas	100,000,000	100,000,000
Occidental International Exploration & Production Company	Egypt	Oil & gas	100,000,000	100,000,000
Occidental International Exploration & Production Company	Madagascar	Oil & gas	100,000,000	100,000,000
Occidental Petroleum Corporation	Pakistan	Oil & gas	100,000,000	100,000,000
Otis Elevator Company	Philippines	Escalators and elevators	3,960,000	3,960,000
Otis Elevator Company	Taiwan	Escalators and elevators	727,457	2,182,370
Otis Elevator Company	China	Escalators and elevators	1,800,000	4,500,000
Otis Elevator Company	Taiwan	Escalators and elevators	2,160,000	1,000,000
Pacific Energy & Mining Company	Pakistan	Mining	1,242,000	2,070,000
Pacific Gas Supply Corporation	Bangladesh	Ball valves	12,590	12,590
Pacific Gas Supply Corporation	Bangladesh	Ball valves	8,598	8,598
Pacific Gas Supply Corporation	Bangladesh	Polyethylene pipe & fittings	36,522	36,522
Parke, Davis & Company	Pakistan	Pharmaceuticals	630,000	1,890,000
Parker, William F.	Bahamas	Papayas	614,665	1,229,330

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Investor	Country	Project	Insured Investment	Largest Single Cover
Parsons Brinckerhoff International	Turkey	Istanbul metro system	$ 549,438	$ 549,438
Parsons Brinckerhoff International	Turkey	Istanbul metro system	329,664	329,664
Parsons Brinckerhoff International	Turkey	Istanbul metro system	658,000	658,000
Phelps Dodge Corporation	El Salvador	Telephone cables	570,750	570,750
Postal, Robert, et al.	Haiti	Apparel	225,000	450,000
R.D. Products (Dominican)	Dominican Republic	Fruits and vegetables	382,500	765,000
Rahco Disc, Inc.	Syria	Irrigation equipment	2,000,982	2,000,982
Ramada Pacific, Ltd.	Sri Lanka	Hotel	480,600	480,600
Reliant Overseas Drilling Company	Colombia	Leasing of oil drilling rigs	1,507,500	1,728,000
Rio Norte, Ltd.	Costa Rica	Tropical fruit plantation	450,000	1,350,000
Schakel, Karl, et al.	Jamaica	Fruits and vegetables	360,000	374,625
Select Seedlings, Inc.	Jamaica	Seedling production	58,500	117,000
Slater Electric, Inc.	Jamaica	Electric assembly	1,287,000	1,287,000
SmithKline Beckman Corporation	China	Pharmaceuticals	3,960,000	3,960,000
SmithKline Beckman Corporation	Korea	Pharmaceuticals	11,089,125	6,785,125
Sneed-McBride International, Inc.	Jordan	Irrigation equipment	67,500	67,500
Solid State Scientific, Inc.	China	Semiconductors	438,300	438,300
Solid State Scientific, Inc.	China	Semiconductors	450,000	450,000
Springfield Oil Services, Inc.	Tunisia	Oil & gas	50,000,000	50,000,000
Squirt & Company	Ecuador	Fruit juices	450,000	500,000
St. Joe Minerals	Chile	Mining	90,000,000	90,000,000
Sterling Products International	India	Pharmaceuticals	588,456	1,405,368
Sterling Products International	Korea	Pharmaceuticals	2,975,398	4,313,855
Stewart, R. H. "Dick", et al.	Costa Rica	Leather-leaf fern farm	861,617	861,617
Stirling Technology, Inc.	India	Engines	28,125	28,125
Systems & Applied Sciences Corporation	China	Ground station system	106,425	106,425
Systems & Applied Sciences Corporation	China	Ground station system	744,975	744,975
Telemar Data Systems Corporation	Jamaica	Data conversion	225,000	500,000
Tera International, Ltd.	Saudi Arabia	Automated document system	630,288	630,288
The Gillette Company	India	Razor blades	880,632	2,641,896
The Signal Companies, Inc.	Chile	Methanol plant	100,000,000	100,000,000
Torrent Corporation	Haiti	Surgical sponges/applicators	442,912	465,412
Tropicana Investment	Jamaica	Ethanol alcohol	2,826,691	6,299,647
Universal Leaf Tobacco	Malawi	Tobacco processing	859,576	572,008
White Shield Greece Oil Corporation	Greece	Oil & gas	20,000,000.	20,000,000
Yaque Agricultural Enterprises	Dominican Republic	Cotton processing	1,217,160	2,434,320
Zachry/Dillingham	Sri Lanka	Irrigation canals	12,800,000	12,800,000

