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*for a sustainable future*

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WORKING PAPER SERIES FOR INDUSTRIAL DEVELOPMENT

FINANCIAL INVESTMENTS IN DEVELOPING COUNTRIES

The Secretariat of UNIDO

## II. DEVELOPMENT BANKS AND INFLATION

7. The policy a development bank follows in its business and assistance activities is laid down partly in the statutory provisions, or the charter, and partly in the directives the board of directors issue from time to time. No attempt is made in this paper to enlarge on policy questions under normal and stable monetary conditions. When, however, inflationary tendencies become apparent or inflation sets in, the development bank has to adopt a new and variable policy to protect its assets, sometimes by applying very rigorous measures.

8. In the journalistic jargon, inflation is described as "too much money chasing too few goods". Economists explain that inflation is a condition in which the financial resources of a country are greater than the current market value of its real resources. The factual cause of inflation is probably an accumulation of conditions, of which two are outstanding, namely an over-demand, based on too large financial reserves of public or private means and the cost-price push, based on increasing prices of goods in short supply and the consequent demand for higher prices in spite of the absence of increased productivity.

9. But inflation does not come alone, devaluation usually follows.

10. The value risk of inflation and devaluation of business transactions, turning them into a financial burden, or into financial losses, has to be borne by somebody, be it an individual, a group or the public at large.

11. In the following paragraphs an attempt is made to enumerate some of the measures development banks have taken or considered, to protect their circulating assets (and liabilities, especially if they are in foreign currency) against inflation and devaluation. The measures to be discussed are grouped according to the party which carries the value-risk.

### The Borrower

12. The usual and widely employed method of a development bank to maintain the value of their loans is to pass the risk to the borrower. This can be done in several ways:

- The loan granted to the borrower is denominated in some foreign currency likely to remain stable throughout the duration of the loan
- the loan is tied to a domestic index such as that of prices, wages or cost of living,
- the loan has been tied to the price of a commodity (in some agricultural countries to wheat or some other staple grain)
- when inflation is evident, the development bank reserves the right to shorten the repayment periods or may insist on participation in profits to recoup sooner the loan amount.

13. The underlying argument for the above conditions imposed by the development bank is the fact that the borrower's control over the price of a final product is sufficient for him, in case of an inflation, to pass this price increase on to the ultimate consumer.

14. Change of loan amount into equity is another way how some development banks seek to off-set value-risk in times of inflation or devaluation. Such an option would have to be written into the loan agreement and would be exercised by the development bank in case that inflation had so diminished the real value of the loan money that greater value would be realized by converting to equity and then the equity sold. In times of inflation it is presumed that the value of fixed investments, namely land, buildings and machinery, will keep pace with rising prices.

15. However, this shift into equity could also be a source of danger to the development bank. During an inflation, the capital market in a developing country, being in a state of uncertainty, acts overcautiously and the equity of a manufacturing enterprise might not be easy to dispose of. Should a large part of the bank's funds remain 'frozen' in equity, the bank's liquidity would deteriorate and could make new loan operations impossible.

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16. It might also be appropriate to examine more in detail the implications of equity investments of the bank under normal, that is at, market conditions.

17. In times of monetary stability a development bank must find a great proportion of the available resources can be profitably employed to purchase equity in industrial enterprises. The bank must be mindful of the need to have sufficient funds in liquid or readily realizable form to meet its fixed obligations. Equity participation also carries an inherent risk.

18. Loans to industrial enterprises are risk-covered by mortgages on fixed assets and other securities, whereas equity participation promises to be profitable if the enterprise achieves an above average performance. The shares can be sold with profit above the par-value. Should however the results of the enterprise be disappointing, the bank will have to keep the shares in its portfolio or sell the shares with loss.

19. In short, equity participation could be riskier than loan operations. For this reason, a bank capitalized heavily with borrowed funds (which sooner or later have to be repaid) would probably be reluctant to invest heavily in equities and would, if managed conservatively, restrict its equity purchases only to a certain percentage, seldom to the maximum of its own share capital.

The Development Bank

20. The development bank in a country, where prices and exchange rates have and presumably will remain stable, does not need to shift the value-risk to others, but remains a self-insurer against depreciation of values.

21. Development banks in a number of countries, showing tendencies towards inflation or where inflation has already set in, have accepted the value-risk and borne the financial burden, but have tried by various methods to minimize the impact. One of these is the imposition of an interest surcharge on the loans to borrowers, feeding the surcharge into a reserve fund for the maintenance of value. Should the inflation be short-lived and sufficient reserves were accumulated, the fund could, at least partly, effect the value losses. The second method for part compensation of value-losses was used by a development bank in convincing government to grant a long term, interest-

free loan, carrying the proviso that all earnings would go into the special value-risk reserve fund.

The Government

22. When development banks have liabilities denominated in foreign currencies, they feel that their government should assume the major share of the burden for maintenance of value. However, such claim could not be substantiated if the liabilities are denominated in local currency.

23. In the former case, the development bank could be in danger of bankruptcy in the event of a devaluation of the currency. Because the position of the government to control devaluation through action of the central bank and the power of the government to influence the domestic price level through the use of monetary and fiscal policy, development banks endeavour to obtain a government commitment for fixed exchange rates. Where government has agreed, a surcharge on the interest rates is imposed.

The International Lending Agency or the Foreign Government

24. International lending agencies and foreign governments extend from time to time to the least developed countries aid-loans, a part of which is being channelled through development banks to the industrial sector. In most of these loan agreements the international lending agency or the foreign government provide the foreign currency funds, without insisting on the burden of maintaining the value by agreeing on a fixed exchange rate.

25. Other aid-programmes include different loan conditions, by which commodities are bought in the lending country from a foreign currency loan and sold to the receiving country in their local currency. The imported goods are sold on the local market and the proceeds in local currency are available for re-lending, mainly through development banks, without maintenance of value.



26. In summarising, the management of a development bank will have to adopt far-reaching changes in their lending policy as soon as inflationary tendencies become apparent. Clearly no definite recommendations are possible and each bank's response should be in full awareness of the impact of inflation on the particular banking situation and the policy alternatives available.

### III. A DEVELOPMENT BANK IS NOT A NATIONAL PLANNING AGENCY

27. In some instances, governments of developing countries requested development banks to undertake the planning of industrial development on a regional, sectoral or over-all (country-wide) scale. Such attempts by development banks to prepare industrial development plans have always proved abortive.

28. The assumption prevailed that the development bank, being aware of the project ideas of the entrepreneurs of the country, region or industrial sector would evaluate all eligible projects and rank them in order of priority and that the accepted criteria, as scarce capital, limited skilled labour force, available raw materials and restricted foreign exchange are broadly known to the bank. In that case it would seem sufficient to select the "best" projects according to their decreasing order of priority and stop at the point where the sum of resources, for example capital, required for these projects is exhausted.

29. Such a method would not yield even a feasible result. The evaluation of single projects according to efficiency criteria generally does not answer the question of consistency. Therefore projects have to be evaluated not in isolation but in taking into account their complex relationship to the rest of the economy. Development plans deal with much more complex economic facts than the individual project, utilising technological coefficients and examining only a few, if any, alternatives. There is emphasis on the interconnections of the economy, on the equilibrium of requirements and possibilities, in other words on the consistency of the plan.

30. The plan must take cognizance of investment and production targets, allocation of resources, incentives, financial and technical assistance, balance of payments, employment potential, industrial licensing, infra-structural limits, underdeveloped regions, in short all factors of the economy in general must be investigated, measured and then projected in the overall development plan.

31. The methods employed to draw up a national development plan are entirely different from those for the assessment of projects, as used in a development bank, where viability and profitability of the enterprise are the main criteria to be examined. The academic education, knowledge and experience of the experts and economists of a national planning agency is entirely different from those of the officers of a development bank; their only common ground consists mainly in recognizing and evaluating the viability of a particular project.



#### IV. SHORTAGE OF PROJECTS

32. There is a tendency in many developing countries to explain the obstacles in the way of a more rapid industrial development as the result of lack of projects, or the difficulties in preparing projects. There is an undatable shortage of "bankable" projects in the industrial field and this appears to be due to conditions, which impair the formulation and execution of a new enterprise. These adverse conditions deserve an investigation into their cause; they will also be of interest to the management of industrial development banks, so that an attempt can be made to remedy such conditions, wherever possible.

#### THE ENTREPRENEUR:

33. Of prime importance for the creation of new industries is the existence of a qualified entrepreneurial class, prepared to take initiatives and assume risks. A large number, probably in some countries the majority, of new industrial enterprises will be, what is termed the "family" type business of ownership and control. Beyond this for an enterprise rapid growth, in the sense of growth more rapid than is given by its capacity for self-financing (re-investment of profits) the necessity of a new partnership and sharing ownership and control is not acceptable to many industrialists. Hence, there is often a reluctance to expand such "family business" to the public even among the so-called dynamic enterprises.

#### THE ECONOMIC POLICY:

34. The second most important factor would be an adequate economic policy and the creation of an encouraging investment climate.

35. The economic policy should seek to strengthen the basis of development by:

- developing natural resources
- stimulating manufacturing activities
- providing increased employment
- increasing foreign exchange earnings by reducing imports and expanding exports

These aims of the economic policy can best be achieved under conditions of stable prices. The Government has the power, through actions of the Central Bank and the use of a predetermined monetary and fiscal policy, to influence the stability of prices.

**THE INCENTIVES:**

36. To create a favourable investment climate, the governments of developing countries grant incentives to domestic and foreign investors to achieve an accelerated industrialization of the country.

37. Some of the incentives employed are listed here:

(i) Tariff Protection

- Increased import custom duties for competing goods
- Prohibition of imports of competing goods
- Strict anti-dumping laws

(ii) Export Subsidies

- Export bonus scheme
- Exemption from export taxes and dues
- Refund of all duties and taxes for exported goods
- Railway freight concessions for export goods
- Government sponsored and subsidized free trade zones

(iii) Import Duty Concessions

- Exemption from custom duties and additional charges on the importation of machinery and spares
- Exemption from custom duties and additional charges on the import of raw materials and containers, not manufactured locally
- Custom duty on machinery may be paid in yearly instalments

(iv) Taxes and Tax Incentives

- Complete tax holiday for a fixed number of years
- Reduced taxes on profits, permanently or for a fixed number of years
- Exemption on land-, land transfer- and any other (including municipal) real estate taxes

- Accelerated depreciation on fixed assets
- Exemption from capital gains tax
- Exemption from sales tax
- Exemption from excise duties
- Exemption from dividend tax
- Carry forward of losses into the following years
- Exemption from personal income and other taxes of foreign managers, experts and technicians

**(v) Subsidies**

- Cash subsidy up to a certain percentage of all fixed assets installed
- Interest bonus on loans contracted by the enterprise
- Free land for construction (developed or undeveloped)
- Subsidised plots of land for construction in industrial estates

**(vi) Assistance at the pre-investment stage**

- Surveys
- Feasibility studies

**(vii) Assistance in financing and capital repatriation**

- Loans by industrial development finance institutions and equity participation
- Loans by the central bank (government) and equity participation
- Loans permitted by insurance companies
- State guarantee for bank loans
- Free transfer of capital and profits
- Guarantees against expropriation or nationalisation

**(viii) Assistance with Labour and Management Training**

- Training courses for skilled labour, technicians and foremen
- Management training courses
- Individual training of personnel for specialized industries

#### THE INFRASTRUCTURE AND SERVICES:

38. No development plan can succeed without an already existing and well built-up infrastructure as roads, railways, ports, power stations and other public utilities (postal services and telephones), all necessary to enable an industrial enterprise to receive raw materials, to manufacture and to distribute the finished goods. In addition water, sewage, fuel and other services besides electricity must be available at all times and at reasonable prices.

#### INADQUATE DATA FOR INDUSTRIAL INVESTMENT DECISIONS:

39. A broad knowledge of resources, markets and technologies, essential for investment decisions is required, especially when embarking on new fields of activity. In most cases it is currently beyond the capacity of industrial entrepreneurs in developing countries to obtain all such required knowledge.

40. While the concepts of efficiency are in principle applicable to projects with marketable products, whether or not a project can be realized depends on the availability of data - such as market and cost data and data on the economic system as a whole.

41. It is in this area, that an industrial development bank can be of utmost help to a potential industrialist in providing him with all the marketing, technical and financial data he requires for his investment decision. The development bank, with its well equipped research library and with the assistance of the bank's specialists, namely the economist, the financial analyst and the engineer, should be able to furnish all the information required.

#### PROMOTION OF NEW PROJECTS:

42. The promotion of new projects, an important development function of all industrial development banks, should be envisaged in two directions,

- a) in identifying entrepreneurs or group of entrepreneurs from the business community who are interested and have the ability to start a new industrial enterprise, to give them support with good advice and in supplying the necessary data for their project formulation.

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b) in selecting and evaluating certain goods or products, which would lend themselves to manufacturing in the country, in preparing abbreviated feasibility studies and in promoting them amongst potential entrepreneurs.

43. The number of manufactured goods and products would go into several hundreds and only the main categories are listed here:

- Mining and Quarrying
- Food, Beverages and Tobacco
- Textile, Wearing Apparel and Leather Industries
- Wood and Wood Products, including Furniture
- Paper and Paper Products, Printing and Publishing
- Industrial Chemicals
- Other Chemical Products
- Petroleum Refineries
- Miscellaneous products of Petroleum and Coal
- Rubber Products
- Plastic Products
- Pottery, China and Earthenware
- Glass and Glass Products
- Non-metallic mineral Products (Cement, Lime, Gypsum, etc)
- Iron and Steel basic Industries
- Non-ferrous metal basic Industries
- Fabricated metal Products
- Machinery, except Electrical
- Electrical Machinery Apparatus, Appliances and Electronics
- Transport Equipment
- Scientific, Measuring and Controlling Equipment

(A complete list is published in the United Nations "Index to the International Standard Industrial Classification of all Economic Activities" under the Sales No. E.71.XVII.6, obtainable from Publishing Service, United Nations, New York, N.Y.)

PROJECT PROMOTION IN DISTANT REGIONS:

44. It is presumed that in a small or medium-sized country the main business activities take place in the capital city where the purpose of the industrial development bank is already well known and where the bank's executives are aware of prospective sponsors and their projects.

45. In the more distant regions of a large country, the existence and the services offered by an industrial development bank may not be very well known and sponsors may not be sufficiently familiar with the financial and technical assistance, they would avail themselves for the formulation and realization of an industrial project.

46. The development bank must carry the promotion of projects to all parts of the country, especially to the underdeveloped regions, which are in need of intensified and accelerated industrialization.

47. The most successful method employed so far has proven by visits of the bank's officers to the more significant towns in the region. Such visits are publicized in advance in local newspapers and other media and have been found not only to result in a substantial number of enquiries regarding possible financial assistance to local business, but also to constitute an effective way of making the bank's services better known to the local business community in general. On arrival in the town, the team contacts first the most likely sources for information, namely the District Officer, the Representative of the local Chamber of Commerce, Managers of commercial banks, leaders of the community and chief Importers. In some towns a Manufacturers Association or the branch of the Chamber of Commerce can be asked to convene a meeting of their members, at which occasion the bank's officers can explain to a larger audience the purpose and the various assistance activities of the development bank and answer all questions of the participants.

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## V. THE OPERATIONS DEPARTMENT

48. The organization of the operations department of an industrial development bank, being the most important department in terms of productive work, must be well planned and the functions to be carried out have to be well defined. Several alternatives with regard to functions and the required cadre of staff specialists are possible and the final choice will to a large extent depend on the size of the institution. In a large size institution, the various functions can be assigned to separate sections of the operations department, each supervised by a senior staff member and the work of the sections then co-ordinated by the operations manager. In a small- or medium-size development bank seldom sectional distribution of work is being practiced and a quite cohesive group of professionals will operate as a single unit under the operations manager, carrying out a multitude of functions.

49. Experience has shown that efficiency is usually reduced with an increase in the number of sections; even large institutions try to keep the number of sections to a minimum.

50. Development banks have divergent views which functions should be attributed to the operations department; the main functions in question may be classified as:

- a) identification of projects
- b) promotion of projects: (i) client initiated  
(ii) self initiated
- c) initial and preliminary appraisal (quick evaluation)
- d) assistance to clients with project preparation
- e) project negotiations with clients
- f) full project appraisal and recommendation
- g) credit investigation
- h) documentation
- i) terms of legal conditions for loan and covenants
- j) loan agreement and mortgage record
- k) disbursement and letters of credit
- l) loan follow-up (construction and production period)
- m) advisory service and "trouble shooting"



51. In examining more in detail the above listed functions, the following considerations will be of interest to the managements of industrial development banks.

52. ad a) IDENTIFICATION: In Chapter I of this paper, the development functions of a development bank has been dealt with and the task of identification of projects attributed (a) to the national planning agency, (b) to the development bank or (c) to the entrepreneur. In addition to the identification of projects by the national planning agency, or sometimes in place of, project identification is carried out at the international level by UNIDO (United Nations Industrial Development Organisation), by AID (Agency for International Development) or by other organizations and also by consulting engineers. But not always is there a sufficient flow of potential projects to the institution, which projects when modified, could be processed into "bankable" projects. The industrial development bank in such a situation will have to decide on their own project identification programme, based on import substitution, utilization of indigenous raw materials and employment of low-wage labour.

53. ad b) PROMOTION: The promotional activity of a development bank is a basic function and part of the day to day work. With projects, initiated by clients, the bank is involved in promotion in more cases than is obvious to the observer. Either additional equity investment is required by a new partner or co-operation with a company, supplying technical know-how on the production side or marketing participation has to be found to make the project "bankable".

54. With self-initiated projects, the development bank has to institute a promotion campaign among potential local entrepreneurs or with interested parties in foreign countries. Usually "joint ventures" between local and foreign investors result from such promotional activities.

55. UNIDO has issued a "Manual on the Establishment of Industrial Joint-Venture Agreements", as well as a "Manual on Investment Promotion Centres", both of which contain factual information and valuable advice on these subjects.

56. ad c) **PRELIMINARY APPRAISAL:** It would be unwise and costly for an industrial development bank to proceed with a full appraisal of every project submitted for financing. Therefore a process of screening first all project submissions is the obvious answer to prevent an overloading of the operations department with work. But the applicant should also not be asked to submit a fully detailed project proposal, going often into 40 or 50 or even more pages, if the application is unlikely to survive evaluation. To this end, every applicant is first requested to fill in a "Preliminary Loan Application" of approximately two pages. A sample of this application is reproduced as Annex I and a "Guide for future borrowers" as Annex II.

57. The preliminary loan application is scrutinized by a senior officer of the development bank, or by a committee, and then transferred to the operations department. The economist, the engineer and the financial analyst will examine the stated facts and figures and make a rough initial appraisal, highlighting the financial aspects to determine costs and returns. The economist will make a preliminary analysis of the product's potential market and if no satisfactory market exists, further investigation is halted. The second part consists in a background check on the applicant through banking and business circles. This preliminary screening should be completed in a few days and either the applicant is informed by the bank of a refusal, stating in the letter a brief reason, or he is requested to submit the complete and fully detailed loan application, which on receipt is transferred to the operations department for a thorough and full appraisal.

58. ad d) **ASSISTANCE:** Projects, submitted by entrepreneurs are seldom clear-cut and complete. The entrepreneur has to prepare his proposal for a loan according to the sequence of questions, enumerated in the prescribed form, describing in full the marketing, technical and financial aspects of the project, as well as those of an existing company. In the case of "newcomers" to industry, a multitude of personal and financial questions have to be answered.

59. Development finance institutions experience great difficulties in obtaining complete data of projects to be financed, partly because potential clients balk at providing full details on the finances of their company or on their

personal means; partly because the marketing, technical or financial sections of the project proposal are incomplete or ineptly prepared. In the first instance the solution lies in building up the confidence of the entrepreneur in the development bank and in assuring him of confidential treatment of his statements. In the second instance the professional cadre of the operations department would be able to assist the entrepreneur in adjusting and completing the proposal or will recommend the services of a consulting firm, sometimes only of an accountant, or an industrial development centre. Industrial development centres have been established in many developing countries to undertake the identification and preparation of projects for industrial development.

60. The assistance by the professional cadre of the development bank for the completion or rectification of projects must necessarily be subject to certain reservations; the specialists time is costly and should primarily be employed on actual project appraisals and further a sweeping reconstruction of a project involves the acceptance of a certain responsibility by the bank for the future performance. However, the decision of management, when and how much assistance should be given to a project proposal of an applicant will depend on the work load of the operations department and on the importance of the project.

61. ad e) PROJECT NEGOTIATIONS: Once the preliminary loan proposal has been found in principle acceptable by the development bank and thereafter the project has been consolidated, the entrepreneur is requested to submit his formal loan application. The individual queries to be answered and the various statements to be furnished are listed in the "Loan Application Form", of which a specimen is reproduced in Appendix II. This particular form serves for loan requests for medium-size and larger projects, whereas a shorter version, designed for light industrial projects has been included in the "Guidelines for the preparation of project appraisal reports", starting with page 41.

62. A loan application, prepared on the lines of the form, as outlined in Appendix II is admittedly rather extensive and requires time and effort to complete, but has for the entrepreneur the advantage that every single aspect

of the project is being dealt with in detail; for the entrepreneur it is the most arduous task in the whole loan procedure. By a full and precise statement of facts and by quantifying all forecasts in his application, the entrepreneur is predetermining the whole future performance of the new enterprise, and becoming at the same time aware of the many production, marketing and financial problems he may encounter, many of them he has not even considered before. To counter the entrepreneur's usual complaint about the extent and depth of the questions of the loan application, the bank's officer should emphasize the importance of this approach for the project and for the entrepreneur. Frequently, an entrepreneur does not even submit his application for a loan, after recognizing some grave problems or the lack of profitability.

63. When the development bank receives the completed loan application form and the required documentation, the professional cadre of the operations department examines thoroughly the given facts, figures and the entrepreneur's opinions on the project and prepares a list of topics to be discussed and negotiated with the applicant; they will refer to improvements or necessary changes in the many areas the project covers, as:

- corporate set-up
- location of factory and size, construction
- manufacturing process
- selection of machinery
- cost of project
- cost of goods produced
- sales price of goods
- market potentials
- income forecasts
- means of financing
- working capital
- security
- legal conditions and covenants
- and others.

64. For these negotiations a series of interviews with the applicant/s will be arranged, additional documentation will have to be requested and field trips made. In particular, the engineer will have to visit the site, check

on the existing infrastructure and utilities and availability of labour.

65. ad f) PROJECT APPRAISAL: This paper does not deal with the actual problems of project appraisal, nor the form and content of the appraisal report (see "Guidelines for the preparation of project appraisal reports"), but attempts among other subjects to define more in detail the composition and qualification of the professional cadre which carries out the project appraisal. Project appraisal requires the skills of the economist, the engineer and the financial analyst, and in the final stages those of the lawyer.

66. The manner in which the skills of the professionals are matched can be vital to effective appraisal. Two basic methods have evolved, namely:

- The first is the separate departmental method in which the economists, the engineers and the financial analysts work in separate departments and each department prepares its report on the part of the appraisal it is concerned with. A senior officer will collate these reports and will then submit the final edition of the report with recommendations to the Board or Management for the investment decision. With this arrangement several adverse facts come to light; the senior officer, collating the three reports, not carrying out any investigation work, could be put to better use. Furthermore, there is very little or no cohesion among the three departments in their opinion on the viability of the project and on many peripheral issues; there will be overlapping and duplication and lastly, there possibly will be a time differential in the completion of the three reports, if one or the other department is overloaded with work.
- the second method is the team appraisal. Within the operations department teams are formed consisting each of an economist, an engineer and a financial analyst who work closely together on one particular project until the report is completed. Team appraisal has shown to be more effective than separate departmental appraisal of projects. It forces each specialist to give more thorough consideration to the way closely related facts outside his own competence affect those within his competence. It gets the job done more quickly and by knowing the methods of work of the other two specialists, each of them has a better opportunity to become an all-round development banker.

67. Very seldom a third substitute method is employed, namely the appraisal by a single professional acting by himself. Obviously, as it is difficult for one man to achieve near perfection in all three fields of appraisal work, he could hardly be entrusted with the appraisal of an important or sizable project, but he could be very useful in the appraisal of small loans.
68. Unless legal complications appear during the negotiation- or appraisal stage, the work of the lawyer commences before the sanction-stage of the loan to review the legal conditions and covenants. The preparation of the loan- and mortgage agreement represents the main part and his principal contribution to the work of loan operation.
69. Applicants for loans in nearly all developing countries complain strongly that the time lapse from the preliminary loan application to disbursement of the loan is excessive. In many instances their complaints are justified as processing time has been found in some cases to take up to one year. Evidently, there were reasons for delay, but more often the blame has to be ascribed to the applicant by submitting his evidence piecemeal and at long intervals.
70. The amount of the loan, the importance of the project, the required thoroughness of investigation and the difficulties of establishing all facts and figures for the loan appraisal will dictate the length of the processing time. More loan work has proven that usually the processing time is nearly half of that required by the departmental method of appraisal.
71. Every attempt should be made by the management of the industrial development bank to keep the processing time for medium-size and larger loans to two, maximum three months, and that for small loans to one to one and a half month.
72. A "Loan Processing Time Record" sheet, started at the day of receipt of the preliminary loan application, will be very useful for a review by management not only for the disclosure of undue delays at a particular stage but also for applying psychological pressure on the officers who have to fill in the relevant dates.

73. Annex III shows a sample of a "Loan Processing Time Record" which has to be modified according to prevailing steps in appraisal or to the bank's procedures.

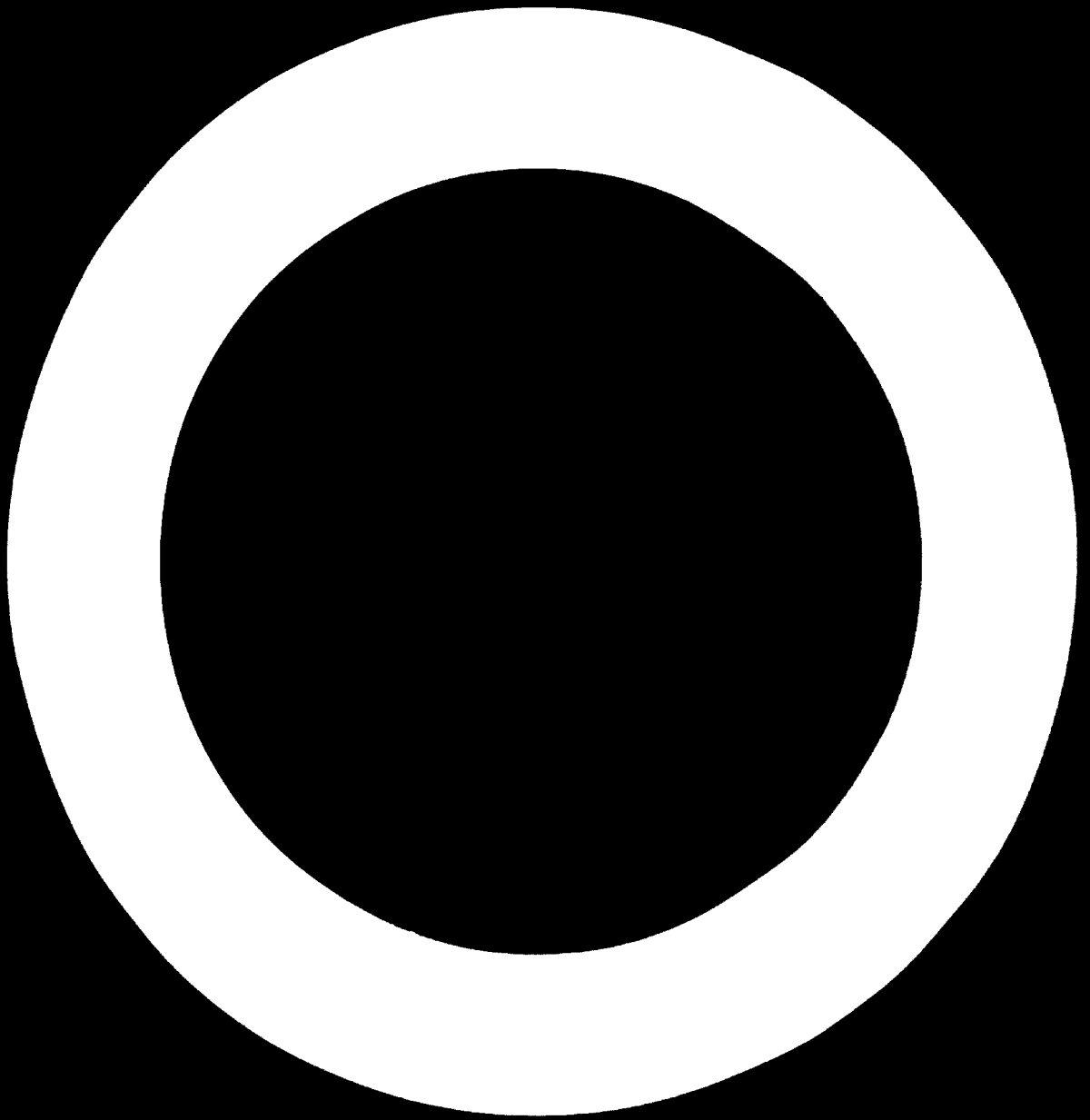
74. ad g) CREDIT INVESTIGATION: Larger development banks appoint as a rule a special officer to the post of "Credit Investigator". Usually, this post is filled by an elderly, well experienced and well connected man, preferably a former commercial bank employee who, thanks to his previous training, will be able to detect the true facts even from "hedging" answers to his questions. If in smaller or medium-sized development banks the number of loans do not justify the creation of a separate post of credit investigator, a suitably qualified officer of the finance department could undertake the credit investigation work.

