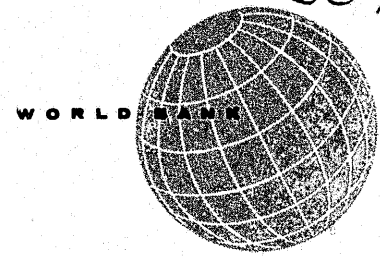


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# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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PRESS RELEASE NO. 504

SUBJECT: \$4.2 million Pakistan  
loan approved.

September 25, 1957

The World Bank has approved a loan of \$4.2 million to help finance the development of private industry in Pakistan. The loan will be made to the Pakistan Industrial Credit and Investment Corporation Limited, a corporation being formed by private Pakistani, British, American and Japanese investors. The Bank will enter into a formal loan agreement when the Corporation is established a few months hence.

The initial share capital of the Corporation will be 20 million rupees (\$4.2 million). Arrangements have been made for the Pakistani investors to subscribe to 60% of the shares, American and British investors to 15% each, and Japanese investors to 10%. The Government of Pakistan will make a 30-year interest-free advance of 30 million rupees to the Corporation; so that the capital resources initially available to the Corporation, from capital subscription, the Government advance and the Bank loan, will be 70 million rupees (\$14.7 million).

The principal objectives of the Corporation will be to assist in the expansion or modernization of small and medium-sized industries and to help create new ones. To achieve these objectives, the Corporation will make loans and equity investments, and underwrite and distribute securities. It will also help private industries to obtain managerial, technical and administrative services and advice. As rapidly as is prudent, the Corporation will sell its loans and share holdings to other investors to recover its own capital for further investment.

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It is expected that the initial Board of Directors of the Corporation will comprise 14 Directors: 10 prominent Pakistani industrialists, businessmen and bankers to represent the Pakistani shareholders, one director each to represent the British, American and Japanese investors, and one Government Director. The General Manager of the Corporation will be Esgo T. Kuiper of the Netherlands, who organized and was the first Managing Director of the Indonesian Industrial Bank. Headquarters of the Corporation will be in Karachi and branches will be established in Lahore and Dacca.

One of the main impediments to the growth of private industry in Pakistan has been the lack of risk capital. When Pakistan achieved its independence in 1947, it had relatively little industry, and private capital was reluctant to venture from the traditional fields of trade and commerce. However, the past few years have brought increasing investment opportunities, and the role of private capital in industrial development has progressively grown. It needs encouragement and assistance to develop further and to take full advantage of the new opportunities.

Recognizing the need for a credit institution to help finance such industries, the Pakistan Government and leading Pakistani industrialists and financiers requested assistance from the World Bank. In April 1956, Mr. George Woods, Chairman of The First Boston Corporation, and Bank officials visited Pakistan to explore the possibilities in the field of industrial development and to study the ways in which an industrial finance institution should be established. The main outlines of the corporation were drawn up during that visit, and a Steering Committee of five prominent Pakistani industrialists and financiers was formed to carry out the preparatory work necessary to the establishment of the new corporation. At that time the World Bank indicated its

willingness to consider a loan equivalent to the amount of the equity capital if the corporation were set up in a satisfactory manner.

In August 1957, representatives of the Steering Committee, the Government of Pakistan and of the British, American and Japanese investor groups met with World Bank officials in Washington and reached agreement on all points of substance and on drafts of all documents.

The authorized capital of the Corporation will be 150 million rupees (\$31.5 million), divided into two million ordinary shares (common stock) and 13 million unclassified shares, all with a par value of 10 rupees (\$2.10) each. Initially the Corporation will issue only the two million ordinary shares with an aggregate par value of 20 million rupees (\$4.2 million) which will be offered for subscription at par. The Pakistani Steering Committee is arranging for the sale of 1,200,000 shares (12 million rupees) of capital in Pakistan: 800,000 shares through private placement and 400,000 by public offering. The British investors -- some of the Eastern Exchange Banks, a number of insurance companies, four industrial concerns and the Commonwealth Development Finance Company Limited -- intend to subscribe 300,000 shares (3 million rupees). American investors -- Bank of America, Henry J. Kaiser Company, International Basic Economy Corporation, Transoceanic Development Corporation Limited, and others -- intend to subscribe 300,000 shares (3 million rupees). The Japanese investing group, consisting of the 12 Japanese foreign exchange banks, intend to subscribe 200,000 shares (2 million rupees).

The Government's 30-year interest-free advance of 30 million rupees will be repayable in 15 equal installments, beginning in the 16th year. This advance will be provided out of funds derived from the sale of commodities provided to Pakistan under United States Government aid.

The proceeds of the \$4.2 million World Bank loan will be used to pay for imported materials, equipment and services required to carry out industrial projects financed by the Corporation. The loan will be for a term of about 15 years and interest will be determined at the time the loan documents are signed. The Government of Pakistan will guarantee the loan.