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Current OPIC Insurance & Finance Clients

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ADR SHAREHOLDERS BOTSWANA RST. LTD.
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AMERICAN WESTERN ENERGY CORP.
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AMPEX CORPORATION
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ANTAKLI, NICOLA M.
APPLIED MAGNETICS CORPORATION
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ARDAMAN & ASSOCIATES, INC.
ARGOSY ENERGY INTERNATIONAL
ARKEL INTERNATIONAL, INC.
ARMCO INC.
ARMOUR & COMPANY
ARVIN INDUSTRIES INC.
ASEC INTERNATIONAL, INC.
ASHLAND OIL INC.
AT&T INTERNATIONAL INC.
ATLANTIC RICHFIELD COMPANY
AUSTIN COMPANY, INC.
AUTODYNAMICS INC.
AVX CERAMICS CORP.

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BAIN, JOE D.
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BANKERS TRUST COMPANY
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BESTFORM FOUNDATIONS, INC.
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BOB'S CANDIES, INC.
JUDY BOND, INC.
BORDEN, INCORPORATED
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BRINKS, INC.
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BROTHERS, WILLIAM C.
BROVENTURE CO.
BROWN, CHARLES I.
BUDNIK, NORBERT J., et al.

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CANIS, E.H. et al.
CARGILL, INC.
CARIBBEAN BEEF INDUSTRIES CORP.
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CARIBE CROWN, INC.
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CATERPILLAR TRACTOR CO.
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CHEMICAL FABRICS CORPORATION
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CONTINENTAL ILLINOIS CORPORATION
CONTINENTAL MUREX COMPANY
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CORNING GLASS WORKS
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DELMED, INC.
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DESARROLLO DE RIO PACORA, S.A.
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DILLINGHAM CORPORATION

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DISTRIBUIDORA INDUSTRIAL
DOVETAIL DEVELOPMENT. INC.
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DURAMETALLIC CORPORATION
DYNALECTRON CORP.

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EDA INDUSTRIES INTERNATIONAL
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ENVIROTECH CORPORATION
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ESI LTD.. N.V.
ETHYL CORPORATION

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FIRST NATIONAL BOSTON CORP.
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FREEPORT MCMORAN INC.
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H.B. FULLER COMPANY

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GALLEON BEACH CLUB. LTD.
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GENERAL IONEX CORPORATION
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GENERAL RESISTANCE INC.
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GTE CORPORATION
GULF & WESTERN INDUSTRIES. INC.

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HAMCO. LTD
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HANNAWALT JACK F.
HANOVER BRANDS. INC.
HANS CONSTRUCTION CO.
R.A. HANSON CO.. INC.
HARRIS CORPORATION
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HARTFORD NATIONAL BANK
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HENCO LEASING CO.
HIGHMARK AMERICA INC.
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JOHN D. HOLLINGSWORTH ON WHEELS.
INC.
HONEYWELL INC.
GEORGE A. HORMEL & CO.
HOYT & WORTHEN TANNING CORP.
HUGHES EXPLORATION
HULL JOHN
HUNT OIL CO
HUNT'S INVESTMENT CORPORATION
HURD OTTO WILLIAM JR.
HYATT INTERNATIONAL
HYTRONICS CORPORATION

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INTEGRATED INVESTORS. INC.
INTEL CORPORATION
INTERNATIONAL DEVELOPMENT INSTITUTE
ASSOCIATES
INTERNATIONAL FLAVORS & FRAGRANCES
INC.
INTERNATIONAL FOOD STORAGE CORP.
INTERNATIONAL MINERALS & CHEMICAL
CORP.
INTERNATIONAL MULTIFOODS
CORPORATION
INTERNATIONAL PAPER COMPANY
INTERNATIONAL PROTEINS CORPORATION
INTERNATIONAL TANK TERMINALS INC.
INTERNATIONAL TELEPHONE &
TELEGRAPH CORP.
INTERRA HOUSTON
IONICS INC.
ITEC INTERNATIONAL. INC.
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JAMAICA HOTEL PROPERTIES. INC.
JAMAICA PRE-MIX LIMITED
JBM ASSOCIATES. et al.
S.C. JOHNSON & SON. INC.
JOHNSON PRODUCTS CO. INC.

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KAISER ALUMINUM & CHEMICAL CORP.
KAISER CEMENT CORPORATION
KEETA COMPANY LTD.
KELLWOOD COMPANY
KIMBERLY-CLARK CORPORATION
KING RANCH INC.
KOHLER CO.