75. The credit investigator will first be called upon by the management to investigate the credit rating of an applicant at the time of submission of the preliminary loan application.

76. A more thorough credit investigation will be carried out during the time the project appraisal is proceeding. A confidential credit report, on the lines as shown on page 66 of the "Guidelines for the Preparation of Project Appraisal Reports" is then completed by the credit investigator and handed directly to the general manager who will submit it to the board of directors at the time of loan sanction.

77. ad h) DOCUMENTATION: A number of documents or certified copies have to be submitted by the applicant with the formal loan application, referring to the incorporation of the company or the firm, financial statements, pre-formal invoices of the machinery to be purchased and other matter. A list of documents to be submitted is given on page 5 of the formal "Loan Application" in Annex II.

78. If the applicant is a private or public limited company, a certified copy of the minutes of the board meeting, deciding to apply for a loan and giving the names of authorized negotiators, has to be included.





29. ad i) **TERMS OF LEGAL CONDITIONS:** The terms of financial and legal conditions have been dealt with at length in the "Guidelines for the preparation of project appraisal reports", page 61 to 72 and a repetition appears therefore to be unnecessary.
30. ad j) **LOAN AGREEMENT AND MORTGAGE RECORD:** As already previously mentioned, the larger institutions, especially the state-owned, have a well-staffed legal section within the operations department or a separate department which prepares all legal documents; in others, mainly in the smaller or privately-owned banks, the lawyers will commission a legal firm with the work.
31. Although the legal section or department, by its close connection with loan operations, is an essential part of the loan operations, it is also responsible for the conduct and surveillance of law-suits, instituted against borrowers. Thus it is closely tied up with loan-follow-up activities and plays therefore a dual role within the organisation.
32. It would not serve any purpose to try to reproduce here a loan and mortgage agreement, as laws and procedures are fundamentally different in the various countries and a standard specimen could not be devised.
33. ad k) **DISBURSEMENT AND LETTERS OF CREDIT:** Disbursement, or the establishment of letters of credit can be effected only after the loan has been sanctioned by the board of directors and after the legal department (or the lawyer of the operations department) confirmed the completed signature on all legal documents and the deposit of all required law records. As it is more the rule than the exception that delays occur in completing the legal part of the loan procedure, the development bank requires the issue of an interim bank guarantee by a recognised scheduled bank, to avoid a hold-up in the implementation of the project. Para 205, page 69 of the "Guidelines for the Preparation of Project Appraisal Reports" deals with this requirement.
34. The actual disbursement or the establishment of letters of credit is the concern of the finance department. Large and long established institutions, dealing mainly with foreign exchange loans and letters of credit form a special section within the finance department to deal with these transactions.

35. The release instructions to the finance department for disbursement originate either with the operations or the loan follow-up department. The operations department has at this stage completed its part of the work, it has carried out the project appraisal and obtained the sanction of the loan by the board. With the authorization of the legal officer and/or being in receipt of the interim bank guarantee, the operations department is justified to request disbursement. But it must be considered that for all purposes the operations department from this point on has ceased to have direct contacts with the borrower.
36. When the release instructions for disbursement originate with the loan follow-up department, the adopted procedure will be more effective with regard to supervision. It is the loan follow-up department which from the loan sanction stage onward has to deal with the borrower and which has to maintain continual contact until the expiration of the loan period.
37. Disbursement or the issue of letters of credit is usually arranged in several instalments and the development bank will make releases only on the submission of the relevant documents by the borrower and only at the time needed. Further supervision is also necessary to make sure that released funds are used only for the purpose agreed in the project schedule.
38. Taking these points into consideration, the bank's management will prefer to assign the task of preparing disbursement instructions to the loan follow-up department.
39. ad 1) LOAN FOLLOW-UP.
90. ad m) ADVISORY SERVICE AND "TROUBLE SHOOTING": Both activities are closely related to each other. Loan follow-up is more of a financial and the advisory service of a technical and managerial nature.
91. A certain pattern can be observed with many finance institutions in developing countries. In the first few years of operation, the management is mainly concerned with building up the business and consequently concentrating on project promotion and project appraisal, leading ultimately to sanctioned loans to new industries or expansion of existing ones. During these initial

years in the life of a development bank little attention is paid to loan follow-up except that the operations department is instructed to "keep an eye" on the projects evaluated by their officers.

92. The optimism of management that loans have been approved to "safe" enterprises only is soon disturbed when the first defaults in repayment occur and/or troubles in the operation of the enterprises come to light. And it is just the proper loan follow-up methods which should have given management the first warning before the adverse conditions become a real danger to the enterprise.
93. The controversy, whether the same people who originally appraised the project should carry out the loan follow-up function or a different team, belonging to a separate loan-follow-up department is turning in favour of the latter solution.
94. By using the same loan operations staff to supervise and follow-up a project after its completion and gone into production assures a certain continuity in the relationship with the borrower, especially for future expansion of the business, but could on the other hand lead to some covering up of mistakes in the original project appraisal. There prevails also a reason of cost consciousness for not using the appraisal team for loan follow-up, as the professionals of the appraisal team are comparatively better qualified experts, commanding higher salaries.
95. A separate and independent loan follow-up department will be staffed by officers, who, as investigators, have been subject to a different kind of training, emphasizing the competence to analyse expertly the operational problems of a manufacturing enterprise.
96. The duties of a separate loan follow-up department and the methods employed are discussed in Chapter VI. of this paper.

#### MONTHLY REPORTS

97. The operations department must substantiate to management its work load and to this end it must provide each month full information on the
- a) number and details of "Preliminary Loan Applications" received and present status

b) number and details of "Formal Loan Applications" received and present status.

98. From these statistics any inordinate delays will become apparent and management has thus the opportunity to call for accelerated action on certain projects or to decide on a re-organisation of the department.

99. ANNEX IV shows samples of proformas for the monthly statements of a) and b) mentioned above.

100. Other statistics referring to loan sanctions and various related periodical statements are the concern of the statistical department, or the officer in charge of statistics. It would not be rational to put the burden of a rather extensive statistical work on the operations department. The duties and the type of work of the statistical department (or section) will be dealt with in a following chapter.

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VI. THE LOAN FOLLOW-UP DEPARTMENT DUTIES - INSPECTION REPORTS

101. After a loan to an industrial enterprise has been sanctioned and the legal agreements signed, the work of the operations department has been completed and for practical purposes all contacts with the borrower have ceased. It is the follow-up department which from this stage on will be concerned with the project and that, until the expiry of the loan period, which may run up to 10 years or more.

102. The basic documents for the work of the follow-up department is the project appraisal report and the legal documents. The appraisal report defines the project in terms of cost, means of financing, cost and details of the fixed assets, construction and installation schedule, the cost of producing the goods, and assuming a rate of production the profitability of the project. The legal documents represent the basis of the legal relationship between the development bank and the company being financed.

103. While a project appraisal estimates the cost and the working of an enterprise, such estimates are based on assumptions which might not turn out to be entirely correct. Far too many factors may influence the performance and thus the financial success of the project. Follow-up work therefore requires of those officers involved in it a thorough understanding of a company's changing operations and the ability of detecting in time any adverse signs, which could lead to a deterioration in the performance.

104. Considering the number of years a direct contact will have to be maintained between the development bank and the borrower, the personal links are most important in the building up of an amicable relationship. Whether the personal link is a nominee director or a follow-up officer who pays periodical visits, his personality and the attitude he adopts in his contacts with management can have a major influence on the relations between the two parties. It will be of advantage to the development bank and to the future relationship if the follow-up officer attends some of the interviews with the loan applicant during the negotiation stage, where he will be in a position to explain before the signature of the loan and legal documents the requirements for the follow-up procedure. Far too often the borrower attempts to comply with the

excuse that he was not properly informed of his many obligations. The loan agreement includes the clause for co-operation of the borrower with the follow-up department, but if he is unwilling, very little can be done to force him and it is hardly thinkable that the bank would recall the loan for this reason, although it could be legally justified.

105. The reluctance of borrowers to provide the various statements and general information on the performance of the enterprise once they have received their money makes long-term follow up very difficult. During the appraisal phase it is comparatively easy for the development bank to obtain all the data and statements required since it has considerable leverage over the borrower. After he has received his funds, he quickly becomes less interested in providing the profit and loss statement, balance sheets and operating reports that are essential to an efficient follow-up procedure.

106. After maintaining the value of the security for a loan, this reluctance for co-operation becomes probably the second most important problem for the management of the development bank to solve.

107. The necessity for loan follow up is an accepted fact by all development bankers. The finance institute, which has provided money and facilities for the project must keep in touch with its progress so as to be satisfied that the intended objectives are pursued and fulfilled, that the bank's investment is safe and will become regenerative. Moreover, the borrower himself will benefit from the follow-up scheme which shows up the progress and the problems, of which he might not always be aware, and the development bank can be expected to react readily when external support - financial or otherwise - will be needed.

108. Although surveys have been made in industrialized countries to ascertain the reason for the failure of manufacturing enterprises, no such data are available for developing countries; it is indicative that about 50 % of bankruptcies or liquidations were due to incompetence and about 23 % due to lack of managerial experience. Transposing these or similar percentages to developing countries, it will be seen that development banks

can best support their clients by supervision in these areas, once follow-up information has brought them to light.

109. FOLLOW-UP PHASES: There are two main phases of a project - construction and production.

a) During the construction phase it is the practice to require the borrower to submit progress reports every three months. Should he comply with this request, an inspection visit by the bank's engineer every six months is recommended to verify the information given. If the requests remain unanswered, the development bank has to carry out the three-monthly inspections by its own follow-up officer.

For the whole construction period only the visits of an experienced engineer are required.

At the completion of construction and the start of trial runs a final construction report has to be prepared.

Two report forms have been devised and they can be used either by the borrower\* or by the follow-up engineer.

ANNEX V: Quarterly Inspection Report on Construction

ANNEX VI: Final Construction Report

Both report forms are as far as possible complete and being rather extensive in contents, may be adapted to the needs of the follow-up department.

Three main areas of investigation deserve attention, namely:

- Arrangement of finance. Is the company (or entrepreneur) in possession of the necessary funds to continue construction during the next three months or until completion?
- Delays in construction. If there is delay in construction what are the causes? How can the development bank assist? By what amount will the cost of the project increase?
- Overrun in costs. Has there been underestimation in construction, in salaries, in machinery, in installation costs? And why? How will the overruns be paid?

All these are questions which have to be thoroughly investigated.

\* When sending a report done to the borrower for completion of the construction and later production details, the prefix "Inspection" should be omitted.

b) As soon as trial runs are satisfactorily completed, the production phase starts.

Usually, development banks require a report on the operations of the enterprise every 6 months. Here again, if the request remains unanswered, the follow-up department has to send its officer to investigate and to complete the inspection report.

On the completion of the financial year, the borrower has to submit to the development bank its financial reports, that is the profit and loss account and the balance sheet. Delays occur often in the preparation of these reports and the usual request is first for drafts, and later for audited copies.

In the majority of cases these inspection visits are made by an experienced accountant.

Should it become clear during the inspection visit that technical or production problems endanger the progress of the enterprise, the engineer will be called in for advice.

A sample of a report form is given in ANNEX VII: "Half Yearly Inspection Report on Operations of Manufacturing Industries", which could be revised if needed.

During the production phase a number of important aspects should be thoroughly investigated, as:

- Working capital. How much is required and how much is available? Have commercial bank borrowings increased?
- Management. Is management in its capability to organise and run the enterprise living up to expectation? Is production, sales and administration well organised?
- Production. Have troubles arisen in production? How serious are they?
- Raw materials. Is the flow of raw materials for production satisfactory? If not, what assistance would be required?
- Marketing problems. Can the total of production be sold? Are sales seasonal or at a steady pace the whole year round? Are the stocks of finished goods larger than required? Must production be reduced at certain times?
- Other problems. Are there any and of what nature?



**PROCESSING OF REPORTS:**

110. Inspection reports reaching the loan follow-up department, whether prepared by the borrower or by the development bank's inspecting officer, as well as the yearly or half-yearly financial statements, have to be processed, meaning that a scrutiny of the obtained facts and figures has to be carried out and, if required, an applicable action has to be initiated. Should the follow-up department not act accordingly and for instance only file away the reports, the whole purpose of loan follow-up is defeated.

111. As it is hardly feasible to enumerate here all the adverse aspects which could impair the orderly progress of an enterprise, nor the kind of advice or effective assistance the development bank can give, it must be left to the experience and the business acumen of the departmental manager to decide on the steps to be taken. Usually these will be on three levels:

- making recommendations to the management of the enterprise
- requesting the experts of the development bank to assist in clearing up certain difficulties
- informing the management of the development bank of the grave circumstances, endangering the financial position of the enterprise and consequently the loan itself.

**COMPARISON TABLE:**

112. Considering the long duration of a loan, an analytical comparison table will facilitate a quick survey of the progress of a company from year to year, based on the following figures:

	Original Budget	First Year	Second Year	Third Year	Fourth Year	..... .....
Paid up share capital						
Medium and long term loans						
Current assets						
Current liabilities						
Production in units						
Utilised percentage of capacity						
Total sales						
Profit before tax						
Profit after tax						

113. Such a comparison table secured to the inside of the file cover reveals at a glance the main corporate figures of an enterprise.

DISBURSEMENT AND RECOVERY OF LOAN INSTALLMENTS:

114. Besides the continual supervision of an enterprise financed by the bank and to observe its progress, the follow-up department has also two additional functions to fulfill, namely the warranted and timely issue of disbursement instructions to the finance department and the recovery of loan instalments, when overdue.

115. Disbursement instructions: In Chapter V, ad k), Page 25, the advantage of authorizing the loan follow-up department to issue release instructions for disbursements and letters of credit has been discussed and this procedure recommended. An enquiry has shown that the majority of the long established development banks have adopted this method as being more effective than the previous one when the loan operations department was charged with the disbursement procedure.

116. Recovery of overdue instalments: Many industrial development banks will not agree with the allocation of this duty to the loan follow-up department, maintaining the belief that this is a function of the finance department. If reminders sent by mail to borrowers would assure the recovery of overdue instalments, the contention would be justified to leave this matter within the jurisdiction of the finance department. However, the payment record of borrowers in the developing countries is, in general, far from satisfactory and personal intervention, pressing for settlement or 'dunning' is an often used way of handling such situations. The practice confirmed that 'dunning' is more effectively carried out by the follow-up officer than by an accountant who would not be aware of the existing business and financial situation of the enterprise nor would he have the desired personal relationship with the borrower.

117. The follow-up department will have to work in close co-operation with the accounts section, which will supply the notices of overdue instalments as well as those of payments received of such overdue instalments.

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**STATEMENTS OF FOLLOW-UP**

118. Management has to be kept posted of the progress and the actual work performed by the loan-follow-up department (and at least every month through statements submitted).

119. With the increasing number of loans and the growth of the industrial development bank, a periodical reporting system for the information of management is indispensable. The sooner the system of reporting statements is introduced, the quicker the personnel gets accustomed to make this an "automatic" duty on a certain date.

120. Of the duties of the follow-up department, dealt with so far in this paper, the inspection of enterprises, the release instructions for disbursement and the recovery of overdue instalments would be the main areas where periodic reporting statements to management are required. Additionally, the position of loan cases under litigation has to be reviewed and reported.

a) **Summary Report of Inspection of Projects.** The inspection officer submits on his return from an inspection his report by using the appropriate pro-forma (as per Appendix V., VI., or VII.) and the officer-in-charge processes the report on the lines already indicated. A summary report on inspections, prepared monthly, as shown in ANNEX VIII, will inform management of the total of inspections carried out as well as the inspection programme for the following month.

b) **Commencement of Production.** A monthly statement of projects which have been completed and started regular production is of special concern to management. Either certain agreements with borrowers are coming into force or visits have to be arranged, but mainly management has to report to government the completion of projects, financed by the institution. Usually it is also good public relation to advertise these events.

ANNEX IX shows the pro-forma for this monthly statement.

A copy shall be given to the engineers of the operations department who will note the start of production on their files.

c) Loan Cases under Litigation. The loan agreement specifies the reasons and the legal means for a recall of a loan. Non-payment of the balance of the principal, interests and other costs leads to litigation, initiated and supervised by the legal section. Court cases can only be started with the authorization of management.

It is however the duty of the loan follow-up department to prepare the case and to collect all documents for the law-suit. Management, the finance department and the legal section must receive a summary statement of all newly instituted and old law cases at least once a month; the follow-up department will prepare such a statement and will submit it every month to the above named.

ANNEX X is a sample pre-form for reporting all law cases.

Should the development bank have the misfortune of having to deal with a larger number of law-suits, management will be vitally interested in reviewing from time to time the overall position of all pending cases, to evaluate the progress made and to know the total amounts involved in litigation.

Such a summary of totals is usually prepared by the follow-up department every quarter of the year in the following form:

Quarterly Review of Law Suits  
of [REDACTED]

	No. of cases	Amount
A. Value of		
1. Suits filed		
2. Decrees obtained		
3. Balance (i.e. Suits pending in Courts)		
4. Suits still to be filed		
5. Total (3 + 4)		
B. Value of		
1. Amount obtained (as 1. & 2)		
2. Recoveries, whether through enforcement of decrees or by compromise		
3. Recoveries outstanding		

d) Release Instruction for Disbursement. It has already been determined that release instruction for disbursement to the finance department (or instructions for the issue of letters of credit) are more expediently dealt with by the follow-up than the operations department.

Disbursements mean a reduction of the development bank's available loan funds and the issue of letters of credit an accepted responsibility of having to pay certain amounts of cash in future months. A statement of release instructions, of which a pro-forma is shown in ANNEX II, is doubtless of major importance to management and the finance department; it has to be submitted by the follow-up department at the end of each week.

### STATEMENT OF 'OVERDUES'

121. Overdues, the non-received instalments, when due, are probably one of the biggest problems of industrial development banks in developing countries.

122. Some of the consequences of disproportionate overdues are:

- The predetermined financial budget of the institution is upset
- available funds for new loans are reduced
- the institution gets ultimately involved in law-suits
- the staff of the follow-up department increases out of proportion
- last but not least, the probability of securing new loans from Governments or international agencies is reduced.

123. It is therefore understandable that every development bank makes a strong effort to keep overdues to the minimum and that management is anxious to obtain at regular intervals precise statements on overdues, constituting the basis for further actions.

124. The statements are required to give management a clear picture of the overdue position. The first is an individual statement showing the name of each borrower and his unpaid instalments, the second a summary statement, giving the totals of all overdues. Each of the two statements is subdivided in four time periods to show the delay which has occurred.

125. These two statements have to be submitted every month to management and the finance department.
126. ANNEX XII shows the pro-forma for overdue of all cases with the names of each borrower.
127. ANNEX XIII shows the pro-forma for a summary of the overdue as well as the loan position of the institution.
128. The most convenient method to ascertain overdues is the use of a diary; each page representing a due date, is subdivided into columns for the name of the borrower, the principal of the instalment due, the interests due, and the corresponding columns for the principal paid, the interest paid and for the date of payment. An additional column for remarks may prove helpful.
129. The preparation of the two statements presupposes a close co-operation between the accounts section of the finance department and the follow-up department. As already mentioned, the accounts section informs daily the follow-up department of all unpaid instalments and interests. This is conveniently done by a copy of the usual reminder to the borrower. A second reminder, stronger worded, is sent 10 or 24 days later, again with a copy to the follow-up department. If still no payment is received, the follow-up department starts its 'dunning' action on the borrower. On receipt of the monies due, the accounts section confirms the receipt again with a copy to the follow-up department. In this way no additional work is put on the accounts section.
130. The task of preparing the two overdue statements could also be shifted to the accounts section, in which case the copies would go to the follow-up department for subsequent dunning action. Such a decision for preparation of these statements by the accounts section will probably be influenced by the comparative strength of the staff of the two groups and the organisational capabilities of the officers-in-charge. As however the reporting duty to management on overdues and the 'dunning' activity are closely related, it seems that they are best assigned to the follow-up department.

### FEED-BACK SERVICE TO OPERATIONS DEPARTMENT

131. It has been mentioned in previous chapters that after the sanction of a loan, the operations department disassociates itself from the project and has, for all practical purposes, very little or no knowledge of the ultimate development and the actual performance of the enterprise, financed by the development bank.

132. A feed-back service of information on construction and production of projects by the follow-up to the operations department will allow a check on the efficacy of the appraisal technique used. It will disclose certain aspects which could have a far-reaching importance for specific industries, construction methods or market exploitation. The information such a feed-back provides and the lessons it teaches for use in future appraisals will be of unique value to the appraisal staff.

133. The information, revealing the divergence of appraisal and estimates against the actual performance of an enterprise can refer to a multitude of causes of which only a few are mentioned here:

- cost of construction
- delay in construction
- cost of raw materials
- cost of production
- insufficient working capital
- declining markets
- overcapacity
- inflation
- changing import duties, etc.

134. Of course, only major discrepancies will be reported.

135. A suggested method of preparing a feed-back report would be: The officer-in-charge of the follow-up department would accumulate notes of important discrepancies during the scrutiny of inspection reports or after discussions with borrowers. Every three months he would write his report and use for each of these industries, about which he has some information to impart, a separate sheet, citing one or more project cases. The operations department will file



these report sheets industry-wise; the experience accumulated from following up a considerable number of projects of a particular industry will create a reservoir of experience for the benefit of subsequent applicants and for the appraisal of their projects.

#### IMPORTANCE OF THE FOLLOW-UP DEPARTMENT

136. On the preceding pages the various functions of the follow-up department have been described in detail, emphasizing the important role this department plays in the organization of an industrial development financing institution.

137. Surprisingly, there are still institutions in developing countries which have not yet recognized the fact that the follow-up department is in fact a key department, essential to long-term banking operations.

138. The full burden of follow-up does not become apparent in an institution's early years. Once the development bank gets into full operation, the impact of the build-up of loan cases which remain practically without supervision is grave and can, under certain circumstances, endanger the financial position of the bank.

139. The follow-up activity presents diverse problems and the staff of this department has to be capable of meeting these problems. The basic requirement for carrying out this function is to anticipate problems before they become serious and to provide a flexible response to overcome them. The staff of the follow-up department must have an adequate background, some in engineering others in accounting and/or financial analysis, and they must be able to take an overall view of problems facing a company.

140. To be assured of an efficient performance of this department, management should assign an experienced senior staff member as manager to the follow-up department and make this his full time responsibility. He will be called upon to train his staff on-the-job, but he should also arrange special training courses, as for instance lectures by competent auditors on how to examine financial reports; other lectures by well qualified engineers on technical and production problems and eventually also by economists on marketing studies.

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## VII. STATISTICS

141. Statistics, in the form of statements are the results of compilation of data on the activity and the progress of the industrial development finance institution, drawn up in such a way as to permit comparisons from month to month. They also show the changes in business transactions according to various classifications and type of transaction.
142. The statistics, as mentioned below, are management's tool for policy decisions.
143. A few executives believe that the monthly issue of statistics is unnecessary, as they could call at any time for certain 'ad hoc' statements when required. But this view is incorrect. 'Ad hoc' statements take often several days to prepare and create far more work than a systematic compilation every month. But unless management peruses periodically the vital data, it will not be aware of the gradual changes in the bank's operations as the 'ad hoc' statements, due to the pressure of business, are not called for often enough and not at times when most needed.
144. Statistics are also used in various forms and as extracts in public relation, in advertising, in announcements and as a basis for decisions in the board of directors and annual general meetings.
145. The main activity of an industrial development bank is in the loan field; therefore loan statistics are singled out for discussion in this chapter.
146. As an industrial development bank grows and the number of loans and the total amount of loans increases, it is imperative for management to know at all times into which of the various classifications these loans belong and in which direction efforts are to be made to increase the loan activity or to put the brake on others to avoid grave risks.
147. ANNEX XIV shows the pro-forma for the monthly, yearly and total numbers and amounts of guarantees issued in local and foreign currency. In some cases entrepreneurs do not require a loan but need only a guarantee

of the development bank, for instance for the purchase of machinery, to guarantee the timely payment by the entrepreneur to the supplier. Management must know continuously the type and the amount of all obligations accepted so far for their future decisions on policy; especially as there are inherent risks in issuing guarantees on behalf of entrepreneurs of which three are mentioned here:

- the entrepreneur can not pay the creditor on time for lack of funds
- the machinery or the goods have not been supplied correctly to specification, a conflict arises and payment is withheld
- guarantees are established mainly in foreign currencies and should a devaluation of the local currency occur, the development bank may, under certain circumstances, suffer losses on the guarantee transaction.

148. ANNEX XV is a sample pro-forma, showing the number of loan applications received for the month and the total of pending cases as well as the amounts involved in local and foreign currencies. A review will indicate to management whether promotional activity for industrial investments should be increased or reduced as well as the extent of work-load on the loan operations department.

149. ANNEX XVI is a pro-forma, giving details of individual loans sanctioned during the month. This statement is intended mainly for transmittal to Government, but also for the information of the board, larger equity holders, international lending agencies and the institution's officers.

150. ANNEX XVII outlines a summary statement of loans sanctioned for the month, year and since the inception of the bank, giving the amount of local and foreign currencies as well as the geographical regions of the enterprises.

151. In the sample pro-forms, only two regions are shown, however according to necessity additional regions can be added as required.

152. This as well as all following statements show the distribution of loans according to geographical regions which is an important aspect for the development bank's policy. The statutes of an industrial development bank

clearly states the necessity to diversify investments among various industries; very often diversification according to regions of the country is imposed, mainly with the aim of developing the poorer and underdeveloped regions.

153. ANNEX XVIII introduces a classification of sanctioned loans to new and existing industries for the month, year and the total since inception, region-wise and in local and foreign currency. Again a policy change of the bank may be decided upon when the final figures of this statement are analyzed.

154. ANNEX XIX shows a pro-forma, classifying the sanctioned loans industry-wise for the month, year and the total since inception in local and foreign currency and according to regions. This statement is probably one of the most important ones for policy decisions by management. Diversification of financial assistance to the various types of industry is a predetermined programme of nearly every development bank.

155. ANNEX XX and XXI are both samples of financial statements, the first showing the loan total in local, the second in foreign currency broken down into the actual sizes of sanctioned loans for the month, the year and since inception as well as region-wise.

156. From these statements management is in a position to judge in which sizes of loan slabs their main activity is concentrated, also the proportion of local to foreign currency loans and their distribution over the regions. The figures presented will be of value to management and the finance department; they will effectively support a request to the home government for local currency loans or to foreign governments and international lending agencies for foreign currency loans.

157. A larger range of statements on other than loan activities may be required for a well organized industrial development bank, but they have to be developed to the specific needs of each institution and designed to fulfill their purpose in showing the required information.

158. Usually one officer is entrusted with the task of timely completion of all statistical statements; in larger institutions a statistical cell performs this work employing in addition to the officer several clerks.

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### VIII. THE FINANCE DEPARTMENT.

159. The organization of the finance department of an industrial development bank depends largely on the size of the institution which in turn can be defined by the number and the total amount of loans outstanding. In a newly established or smaller development bank there will not be too many organizational problems to be solved which a capable and experienced chief accountant, eventually with the assistance of an auditor, could not handle satisfactorily.

