

July 25, 1956

INTERNATIONAL FINANCE CORPORATION - SUMMARY OF INAUGURAL PRESS CONFERENCE

BANK BOARD ROOM, WEDNESDAY, JULY 25, 1956

The Conference was addressed by Robert L. Garner, President, assisted by J.G. Beevor, Vice-President.

Mr. Garner opened the conference by saying that the IFC was the first inter-governmental organization which had as its objective the promotion of private enterprise. He believed private enterprise to be the most effective and dynamic force for economic development. The IFC would benefit not only the underdeveloped but also the industrial countries. There was increasing interest in overseas investment and expansion on the part of established companies in the developed countries. Private enterprise was the only weapon the free world possessed which the Communist world did not. That was one of the reasons why he welcomed the establishment of this new organization, after several years of preparation.

The meeting was then opened for questions.

- Q. Have the subscriptions been paid?
- A. A little money has been received in advance, but the great majority of the subscriptions were due within thirty days.
- Q. What if a country failed to pay. Would that bring IFC below the minima laid down in its Articles?
- A. No. The IFC now had legal existence and failure to pay would not invalidate it.
- Q. Has IFC any investments immediately in mind?
- A. No. For the reason that no one had previously been in a position to receive hard applications. Large numbers of tentative enquiries of all kinds had been received from many parts of the world, some from serious and responsible sources. Most people had waited for the IFC to be established before coming forward with anything definite. Mr. Garner

believed that there would be a substantial amount of serious business worth investigating and mentioned metal-fabricating, mining and food processing as types of enquiry.

- Q. Could an example be given of the kind of venture IFC would go into?
- A. An example would be of a company in an industrial country thinking of investing in an expansion in its own line of business in Latin America. The company is willing to put up about half of the capital and to furnish the management from its own experienced staff. It is seeking partners, either IFC alone, or a combination of IFC, other foreign investors and/or local capital. There could be a two-party deal or there could be many involved.
- Q. What were the criteria for an IFC investment?
- A. (1) The project itself and its prospects. (2) The possibility of ready sale. (3) Satisfactory private partners. (4) The existence of experienced management. (5) The political and economic risks. The investment climate might be so bad in a country as to hinder investment. In such cases, IFC might be able to help to improve the climate.
- Q. Would the enterprise have to promote essential production in the country to qualify?
- A. Demand would have to exist for the products of the enterprise to such a degree as to make it profitable.
- Q. Would IFC investments have priority over those of its partners?
- A. That would depend. If the private partners all took equities, then to the extent that IFC had a creditor position it would be in a prior position, but IFC would have to be flexible if it were to reach agreement with its private partners.
- Q. Would IFC emphasis be on underdeveloped countries?
- A. Yes. The whole thinking behind IFC is the need to promote the flow of capital and skill to underdeveloped countries.
- Q. Can IFC invest only in member countries?
- A. Yes.
- Q. Krupps were said to have proposed a program for the industrialization of Indonesia. Would this be the kind of investment for IFC?
- A. There would be certain fields IFC would not go into. For example, social investment which was a matter for Government investment, and utilities, because these were usually subject to earnings regulation and would not

be readily saleable to private investors. It would also not be interested in the very large investments required for big steel and oil. IFC investments would in general be with medium-sized companies. So IFC would not go into a big industrialization program as such. It would seek to act as a catalyst to attract private investment.

Q. Have enquiries so far come mostly from one country?

A. No. But Latin America is so far the biggest concentration.

Q. Would Yugoslavia join IFC?

A. Yugoslavia has no private enterprises and has said she is not interested in joining.

Q. Is IFC seeking guarantees against nationalization of its enterprises?

A. IFC would not seek privileged arrangements not available to other investors.

Q. What is IFC's interest rate policy?

A. Whereas the World Bank has fixed rates, IFC will vary. This because IFC's investments will not be in the form of conventional, fixed interest loans. Its investment would possibly carry fixed interest plus a participation in profits plus rights for purchasers to transfer the IFC investment into equities. The IFC must make profits to cover risks and hold its investments in a form which private investors would be interested in buying. The essential point that IFC investments would be in the nature of venture capital.

Q. Was this not barred by the U.S. Secretary of the Treasury at the meeting in Rio of the Inter-American Economic and Social Council of O.A.S. in November, 1954?

A. No. IFC cannot hold equities but can hold other forms of venture capital. It would have to do so in order to have a saleable portfolio and to make capital gains.

Q. Was there any upper limit on the proportion of IFC's capital which would be put into any individual investment?

A. No, but it would be less than 10% -- probably in the one and two million dollar bracket. The IFC would not be interested in small investments of fifty thousand dollars or so.

Q. How much private capital would IFC be able to attract in its operations?

A. Impossible to answer, but a guess might be three to four times its own investment, and its own investments would revolve.

- Q. What were the restrictions of IFC competing with private capital?
- A. IFC would abide by its own Articles and would retire if sufficient private capital came forward in acceptable form to finance an enterprise.
- Q. Is IFC the first international lending organization not to require government guarantees?
- A. World Bank is the only other international lending organization.
- Q. Is there any parallel with CDFC?
- A. CDFC is private investor. Has invested 12 million pounds in nine ventures in its first two years. No time yet to revolve investments. Up to five years would normally be needed to establish an enterprise to the point where an investment in it could be sold. (This answer contributed by Mr. Beevor).
- Q. Will IFC need more capital?
- A. Unlikely. IFC has enough for the first few years.
- Q. Will IFC invest in "wild-cattling" or exploration for minerals, etc.?
- A. Unlikely. IFC will start cautiously and would only be justified in going into more risky enterprises when it had built up a record and reserves.
- Q. Will IFC seek wide geographic distribution of its investments?
- A. Yes, but distribution will finally be decided by the location of worthwhile investments. There would be no allocation of funds between regions.
- Q. Were there conflict of interest rules applying to IFC?
- A. Yes. Officers, Directors and staff subscribe to the same rules as have existed in the Bank for several years.
- Q. How big a staff has IFC?
- A. It has at present four operating Officers, two of them full-time. Within the next few weeks seven or eight other staff members would be in post. The IFC staff would be small, consisting of experienced professionals and would expand according to the volume of business. This expansion in any case would be limited by the fact that the Bank would provide many services. Consultants would also be employed.

At this point the Conference terminated.