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LA BARGE. INC.
LAWRENCE. THOMAS & JAMES et al.
LEVI STRAUSS & CO.
LIBERIA COMPANY
LIBERIAN STEEL PRODUCTS CORP.
LIQUID CARBONIC CORP.
LOBELL FARMS. INC.
LOMA CORPORATION
LONE STAR INDUSTRIES
JOSEPH M. LONG & CO.
LSB INDUSTRIES. INC.
LUPERCIO. CLIFFORD S.

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MACLEAN GROVE & COMPANY. INC.
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MANGOOD CORP.
MANVILLE CORPORATION
MARCUS TRADING INTERNATIONAL. INC.
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NEWMONT MINING CORPORATION
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NIP. RAYMOND LEE
NORD RESOURCES CORP.
NORTH CENTRAL OIL CORPORATION
NORTON COMPANY
NOVIK & CO.

NYLINT CORP.

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OWENS-ILLINOIS, INC.
OXICHEM PARTNERSHIP

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PACIFIC GAS SUPPLY CORP.
PAGE, ROBERT E.
PAN-AMERICAN DIAMOND CORPORATION
PARFET, COURTLAND E.
PARKER, WILLIAM F., JR.
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PETIT-MOUILLAGE DEVELOPMENT CO.
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PHILIP MORRIS INCORPORATED
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POGO PRODUCING CO.
POSTAL, ROBERT et al.
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HARVEY PROBBER INC.
PROSSER COMPANY INC
PUROLATOR INC.

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REGENT SPORTS CORP.
REINAUER, WILLIAM et al.
RELIANT OVERSEAS DRILLING CORP.
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REVERE COPPER & BRASS, INC.
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R.J. REYNOLDS INDUSTRIES, INC.
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ROEPKE, GORDON R.
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ROSARIO RESOURCES CORP.
RO-SEARCH, INC.
ROWLAND, WILLIAM D.
ROYDAN, LTD.

SALVADOR, BERNARD J.
SAO PAULO HOTEL LTD. PARTNERSHIP
SCHAFFER, F.C. AND ASSOCIATES, INC.
SCHAKEL, KARL et al.
SCHERING-PLOUGH CORPORATION
SCM CORPORATION
SEABOARD CORP.
G.D. SEARLE & CO.
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SPERRY RAND CORPORATION
SPRAGUE ELECTRIC COMPANY
SPRINGFIELD OIL SERVICES, INC.
SPS TECHNOLOGIES, INC.
E.R. SQUIBB & SONS, INC.
SQUIRT & COMPANY
A.E. STALEY MANUFACTURING CO.
STANDARD OIL COMPANY OF INDIANA
STANDARD OPTICAL OF AMERICA
STANDEX INTERNATIONAL CORPORATION
STAPLING MACHINES COMPANY
STAR-KIST INTERNATIONAL
ST. CHARLES LABORATORY FURNITURE
STEM IMPORTS INC.
STERLING DRUG INC.
STEWART, R.H. "DICK", et al.
STEWART, R. WAYNE, et al.
STIRLING TECHNOLOGY, INC.
STOLLER CHEMICAL COMPANY, INC.
STROMBERG-CARLSON CORP.
SUN COUNTRY PRODUCE, INC.
SYSTEMS & APPLIED SCIENCES CORP.

TAINO FARMS, INC.
TANDY CORPORATION
TAYLOR & ASSOCIATES
TEA IMPORTERS, INC.
TEKNAMED CORP.
TELEMAR DATA SYSTEMS CORP.
TERA CORP.
TESORO PETROLEUM CORP.
TEXACO, INC.
PERLEY A. THOMAS CAR WORKS, INC.
TIA, S.A.
TIM-BAR PAPER CO.
TORRENT CORP.
TRI-STATE CULVERT CORP.
TROPHY WORLD, INC.
TROPICANA INVESTMENT
TRW, INC.

UNION CARBIDE CORPORATION
UNOCAL
UNIROYAL, INC.
UNITED STATES LEASING INTERNATIONAL, INC.
UNIVERSAL FOODS CORP.
UNIVERSAL LEAF TOBACCO CO., INC.
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VERNAZZA, BEN & MERRYLEE
VOLT INFORMATION SCIENCES, INC.
VON KOHORN UNIVERSAL CORP.
VTN INTERNATIONAL, INC.

WAGNER ELECTRIC CORPORATION
WARNER-LAMBERT COMPANY
WEIL GOTSHAL AND MANGES
WESTERN AGRI PRODUCCION, DEL S.R.L.
WESTIN HOTELS
WHITE SHIELD CORP.
WILLIAMS COMPANY
WINDSONG RESORTS, LTD.
WITCO CHEMICAL CORPORATION
WM. WRIGLEY JR. COMPANY
WORLD TABLEWARE CORPORATION

XEROX CORPORATION

YAQUE AGRICULTURAL ENTERPRISES, LTD.