160. As a development bank grows and the number of loans increase, especially when branch offices are established, a set of functions crystallize which ultimately are assigned to individual sections, each taking care of a part of the duties of the finance department. Generally, these functions can be identified as

- accounting
- bookkeeping
- auditing
- issuing letters of credit
- dealing in foreign exchange
- deposit banking.

161. No attempt is made here to outline an organizational plan for the finance department, as this will depend on the line of command of the institution and the specific conditions of departmental work distribution as well as on the number and complexity of reporting requests the management makes on this department.

162. Accounting: Accounting consists of evolving and carrying out procedures for recording, classifying and interpreting selected transactions of the development bank to promote effective administration. Accounting and similar information - control systems must serve the needs of those who direct the organization. From time to time the chief accounting officer, often designated as Controller, will confer with management which factual information should be added to the periodical or occasional reports to allow better supervision and improved conduct of the bank's affairs. Internal reports to management will cover a wide range of subject matters, from the daily transactions in cash and securities to the draft of the yearly or half-yearly balance sheet.

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163. **Bookkeeping:** Bookkeeping is the recording branch of accounting mainly concerned with the day-to-day upkeep of the ledgers and the periodical accumulation of figures. Especially in the field of bookkeeping labour saving devices are used nowadays frequently for the purpose of recording transactions, by achieving simplification through mechanization. Even in medium-sized development banks a rapid expansion of electronic accounting, tabulating and calculating machines can be observed.

164. **Auditing:** Larger institutions have lately also introduced internal auditing. An internal auditor examines vouchers, documents and financial reports for their correctness, but determines mainly whether the requirements of the accounting system are being met effectively and whether the system is adequate for the needs of management. Internal auditing is also a managerial control for the effectiveness of other controls built into the accounting system. The auditor is also responsible for the drafting of the financial reports, namely the balance sheet and the profit and loss account.

165. **Letters of credit:**

**Foreign Exchange Transactions:** These two functions are usually combined and performed by the same section of the finance department.

166. **Foreign exchange funds** are generally provided by foreign governments or international lending agencies to industrial development banks and management for the purpose of their investment decisions must be kept informed regularly of the available balance and the commitments already made.

167. Two statements will be helpful for which pro-formas are shown in:

ANNEX XXII "Weekly statement of Letters of Credit opened (Cash transactions or Guarantees issued)" and

ANNEX XXIII "Fortnightly Position of existing Lines of Credit available with the Bank."

168. **Deposit Banking:** Frequently, an industrial development bank needs for their loan operations larger funds in local currency than are available from government and other sources. If government is not prepared to advance additional local currency funds, the development bank with government's

approval promotes among the public sector a deposit banking scheme, thus assisting the government's drive to mobilise domestic resources for the implementation of industrial development. The industrial development bank usually accepts medium term deposits at interest rates slightly higher than the going market rate for saving accounts to attract the average investor. Seldom are also short term deposits sought, as this would only aggravate the already existing competition with commercial banks.

169. As deposit banking, whether on short, medium or long term, is subject to the stipulations of the "Commercial Banking Act", the obligatory reports must be submitted to the treasury or the ministry of finance and all other regulations obeyed, unless the state legislature exempts the development bank from the relevant provisions of the Act.

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## IX. THE ORGANIZATION CHART

170. The organization chart of an institution, a basic management tool, outlines the structure of authority relationship. Authority is defined as the right and power to act. In this sense, perusing the organization chart, authority flows down in an organization, from the stockholders to the board of directors, to the chief executive, to the departmental managers and then to the higher and lower echelons of the staff.

171. In an industrial development bank, the line of authority is comparatively short, especially with small- and medium-sized institutions, yet due to functional specialization, a number of departments will rank on the chart horizontally side by side and of near equal importance.

172. An organization chart is without doubt a prerequisite for the internal organization of the institution and should be reviewed from year to year, as changes occur in the light of experiences gained, especially in work distribution, or in case of additional appointments to the managerial cadre.

173. The activities of an industrial development bank lend themselves favourably to departmentation. The purpose of departmentation is to specialize activities, simplify the task of managers and maintain control.

174. However, a department is not a "kingdom" in itself it is part of the whole organization and establishing communication and co-ordination is an essential part of management's duties. Communication of management's aims and objectives is conveyed to the organization by three devices, in one form or another:

- policies; principles or rules of action, showing also the aims of the organization
- standards; types or models to adhere to during the work, whether they refer to appraisal, follow-up, accounting, reporting or any other activity.
- procedural manuals; detailed instructions, specifying how to perform the assigned work in stages to reach the best results economically and how cooperation with other departments is to be achieved.

175. Organization charts differ from one institution to another and no definite suggestion for a standard model is being made. Nevertheless, three random sample charts of development banks, operating out of one main office without branches, are reproduced, referring in

ANNEX XLIV to a newly established or moderately-sized institution, in ANNEX XLV to an established and medium-sized institution and in ANNEX XLVI to an old established and large institution.

176. It is assumed that the charts are self-explanatory and do not require further comments.

177. In the following chapter X the type of organization will be referred to which appears appropriate for large industrial development banks, operating branch offices in various regions of their country.

178. A tentative organization chart for such institutes is shown in APPENDIX XXVII.

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#### 4. BRANCH OFFICE OPERATIONS

179. Branch offices of an industrial development bank are established when geographical dimensions of a country make loan operations, directed from headquarters, difficult and expensive, especially in areas which show a marked economic and industrial development. A newly established institution during the first years will send their officers from headquarters into the field, in later years on recognizing a favourable investment climate and in anticipation of sufficient loan demands branch offices in other towns will be established.
180. In the larger developing countries with rapid economic growth and fast moving industrialization some development banks operate a great number of branch offices, often 15 or more. Should such offices be kept on a small scale and be more of a representative type, the flow of loan work with all its intricate particulars to head-office for further processing would represent often an unmanageable load, entailing long draw-out correspondence and persistent delays and resulting in inefficiency.
181. On the other hand, it has proven to be a mistake to organize branch offices as independent and self-contained units with the same structural set-up as the head office, namely with a fully staffed loan operation section, loan follow-up, finance and eventually also an administration section. In other words, every branch office would be virtually a "development bank" of its own. This solution is suitable for a branch office of a commercial bank but is far too costly for an industrial development bank.
182. Other ways have to be found to make the various activities in connection with loan operations more efficient but mainly less expensive.
183. From the organization and operations point of view it is advantageous in the case of up to six branch offices to distribute the main functions of development banking between the branch offices and the head office; with a larger number several branch offices are grouped into a regional unit, which will administer these from a regional office and where the predetermined functions are shared between branch office, regional office and head office.

This means that a certain function is performed where it can be done more conveniently, faster and more economically.

184. To name these functions, a tentative routine list is given herewith:

1. Promotion
2. Discussion and Clarification of the Project
3. Preliminary Loan Application (Assistance)
4. Formal Loan Application (Assistance)
5. Settling of Project Details and Financial Conditions
6. Credit Investigation
7. Appraisal: Economic Research
8.                   Technical Appraisal
9.                   Financial Analysis
10. Loan Action
11. Centralized Loan Supervision
12. Documentation (mortgage and other legal papers)
13. Loan Agreement (legal loan contract)
14. Letter of Credits, Foreign Exchange Transactions
15. Accounts
16. Loan Follow-up
17. Statistics
18. Audit and Inspection of Branch Offices
19. Administration, Establishment, Personnel
20. Public Relations
21. Staff Training
22. Organization and Methods

185. The distribution of functions, or in other words the actual work to be performed in multiple branch operations, depends largely on the geographical size of the country and the industrial potential. Obviously, no firm rules can be established, but having efficiency and economy of operations in mind, the enclosed table in ANNEX XVIII attempts to give an overall picture for the distribution of functions of an industrial development bank organization for small-, medium- and large-size countries with small, medium and large industrial potential, showing an assumed number of branches, as well as the intermediary position of a regional office.

186. Functions 1 to 4 inclusive (Promotion, Discussion and Clarification, Preliminary Loan Application and Formal Loan Application) are in all cases assigned to the branch office. So is also function 5 (Settling of Project Details), however, with important projects within the jurisdiction of a regional office the work is shared between the two.

187. Project appraisal and report writing is best carried out by the appraisal teams of the head office. The branch offices, not being under regional control, will send the fully documented files to head office for further processing and for submittal of loan sanction by the board of directors or the executive committee. Functions 7 to 9 inclusive refer to this procedure.

188. If however, a major organization utilizes 15 (or over) branch offices and with a correspondingly large number of projects would overload the loan operations department, bottlenecks are likely to occur. Therefore, where regional offices exist, it is recommended to process and prepare project appraisal reports by one or two qualified appraisal teams of the regional office and forward such completed proposals to the head office for sanction. A further consideration speaks for this procedure of regional appraisal; usually the board of directors delegates to the regional controller discretionary powers to sanction credit worthy loans up to a stated amount. Such loans, appraised and sanctioned by the regional office will not suffer delays and can be completed in a few weeks and will not add work to the operations department of the head-office.

189. Centralized supervision of loans (function 11) has to be exercised by the Deputy Managing Director in charge of loan operations. For policy decisions it is not only the total of loans which is important but also the sub-division of local and foreign currencies, the regions, the various industries and the sizes of loans. All these computations are given in the various statements, described in chapter VII - Statistics. When recommending policy changes to the Managing Director due consideration must be given to the summary reports of the follow-up department on successes and failures of individual industries and of the economic conditions in the regions.

190. Function No. 12, the gathering of documentation, for the implementation of loan agreements and the mortgage transactions is assigned to the branch offices, occasionally with the assistance of the regional office.

191. Function No. 13, the preparation of the loan and mortgage agreement, is the sole responsibility of the lawyer (or the legal department) of the head-office.

192. Ample opportunities for introducing mechanization are given in the area of function 14 (Letter of Credit, Foreign Exchange Transactions), 15 (Accounts) and 17 (Statistics). These functions should definitely remain under the jurisdiction of the head office where they will be performed centrally for the whole organization.

193. Loan follow-up, function 16, is logically a task for the branch office, supported and supervised by the regional office, whenever applicable. Having initiated the loan transaction and being near the financial enterprise is an advantage which is important to the imposed follow-up procedure. The personal links of the branch officers is a decisive feature in the building-up of a good relationship between the institution and the entrepreneur, which should enable the follow-up officer to carry out his inspection duties in a friendly and co-operative atmosphere.

194. Audit and Inspection of branches, function 18, is management's tool of control on the activities of branch offices. In a large development bank this function would be carried out by the internal auditor, in others by the head of the accounts section or any other officer designated by the managing director.

195. Function 19 (Administration, Establishment and Personnel) is clearly a head-office function, taking care of all administrative duties assigned to this section. The Chief Administrative Officer will also be in charge of Staff Training (function 21) and Organization and Methods (function 22).

196. Public Relations (function 20) is again a head office function and is directed by the managing director. The public relations officer will also be responsible for advertising and the preparation of annual and other periodical reports.

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## XI. PROJECT APPRAISAL AND LOAN COMMITTEE MEETINGS

197. Meetings have a special place in the working programme of an industrial development bank.

198. The first type of meetings concerns the various stages of project appraisal and are attended by the manager and the staff of the loan operations department; the second are the meetings of the loan committee which decides on the basis of the appraisal report whether the loan proposal could in its present form be recommended to the board of directors or the executive committee for sanction. The loan committee consists of the highest ranking executives of the institution.

199. When approaching the development bank for a loan, the prospective borrower has to fill in a preliminary loan application. The scrutiny of this application could be carried out for instance by the deputy managing director and the manager of the loan operation department, or any other two executives, designated by the managing director. If it is approved in principle, the prospective borrower will submit his "formal loan application", which is routed to the loan operations department for further processing. The various economic, technical and commercial aspects of the application and the scheduling of work for the preparation of the project appraisal report are then discussed in the project appraisal meetings.

200. Project Appraisal Meetings: Of all the various functions of an industrial development bank, the timely preparation of a high quality project appraisal report is, without doubt, the most essential requirement for loan operations.

201. A methodical programming of project appraisal is necessary, as the preparation of the report involves several independently working professionals (economist, engineer, financial analyst) and the credit investigator, requiring a co-ordination of subject matter and time.

202. Project appraisal meetings should be held every week and the morning or the afternoon of a stipulated day should be reserved for this purpose the whole year round. In case there are no new projects to discuss, the work in-hand could be reviewed.

203. The manager of the loan operations department or the deputy managing director will chair the meetings attended by the team of professionals and the credit investigator (part of the time), entrusted with the appraisal of projects.

204. The process time required for the completion of an appraisal report varies from case to case. A multitude of extraneous factors can cause unforeseen delays and a precise date for completion of the report can hardly be predicted. A cost conscious management will examine periodically the average time needed for a project appraisal, as this sector of loan operations appears to be the most expensive of the whole organization.

205. The majority of applicants complain about the length of time the development bank needs to sanction the loan. In far too many cases these complaints are justified.

206. To achieve an improvement for shortening the processing time, the actual appraisal work can be broken down into three steps, which are discussed below. The chairman of the meeting will fix for each step a liberal and mutually agreed but firm time limit for the work to be executed in each step.

207. An improvement of the quality of project appraisal reports is assured by an open group discussion on the merits of a project, by the guidance and transfer of experience by the chairman and by the growing collective strength of the professionals towards their own estimates and recommendations. Also when each team member speaks about aspects of the appraisal which are foreign to his basic training, he contributes often facts and experiences to the solution of a problem. In short, every meeting is a kind of seminar for the improvement of professional knowledge.

208. The three steps of the programmed project appraisal would be carried out approximately in the following way.

209. Step One: After copies of the borrower's formal loan application have been distributed to the team members, each professional prepares for the first or "preliminary" meeting a short "check-list" (probably half a page), headlining the problems, omissions of facts or information and all other adverse



## I. INDUSTRIAL DEVELOPMENT FINANCE INSTITUTIONS AND THEIR FUNCTIONS

1. The usually applied definition of an industrial development finance institution as "an institution which provides either loans and/or equity to industrial projects" is not entirely correct, as only the financing role is being mentioned. "Development" is as important as "financing". The functions of development are less obvious to the public in general than the financing activity, which is publicized by the number and size of loans or equity participation in industrial projects.
2. The majority of the existing industrial development finance institutions adopted the designation "industrial development bank" and also to keep the title short, in the following paragraphs "development bank" is being used as a substitute.
3. As already implied, a true development bank must perform two functions, namely a banking function and a development function.
4. The banking function, which is still the main field of activity of the development bank is to channel medium and long term capital to economic development projects in the industrial sector. This does not restrict the financing to factories only, often infra-structural projects, co-operatives and small loan associations, supporting light and home industries are included in the financing programme. Other financial functions apply as much to banking as the investment in the equity of a company, the guaranteeing of a loan by a third party to an industrial project, the carrying out of foreign exchange transactions and the active help in arranging "joint venture" projects.
5. The actual development functions of a development bank will extend beyond the financial activities and will cover all or some of the following areas:
  - a) Identification of viable projects. Nearly all developing countries suffer, to a varying degree, from a shortage of capital, foreign exchange, technical and managerial skill and therefore full utilization of all available resources is required to achieve accelerated economic development. The national planning agency of the government is entrusted to work out a short,

facts of the loan application, which require clarification. Also comments are requested from the manager of the follow-up department on the economic and commercial conditions prevailing in that particular industry.

210. The chairman of the meeting will go through the check-lists point-by-point and instruct the team members on the action to be taken. He will then fix a mutually agreed date for the presentation of a draft report from each professional for a meeting in a few weeks time, normally 3 to 4 weeks ahead.

211. Should however the objections in these check-lists prove that the submitted project is neither viable nor profitable, the chairman will inform his higher-ranking executives and request further instructions.

212. Step two: On the stipulated date the second or "intermediary" meeting is held, for which each professional has prepared his draft report in several copies. These copies are distributed two days before the meeting to the chairman and the members. The chairman will read the draft reports during the meeting, give his comments and invite observations from the professionals.

213. The chairman will indicate the corrections or changes to be made, will examine the credit investigation report, will check the financial estimates for safety margins, discuss working capital requirements and will formulate the financial conditions and covenants to be imposed on the borrower.

214. Again a mutually agreed date will be fixed, about one to three weeks ahead, for the last and "final" meeting on a particular project.

215. Step three: At this last and "final" meeting of a project the combined report of the three professionals in draft form will be presented and the chairman will check whether the instructions issued at the "intermediary" meeting have been incorporated and all financial and legal conditions clearly stated.

216. Should there still corrections be made, the completed project appraisal report could be reuted at the latest within one week to the members of the loan committee for official recommendation of loan sanction.

217. Project Appraisal Meetings in Regional Offices: The distribution of functions in a large and old established industrial development bank with many branch offices has been discussed in Chapter X and the system of regions introduced to ease, among others, the burden of appraisal work on the head office.

218. The recommended "three step" programming of project appraisal remains exactly the same as described above, only the meetings will take place in the regional, instead of the head office and the chairman of the meeting will be the regional controller.

219. Usually, the regional controller is given discretionary powers to sanction viable loans up to a certain limit and consequently a good number of loans in this category will be approved in the regional office, once the project appraisal report has been completed, whereas the appraisal reports for loans in excess of the limit are being forwarded to the loan committee of the head office.

Loan Committee Meetings:

220. The management of every industrial development bank is anxious to ensure that the institution's appraisal machinery and its procedures are efficient and thorough and that its recommendations are based on objective scrutiny and analysis. To exercise the necessary control, a loan committee, consisting of the highest ranking executives of the institution meets at fixed intervals to study, check and discuss all project appraisal reports before they are submitted to the board of directors or the executive committee for sanction of the loan. However, the executives of the loan committee should see their role as very much more than that of simply approving or disapproving the proposal, presented by the completed project appraisal report. If they are to be fully constructive and helpful, they should be willing and able to serve as a source of expert advice and counsel in the development of the project, even at the risk of having to instruct the loan operations department to re-negotiate certain aspects with the prospective borrowers, involving a re-write of the appraisal report.

221. The loan committee, as it consists of executives of the head office, is either convened at short notice or will meet on stipulated days, preferably once a week. Besides the scrutiny and verification of the project appraisal reports, the reasons for delays in the processing of submitted projects should be discussed and remedies suggested.

222. Once a project appraisal report has passed the loan committee, it is forwarded to the board of directors or to the executive committee for final approval and sanction of the loan.

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XII. LEVEL REQUIREMENTS BY BORROWERS

223. The financial terms of a loan to an industrial enterprise, as stipulated in the loan agreement, specify

- the amount of the loan and the currency
- the period of the loan
- the rate of interest
- the "grace" period and
- the schedule of repayment of the loan.

224. Amount of the Loan: The amount of the loan depends logically on the size of the enterprise and its actual need for funds, as calculated in the project appraisal report.

225. Many industrial development banks have as a matter of policy adopted financing limits, upper as well as lower limits. Upper limits are even written into the charter of the institution to prevent an over-investment into a particular enterprise and to assure diversification of available loan funds on a broad industrial basis. Lower limits are fixed to discourage loan applications for small projects on which the possible returns would not even cover the cost of appraisal and subsequent loan follow-up. However, many industrial development banks meet the needs of small enterprises in various ways, especially where it has been public policy to develop as broad an entrepreneurial class and as great a diversity of small industries as possible, by creating or assisting financially "Small Industries Corporations", "Small Loan Associations" or "Co-operatives", often guaranteed by the state or the province.

225. Period of the Loan: The number of years, for which a loan is sanctioned, depends largely on the estimated financial ability of the enterprise to repay the loan amount to the bank. A too short period could get the enterprise into financial difficulties which consequently might require the re-financing of accumulated debts. On the other hand, sometimes an industrial development bank is forced to grant a loan over a too long period. This could happen in case the bank has negotiated a line of credit in foreign exchange for individual projects for a given number of years with fixed repayment terms but without the benefit of a pre-payment clause.

226. **Rate of Interest:** A uniform rate of interest to all loans is applied mainly by state-owned industrial development banks, whereas private or "mixed" institutions charge slightly varying interest rates (usually the difference between maximum and minimum amounts to about one percentage point) to projects according to several factors; the riskiness of the enterprise, the size and duration of the loan, the cost of borrowed funds by the bank, the going market rate of medium or long term interest, legal ceilings on interest rates, inflationary pressures and other circumstances are being considered.
227. **"Grace Period":** The basic task of an industrial development bank has been defined as assistance to an industrial project by sound financing and to recoup the loan investments within a reasonable number of years for the financing of future projects.
228. It has always been an accepted fact that funds for scheduled repayments of the principal of a loan and the interests thereon (debt service) are generated by depreciation accrual and not profits of the industrial enterprise. To check on the ability of an enterprise to meet its repayment obligations to the development bank, every project appraisal report includes a forecast of the funds generated for this purpose, which should prove over the years that the ratio of coverage for debt service is at least two-and-a-half times, or better three times the actual requirements.
229. The loan to the borrower is disbursed either in full or in instalments, enabling the purchase of machinery and the construction of the factory. Assuming an average construction and installation time of 18 months, before normal production can start, without a "grace period" the borrower would have to repay several instalments plus interest; however neither by depreciation nor by accumulation of net profits any funds for repayments have yet been generated. In such a case the borrower would have to provide the cash for repayments from his own reserves which, being already strained by his contribution to the fixed assets of the project, could cause financial difficulties for the enterprise.
230. For these and related reasons, the grant of a suitable "grace period" is in the majority of all loan cases of considerable importance to the financial planning of an enterprise.

231. An institution which grants a loan to an industrial enterprise from their own capital resources can freely determine the length of the "grace period", if budgetary considerations allow the "freeze" of a certain number of principal instalments.

232. Should however the loan funds derive from borrowed funds, as is mostly the case with foreign exchange loans, the management of the development bank will prudently grant only the same "grace period" as has been negotiated between lender and the bank; a longer "grace period" could involve the bank in a foreign exchange risk, due to having to repay the lender before receiving the corresponding amounts from the borrower.

233. "Grace periods" are granted in two ways:

- a) a partial grace period, referring to the repayments of the principal only, or
- b) a full grace period, by which repayments of the principal and all interests are deferred.

234. Schedule of Repayment of the Loan: Industrial development banks schedule repayments of a loan on a monthly, quarterly, half yearly and seldom on a yearly basis. It does not seem expedient, as a rule, to apply to all loans the same scheduling of instalments; for instance in the case of small loans to light industries or service businesses it might be safer to insist on monthly repayments, first because the small monthly instalment is more easily budgeted by the borrower and secondly the non-payment of one or two instalments would immediately alert the follow-up department to take action before the financial situation deteriorates further. Habitually small loans carry a weak security and for many reasons are inherently riskier than the larger ones, which are backed by mortgages and other financial and personal guarantees.

235. Interest on loans can be paid in one of three ways:

- 1) All paid at the beginning of the contract (hardly ever happens for industrial loans)
- 2) All paid at the end of the contract (industrial development banks would not agree to this method)
- 3) Paid in part at different times - mainly in equal periods - as the contract progresses (compound interests, as universally practiced by industrial development banks).

236. Repayment schedules for principal and interest can be prepared in two ways:

(1) current accounting method. The total of the loan amount, the principal, is divided by the number of instalments to be repaid. As in the time payment plan, the amount of the principal is reduced from one payment date to the next; the interest for the period is calculated and added to the principal. Because the principal of the first repayment is the largest, the interest amount is also the highest, whereas with the last repayment, the smallest principal due, the interest to be added is only fractional.

(11) level repayment method. The disadvantage of the above current accounting method shows up in the continually varying amount of the repayments, accentuated by the fact that the largest instalments are to be paid during the first years of the contract, when an enterprise is struggling to get established.

237. The level repayment method calculates equal repayments for the whole duration of the contract. The majority of all industrial development banks use this method which has its advantages to the borrower as well as to the bank.

238. A sample of such a schedule is given on the next page.



**Amortization Schedule for Loan of \$ 200,000  
Interest at 8% per annum. Repayable over six (6) years by  
twenty-four (24) quarterly payments of capital & interest**

No. of Instal.	No. of months after disbursement	Total Principal Outstanding	Total Principal Paid To-date	Principal	Interest	Quarterly Repayment
		200,000.00				
1	3	193,725.40	6,474.59	6,474.51	4,250.00	10,724.54
2	6	186,913.33	13,036.67	6,512.13	4,112.41	10,724.54
3	9	180,160.70	19,530.30	6,752.63	3,971.21	10,724.54
4	12	173,264.57	26,735.43	6,890.13	3,823.41	10,724.54
5	15	166,221.90	33,773.10	7,042.67	3,681.07	10,724.54
6	18	159,029.57	40,970.43	7,192.33	3,532.21	10,724.54
7	21	151,684.41	48,315.59	7,345.10	3,379.33	10,724.54
8	24	144,183.15	55,816.84	7,501.25	3,223.29	10,724.54
9	27	136,522.51	63,477.49	7,660.65	3,063.39	10,724.54
10	30	128,699.07	71,300.93	7,823.44	2,901.10	10,724.54
11	33	120,709.38	79,290.62	7,989.69	2,734.35	10,724.54
12	36	112,547.90	87,450.10	8,159.48	2,565.06	10,724.54
13	40	104,217.04	95,732.96	8,332.00	2,391.60	10,724.54
14	43	95,707.11	104,222.89	8,509.23	2,214.61	10,724.54
15	46	87,016.34	112,983.66	8,690.77	2,033.77	10,724.54
16	49	78,140.89	121,859.11	8,875.45	1,849.09	10,724.54
17	52	69,076.34	130,923.16	9,064.05	1,660.49	10,724.54
18	55	59,820.13	140,179.82	9,256.66	1,467.88	10,724.54
19	58	50,366.82	149,633.10	9,453.36	1,271.18	10,724.54
20	61	40,712.53	159,287.42	9,654.24	1,070.30	10,724.54
21	64	30,853.13	169,146.82	9,859.40	865.14	10,724.54
22	67	20,784.27	179,215.73	10,068.91	655.63	10,724.54
23	70	10,501.39	189,493.61	10,282.80	441.66	10,724.54
24	72	-	200,000.00	10,501.39	223.15	10,724.54
				<b>200,000.00</b>	<b>57,388.96</b>	<b>8297,388.96</b>

21. For the computation of level repayment schedules, "Compound Interest and Annuity Tables" are used, which are published in several countries.\*

20. As can be seen from the schedule, the development bank receives from the borrower quarterly repayment the full amount of interest on the outstanding capital for the period between two repayment dates, but at the beginning of the contract only a reduced amount of the principal; the principal increases with the numbers of repayments made until it reaches with the 15th installment an approximate twenty-fourth of the loan amount and continues to mount further, to compensate for the lower principal repayments of the first to twelfth installment.

21. Level Repayments combined with "Grace Period".

An Industrial development bank has to examine carefully the borrower's ability to repay the loan when establishing the repayment schedule. The fact that the borrower approached the bank for a loan to acquire fixed assets, with some exceptions of course, indicates that he is short of funds. Should the lending institution insist on repayments before the enterprise is able to generate funds from depreciation and not profits, it is only aggravating the financial position of the borrower; hence the importance of a suitable "grace period" to the project. By combining the "grace period" with the advantages to the borrower of level repayments, the institution is truly rendering the best possible assistance to new and expanding industries.

22. Both methods, the "grace period" and the level repayment scheme mean to the development bank a slightly higher interest income, which the borrower (if aware at all) will not resent, if by such scheduling of his payment obligations he may avoid a financial "squeeze" during the construction period.

23. The easing of early repayment obligations can be a substantial assistance to the borrower.

24. Here is an example to demonstrate the point:

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\* For instance tables under the above title are published by the Financial Publishing Company, 22 Brookline Avenue, Boston, Mass. 02215, and in London by Routledge and Kegan Paul, Ltd.

Existing schedule

An industrial development bank makes loans to new industrial projects at the following uniform conditions.

Period of loan: 10 years

Repayments: half yearly

Rate of interest: 7.5%

Grace period: 10 months, but partial only, referring to principal

Repayment schedule: interests calculated at the current account method

New schedule

When changing to a "full grace period" where principal and interest are deferred to the 10th month after disbursement and the repayment schedule is based on the level repayment method, all other conditions remaining the same, the following variations can be noticed.

