

63/28

International Bank for Reconstruction and Development International Finance Corporation

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Subject: Finance for new Private
Development Corporation
in the Philippines

The Private Development Corporation of the Philippines has announced that it has successfully sold its first public offering of capital stock, consisting of 2,500,000 shares with a total par value of 25 million pesos. Seventy per cent of the shares were offered to Philippine subscribers and to the International Finance Corporation, an affiliate of the World Bank. The remaining 30% were subscribed principally by 18 leading private institutions outside the Philippines. This is the largest group of international investors with which the IFC has ever been associated, and one of the largest ever to participate in the capitalization of a development corporation.

These overseas participants include 14 American investment and banking institutions, two British banks, a German bank and a Japanese bank, as follows:

- The American Express Company, Inc.
- Bank of America
- The Bank of Tokyo, Ltd.
- Bankers International Financing Company Inc.
- Boston Overseas Financial Corporation
- The Chartered Bank
- Chemical International Finance Ltd.
- Continental International Finance Corporation
- Deutsche Bank A.G.
- First National City Overseas Investment Corporation
- The Hongkong and Shanghai Banking Corporation
- Irving International Financing Corporation
- Lehman Brothers
- Manufacturers Hanover International Finance Corporation
- Morgan Guaranty International Finance Corporation
- New York Hanseatic Corporation
- Philadelphia International Investment Corporation
- Wells Fargo Bank International Corporation

Public Disclosure Authorized

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Mr. Francisco Ortigas, Jr., Chairman of the Private Development Corporation of the Philippines, speaking for himself and the other directors of the Corporation, expressed gratification with the success of the issue. "The Directors of PDCP," he said, "are especially grateful for the widespread support given to our new enterprise by subscribers abroad. This extensive participation in our stock issue is an encouraging demonstration of confidence in the future of the Philippine economy and in the opportunities for private investors in our country."

Privately owned and managed, the new Corporation is designed to serve as a leading instrument in promoting and financing the growth of private industry in the Philippines. It will make medium and long-term loans, provide underwriting facilities and invest in the equity of private industrial enterprises, while its diverse overseas connections will enable it to attract foreign investment into the Philippine economy.

PDCP was established with the assistance of IFC and the World Bank, which helped in exploring the feasibility of establishing it and assisted members of the Philippine business community to organize it. PDCP now has total resources of 111 million pesos, including a loan of US\$15 million from the World Bank, a loan of 27.5 million pesos from the United States Agency for International Development, investments by the founding shareholders and the proceeds of the present stock issue. Operations will begin soon after the election of the Board of Directors at the first Annual Meeting of the shareholders, which is to be held in the near future.

The public stock issue of the PDCP consisted of 1,750,000 Class A shares (for offering to Philippine citizens, to corporations with at least 60% of their shares held by Philippine citizens, and to IFC) and 750,000 Class B shares available for subscription without restriction. Both classes of shares were offered at the par value of 10 pesos each.

The International Finance Corporation had undertaken to subscribe as many as 500,000 Class A shares of the new PDCP issue, with a commitment to take 80,000 shares initially and to stand by to take up to 420,000 shares more, depending on the response of Philippine investors to the offering. In view of the success of the offering, IFC will not be called upon to take up any shares under its standby commitment; thus IFC's total investment is 80,000 shares with a par value of 800,000 pesos (equivalent to US\$205,000).

With this operation the IFC and the World Bank have joined in financing four development financing institutions, under arrangements whereby the Bank provides loan capital and IFC provides equity. The other institutions being assisted by the Bank and Corporation in this way are the Banque Nationale pour le Developpement Economique, of Morocco, the Pakistan Industrial Credit and Investment Corporation and the Malayan Industrial Development Finance Limited.