H.B. ZACHRY CO.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-201607

To the Board of Directors
Overseas Private Investment Corporation

We have examined the balance sheets of the Overseas Private Investment Corporation as of September 30, 1985 and 1984, and the related statements of income; changes in capital, reserves and retained earnings; and changes in financial position for the years then ended. Our examination was made pursuant to 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As a result of the work performed during our examination of the Overseas Private Investment Corporation's financial statements, we have also issued reports dated January 10, 1986, on internal accounting controls and compliance with laws and regulations.

In our opinion, the financial statements referred to above present fairly the financial position of the Overseas Private Investment Corporation as of September 30, 1985 and 1984, and the results of its operations, the changes in its capital and reserves, and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Charles A. Bowsher

Comptroller General
of the United States

January 10, 1986

Balance Sheet

Overseas Private Investment Corporation

At September 30 (In Thousands)	**1985**	**1984** (Reclassified)
Assets		
Cash and investments:		
Cash	$ 7,553	$ 4,792
U.S. Treasury securities at cost plus accrued interest (Note 3)	919,266	810,131
	926,819	814,923
Direct Investment Fund loans outstanding less allowance for uncollectable loans of $5,391 in 1985 and $4,295 in 1984 (Note 4)	30,468	28,852
Accrued interest and fees	2,364	2,550
Accounts receivable	10,076	23,059
Prepaid reinsurance premiums		196
Furniture and equipment at cost less accumulated depreciation of $579 in 1985 and $543 in 1984	1,421	938
Leasehold improvements at cost less amortization of $5 in 1985 and $1,322 in 1984	513	148
Assets acquired in claims settlements (Note 5)	39,243	36,574
	$1,010,904	$907,240

Liabilities, Capital and Reserves		
Liabilities:		
Accounts payable and accrued expenses	$ 8,848	$ 4,498
Direct liabilities related to claims settlements	266	2,559
Unearned premiums	18,136	16,986
	27,250	24,043
Contingent liabilities (Notes 7 and 8)		
Capital and reserves:		
Capital	50,000	50,000
Insurance reserve (Notes 6 and 7)	747,503	672,949
Guaranty reserve (Notes 6 and 8)	174,748	152,238
Retained earnings	11,403	8,010
	983,654	883,197
	$1,010,904	$907,240

The accompanying notes are an integral part of this statement.

Statement of Income
Overseas Private Investment Corporation

For the year ended September 30 (In Thousands)	1985	1984
Revenues		
Political risk insurance premiums	$ 32,998	$ 31,557
Less reinsurance premiums (Note 2)	794	4,221
	32,204	27,336
Investment guaranty fees	3,809	3,555
Direct investment interest	2,703	3,008
Interest on U.S. Treasury securities	81,007	74,291
Other interest and income	4,222	5,156
	123,945	113,346
Expenses		
Salaries and benefits (Note 2)	6,066	5,694
Loss on claims settlements:		
Political risk insurance	9,446	2,835
Investment guaranties	1,490	1,069
Provision for uncollectable DIF loans	1,000	1,000
Contractual services	1,400	2,021
Investment encouragement	1,282	876
Rent, communications and utilities (Note 9)	1,193	1,163
Travel	525	433
Printing and supplies	458	305
Depreciation and amortization	351	310
Miscellaneous and other expenses	277	386
	23,488	16,142
Net Income	$100,457	$ 97,204

The accompanying notes are an integral part of this statement.

Statement of Changes in Capital, Reserves and Retained Earnings

Overseas Private Investment Corporation

For the 2 years ended September 30, 1985 (In Thousands)	**Capital**	**Insurance Reserve**	**Guaranty Reserve**	**Retained Earnings**	**Total**
Balance September 30, 1983	**$50,000**	**$587,784**	**$136,307**	**$ 11,902**	**$785,993**
Net income				97,204	97,204
Loss on claims settlements		(2,835)	(1,069)	3,904	
Transfers from retained earnings		88,000	17,000	(105,000)	
Balance September 30, 1984	**50,000**	**672,949**	**152,238**	**8,010**	**883,197**
Net income				100,457	100,457
Loss on claims settlements		(9,446)	(1,490)	10,936	
Transfers from retained earnings		84,000	24,000	(108,000)	
Balance September 30, 1985	**$50,000**	**$747,503**	**$174,748**	**$ 11,403**	**$983,654**