Number of Months after Disbursement	Repayment in of the mentioned	
	Existing Schedule	New Schedule
6	3.75	-
12	3.75	-
18	9.20	0.33
Total after 10 months (straight)	16.20	8.33
Total after 10 months (compounded)	17.20	8.33
30	8.29	8.33
60	7.05	8.33
120	5.70	8.33
Full repayment of loan (Principal + Interest)	143.13	143.96
Increase of Interest, paid by borrower	-	6.83
Increase of Bank's earnings, based on a spread of 2% between borrowed and lent funds *	-	3.76

\* When comparing borrowers repayments of both schedules, the Bank receives during the first 3 1/2 years 10.29% less in cash with the new schedule, but 17.12% more in the following 6 1/2 years, which on a 2% borrowed fund basis gives increased net earnings of 3.76%.

medium and long term development plan and to form industrial sectoral programmes on the basis of industrial priorities. The development bank thus receives firm guidelines to seek and to identify within the given industrial sectors individual projects, to ascertain the optimal size, the best location and the need for financing. The lack of entrepreneurs, the lack of business and technically skilled managers, shortage of capital and many other factors make this development function quite difficult for the bank.

A few entrepreneurs may submit to the development bank some of the projects of the general or priority list, selected by the planning agency, but in the main the bank has to search for and encourage potential industrialists to start new manufacturing enterprises. Whatever project is being submitted, it has to be re-worked and elements of viability built in, forecasts and financial plans prepared and every possible help given, before the development bank can truly consider the project as "bankable". This kind of development banking has tended to be more expensive than any other banking or loan operation known.

b) Developing a capital market. Developing countries which value the positive incentive of profits as a stimulus to investments must develop a capital market to generate savings and to channel them into industrial development. There is a great deal a development bank can do towards stimulation and strengthening of a capital market, as for instance:

- (i) issue, promote and sell the development bank's shares to the public and to institutions
- (ii) promote and sell shares of companies, in which the development bank holds equity participation, shares which were kept in the portfolio until profits have been generated
- (iii) negotiating with domestic and foreign financiers and institutions to promote participation in viable projects
- (iv) establishing unit trusts, backed by a portfolio of shares of viable and profitable enterprises and by selling unit trust certificates to the public
- (v) offering the bank's services as underwriters or guarantors to financially sound companies
- (vi) promoting and supporting the establishment of a stock exchange

### SECURITARY LOAN APPLICATION

(Information supplied by the Applicants will form the basis of IDPF's decision for further processing of the application. The Applicants are, therefore, advised to supply the information set out below as complete as possible. In case it is decided to undertake a detailed appraisal of the project, the applicants will be required to submit a fully documented application in the prescribed form).

1) (a) Full Name/s + Address(es) of Applicant:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) Name of organization - Sole Proprietorship/Partnership/Private/  
Public Limited Company.  
\_\_\_\_\_

2) Location of the Project \_\_\_\_\_  
\_\_\_\_\_

3) Line(s) of manufacture or line(s) of service industry \_\_\_\_\_  
\_\_\_\_\_

4) Nature of the Project - New/Expansion/Replacement/Balancing, or  
Modernization \_\_\_\_\_

5) Annual Production Capacity (anticipated turnover in case of service  
industry \_\_\_\_\_ at ... shifts/day

6) Estimated total cost of project, including working capital.

(i) Fixed costs:  
(a) Foreign Currency \_\_\_\_\_  
(b) Local Currency \_\_\_\_\_  
Total \_\_\_\_\_

(ii) Working Capital \_\_\_\_\_  
Total cost (i + ii) \_\_\_\_\_

7) Loan applied for:  
(a) Foreign Currency \_\_\_\_\_  
(b) Local Currency \_\_\_\_\_  
Total \_\_\_\_\_

8) Sources of remaining capital:

- (i) Existing business resources \_\_\_\_\_
  - (ii) Cash in hand/bank \_\_\_\_\_
  - (iii) Other resources \_\_\_\_\_
- Total \_\_\_\_\_

9) Estimated Annual Operating Costs and Profits

- a) Income from sales
- b) Direct manufacturing costs
  - Wages and salaries
  - Materials
  - Utilities (power, fuel, water, etc)
  - Factory overhead
- c) Depreciation
- d) Administrative expenses and sales costs
- e) Gross profit before tax
- f) Profit tax
- g) Net profit

10) Names and Addresses of present Bankers of applicants/individual sponsors:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11) Existing business/Industrial affiliations (Name(s) and address(es) of concern(s):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Certified that the above information is true and correct to the best of my/our knowledge. I/We also undertake to supply the additional information/documents etc. in such form and in such detail as may be considered necessary by the IBEP for detailed processing of application.

Date \_\_\_\_\_

Signature \_\_\_\_\_

GUIDE FOR FUTURE BORROWERS

When approaching the BDK for a loan, the prospective borrower will first submit a preliminary application showing very roughly by a few figures the outline of the project. This application definitely should not be considered to be a formal loan application.

The BDK, after discussions will then indicate to the borrower that a formal application could be made together with the required documentation, but does not take any responsibility whether the loan will be granted or not.

In the interest of the prospective borrower, the procedures for the granting of a loan by an Industrial Development Bank should be made clear by the following explanation.

An industrial development loan is given on a long term basis, and such loans are different in nature and duration from commercial bank loans.

To assess whether a project is viable from an economic, technical and financial angle, a detailed study and forecasts for at least 4 years are required which are included in a comprehensive project appraisal report prepared by the BDK. The head of the department and several specialists are engaged in this exhaustive study and in the checking of facts and figures which is a time-consuming process; however, every effort is made to cut the time down to a minimum.

The completed project appraisal report prepared by the BDK forms then the basis on which Management takes investment decisions. This report also serves as a basis for the loan-follow up in the coming years.

Intensified preparation of a Project Appraisal report can only start when correct and complete information in the Loan Application Form are given and all supplementary documentation submitted.

Little is gained by the prospective borrower in supplying information and documentation piecemeal, as only the date of the complete submission of all figures and documentation can be taken as the actual date of an application.

When a completely documented application is submitted, it is presumed that all details of the project have been fully investigated and firmed up. Any

substantial changes suggested by the borrower during and after the appraisal stage will not only create complications, but will also inevitably cause delays in the consideration of the application.

In case the borrower is in doubt how to complete certain parts of the application, he should contact the substantive office of the BSEK for assistance, which will always be gladly given.

Enclosure: 2 preliminary loan application forms



LOAN APPLICATION FORM

- (a) The applicants are advised not to use this Loan Application Form unless specifically advised by the Bank.
- (b) Application should be in the form of a memorandum containing the information as asked for below. Paragraphs should be numbered to correspond with those in this form.
- (c) Complete information should be supplied in respect of each item to avoid back reference and to ensure expeditious appraisal. The incomplete application will not be finally registered till such time that the missing information and documents have been submitted as well as the prescribed processing fee has been deposited.
- (d) Application duly signed by each of the sponsors should be submitted in triplicate.
- (e) In case any clarification is required by the applicants for completion of the application, the Bank will be glad to assist.

I. GENERAL

1. Name(s) and address(es) of the applicant(s).
2. Nature of present business; year of establishment and location.
3. Nature and location of proposed project; its item number and classification under the Industrial Investment Schedule (if applicable)
4. Form of the proposed project and its corporate set-up. In case of -
  - a) Sole Proprietorships  
Give name and address of the sole proprietor together with full particulars of all immovable and movable properties owned by him (including all charges or liens) as per Annex A/1.
  - b) Partnerships  
Give names and addresses of partners, together with full particulars of all immovable and movable properties owned by each of them (including all charges or liens) as per Annex A/1.
  - c) Co-operative Society:  
Give names of the President and Secretary of the Society and their addresses.
  - d) Private Limited Company:  
Give names and addresses of directors/proposed directors, with full particulars of all immovable and movable properties owned by each of them (including all charges or liens) as per Annex A/1.
  - e) Public Limited Company:  
Give names, addresses of directors/proposed directors, with full particulars of all immovable and movable properties owned by them (including all charges or liens), as per Annex A/1.
5. If you are one of a group of affiliated companies or enterprises, give a brief description of the group and your relationship to it. Give the names of industrial or commercial concerns in which you hold interest. Also give the details of such interest which each of you hold in these concerns.
6. Name(s) and address(es) of the Signatures of (a) applicant/s and (b) Directors/Partners.

7. Extent to which each Director of the Company or partner has guaranteed in his personal capacity any other loans from banks, other than this Bank.

## II. DETAILS

8. Describe in detail the project for which financing is requested, stating what investigation has been carried out independently or by foreign or local consultants as regards its feasibility. If any link-up or participation by a foreign collaborator is envisaged, give the terms thereof and a copy of the Government sanction thereto. If the scheme is to be completed in stages, particulars of each stage should be furnished.

9. Amount of loan or guarantee required:

- a) Local currency \_\_\_\_\_  
b) Foreign currency \_\_\_\_\_

10. Period for which the loan or guarantee is required;  
(Please give proposed schedule of repayment of loans in instalments).

11. Give a realistic estimate of the time required to complete the project, indicating phasing of works, (preparatory work, placement of order, construction of buildings, delivery and installation of the machinery and equipment and trial operation, etc.)

12. Detailed information should be given under the following heads:

### a) LAND:

Give area, Plot No. and attach survey plan and copy of the Title Deed. Please also furnish original purchase price, present book value. Please also give details of encumbrances, if any. If land has not already been purchased, please indicate requirement of area, estimate of cost and present status of purchase.

Please state whether any advantages arise out of the location of the proposed factory site. Is the land free-hold or lease-hold and is the area sufficient for the requirements of your factory, office, housing of staff, labour, etc. and does it allow room for future expansion?

### b) BUILDINGS:

Submit lay-out plan of factory building and appurtenances in respect of each structure separately and indicate estimated cost, giving rate per sq./ft. as per Annex A/2. State whether the construction work is to be done by yourself or under contract.

### c) PLANT, MACHINERY:

Give complete list of machinery, equipment and spare parts proposed to be purchased for the project with a description of each individual item as per Annex A/3, (Information to be modified in case of service industries).

- d) Describe in detail the manufacturing process and the sequence of operation (not required if a report from the Technical Consultants enclosed). Furnish copies of flow chart of process and lay-out of plant.
- e) State product-wise rated annual production capacity of the proposed plant indicating the number of shifts per day and days per year the plant will be operated. (For service industries indicate figures relating to the targets, to be achieved on the basis of maximum utilization of facilities, envisaged in your project).
- f) COST OF PROJECT:

Complete the enclosed cost of project calculation, (Annex A/4) carefully and submit in 3 copies. (In case of service industries complete the costs, as far as possible according to the items stated in the enclosure and any specific items for your project should be given on an additional page).

### g) CONSTRUCTION OR ERECTION OF PLANTS:

State the names, age and qualifications of the persons who will supervise construction of the project and later its operation. In case you are being advised by technical consultant please give details.

**b) TECHNICAL AND MANAGERIAL STAFF:**

Give details of technical and managerial staff positions required for production and for administration of factory and office as follows:

Type of Staff	No. required	Salary per month	Special benefits per month	Total cost per year
---------------	--------------	------------------	----------------------------	---------------------

If foreign experts are required, give full details of remuneration, length of stay and total costs to be borne by the sponsors.

**1) LABOUR:**

Give below full particulars of foremen, supervisors and labour required for single or multiple shift operation. The labour required to be stated in separate categories under 'skilled, semi-skilled and un-skilled':

Type of Labour	No. required	Salary per month or wages per day	Special benefits per month	Total cost per year
----------------	--------------	-----------------------------------	----------------------------	---------------------

State the arrangements to be made for training of labour.

**2) ADMINISTRATIVE AND SALES STAFF:**

Give full particulars of the various categories of administrative and sales staff required:

Type of Staff	No. required	Salary per month	Special benefits per month	Total cost per year
---------------	--------------	------------------	----------------------------	---------------------

**b) POWER:**

Give details of power supply, showing connected load required, maximum demand and average power consumption per shift for the entire plant, source of supply and letter of permission from the electric supply authority (if already obtained) quoting the tariff applicable for the supply.

**1) WATER:**

State the water requirements per shift for the entire plant indicating source of supply and rates.

**a) FUEL, LUBRICATION OIL:**

Give details of fuel consumption and steam requirements per shift and annual requirements of lubricating oil indicating cost of fuel and lubricants.

**a) TRANSPORT FACILITIES:**

Describe arrangements for the transport of raw materials and finished goods.

**c) RAW MATERIALS:**

State annual requirements of direct or indirect raw-materials (for instance packing material etc.), based on 100% production capacity separately in respect of imported and indigenous raw materials, as follows:

Item	Quantity	Source of supply	Unit Price (L.F.)	Unit Price delivered to factory	Total cost per year
------	----------	------------------	-------------------	---------------------------------	---------------------

Indicate whether any raw material will be subject to wastage during processing and any losses from disposal of waste materials.

**D) MARKETING + SELLING ARRANGEMENTS:**

- (i) Indicate the major consumers of the product/s you propose to manufacture.
- (ii) Describe the contemplated selling arrangements indicating whether it is proposed to market the product directly or through wholesalers, retailers, etc. Indicate the proposed ex-factory prices to (a) direct to consumers, (b) wholesalers, (c) retailers of each product.
- (iii) If the products are to be exported, state
  - the markets for your exports -
  - the percentage of total production you undertake to export -
  - the intended F.O.B. export price/s -
  - the existing export incentives, as rate of export bonus, rebate on import duty on imported raw material, etc.
- (iv) State the names and addresses of the major producers of similar products in the country and indicate the prevailing market price of their product.
- (v) State the per unit C + F value of similar products if presently being imported indicating the Country of import, their rate of import duty and all other importation costs?  
(Not applicable to service industries).

**III. COST OF THE PROJECT AND MEANS OF FINANCING**

**13. A. Total cost of the Project as per Annex A/4.**

**Fixed cost**

Foreign Currency \_\_\_\_\_

Local Currency \_\_\_\_\_

Sub-Total \_\_\_\_\_

**Working Capital**

Local Currency \_\_\_\_\_

**Total Cost** \_\_\_\_\_

**B. State below the estimated working capital requirements at the time of commencement of production:**

**(i) Current Assets:**

(a) Cash in hand + Bank for expenses for ... week/month \_\_\_\_\_

(b) Stock of raw material: Imported .. week/month of production \_\_\_\_\_

Local ...week/month of production \_\_\_\_\_

(c) Work in progress \_\_\_\_\_

(d) Stock of Finished Goods ... week/month of production \_\_\_\_\_

(e) Accounts Receivable ... week/month of sale \_\_\_\_\_

(f) Other requirements i.e. advance + deposit, spare parts etc. \_\_\_\_\_

**Total:** \_\_\_\_\_

**(ii) Current Liabilities:**

(a) Accounts Payable \_\_\_\_\_

(b) Commercial Bank Loan \_\_\_\_\_

(c) Other - (Please specify) \_\_\_\_\_

**Total:** \_\_\_\_\_

**Net Working capital (i) - (ii) (to be covered as to Annex A/4)** \_\_\_\_\_

C. Give below the proposed means of financing of the above total costs -

- (i) Capital \_\_\_\_\_
- (ii) Loans from Directors/Partners/Associates \_\_\_\_\_
- (iii) BANK Loans \_\_\_\_\_
- (iv) Other Sources (Please specify) \_\_\_\_\_

D. Describe the arrangement contemplated for raising the capital at (i), (ii) and (iv) above indicating separately the amount to be contributed by the individual applicant, friends and relations and the amount to be raised by sale of shares to the Public. As regards contribution of the applicants, their sources of investment i.e. cash in hand, earnings and surpluses of other business, sale of properties etc. may also be indicated.

#### IV. ECONOMIC ASPECT

1. Give the estimated earnings of the project for the first four years as per Annex A 5.

#### V. OTHER MATTERS

- 1. State the names and addresses of the concerns in which any of the promoters is substantially interested and which have availed or applied for financial assistance from this BANK. If so, please state, details, i.e. date of application, amount and purpose of loan, the result of application.
- 2. Give details of legal suits, if any, pending against or filed by the applicants.
- 3. State any other feature pertaining to the industry which you like the BANK to keep in view while considering your application.
- 4. Submit the certified copies of following documents papers along with your application:
  - (i) If the company has already been incorporated:
    - (a) Certificate of incorporation
    - (b) Certificate of commencement of business, if Public Limited Company.
    - (c) Memorandum and Articles of Association.
    - (d) Permission of the Controller of Capital Issues, if obtained.
  - (ii) In case of Partnerships
    - (a) Copy of the partnership deed.
    - (b) Certificate of Registration of Firms
  - (iii) In case of a co-operative society:
    - (a) Certificate of Registration
    - (b) Copy of By-laws
    - (c) Permission from the competent authority for setting up the industry.
    - (d) Permission from the Registrar, Co-operative Societies to borrow.
  - (iv) Competitive price quotations along with detailed literature of the proposed machinery showing detailed specification and item-wise prices. (For service industries modify this information to suit your project).
  - (v) Audited Balance Sheets of the applicant/s or company together with Profit and Loss Statements for the last five years, if applicable. Statement of Affairs in case of Partnership/Proprietorship Firms.
  - (vi) Audited Profit and Loss Account and Balance Sheet for the last three years of the concerns in which the sponsors have substantial financial interest as listed under 23 above.
  - (vii) Any other paper/documents that may be considered essential in connection with the proposed project.

Name of Sponsors  
Name of Projects

PARTICULARS OF ASSETS AND LIABILITIES  
OF THE APPLICANT/SPONSOR/PROJECTOR

(for each person a separate sheet to be filled in)

NAME \_\_\_\_\_ ADDRESS \_\_\_\_\_

ASSETS:

A. IMMOVABLE PROPERTIES:

SURVEY NO. PLOT NO. BUILDINGS, MACHINERY ETC.	ACQUIRED BY	ACQUIRED VALUE	ENCUMBRANCES (MORTGAGE, LITIGATION, RENTAL, ETC)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

B. INTEREST (PARTICIPATION, SHARES, LOANS) IN OTHER CONCERNS AND INSTITUTIONS:

Name of Concern, Firm	Address	Extent of Interest (Amount)
_____	_____	_____
_____	_____	_____
_____	_____	_____

C. MOVABLE PROPERTIES: (All other assets not mentioned in A or B).  
Value or amount.

LIABILITIES:

A. BORROWING FROM BANK:

Name of bank	Amount of loan	Amount Outstanding as on
_____	_____	_____
_____	_____	_____

B. GUARANTEES ISSUED:

Name of Beneficiaries	Amount of Guarantee	Amount Outstanding as on
_____	_____	_____
_____	_____	_____

C. INCOME TAX LIABILITIES:

- the year of assessment up to and for which income-tax liability has been fully discharged;
- the total tax liability as per completed assessment still remaining to be discharged on the date of the application;
- the estimated tax liability for the year(s) for which you have not yet submitted the return(s) after accounting for the payments, if any, you have already made;
- the particulars of the certificate proceedings, if any, pending against you for arrears of income tax;

D. OTHER LIABILITIES:

(vii) generating confidence in the public at large for industrial growth and for the bank's transactions to achieve this goal, in publicising the results achieved by the development bank and the enterprises financed and by drawing attention to the enhanced value of securities issued.

c) Coordination with Government planning agency. Sometimes a so called "linkage" project is submitted to the development bank for financing which has not been included in the industrial sectoral programs. A "linkage" project may have one of several objectives. On the process side it may meet the import needs of other industries or branches of the economy. It may give rise to new economic activities or form a link for the intersupply of existing plants. Central steam generating plants or the manufacture of industrial gases would be such examples.

Therefore the development bank's investment objectives have to be coordinated with certain industrial goals of the country's development plan.

d) Technical and managerial assistance. It is not too often that a project runs into troubles. But if it does, then the problems a project faces may be in production, in the supply of raw materials, in marketing or in administrative matters. The development bank, having financed the project, has to investigate the cause of troubles and examine in what way assistance can be given. In some instances, outside experts are called in, in others the bank's professionals may give advice and assistance to overcome the difficulties. Very often, management is weak and does not have the drive needed to solve the problems; in such cases the development bank appoints a non-executive-director on the board of directors, if the project warrants such a decision or entrusts an auditor to supervise the outlined methods of redress.

Such assistance to companies in difficulties is important, not only to protect the bank's investment but also from the point of national interests, to prevent the failure of a newly established industry.

Hardly any other kind of institution would be able to give such assistance to an industrial enterprise in difficulties. But, as far as the development bank is concerned, it tends to be an expensive development service.

DETAILS OF BUILDINGS AND OTHER CIVIL WORKS

Description of item of construction	Size	Type of construction	Covered area	Rate per sq.ft.	Estimated cost



State of New York

LIST OF MANUFACTURERS AND SUPPLIERS

NAME AND ADDRESS OF MANUFACTURER

Sl. No.	Description of Machine	Quantity	Unit Price	Total Cost

Imported

1  
2  
3  
4  
5

... ..  
... ..  
... ..

NAME AND ADDRESS OF SUPPLIER

Sl. No.	Description of Machine	Quantity	Unit Price	Total Cost

Locally Manufactured

1  
2  
3  
4  
5

Total

COST OF PROJECT

Item	Cost in Foreign Currency	Value- lost in cost	Cost apparent cost	Total cost is	Cost already paid	Cost to be paid
1	2	3	4	5	6	7
1. LAND						
a) Cost of .....ft. of land						
b) Cost of filling, grading of roads, drainage, etc.						
2. BUILDING AND OTHER STRUCTURES AS PER ANNEX 1.2						
NET COST OF LAND AND BUILDINGS						
3. MACHINERY, EQUIPMENT & SUPPLIES						
a) Imported cost per Annex 1.1						
b) Local cost per Annex 1.1						
c) Auxiliary equipment						
(i) Tools						
(ii) Transformer & Switch- gears						
(iii) Cable for lines						
(iv) Fuel Storage and Railway sidings, etc.						
d) Vehicles						
e) Other equipment, (office equipment, etc.)						
Sub-total						
4. EXPORT DUTY, SALES TAX ETC.						
5. CLEARING, MOVING, DRAIN PROVISION, SURVEY ETC.						
6. INSTALLATION COST (INCLUDED COST OF FOREIGN EQUIPMENT)						
7. OTHER EXPENSE (SPECIFY)						
_____						
_____						
8. CONSULTANTS FEE						
9. PRE-OPERATION AND START-UP EXPENSES (INCLUDING BANK FEE, INSURANCE PREMIUM ETC.)						
10. UNASSIGNED FUND CONTRIBUTION						
11. CONTINGENCIES						
TOTAL FIXED COST						
WORKING CAPITAL (NET)						
TOTAL COST OF THE PROJECT						

I/We confirm herewith, that after thorough investigation of all anticipated expenses a realistic estimate of the cost of the project has been given.

Name .....

Signature .....  
 Name .....

ENCLOSURE: FORECAST

	<u>1st year</u>	<u>2nd year</u>	<u>3rd year</u>	<u>4th year</u>
1. Number of Working days per year	..	..	..	..
2. Number of Working shifts per day	..	..	..	..
3. Quantity/No. of units produced per year	..	..	..	..
4. Total production as a percentage of rated capacity	..	..	..	..

	(in thousands)			
	<u>1st year</u>	<u>2nd year</u>	<u>3rd year</u>	<u>4th year</u>
A. Gross Sales	_____	_____	_____	_____
B. Cost of Goods Sold				
Raw Materials consumed	..	..	..	..
Wages and Salaries of factory staff	..	..	..	..
Consumable Stores	..	..	..	..
Power, Fuel, etc.	..	..	..	..
Maintenance and Repairs	..	..	..	..
Misc. Manufacturing expenses	..	..	..	..
Rates, Rents and Taxes	..	..	..	..
Depreciation	..	..	..	..
Total (B)	_____	_____	_____	_____
C. Gross Profit (A-B)	_____	_____	_____	_____
D. Operating Expenses				
Directors' Remuneration	..	..	..	..
Administration Salaries	..	..	..	..
Office Expenses (Rent, Stationery, Postage, Telephone, etc.)	..	..	..	..
Travelling expenses	..	..	..	..
Selling Expenses	..	..	..	..
Insurance	..	..	..	..
Misc. expenses	..	..	..	..
Total operating expenses (D)	_____	_____	_____	_____
E. Operating Profit (C-D)	_____	_____	_____	_____
F. Financial Expenses				
Interest on this BANK's loans	..	..	..	..
Interest on commercial bank loans	..	..	..	..
Others (specify)	..	..	..	..
Total (F)	_____	_____	_____	_____
G. Other income (specify)	_____	_____	_____	_____
H. Net Profit before taxes (E-F+G)	_____	_____	_____	_____
I. Income Tax (approximate)	_____	_____	_____	_____
J. Net Profit after taxes	_____	_____	_____	_____

(For service industries please modify the items to suit your industry, so as to have a complete picture of the estimated income expenses and profits).

Notes: (i) State whether your Company will be eligible for a tax-holiday, and if so for which period.  
(ii) State the major assumption on the basis of which the above forecast has been prepared.

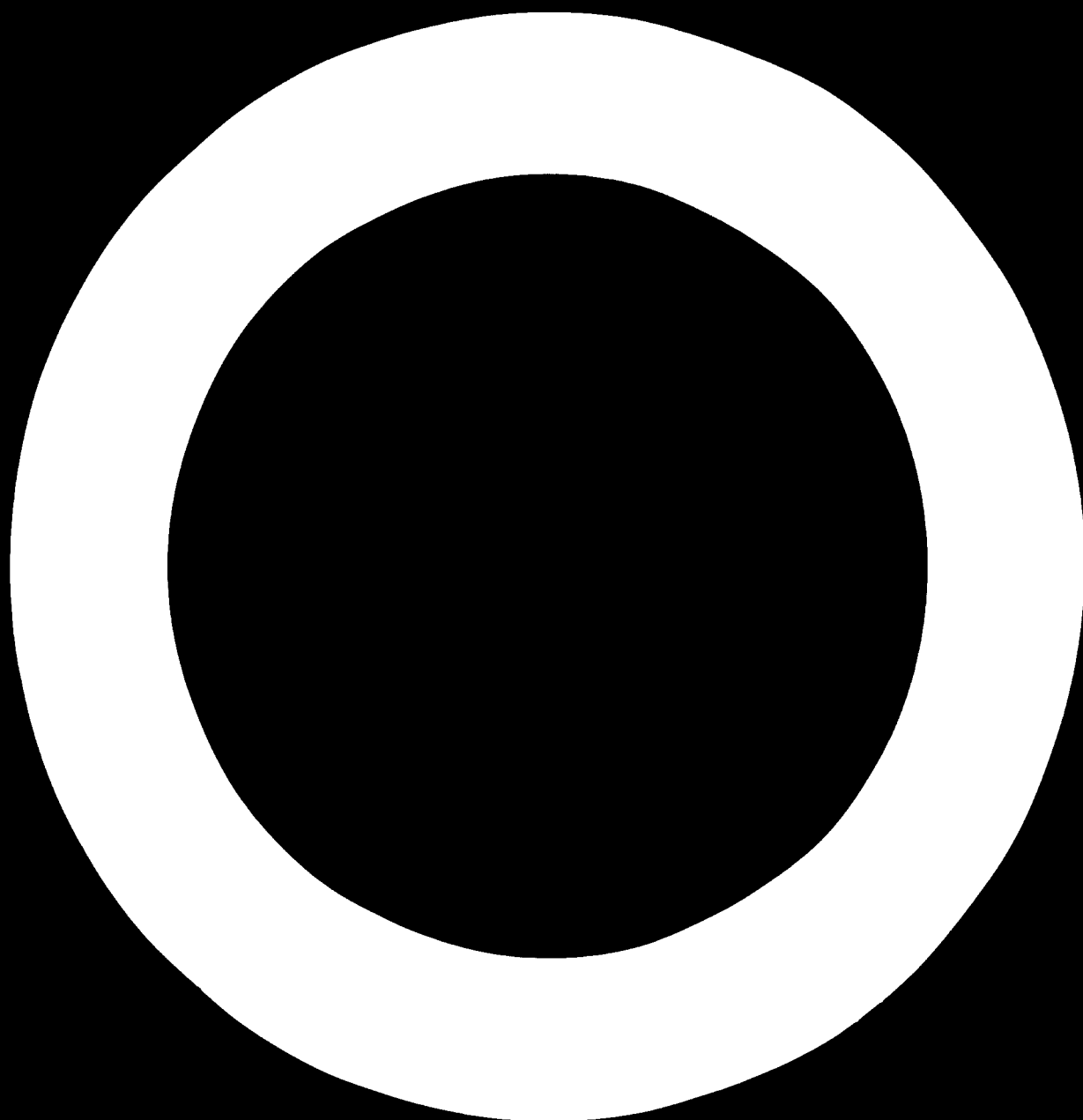
"LOAN PROCESSING TIME RECORD"

**PROJECT:**

	<u>DATE</u>	<u>DAYS ELAPSED</u>
Preliminary Loan Application Received Lending Committee		-
First Interview with Applicant	_____	_____
Formal Loan Application Received	_____	_____
Additional Information Requested		
Additional Information Received		
Documentation for Loan Application Received		
Discussion in Staff Loan Committee	_____	_____
Visit to the Site		
Legal Conditions and Covenants agreed upon	_____	_____
Project Appraisal Report Completed	_____	_____
Submitted to Loan Committee for Approval		
Returned from Loan Committee	_____	_____
Submitted to Board for Sanction		
Returned from Board	_____	_____
Total Processing Time		_____
Submitted to Legal Department		
Agreements completed by Legal Dept.	_____	_____
Submitted for Disbursement	_____	_____
Total Time Elapsed		=====

Date:

.....  
Manager Operations Dept.