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

Overseas Private Investment Corporation

For the year ended September 30 (In Thousands)	**1985**	**1984**
Source of Funds		
Net income	$100,457	$97,204
Depreciation and amortization	351	310
Repayments of DIF loans	3,247	2,663
Other		50
Provision for uncollectable DIF loans	1,000	1,000
	105,055	101,227
Increase (decrease) in:		
Unearned premiums	1,150	1,069
Accounts payable and accrued expenses	4,350	(1,907)
Decrease (increase) in:		
Prepaid reinsurance premiums	196	1,081
Accrued interest and fees	186	46
Accounts receivable	12,983	(15,971)
	123,920	85,545
Application of Funds		
Disbursements of DIF loans	5,863	4,246
Acquisition of furniture, equipment and leasehold improvements	1,198	222
Return of appropriated funds		56,000
Increase (decrease) in:		
Assets acquired in claims settlements	2,669	(9,815)
Decrease (increase) in:		
Direct liabilities related to claims settlements	2,294	4,314
	12,024	54,967
Increase in cash and investments	$111,896	$30,578

The accompanying notes are an integral part of this statment.

Notes to the Financial Statements

Overseas Private Investment Corporation

Note 1: Statement of Corporate Purpose

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government agency created under the Foreign Assistance Act of 1961 (FAA), as amended, to facilitate U.S. private investment in friendly developing countries, primarily by offering political risk insurance, investment guaranties and direct loans.

Note 2: Summary of Significant Accounting Policies

Revenue Recognition: Revenue from political risk insurance premiums is recognized on a pro-rata basis over the contract coverage period. Revenue from both loan interest payments and guaranty fees which are more than 90 days past due is recognized only when cash is received.

Pending Claims: OPIC records insurance contract claims as financial liabilities only upon determination that a liability exists and only when such amounts can be reasonably estimated. In the case of most expropriation claims, the expropriatory action must continue for a period of one year before the claim matures. Formal applications for compensation are generally filed only with respect to mature claims and specify the particular events which have occurred and which, in the opinion of the investor, subject OPIC to liability.

Local Currency: OPIC acquires local currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert local currency into U.S. dollars. The U.S. dollar equivalent is included in accounts receivable until utilized by OPIC or other agencies of the United States Government or until exchanged for U.S. dollars by the foreign government.

Reinsurance: For calendar year 1984, OPIC's reinsurance coverage provided catastrophic protection and would have compensated OPIC for 60 percent of aggregate inconvertibility and expropriation losses exceeding $100 million in any one year. Maximum reinsurance recovery per year could not exceed $120 million. Effective January 1985, OPIC's reinsurance treaty was terminated.

Valuation of Assets Acquired in Claims Settlements: Debt of a foreign government acquired in the settlement of a claim is valued at the lower of its present value or the cost of acquisition. All other assets acquired in claims settlements are valued at the lower of management's estimate of the present value of recovery or the cost of acquisition.

Depreciation and Amortization: Depreciation is computed on a straight-line basis over a 10-year life. Leasehold improvements are amortized over the life of the related lease.

Pensions: All permanent employees of OPIC hired prior to January 1, 1984, are covered by the Civil Service Retirement and Disability Fund. Employees hired on or after January 1, 1984, are covered under both Social Security and Civil Service retirement during a 28-month transition period ending on April 30, 1986. In both cases the Corporation has the responsibility for withholding the proper amount of each employee's salary and for contributing a matching amount to the funds. OPIC has no unfunded pension liability.

Note 3: Investment in U.S. Treasury Securities

Investments in U.S. Treasury securities are, by statute, limited to funds derived from fees and other revenues. Investments are generally held to maturity. The face value of the U.S. Treasury securities was $928.9 million at September 30, 1985 and $822.4 million at September 30, 1984. The net discount of securities purchased totaled $12.5 million and $15.2 million at September 30, 1985 and 1984, respectively. Accrued interest totaled $2.9 million at both September 30 1985 and September 30, 1984. The total of these amounts for OPIC's investment in U.S. Securities was $919.3 million and $810.1 million at September 30, 1985 and 1984, respectively.

Note 4: Direct Investment Fund (DIF)

OPIC is authorized, by the FAA, as amended, to make private sector loans to projects in developing countries on terms and conditions established by OPIC from funds either appropriated or accumulated through operations. The aggregate amount of such loans in any year cannot exceed the amount established in advance by congressional appropriations acts. For fiscal years 1985 and 1984, the related appropriations acts allowed new loan obligations of up to $15 million and $10 million per year, respectively, and OPIC's Board authorized corporate transfers to the DIF of $15.2 million and $14.4 million, respectively. DIF operations are charged with realized losses and credited with realized gains and any OPIC corporate transfer as determined by the Board of Directors.

The cumulative status of the DIF is as follows:

As of September 30	1985	1984
	(in millions)	
DIF appropriation	$40.0	$40.0
Corporate transfers	66.4	51.3
	106.4	91.3
Less cumulative net losses	(6.2)	(6.2)
Unused authority	(45.3)	(38.5)
Outstanding commitments	54.9	46.6
Undisbursed commitments	(19.0)	(13.4)
DIF outstanding loans receivable	35.9	33.2
Less allowance for uncollectable loans	(5.4)	(4.3)
Loans outstanding, net	$30.5	$28.9

Interest income totalling $1,494 thousand and $1,429 thousand at September 30, 1985 and 1984, respectively, has not been accrued as the amounts were more than 90 days past due. This represents the unrecognized income on direct loans with outstanding balances of $14.5 million as of September 30, 1985, and $12.0 million as of September 30, 1984. Interest collected on delinquent loans and recorded when received amounted to $109 thousand and $603 thousand in fiscal years 1985 and 1984, respectively.

Note 5: Assets Acquired in Claims Settlements

Claim related assets may result from payments on claims under either the investment guaranty program or the insurance program. Under the guaranty program when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of subrogated assets, generally host country notes, that may be acquired as a result of a claim settlement.

Claim related assets for insurance and guaranties are summarized below:

As of September 30 (in thousands)	1985	1984
Claim related assets	$51,388	$47,219
Less: Allowance for doubtful recoveries	(12,145)	(10,645)
Net assets acquired in claims settlements	$39,243	$36,574

Note 6: Statutory Reserves and Full Faith and Credit

Section 235(c) of the FAA established a fund with separate accounts known as the Insurance Reserve and the Guaranty Reserve for the respective discharge of liabilities arising from investment insurance or from guaranties issued under Section 234(b) of the FAA and similar predecessor guaranty authority.

Both Reserves may be increased by transfers from retained earnings or by Congressional appropriations. At September 30, 1985 and 1984, retained earnings available for transfer to the Insurance or Guaranty Reserves were $11.4 million and $8.0 million, respectively.

Should funds at any time not be sufficient to discharge obligations arising under investment insurance or guaranties, and if OPIC exceeds its $100 million borrowing authority, Congress would have to appropriate funds to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA.

All approved claims arising from investment insurance issued by OPIC, all guaranties issued by OPIC in connection with the settlement of such claims, and all guaranties referred to in the first paragraph above constitute obligations on which the full faith and credit of the United States of America is pledged for full payment and performance.

Note 7: Insurance Reserve

The Insurance Reserve at September 30, 1985 and 1984, totaled $747.5 million and $672.9 million, respectively. Charges against the Insurance Reserve could arise from contingent liabilities under (A) political risk insurance contracts, (B) pending claims under insurance contracts, and (C) guaranties issued in settlement of claims arising under insurance contracts. These three categories of contingent liabilities are discussed in more detail below:

(A) Political Risk Investment Insurance: OPIC issues insurance under limits fixed by the legislative authorization in the FAA and prior authorities. The utilization of these authorized amounts (excluding obligations under guaranties issued in settlement of claims) is as follows:

As of Sept. 30, 1985 (in millions)	Total	Unused Authority	Outstanding
Legislative authorization-predecessor	$1,044		$1,044
Legislative authorization-FAA	7,500	$2,419	5,081
Available authority	$8,544	$2,419	$6,125

As of Sept. 30, 1984 (in millions)	Total	Unused Authority	Outstanding
Legislative authorization-predecessor	$1,241		$1,241
Legislative authorization-FAA	7,500	$3,096	4,404
Available authority	$8,741	$3,096	$5,645

OPIC, as did its predecessors, insures investments against three different risks: inconvertibility of currency; expropriation; and war, revolution, insurrection and civil strife. Under some contracts issued by OPIC's predecessors, an investor theoretically could make successive claims under more than one coverage with respect to the same investment, thereby collecting aggregate compensation exceeding any single coverage amount. The outstanding amounts reflect this theoretical possibility and, in addition, include provision for insurance as to which OPIC is not currently at risk but is contractually obligated to provide upon the investor's future request to cover increases in retained earnings and accrued interest.

However, the outstanding amount pursuant to legislative authorizations is of little use in realistically evaluating the maximum exposure to insurance claims, because it includes insurance for which OPIC is not currently at risk and because it is improbable that multiple payments would be made for each investment. Management believes that a more accurate representation of maximum potential exposure to future claims arising from existing insurance contracts can be obtained by assuming that only one claim would be brought under each contract and that the coverage under which the claim would be brought would be the coverage with the highest amount of current insurance in force. Based on this assumption, management believes the maximum potential exposure of OPIC as to claims at September 30, 1985, is $3.3 billion.