FORM NO. ....

completed on .....

OPERATIONS DEPARTMENT

LIST OF PRELIMINARY LOAN APPLICATIONS RECEIVED AND OBTAINED

UP TO AND INCLUDING THE MONTH OF .....

Serial No.	Letter No.	Date of receipt	From whom received	Brief subject	Reasons for loan and latest action taken	Remarks

FORM NO .....

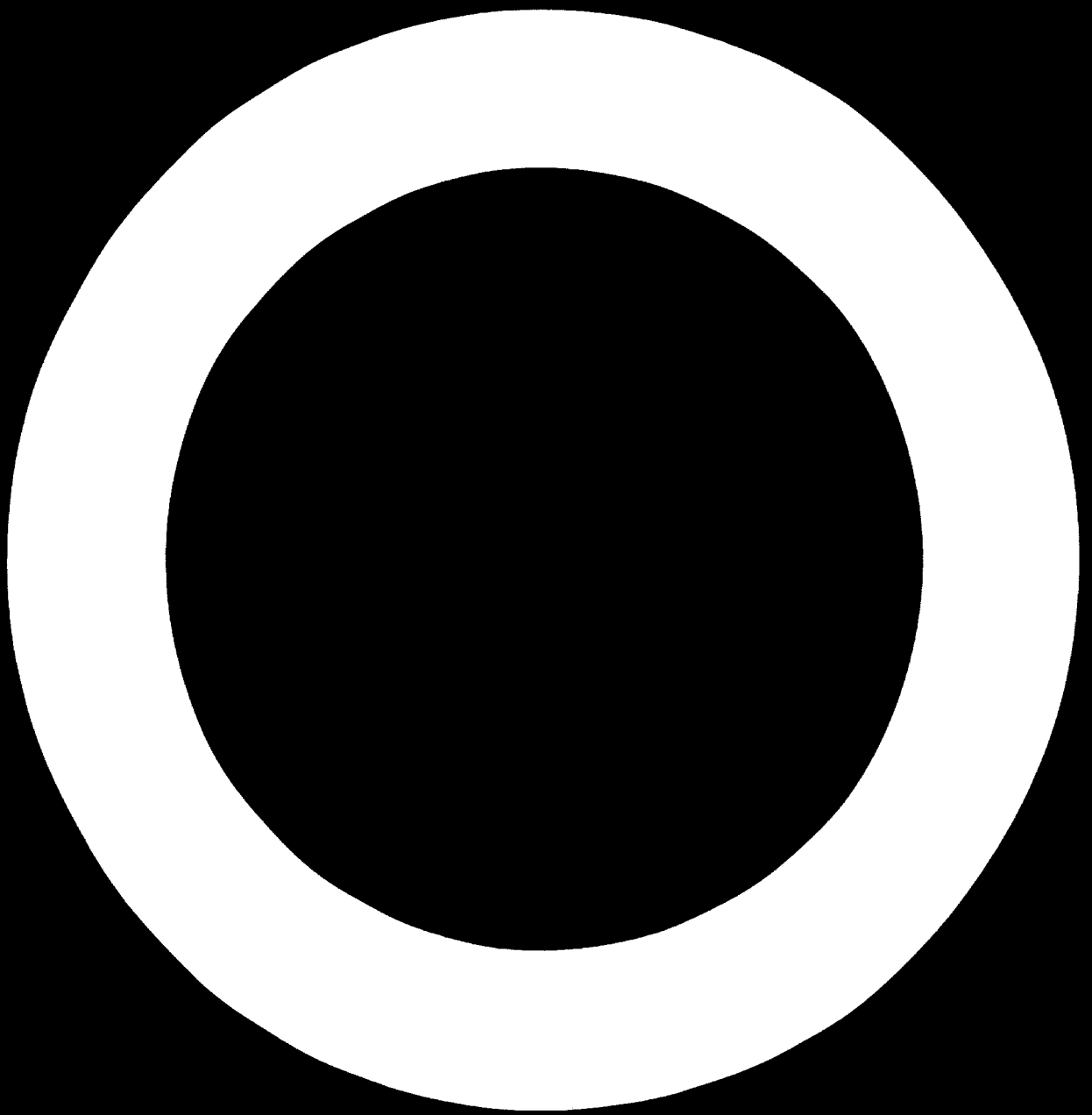
OPERATIONS DEPARTMENT

STATEMENT OF PEOPLE OBTAINING LOAN APPLICATIONS

UP TO AND INCLUDING THE MONTH OF .....

completed on .....

Serial No.	Date of receipt	Brief particulars of the project		Date of industry	Reasons for loan and latest action taken	Remarks
		Name and address of applicant	Amount of currency of loan			



INSPECTION FORM I

Prepared on ..... 19.....  
 Date of last report ..... 19.....

GENERAL INSPECTION REPORT ON CONSTRUCTION

Name of Borrower ..... Address .....  
 Industry ..... Production capacity mentioned .....

1. CONSTRUCTION - ENGINEERING FIRM NAME - ADDRESS MAY

I T E M S	Original Completion Date	Revised Completion Date	Started (on Date)	Approved Completed	Expected Date of Completion	Completed on	Reason for Delay
1. LAND ACQUISITION							
2. SITE DEVELOPMENT							
3. BUILDING							
a) Foundations							
b) Partery							
c) Office							
d) Stores							
4. MACHINERY							
a) Order placed							
b) Arrival in port							
c) Arrival on Site							
5. AUXILIARIES							
(Wells, Sidings, Pumps, Plant, Transformers etc.)							
6. INSTALLATION OF MACHINERY							
a) Mechanical							
b) Electrical							
7. TRIAL RUNS							

CONSTRUCTION OR TECHNICAL PROBLEMS: (Describe difficulties with land development, foundations, building tunnels, power, fuel, or with machinery, during installation or trial runs:

IN DUPLICATE



INSPECTION FORM I

II. FINANCIAL RESOURCES

Loan (S) Specified (F) Foreign Exchange Loans (L) Local Currency Loans	Rate of Season	Rate and Estimated Industrial Investment Schedule under which Loans are being disbursed (if applicable)	Rate of Completion of Investment	Rate of Opening of Letter of Credit
(F) ..... (L) ..... (F) ..... (L) ..... (F) ..... (L) ..... Total Investments: ..... Specified: .....				
<p>How has the expenditure to date, as stated up below been financed?</p>				
a) Shareholders Paid-up Capital	Percent	Local	Total	Percent
b) Disbursement from IDP Loan				
1st Disbursement				
2nd Disbursement				
3rd Disbursement				
c) Deferred payment from Machinery Suppliers or Contractors				
d) Borrowing from Commercial Banks				
e) Retained Earnings				
f) Advances from Directors				
g) Other sources: (specify)				
TOTALS			TOTALS	

6. To summarise, a development bank that finances only, unaccompanied by technical and managerial assistance, and does not correlate its activities with planned development objectives, is not fulfilling its purpose nor its responsibilities.

---

INSPECTION FORM I

ALL FEDERAL AGENCIES

	A Original Item Specimen to be Examined	B Date of Inspection	C To be Examined by	D Date of Inspection	E To be Examined by	F Remarks or Disposition of Item
<p>1. <del>1.0000</del></p> <p>A) Blank of Lead B) Filling, Casting C) Markings, Number, Metal Grade D) Heat E) Proving Compound used</p>						
<p>2. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>3. <del>1.0000</del></p> <p>A) Main Marking B) Spare Parts Cost Off C) Marking Number for (A+B) D) Import duty for (A+B) E) Other taxes and of entry (A+B) F) Clearing charges, etc.</p>						
<p>4. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>5. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>6. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>7. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>8. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>9. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>10. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>11. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>12. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>13. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>14. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>15. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>16. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>17. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>18. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>19. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>20. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>21. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>22. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>23. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>24. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>25. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>26. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>27. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						
<p>28. <del>1.0000</del></p> <p>A) Marking B) Grade C) Shape D) Marking Number E) Others .....</p>						

INSPECTION FORM I

	A	B	C	D	E	REASONS
<p>Brought Forward</p> <p>Marine Insurance, Import Duty, etc. if any of auxiliaries imported</p> <p>Inland Freight, Harbour to site (including landing and unloading) of Machinery, Spares and Auxiliaries</p> <p>Inland Insurance</p> <p><del>5. INSTALLATION COSTS</del></p> <p>A) Installation</p> <p>B) Electrical</p> <p>C) Insurance</p> <p>6. <del>VEHICLES (for use)</del></p> <p>A) Inside of plant</p> <p>B) Outside of plant</p> <p>7. <del>OFFICE EQUIPMENT</del></p> <p>A) Office Furniture</p> <p>B) Office Machines</p> <p>8. <del>CONSTRUCTION COSTS</del></p> <p>A) Storage</p> <p>B) Plans, Drawings</p> <p>9. <del>PRELIMINARY COSTS</del></p> <p>A) Legal</p> <p>C) MARK Fees, L/C Charges etc.</p> <p>D) Import License Fee</p> <p>E) Expenses for starting up production (travel, experts, trial runs, etc.)</p> <p>F) Any other charges (details)</p>						
<p>Carry Over</p>						

INSPECTION FORM I

	A	B	C	D	E	REMARKS
10. <u>PROPERTY VALUE</u> <u>(\$100,000)</u> A) On Machinery (.....) B) On Building & Other (..... (.....)						
11. <u>COST/AMOUNT</u> A) On Machinery & Amaliation .. \$ B) On Building & Other .. \$						
TOTAL FIXED COST						
WORKING CAPITAL						
TOTAL APPRAISED COST OF PROJECT						

\*Detailed List of Machinery Equipment enclosed

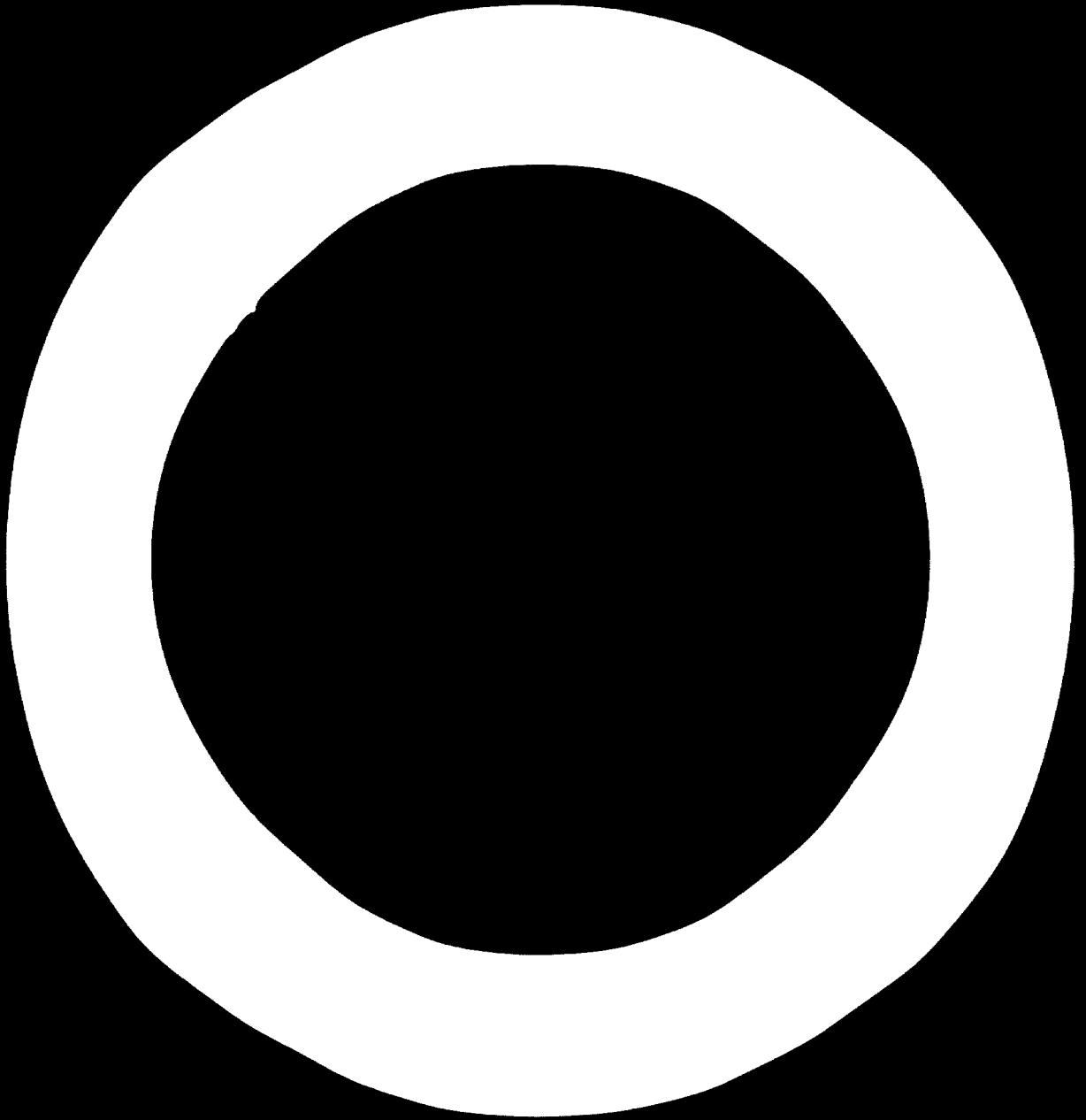
IV. REQUIREMENTS (During Construction)

Requirement of BML Loan end	1st	2nd	3rd	4th	5th	Total
1st Requirement on ..... PRINCIPAL INTEREST						
2nd Requirement on ..... PRINCIPAL INTEREST						
3rd Requirement on ..... TOTAL:						
Requirement of BML Loan end						
Requirement on ..... PRINCIPAL INTEREST						
Requirement on ..... PRINCIPAL INTEREST						
TOTAL:						

Name and designation of Inspecting Officer (print)

Signature of the Inspecting Officer

Date .....

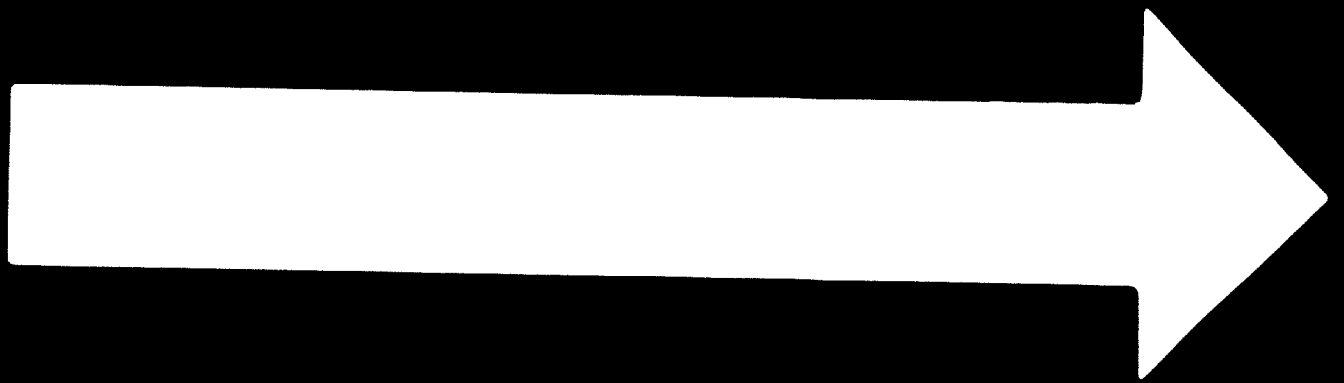


INDIA CONSTRUCTION REPORT

Name and address of borrower .....  
Industry ..... Production capacity mentioned .....

Total of SANV Loans sanctioned:	Construction started on .....
	Construction completed on .....
	Trial Run started on .....
	Production started on .....

ITEMS	Original Estimate as agreed with SANV	Total cost of completed project	SANV LOANS	INDUSTRIAL
			Amount used from SANV Loan for item	Rate of completion
<b>A. INVESTMENT</b>				
<b>1. LAND</b>				
<ul style="list-style-type: none"> <li>a) Cost of land</li> <li>b) Filling levelling</li> <li>c) Drainage, Sewers, water mains</li> <li>d) Roads</li> <li>e) Fencing, compound wall</li> </ul>				
<b>2. BUILDING</b>				
<ul style="list-style-type: none"> <li>a) Factory</li> <li>b) Office</li> <li>c) Store</li> <li>d) Workers quarters</li> <li>e) Others</li> </ul>				
<b>3. MACHINERY &amp; EQUIPMENT</b>				
<ul style="list-style-type: none"> <li>a) Main Machinery Cost C + F</li> <li>b) Spare Parts Cost C + F</li> <li>c) Marine Insurance for a) + b)</li> <li>d) Import duty for a) + b)</li> <li>e) Other taxes due at entry, a) + b)</li> <li>f) Clearing charges, etc.</li> </ul>				
<b>AUXILIARIES</b>				
<ul style="list-style-type: none"> <li>h) Tube wells</li> <li>Water Tower</li> <li>Power Plant</li> <li>Transformers</li> <li>Cables from Main</li> <li>Fuel Storage</li> <li>Other (Railway Sidings, etc.)</li> </ul>				
<ul style="list-style-type: none"> <li>i) Marine Insurance, Import Duty Tax etc. if any of auxiliaries imported</li> <li>j) Inland freight, harbour to site (including landing and unloading) of Machinery, Spare and Auxiliaries</li> <li>k) Inland Insurance</li> </ul>				
Carry Over				

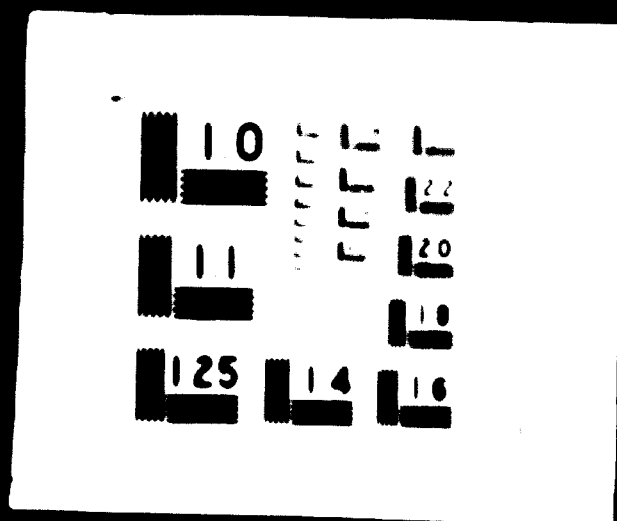


**76.02.09**



2 OF 2

04829



INSPECTION FORM II

I T E M S	(I)	(II)	BANK LOANS	Date
4. <u>INSTALLATION COSTS:</u> a) Mechanical b) Electrical c) Insurance				
5. <u>VEHICLES:</u> (for use) a) Inside of plant b) Outside of plant				
6. <u>OFFICE EQUIPMENT</u> a) Office Furniture b) Office Machines				
7. <u>CONSULTANT'S FEES</u> a) Surveys b) Plans, Drawings				
8. <u>PRE-OPERATING EXPENSES</u> a) Promotional b) Legal c) BANK Fees, L/C Charges etc. d) Import Licence Fee e) Expenses for starting up production (Foreign experts, Trial Runs, etc.) f) Any other charges (details)				
9. <u>INTEREST DURING CONSTRUCTION</u> a) On Machinery (.... months) b) On Building and other .... months)				
10. <u>CONTINGENCIES</u> a) On Machinery + Auxiliaries .... % b) On Building + Others .....				
TOTAL FIXED COST				
WORKING CAPITAL				
TOTAL COST OF PROJECT				

\*Detailed List of Machinery Equipment enclosed

**B) MEANS OF FINANCING THE PROJECT**

Particulars	Financing of expenditures as originally agreed with BANK		Actual financing of expenditures for the completed project	
	FOREIGN	LOCAL	FOREIGN	LOCAL
1. Shareholders Paid-up capital				
2. Disbursement from BANK Loan(s) Total				
3. Deferred Payment from machinery suppliers or from contractors				
4. Borrowings from Commercial Banks				
5. Retained Earnings				
6. Advance from Directors				
7. Other sources: specify				
<b>TOTALS:</b>				

Form No. ....

**SUMMARY OF INVESTMENT PROJECTS**

Size of Loan	Number of Projects Reported under Construction	Number of Projects in Production	Number of Projects in Construction and Production
Small up to: .....			
Medium from .....			
Large over .....			

**PROJECTS UNDER INVESTIGATION**

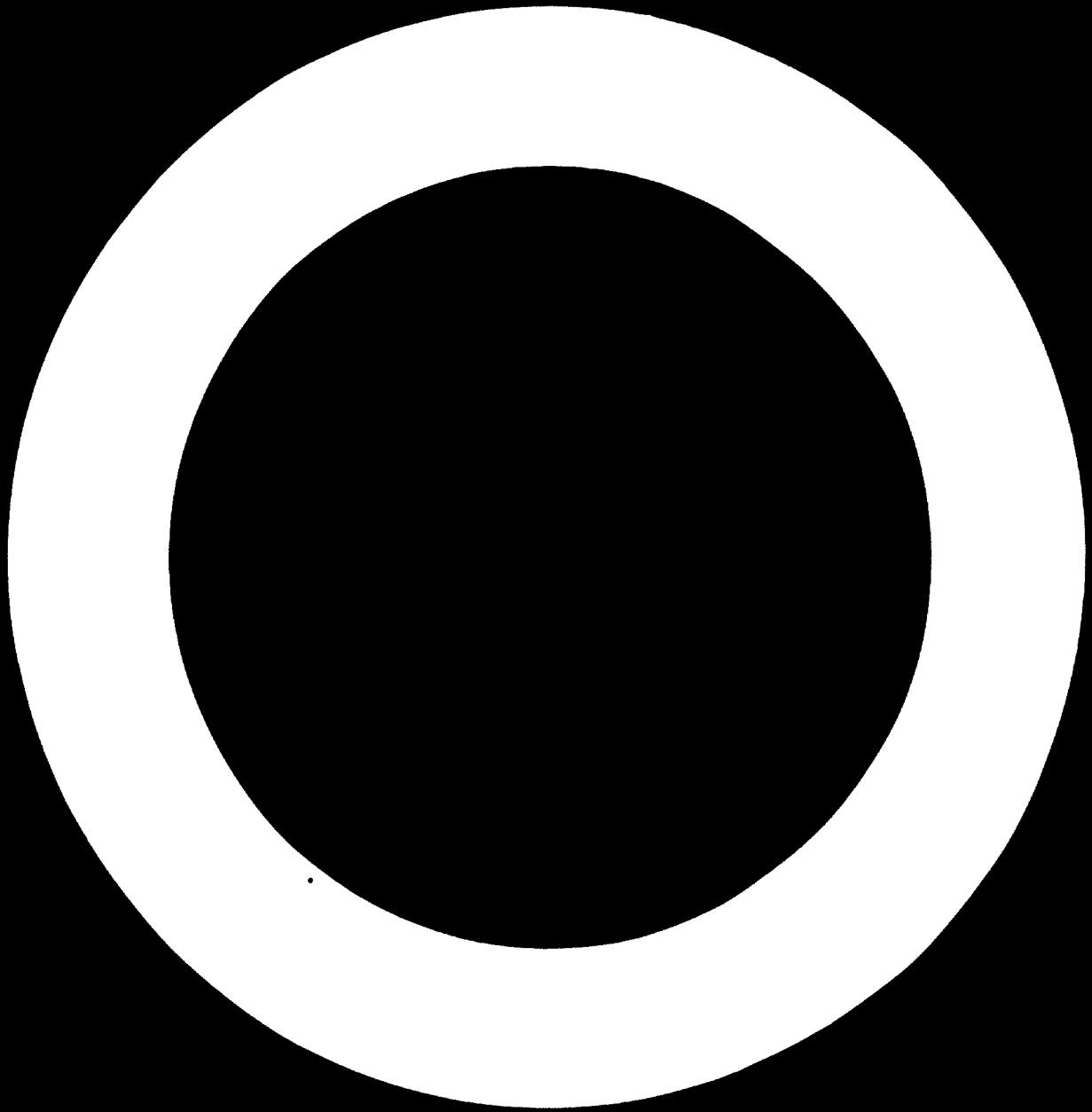
INCLUSIVE PERIOD: .....

FORM NO. ....