(B) Pending claims: At September 30, 1985, the total amount of compensation formally requested in contract claims for which no determination of liability has yet been made was approximately $5.5 million. There is 1 claim filed under inconvertibility coverage, 2 claims filed under expropriation coverage and 1 claim filed under war coverage.

In addition to requiring formal applications for claimed compensation, the contracts require investors to notify OPIC promptly of host government action which the investor has reason to believe is or may become an expropriatory action. Compliance with this notice provision sometimes results in the filing of notice of events that do not mature into expropriatory actions.

The highly speculative nature of these notices, both as to the likelihood that the event referred to will constitute expropriatory action and the amount, if any, of compensation that may become due, leads OPIC to follow a consistent policy of not recording a liability related to such notices in its financial statements. Any claims that might arise from these situations are, of course, entirely encompassed in management's estimate that maximum potential exposure under existing investment insurance contracts is $3.3 billion (Note 7A).

(C) Claims settlement guaranties: Pursuant to Sections 237(i) and 239(d) of the FAA, OPIC has in some instances settled claims arising under insurance contracts by issuing payment guaranties of host government obligations. The balances remaining on these claims settlement guaranties represent contingent liabilities backed by the Insurance Reserve.

The contingent liability at September 30, 1985, under such guaranties, including liability as to interest, was $6.9 million. If the principal obligors default in full, and if OPIC does not exercise certain prepayment rights, OPIC would become liable for the following payments:

Fiscal year	Contingent liability (in millions)
1986	$5.5
1987	0.7
1988	0.7
	$6.9

Of the total contingent liability under claims settlement guaranties, $4.8 million represents guaranties of obligations either incurred by the Government of Chile in compensation agreements with OPIC or recognized by the Government of Chile in respect of debt previously insured by OPIC.

In addition to these amounts, in connection with the 1978 and 1984 settlements of two claims, OPIC entered into indemnity agreements with insureds under which OPIC could be liable for up to $12.9 million.

Note 8: Investment Guaranty Program

(A) Guaranty Reserve: To promote overseas investments, OPIC guarantees certain U.S. investments in less developed countries. This guaranty service is provided for under current authorizations of Section 234(b) of the FAA as well as under prior authorizations to OPIC's predecessors, and includes guaranties of debt, equity, and participation in DIF loans. Section 235 of the FAA requires OPIC to have, at the time OPIC commits itself to issue any guaranty under Section 234(b), a Guaranty Reserve equal to at least 25 percent of guaranties then issued and outstanding or committed under 234(b) and prior authorities. At September 30, 1985 and 1984, the Guaranty Reserve was $174.7 million and $152.2 million, respectively. At September 30, 1985, the Guaranty Reserve exceeded the minimum required reserve by $41.1 million.

(B) Investment Guaranty Authority and Cumulative Status: Guaranties may be issued only to the extent or in such cumulative annual amounts as provided in advance by Congressional appropriation acts. For fiscal years 1985 and 1984, the appropriation acts allowed new guaranty obligations of up to $150 million and $100 million per year, respectively.

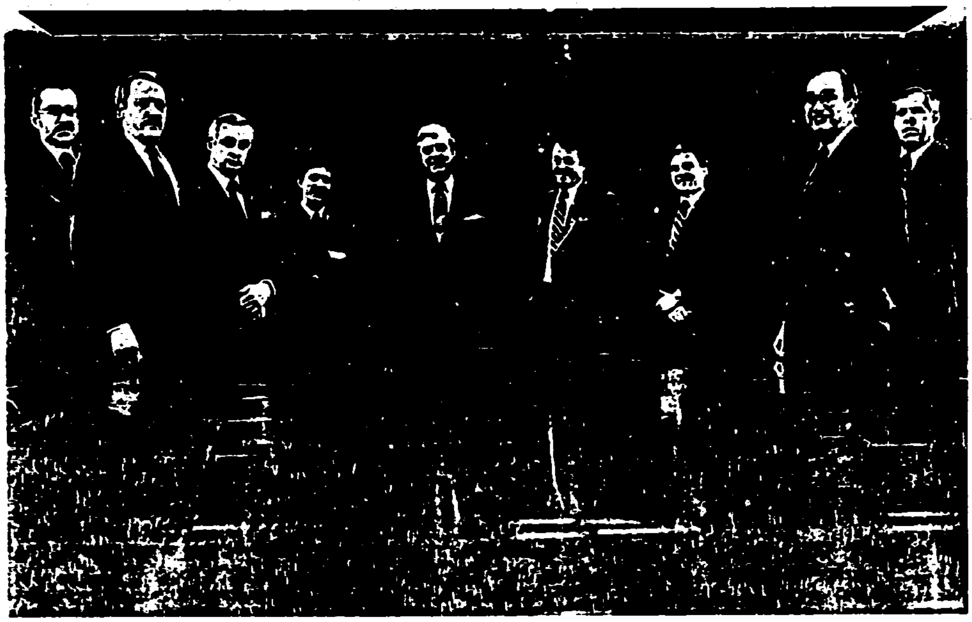
The following schedule reflects the cumulative status of the guaranty authority commitments and outstanding balances:

As of September 30	1985 (in millions)	1984
Legislative authorization-predecessors	$ 5.9	$ 5.9
Legislative authorization-FAA	750.0	750.0
	755.9	755.9
Less uncommitted authority	(221.5)	(358.7)
Total outstanding commitments	534.4	397.2
Less undisbursed commitments	(311.5)	(190.5)
Guaranties outstanding (at risk)	$222.9	$206.7

Note 9: Rent

OPIC leases office space under an operating lease. Rental expenses for 1985 and 1984 were approximately $718,000 and $705,000, respectively. On August 10, 1985, OPIC relocated to 1615 M Street, N.W., Washington, DC. Minimum future rental expenses under a 15-year lease will be approximately $1.3 million annually with additional adjustments tied to the consumer price index.

Officers & Management



Left to right: Gerald T. West, vice president for development; Felton McL. Johnston, vice president for insurance; Robert O. Draggon, vice president for finance; Robert B. Shanks, vice president and general counsel; L. Ebersole Gaines, executive vice president; Craig A. Nalen, president and chief executive officer; Travis P. Dungan, treasurer; Richard K. Childress, vice president for personnel and administration; Bruce N. Hatton, vice president for market development and communications.

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L. Ebersole Gaines
Executive Vice President

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Mildred A. Osowski
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Real estate executive

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President, International Union of Tool, Die and Mold Makers and the International Society of Skilled Trades

Frances Todd Stewart
President, Kerr-Hays Company

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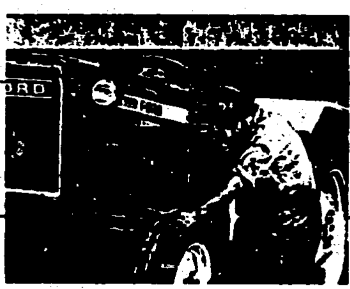

Overseas Private Investment Corporation · Washington, D.C. 20527

ANNEX 12

Suggested Format on

PRE/I Annual Report Preparation

Suggested Format on PRE/I Annual Report Preparation

It is recommended that PRE design their Annual Report using a corporate format. The following text provides suggestions for the organization of the report and the information which should be presented to the reader. In addition, a style very different from that currently employed should be adopted, which encompasses:

- o a glossy format
- o several photos of PRE-funded programs
- o data presented graphically or in tables.

Specifically, an annual report on the PRE Revolving Fund should be composed of the following sections:

1. A letter/message from AID Director McPherson. Targeted primarily towards Congress, it should present in general terms the:

   a) rationale for the program and overall accomplishments to date

   b) present program emphases and a discussion as to why these may be different from years past (e.g. loan set off structure vs. collateral account)

   c) projections of future activities and expected impact.

2. A "year in review" text, which would represent a more specific discussion of PRE Revolving Fund activities in the most recent fiscal year. This section, although directed at Congress, would also be targeted to an audience inside of AID as well as to potential foreign country participants (government officials, IFI representatives, business people). This section of the Annual Report should include but not be limited to a discussion of:

   a) changes in global economic and private sector investment climate

   b) funding availability
      - reflows
      - new authorizations

   c) new program approaches

   d) present program successes and failures
      - include data on overall portfolio from MIS and "augmented audits" and assessment of specific "models" from field evaluation exercises.
      - note that the entire Revolving Fund program is still

new and must be considered experimental. It is hence particularly interesting to discuss reasons for successful or unsuccessful programs and to explore whether the factors underlying successful programs are generalizeable.

e) new program involvement - regionally
- recipient organizations
- goals and intended results
- terms

This section should include several tables, pie charts, etc.

3. Effort should be made to develop a balance sheet, income statement and statement of change in financial position for the portfolio as a whole. Although it is understood that the Revolving Fund program is government funded and supported, an explicitly stated goal of the program is to be self sustaining and to grow by maximizing returns from existing loans.