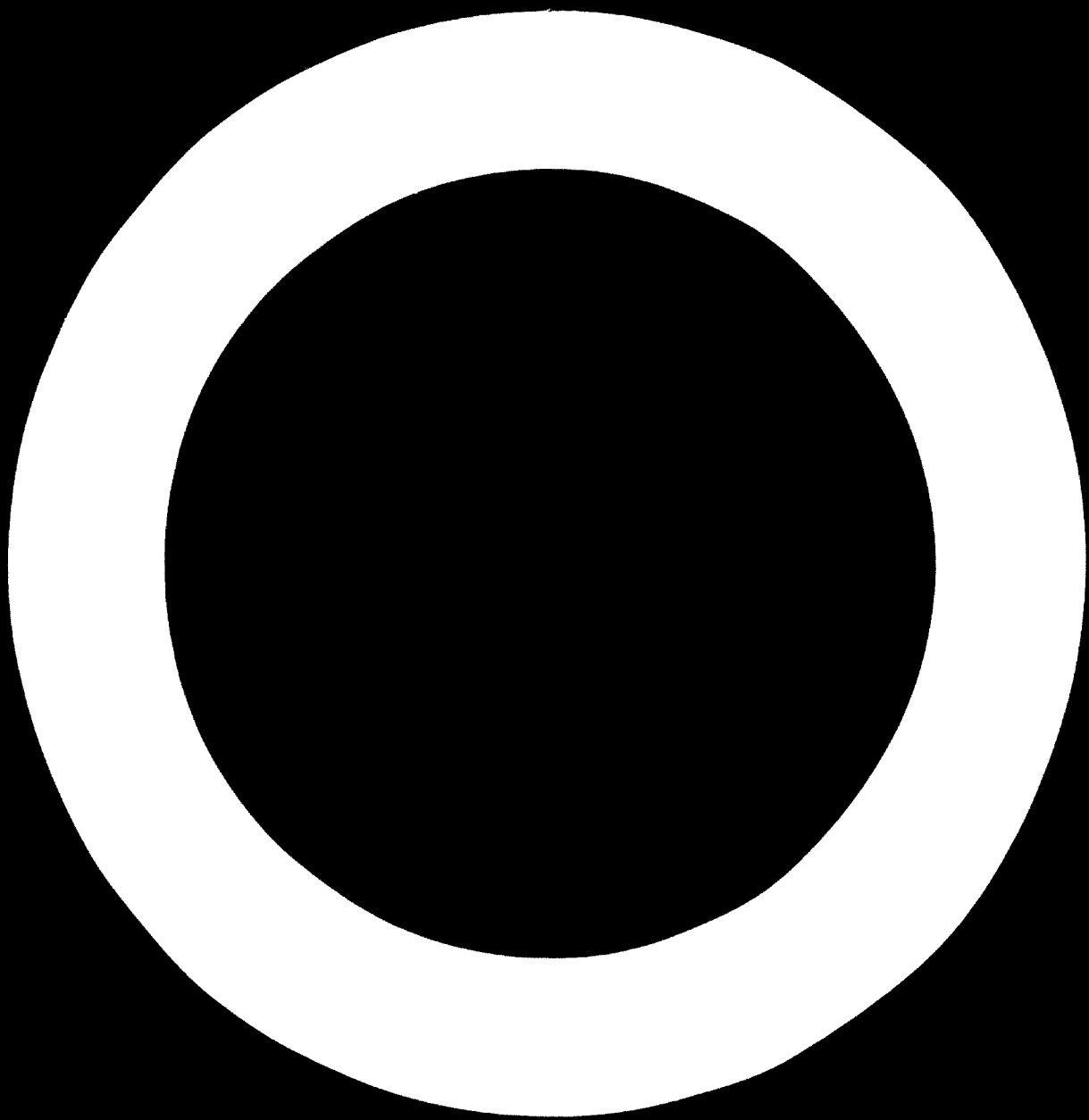
Serial No.	Name and Address of Borrower	Type of Industry	Project is: Under Construction Or in Production	Size of Loan: Small Medium Large
1	2	3	4	5

**Distribution:**  
 Man. Director  
 Operating Dept.  
 Office File

.....  
 Officer-in-Charge  
 Follow-up Department







**STATEMENT OF RECEIPTS AND DISBURSES WITH INTEREST**  
**FOR THE MONTH OF .....**

Serial No.	Name and Address of Borrower	Amount for which suit has been filed P-Principal I-Interest M-F Miscellaneous	Interest accrued on the principal amount on date of filing suit to this date of reporting	Total Expenses incurred on suit	Date of filing the suit	Details of Security and its estimated value from which the basis of the suit are sought to be recovered

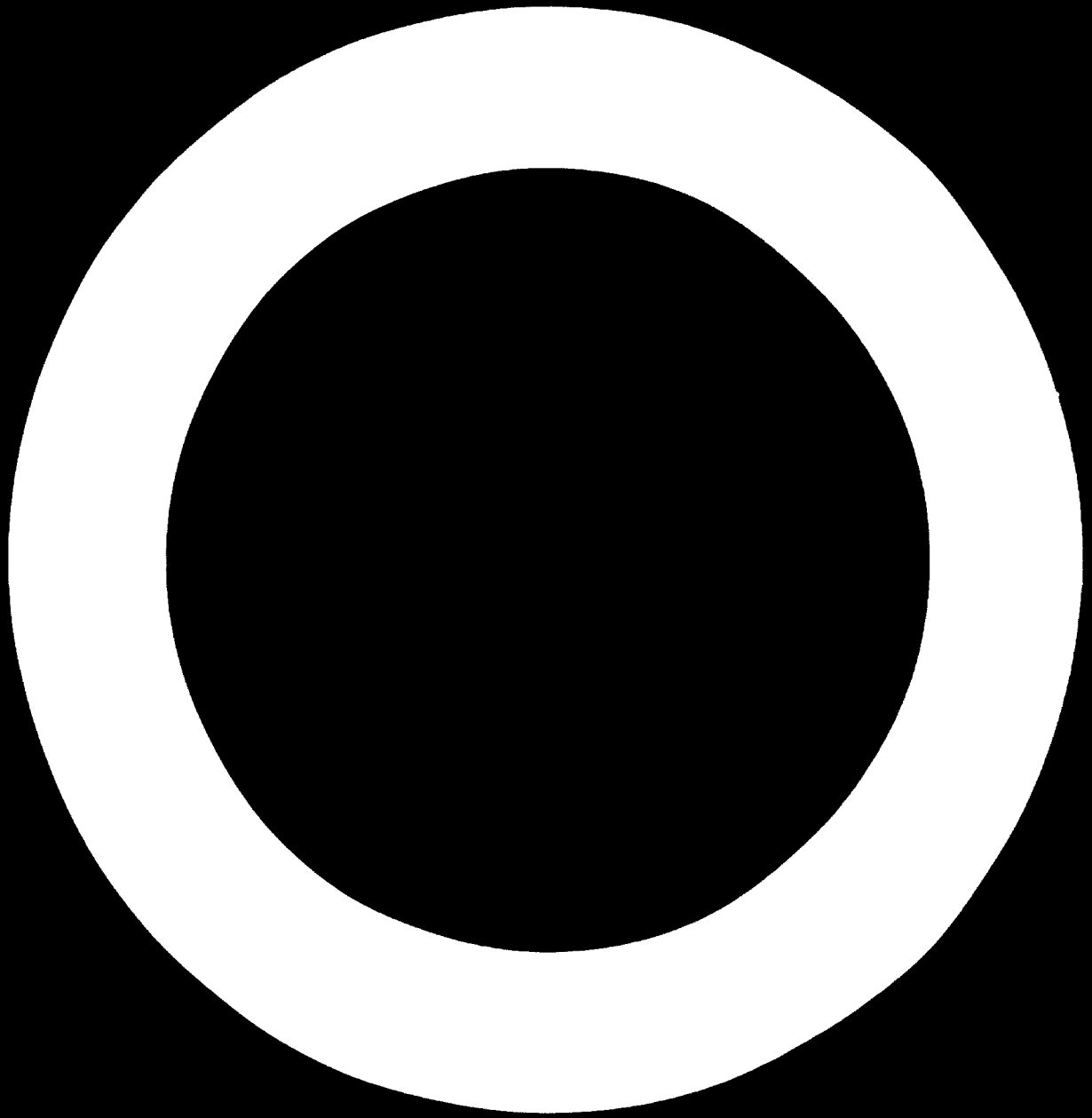
**Availability of Resources**  
 against the personal assets of the Borrower/s and their Guarantor/s

The Progress of suit and its present Status and the probable date of settlement it is expected to be settled

Details of the Security of the Borrower/s

**Distribution:**  
 Manager, Director (2) (1 to be returned)  
 Finance Department  
 Legal Section  
 Office File

.....  
 Follow-up Department





Form No.

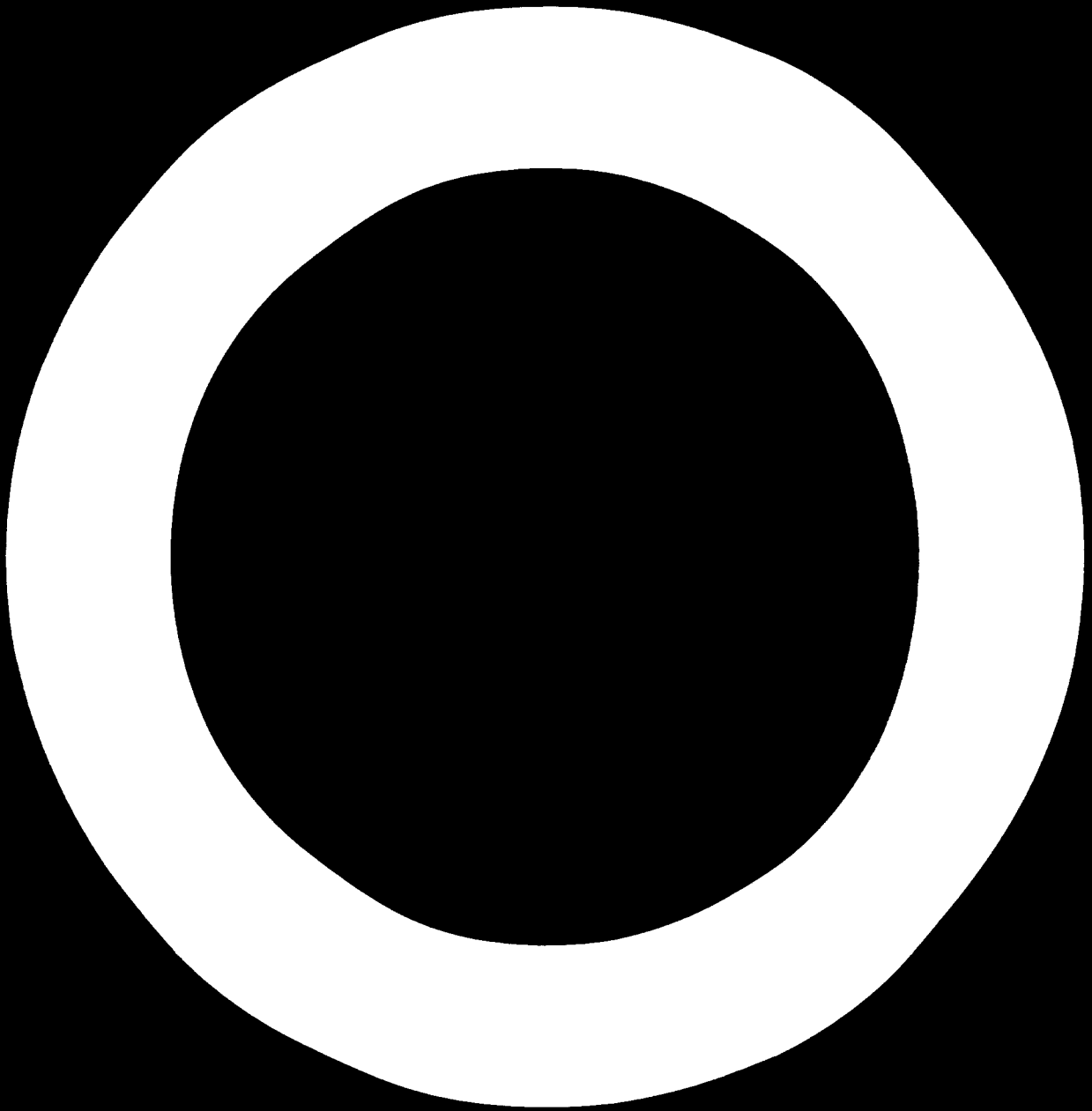
Completed on ..... 19..

FEDERAL STATEMENT OF FINANCIAL DISTRICTS FOR DISBURSEMENT OR ISSUE OF LETTER OF CREDIT FOR THE MONTH .....

Serial No.	Name and Address of Borrower	Amount released during current week D-Disbursement 4c-Letter of Credit	Total amount released up to Date of Reporting D-Disbursement 4c-Letter of Credit	Total amount to be released in future D-Disbursement 4c-Letter of Credit	Ventual Repayments due up to Date of Reporting	Ventual Overdues (Unpaid Repayments) Remarks
1	2	3	4	5	6	7

Distribution:  
Man. Director  
Finance Department  
Office File

.....  
Officer-in-Charge  
Follow-up Department



Form No.

Completed on .....

STATEMENT SHOWING NEW AND OLD OVERDUES OF INDIVIDUAL BORROWERS FOR THE MONTH OF .....

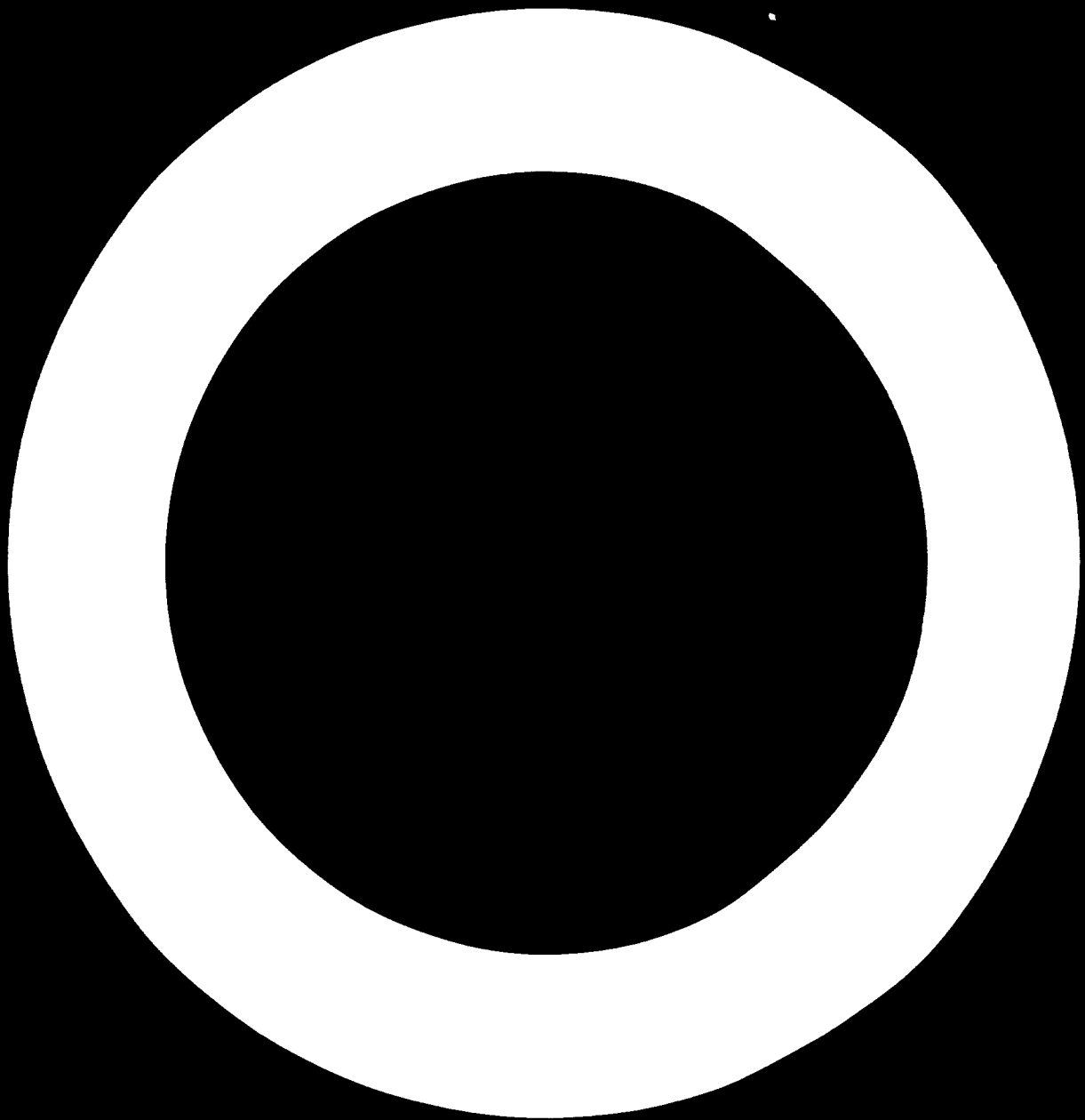
Serial No.	Name and Address of Borrower	Total Loan amount advanced	Amount outstanding in loan held or Principal Interest	Length of Overdues except of cases under Litigation
1	2	3	4	5-12 months over 12 months

SECRET

Total amount of Overdues (except cases under litigation)	Amount of Overdues for cases under litigation	Action taken for recovery	Instructions of Managing Director or his Deputy
10	11	Avoid casual remarks, give reasons for delay in recovery, state borrowers explanations, if known give date of expected recovery of overdues	12

Distribution:  
 Managing Director (2) (1 to be returned)  
 Finance Department  
 Legal Section, Office File

.....  
 Officer-in-Charge  
 Follow-up Department



INSPECTION FORM II

C) OBSERVATION + COMMENTS

Reason for delay in completion

Performance of machinery + equipment

Needed adjustment to machinery + equipment

Expected Actual start of normal production (date)

D) RESULTS OF TEST RUNS:

Comments on quality of product/s:

Quantity produced (within a given time):

Difficulties encountered:

Other Remarks: (also on back page)

---

Name + Designation of  
Inspecting Officer

Signature of Inspecting Officer

---

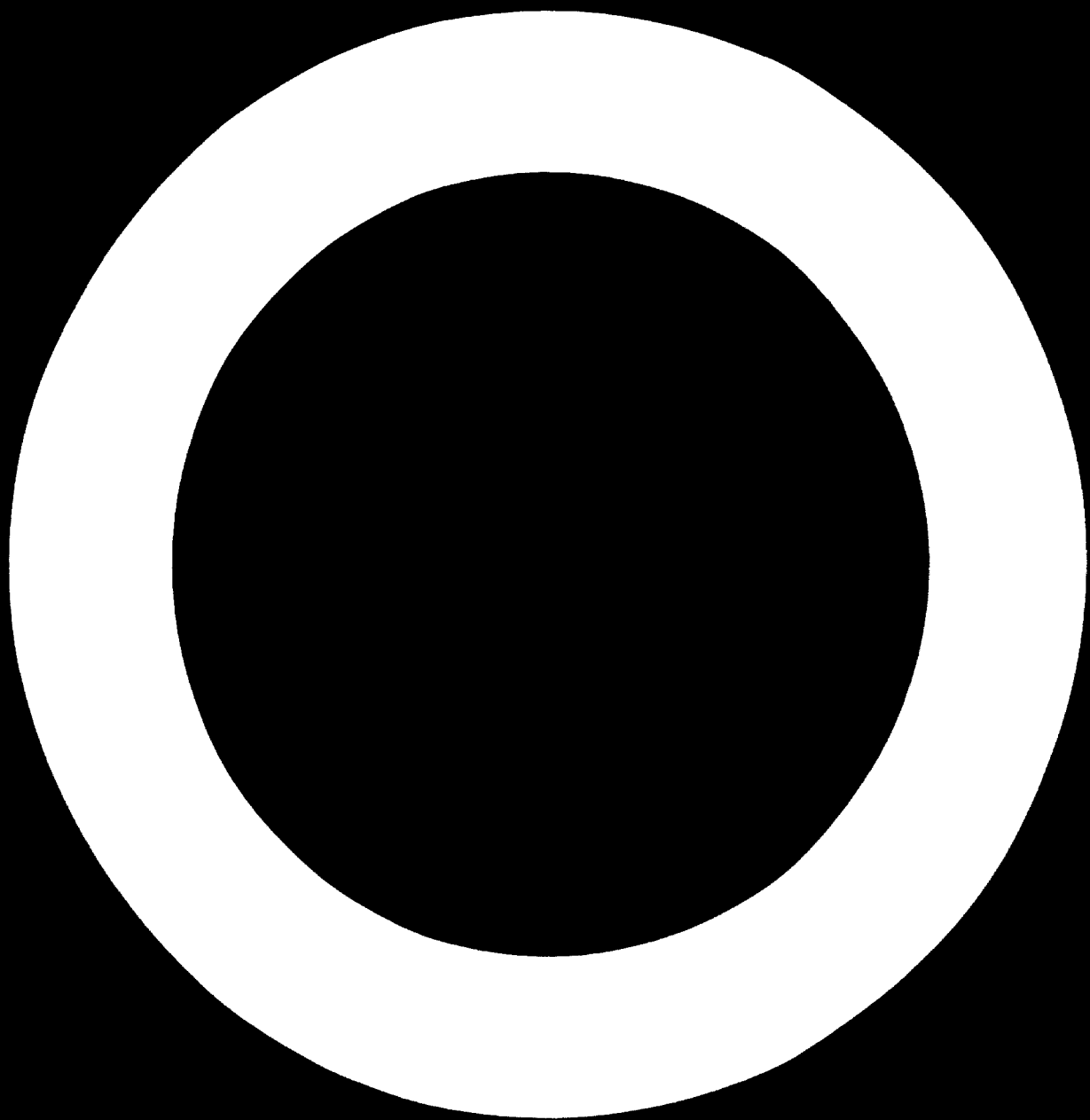
Dated .....

MONTHLY STATEMENT OF THE  
NUMBER OF TRANSACTIONS DURING REPAYMENT PERIOD

	NUMBER OF TRANSACTIONS DURING REPAYMENT PERIOD		AMOUNTS OF TRANSACTIONS AND PERCENT OF REPAYMENTS DUE	
	NO.	AMOUNT	NO.	AMOUNT
1. SPECIALIA SANCTIONS				
2. DISBURSEMENTS MADE				
3. LOANS INTERRUPTED				
4. REPAYMENTS DUE				
a) PRINCIPAL				
b) INTEREST				
TOTAL				
5. REPAYMENTS RECEIVED				
a) PRINCIPAL				
b) INTEREST				
TOTAL				
6. REPAYMENTS NOT RECEIVED				
a) PRINCIPAL				
b) INTEREST				
TOTAL				
7. OVERDUES				
<u>UP TO 1 MONTHS</u>				
a) PRINCIPAL		TO		
b) INTEREST				
SUB TOTAL				
<u>1 TO 3 MONTHS</u>				
a) PRINCIPAL		TO		
b) INTEREST				
SUB TOTAL				
<u>6 TO 12 MONTHS</u>				
a) PRINCIPAL		LEFT		
b) INTEREST				
SUB TOTAL				
<u>OVER 12 MONTHS</u>				
a) PRINCIPAL		BLANK		
b) INTEREST				
SUB TOTAL				
TOTAL OF ALL OVERDUES		BLANK		
8. PERCENTAGES:				
PERCENT OVERDUE TO REPAYMENTS DUE		BLANK		
PERCENT OVERDUE ABOVE 3 MONTHS TO TOTAL REPAYMENTS DUE		BLANK		

Distributions:  
Managing Director (2)  
Finance Department  
Office File

.....  
Officer-in-Charge  
Follow-up Department



Form No.

Completed on ..... 19..

**STATEMENT SHOWING THE ISSUANCE OF GUARANTEES**

FOR THE VARIOUS PERIODS ENDING WITH THE MONTH OF ..... 19..

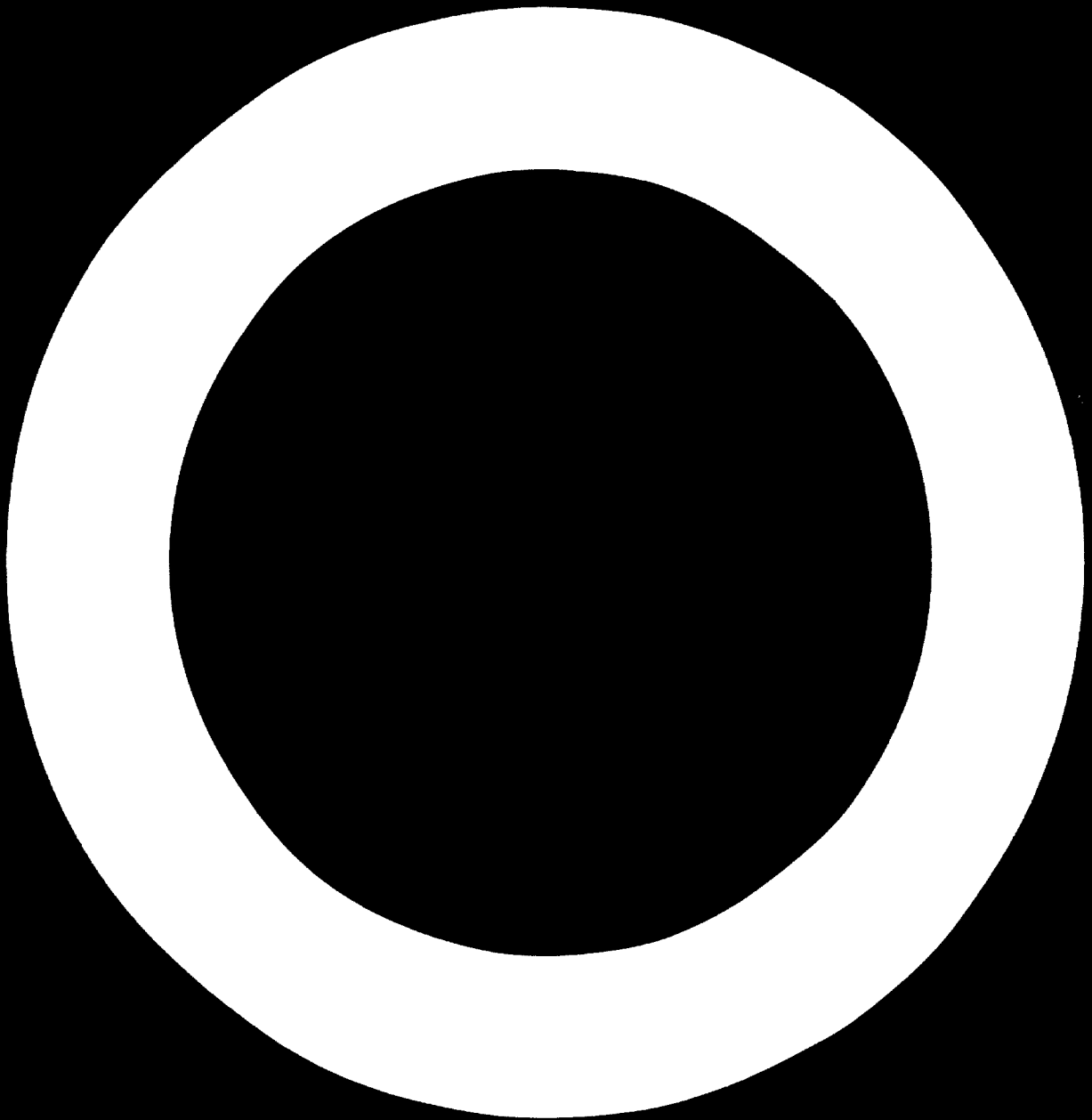
	Current Month from ..... to .....		Current Year from ..... to .....		Total since the inception of the bank on .....		Total of Guarantees still in force	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
<b>A. LOCAL CURRENCY</b>								
Region A								
Region B								
<b>B. FOREIGN CURRENCY</b>								
Region A								
Region B								
<b>TOTAL:</b>								

Distribution:  
 Managing Director  
 Finance Department  
 Operations Department  
 Office File

..... Statistical Officer

ANNEX III





Form No.

Completed on ..... 19..

**STATEMENT SHOWING THE POSITION OF LOAN APPLICATIONS FOR THE MONTH OF ..... 19 ..**

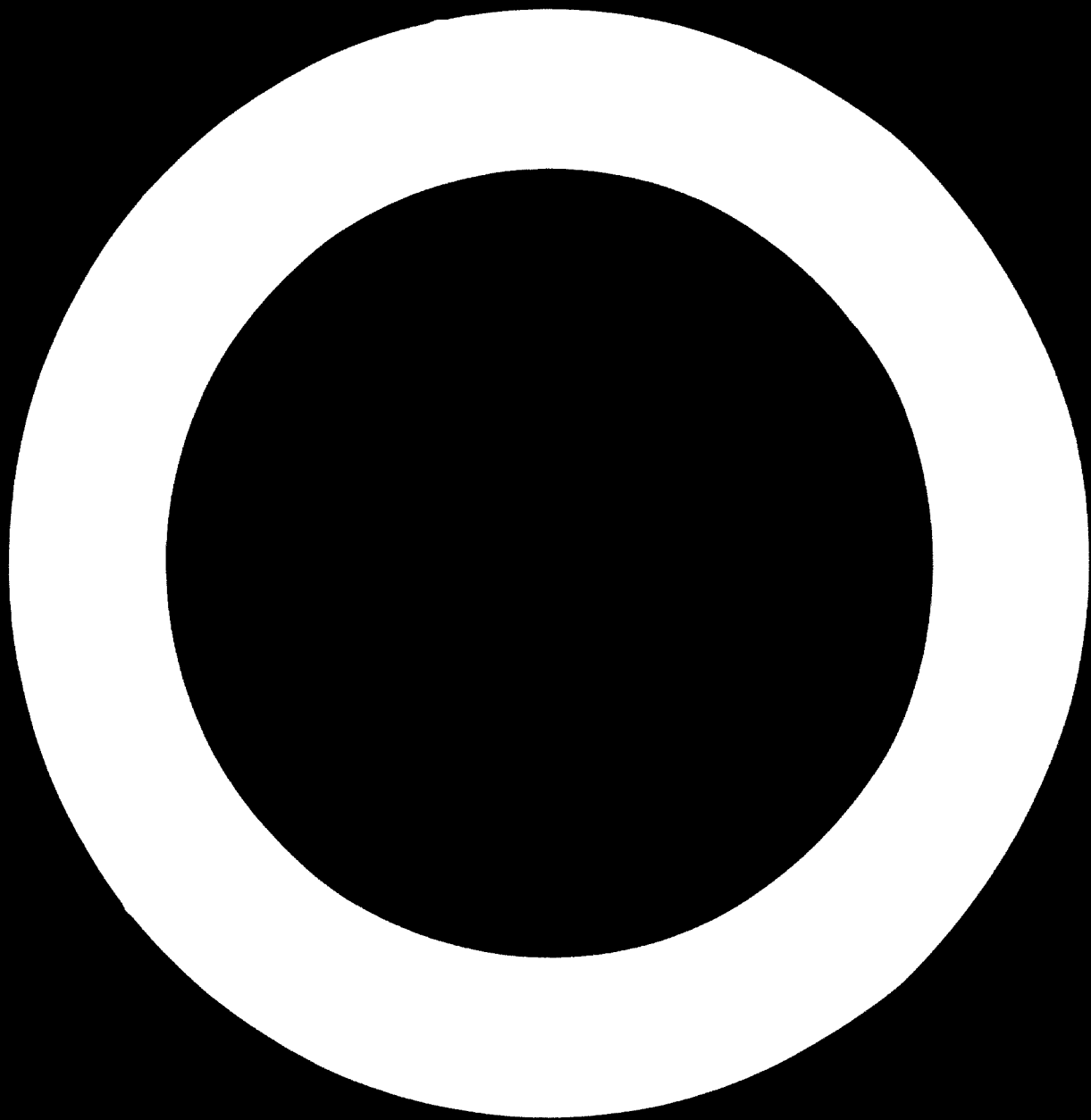
	One Currency Applications		Multiple Currency Applications			Remarks	
	Foreign Currency		Local Currency		Foreign and Local Currency combined		
	No. of cases	Amount	No. of cases	Amount			No. of cases
				Foreign C.	Local C.		
				B	C	D	
1. Total of Applications brought forward from .....							
2. Applications received during current month +							
3. Applications sanctioned during current month -							
4. Applications rejected or withdrawn during current month -							
5. Balance of Applications on hand as on .....							

SUMMARY OF ITEM 5: Total of foreign currency amount applied (A + C) = \_\_\_\_\_  
 (Balance on hand) Total of local currency amount applied (B + D) = \_\_\_\_\_

Distributions:  
 Managing Director (2)  
 Operations Department  
 Office File

..... Statistical Officer

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Page No.

Completed on .....

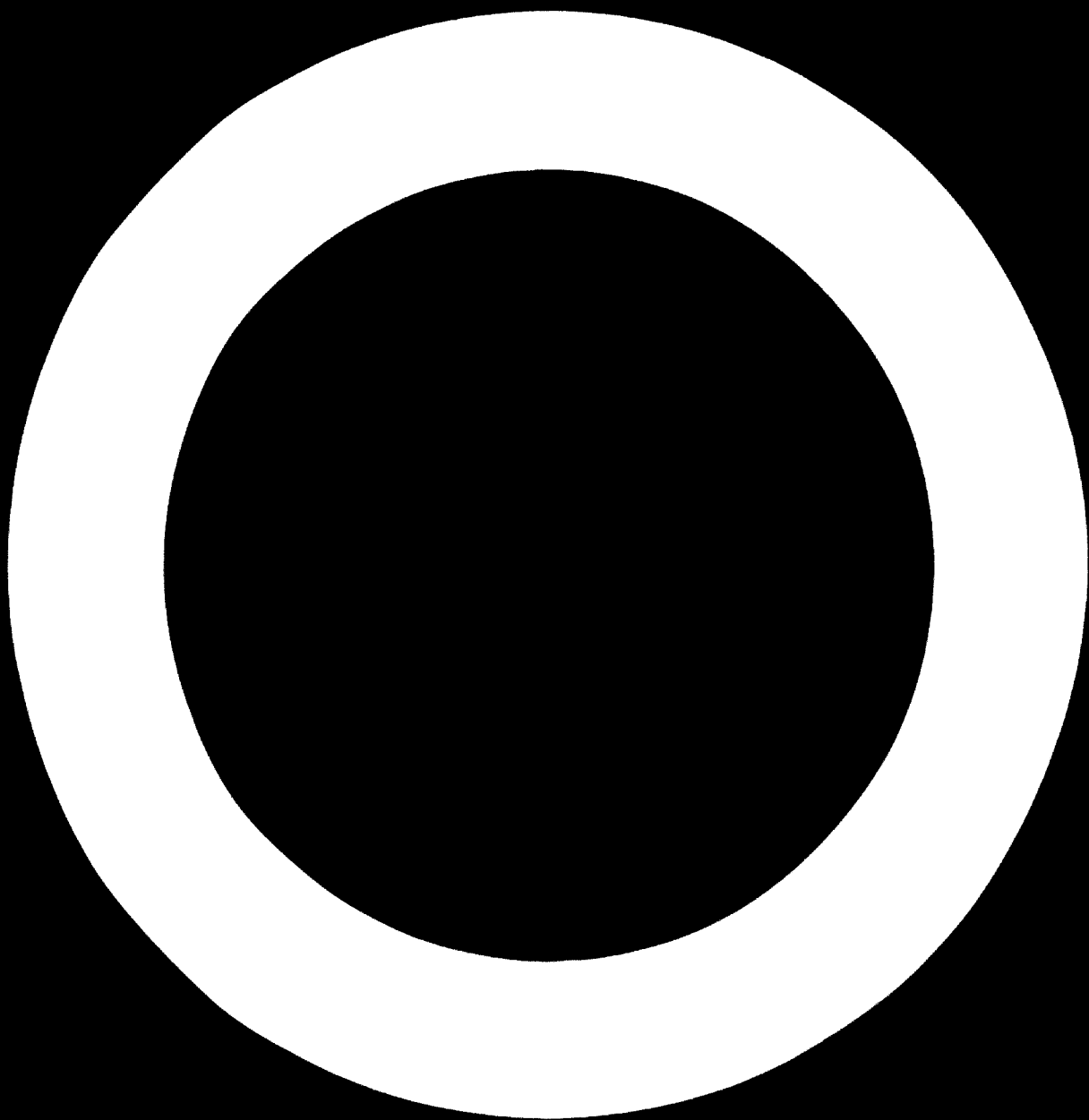
**STATE OF KERALA**

**DEPARTMENT OF TRANSPORT**

Sl. No.	Name of the Candidate	Age	Qualification	Grade	Remarks
1	...	...	...	...	...
2	...	...	...	...	...
3	...	...	...	...	...

Sl. No.	Name of the Candidate	Age	Qualification	Grade	Remarks
4	...	...	...	...	...
5	...	...	...	...	...
6	...	...	...	...	...

Director, Transport  
 Government  
 Operations Department  
 Office P.O.

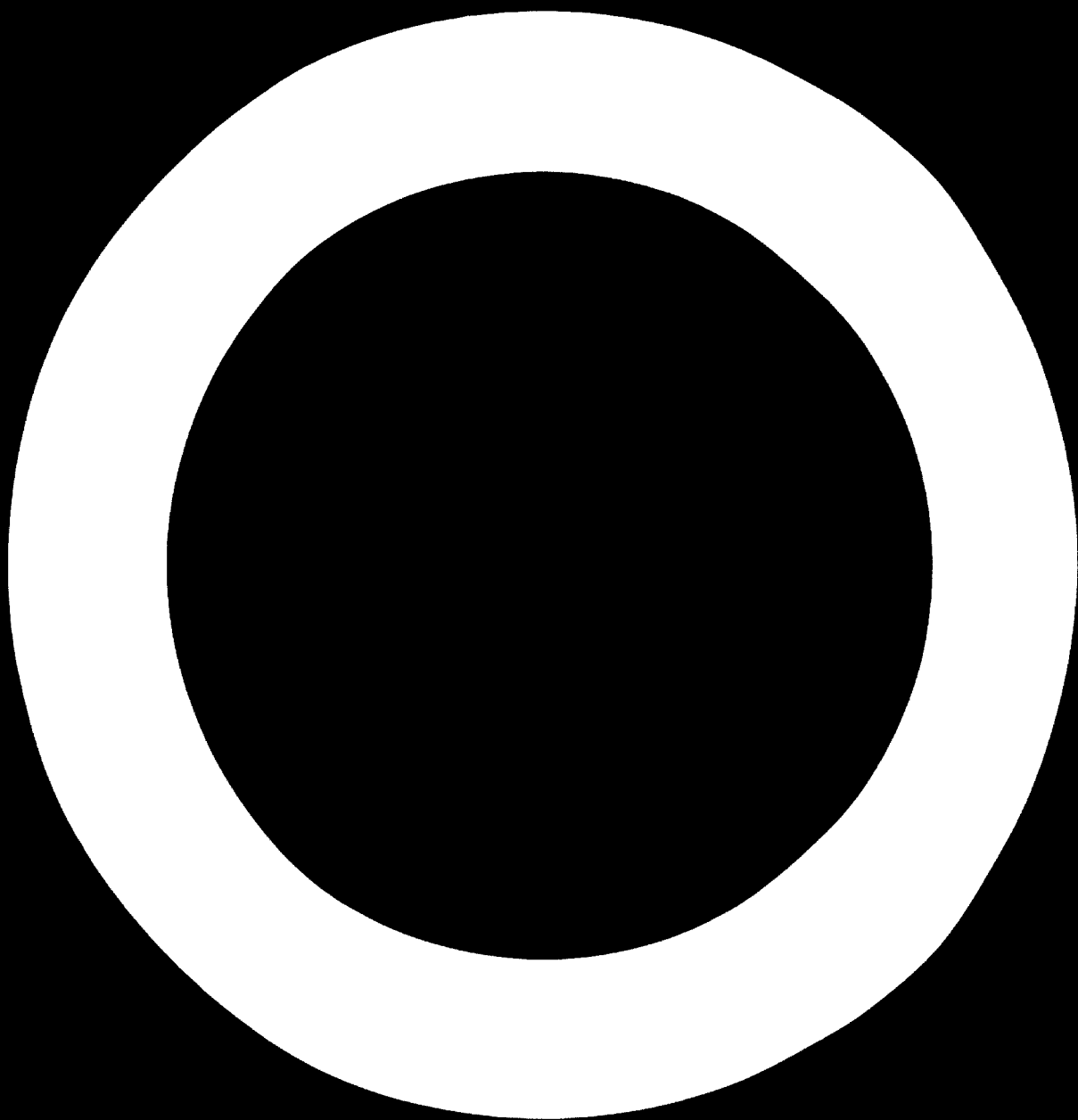


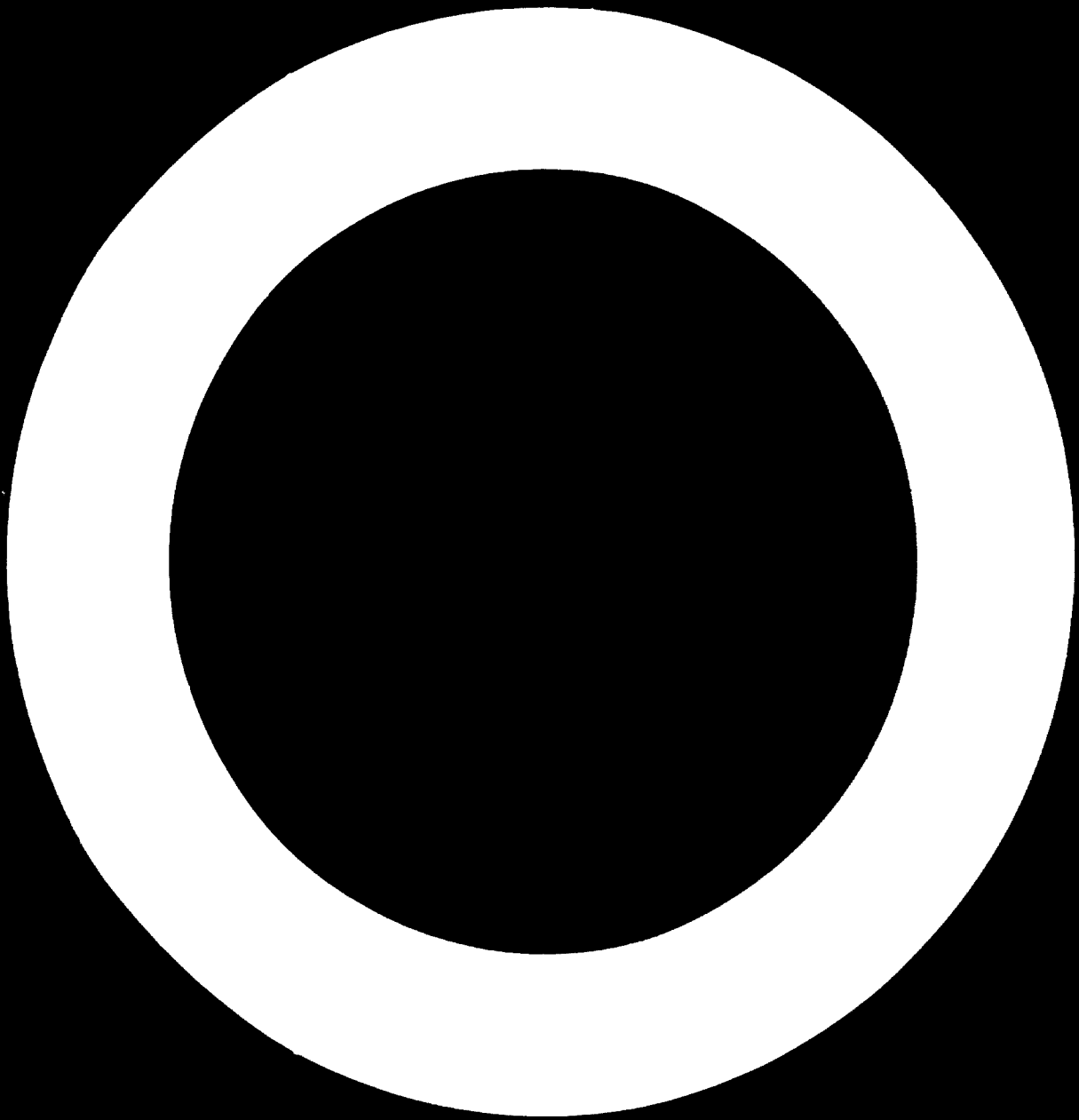
STATE OF MASSACHUSETTS

DEPARTMENT OF LABOR RELATIONS BOARD

Current Status	Current Year	Previous Year	1960	1961	1962	1963
<p>1. <b>MAINTENANCE</b>            10000</p>						
<p>2. <b>MAINTENANCE</b>            10000</p>						
<p>3. <b>MAINTENANCE</b>            10000</p>						

Director  
 Main in Director  
 Government Department  
 Labor Relations Department  
 Police Department  
 Finance Department  
 Office File







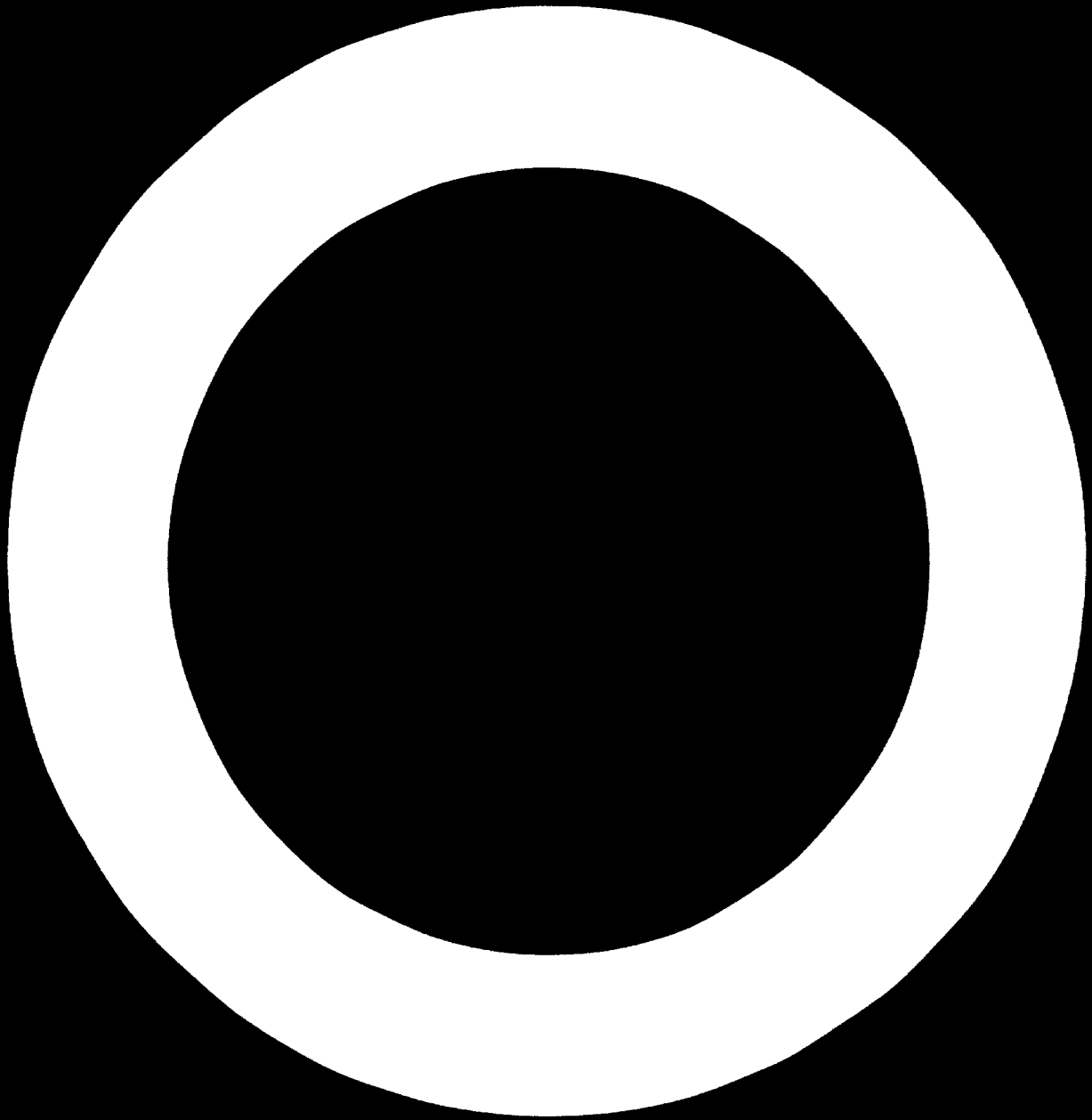
**STATE AND UNION LOCAL SANCTIONS FORM**  
**FOR EXISTING INSTANCES AT VARIOUS PERIODS**

LOCAL CURRENCY FOR THE CURRENCY	REGIONAL		NATIONAL		STATE		COUNTY		TOTAL	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
LOCAL CURRENCY FOR THE CURRENCY										
LOCAL CURRENCY FOR THE CURRENCY										
LOCAL CURRENCY FOR THE CURRENCY										

Distribution:

- Manager, Director
- Government Department
- Loan Operations Department
- Finance Department
- Follow-up Department
- Office File

..... Statistical Officer



Form No.

Completed on .....

**STATEMENT SHOWING DISTRIBUTION OF LOANS SANCTIONED BY**

**INDUSTRIES AND REGIONS FOR DETERMINED PERIOD**

Serial No.	INDUSTRY	REGIONS				REGIONS			
		CURRENT LOCAL	FOR HIGH LOCAL	CURRENT YEAR	SINCE DEPARTION	CURRENT MONTH	CURRENT YEAR	SINCE DEPARTION	LOCAL
1.	Chemicals								
2.	Electricals								
3.	Food Products and Beverages								
4.	Engineering								
5.	Milling								
6.	Non-Metallic Mineral Products								
7.	Mining								
8.	Natural Gas and Motive Power								
9.	Paper + Stationery								
10.	Cotton Ginning								
11.	Jute + Jute Baling								
12.	Textile Manu- facturing								
13.	Textile Clothing								
14.	Rubber Products								
15.	Leather + Leather Products								

Serial No.	INDUSTRY	R E G I O N I N						R E G I O N I N	
		CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
		LOCAL	FOREIGN	LOCAL	FOREIGN	LOCAL	FOREIGN	LOCAL	FOREIGN
16.	Road Transport								
17.	River Transport								
18.	Sea Transport								
19.	Wood Products								
20.	Oil Storage + Distribution								
21.	Film Studio + Production								
22.	Hotels								
23.	Surgical Goods								
24.	Printing + Publishing								
25.	Small Scale Industries Rice								
26.	Miscellaneous								
<b>TOTAL</b>									

Distribution:  
 Managing Director (2)  
 Government Department  
 Loan Operations Department  
 Office File  
 Follow-up Department

..... Statistical Officer

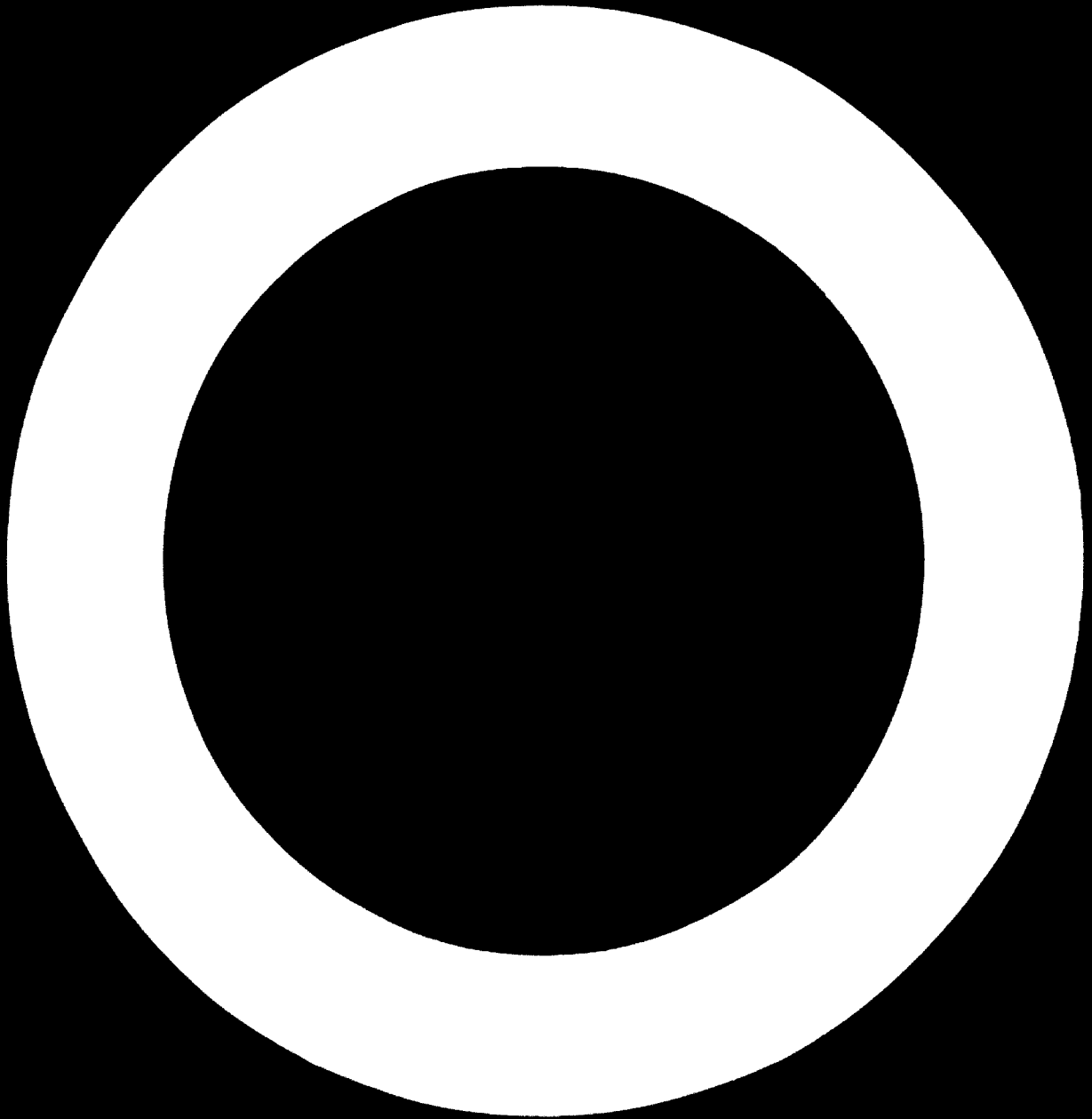
**SEAP-TYPE BREAK-UP OF LOCAL CURRENCY LOANS  
(ACCORDING TO THEIR HEADLINE SIZES) FOR VARIOUS PERIODS**

Up to .....	REGION 'A'			REGION 'B'			COUNTRY TOTAL		
	Over .....	Up to .....	Over .....	Up to .....	Over .....	Up to .....	Over .....	Up to .....	Over .....
No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases
	FOR THE CURRENT MONTH OF .....								
	FOR THE CURRENT YEAR .....								
	SINCE THE INCEPTION OF THE PLAN IN .....								

CURRENCY: NUMBER OF ALL CASES .....  
 AMOUNT OF ALL CASES .....

- Distribution:
- Managing Director (2)
  - Finance Department
  - Loan Operations Department
  - Follow-up Department
  - Office File

..... Statistical Officer



Form No.

Completed on ..... 19..

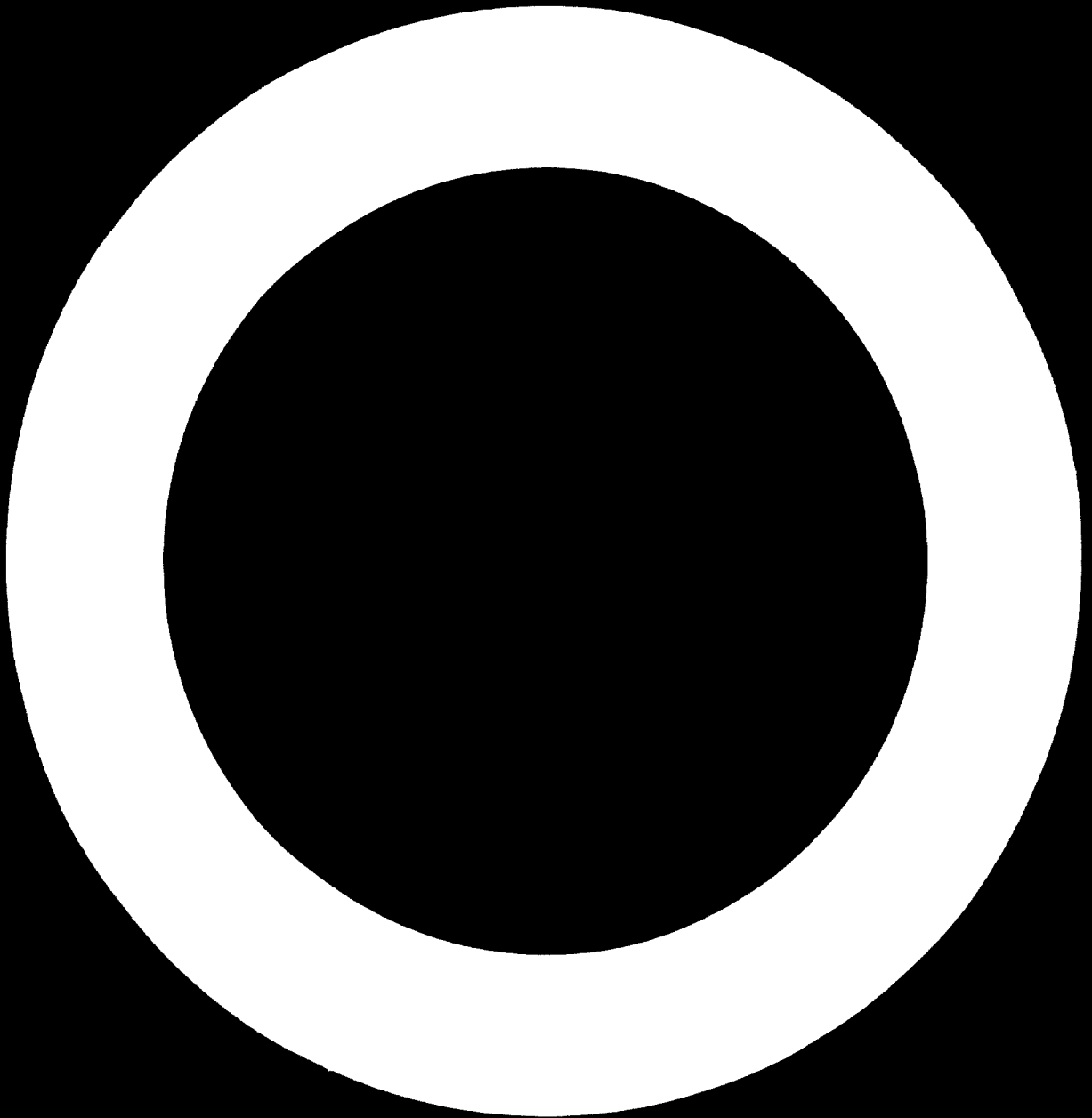
SLAB-WISE BREAK-UP OF FOREIGN CURRENCY LOANS  
(ACCORDING TO THREE HEADLY SIZES) FOR VARIOUS PERIODS

REGION 'A'			REGION 'B'			REGION 'C'			COUNTRY TOTAL		
Up to .....	Over .....	Over .....	Up to .....	Over .....	Over .....	Up to .....	Over .....	Over .....	Up to .....	Over .....	Over .....
No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases	No. of Amount cases
FOR THE QUARTER TO .....											
FOR THE CURRENT YEAR .....											
SINCE THE INCEPTION OF THE SLAB .....											

REMARKS: .....

Distribution:  
 Managing Director (2)  
 Finance Department  
 Loan Operations Department  
 Follow-up Department  
 Office File

.....  
 .....





Form No. Completed on ..... 19..

MONTHLY STATEMENT OF LETTERS OF CREDIT OPENED  
(CASE TRANSACTIONS OR GUARANTEES ISSUED)

ENDING WITH THE END OF ..... 19..

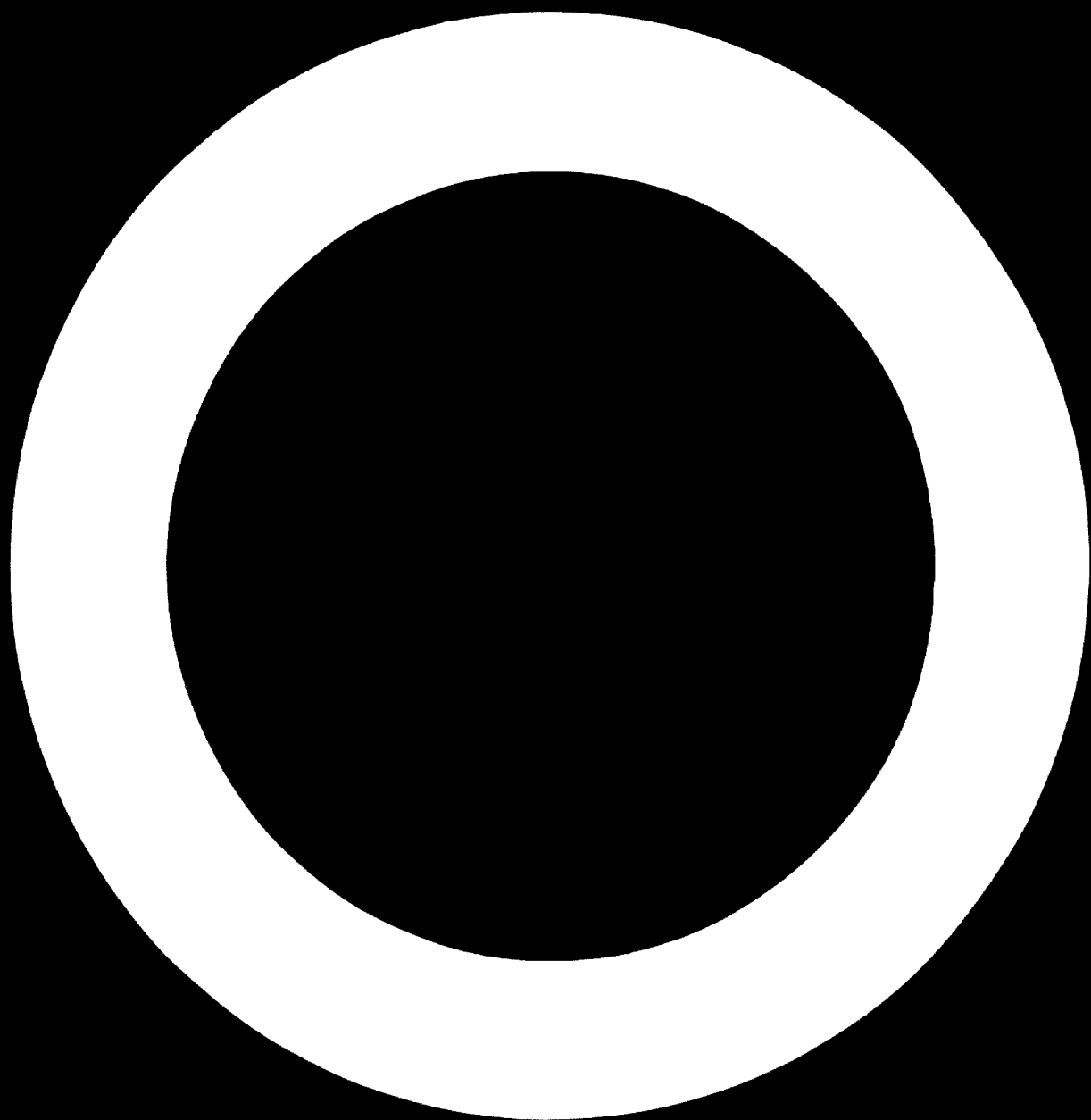
**FOR EACH LINE OF CREDIT A SEPARATE SHEET**  
**THIS STATEMENT REFERS TO ..... LETTERS OF CREDIT**

Serial No.	Name and Address of Borrower/Importer	Amount of L/C when opened	L/C when over and date of shipment	Last date of shipment	Number of letters issued	Principal interest	Expiry Date of Guarantees	Group of Countries	Remarks

Distribution:  
Managing Director (2)  
Operations Department  
Office File

.....  
Chief Accounts Officer

APR 11 1951



INSPECTION FORM III

Numbered as .....  
 No. of last report .....

HALF-YEARLY INSPECTION REPORT ON CURRENT STATE  
OF MANUFACTURING INDUSTRY

Covering a ..... monthly production period from ..... to .....  
 Name of Borrower ..... Below stated information given by:  
 Office Address ..... Production: Mr. ....  
 Factory Address ..... Sales and .....  
 Company Designation .....  
 (Proprietary, Partnership, Private Ltd., Public Ltd., etc)

**A. BANK LOANS:**

Foreign  
Local Currency

(F) (L)  
 (F) (L)  
 (F) (L)

TOTAL:

AMOUNT IN (L)	SANCTION DATE	DISBURSED	UNDISBURSED

PRINCIPAL INVESTMENT	RESERVE FUND	DEPRECIATION	OVERHEADS

**B. FIXED ASSETS:**

Original appraised cost of project  
 Actual cost of completed Project  
 Addition/Subtraction of fixed assets  
 (Sale, Transfer)  
 since ..... 19..  
 when project completed  
 Sub-Total:

Rate of yearly Depreciation %  
 Value to date, after deduction of  
 all depreciation (... years)

LAND	BUILDING	MACHINERY & EQUIPMENT		OTHER ASSETS
		INDENTION	VALUE	

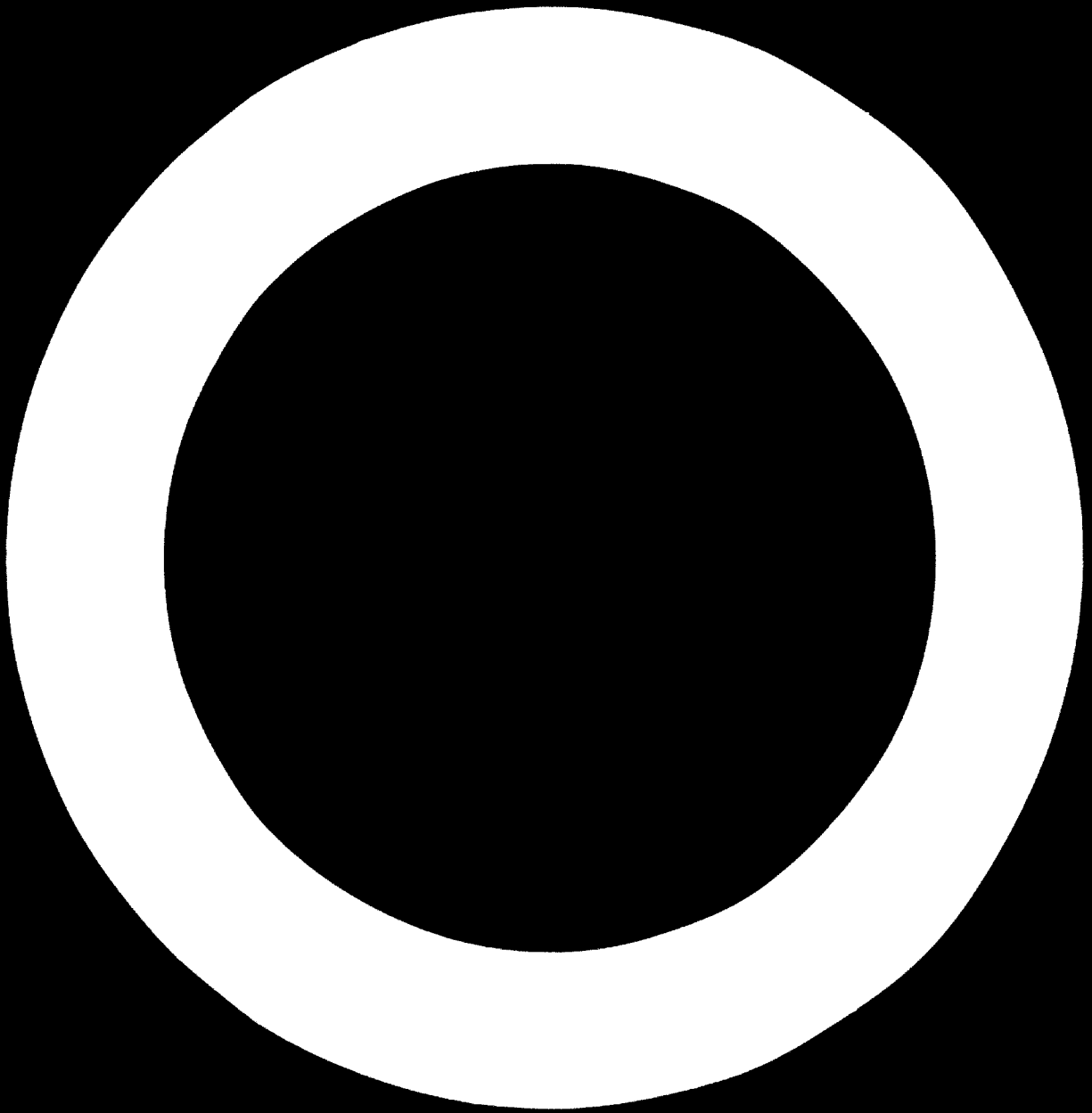
Total .....  
 Total .....

Completed on .....

STATEMENT OF WORK FOR THE YEAR 2011

Item	Description	Quantity	Unit Price	Total Price	Notes
1	...	...	...	...	...
2	...	...	...	...	...
3	...	...	...	...	...
4	...	...	...	...	...
5	...	...	...	...	...
6	...	...	...	...	...
7	...	...	...	...	...
8	...	...	...	...	...
9	...	...	...	...	...
10	...	...	...	...	...
11	...	...	...	...	...
12	...	...	...	...	...
13	...	...	...	...	...
14	...	...	...	...	...
15	...	...	...	...	...
16	...	...	...	...	...
17	...	...	...	...	...
18	...	...	...	...	...
19	...	...	...	...	...
20	...	...	...	...	...
21	...	...	...	...	...
22	...	...	...	...	...
23	...	...	...	...	...
24	...	...	...	...	...
25	...	...	...	...	...
26	...	...	...	...	...
27	...	...	...	...	...
28	...	...	...	...	...
29	...	...	...	...	...
30	...	...	...	...	...
31	...	...	...	...	...
32	...	...	...	...	...
33	...	...	...	...	...
34	...	...	...	...	...
35	...	...	...	...	...
36	...	...	...	...	...
37	...	...	...	...	...
38	...	...	...	...	...
39	...	...	...	...	...
40	...	...	...	...	...
41	...	...	...	...	...
42	...	...	...	...	...
43	...	...	...	...	...
44	...	...	...	...	...
45	...	...	...	...	...
46	...	...	...	...	...
47	...	...	...	...	...
48	...	...	...	...	...
49	...	...	...	...	...
50	...	...	...	...	...
51	...	...	...	...	...
52	...	...	...	...	...
53	...	...	...	...	...
54	...	...	...	...	...
55	...	...	...	...	...
56	...	...	...	...	...
57	...	...	...	...	...
58	...	...	...	...	...
59	...	...	...	...	...
60	...	...	...	...	...
61	...	...	...	...	...
62	...	...	...	...	...
63	...	...	...	...	...
64	...	...	...	...	...
65	...	...	...	...	...
66	...	...	...	...	...
67	...	...	...	...	...
68	...	...	...	...	...
69	...	...	...	...	...
70	...	...	...	...	...
71	...	...	...	...	...
72	...	...	...	...	...
73	...	...	...	...	...
74	...	...	...	...	...
75	...	...	...	...	...
76	...	...	...	...	...
77	...	...	...	...	...
78	...	...	...	...	...
79	...	...	...	...	...
80	...	...	...	...	...
81	...	...	...	...	...
82	...	...	...	...	...
83	...	...	...	...	...
84	...	...	...	...	...
85	...	...	...	...	...
86	...	...	...	...	...
87	...	...	...	...	...
88	...	...	...	...	...
89	...	...	...	...	...
90	...	...	...	...	...
91	...	...	...	...	...
92	...	...	...	...	...
93	...	...	...	...	...
94	...	...	...	...	...
95	...	...	...	...	...
96	...	...	...	...	...
97	...	...	...	...	...
98	...	...	...	...	...
99	...	...	...	...	...
100	...	...	...	...	...

Prepared by:  
 Submitted by:  
 Approved by:  
 Office File



**GENERAL INFORMATION**

DATE: 10/10/54

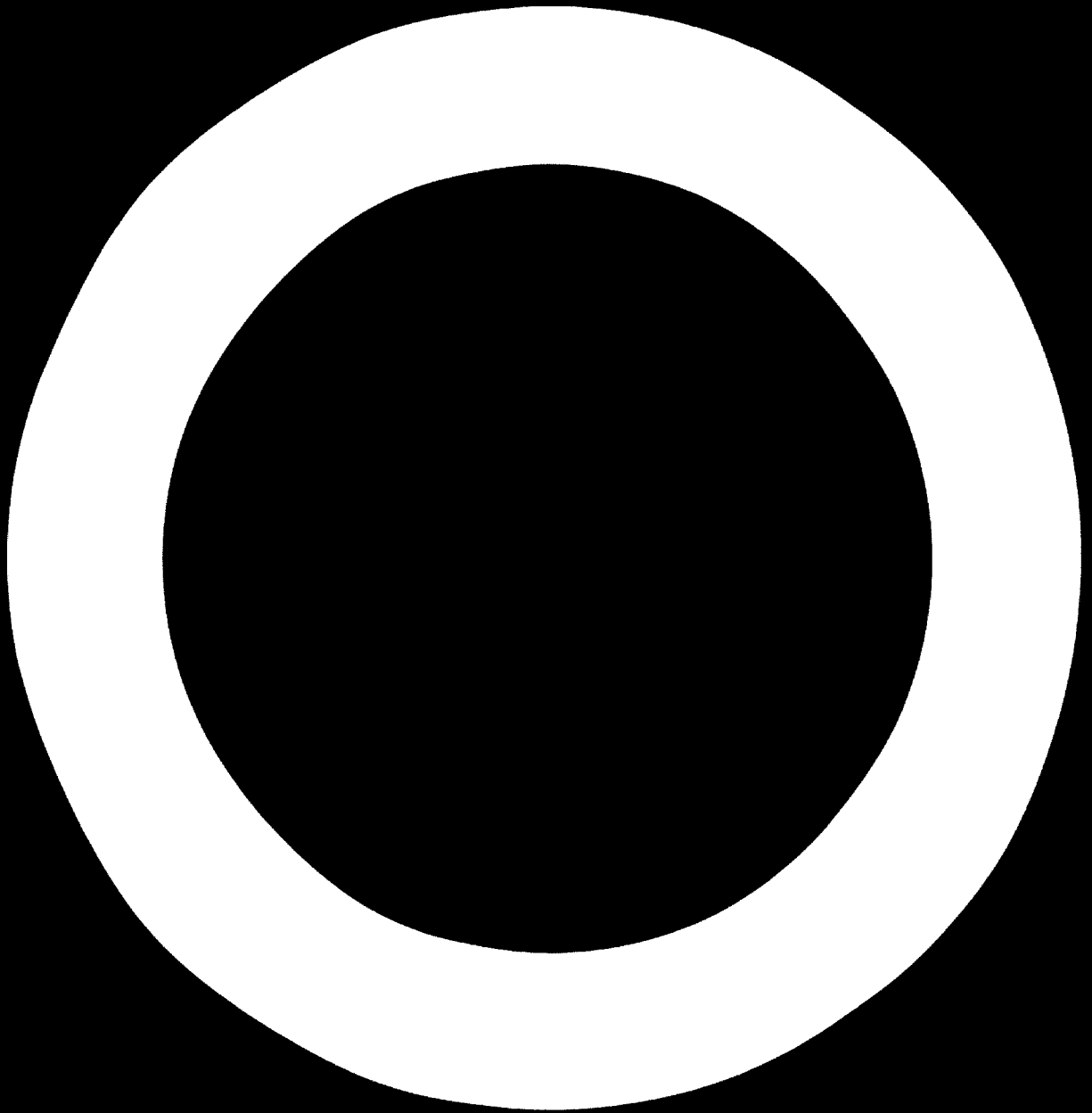
BY: [Signature]



REVISIONS

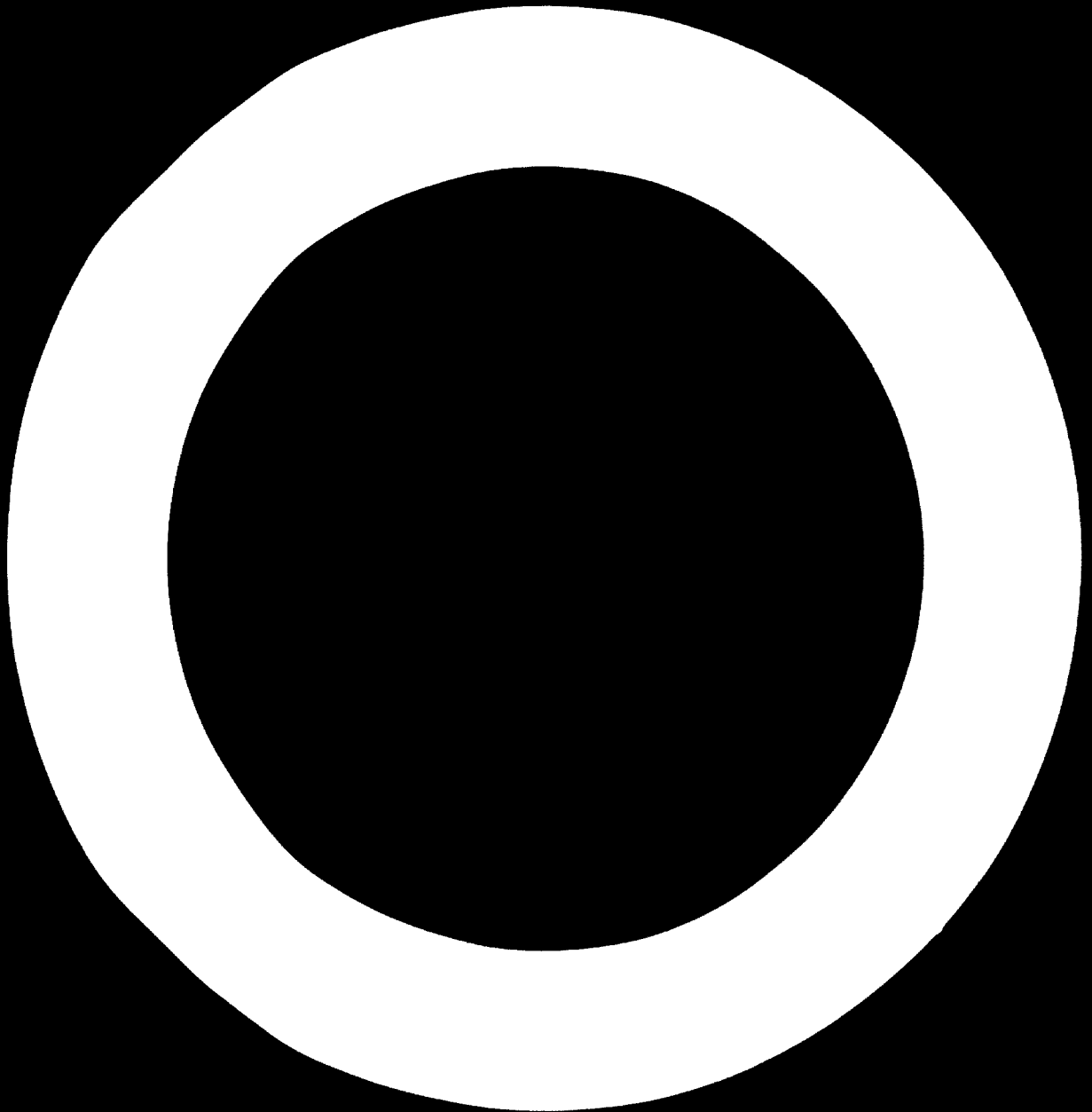
NO.	DESCRIPTION	DATE
1	INITIAL DESIGN	10/10/54
2	REVISION	10/15/54
3	REVISION	10/20/54

REVISIONS FOR THE YEAR 1954

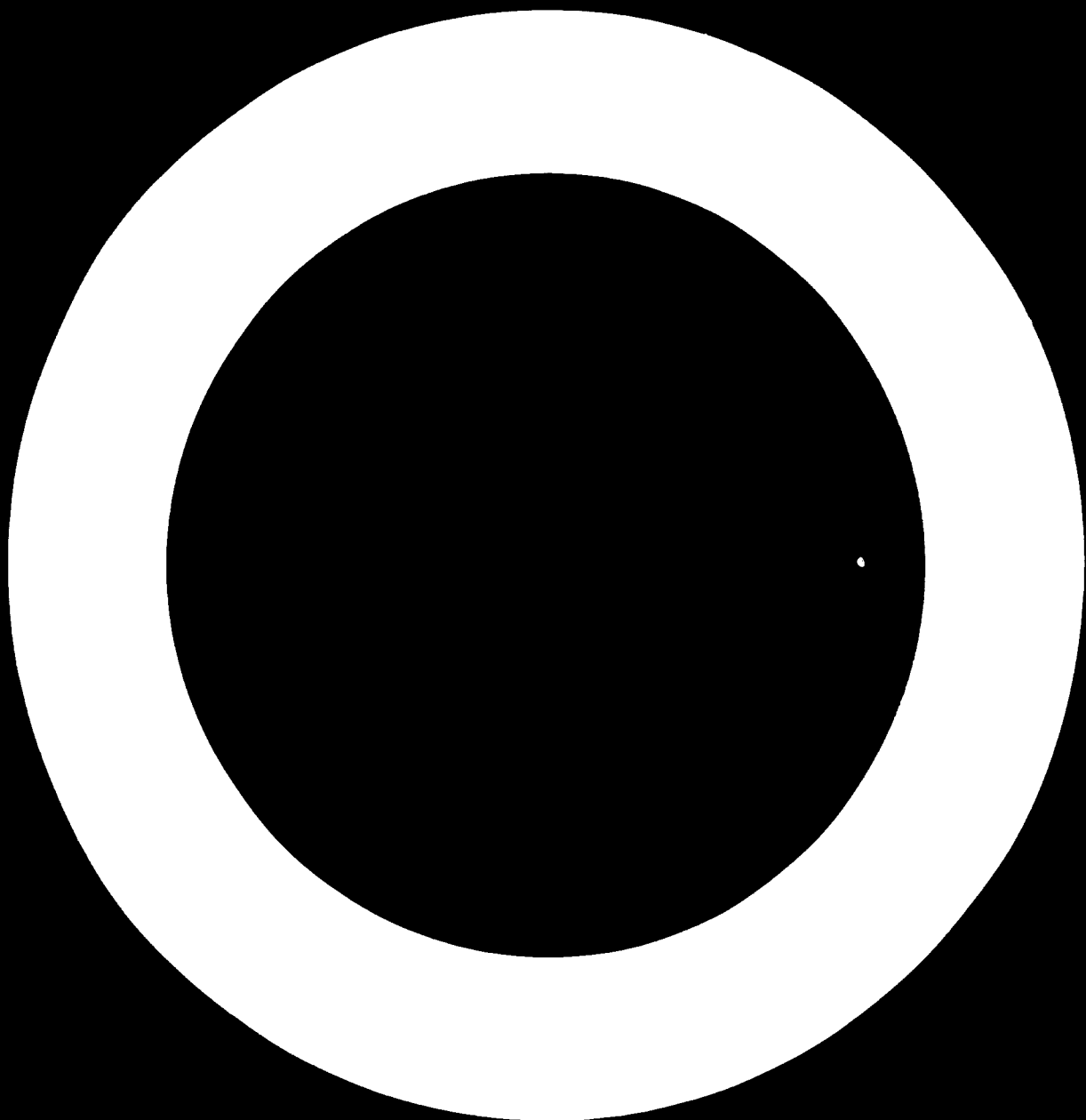




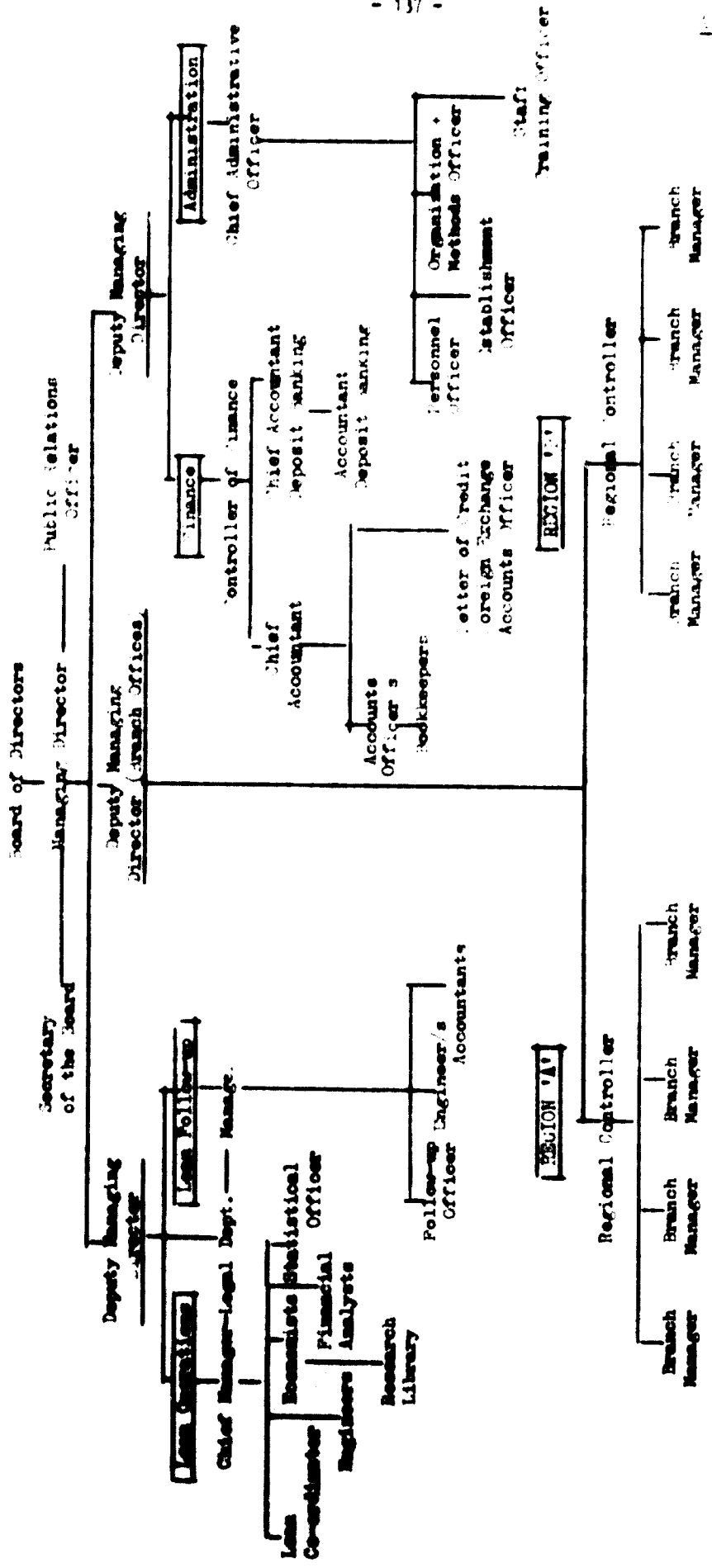




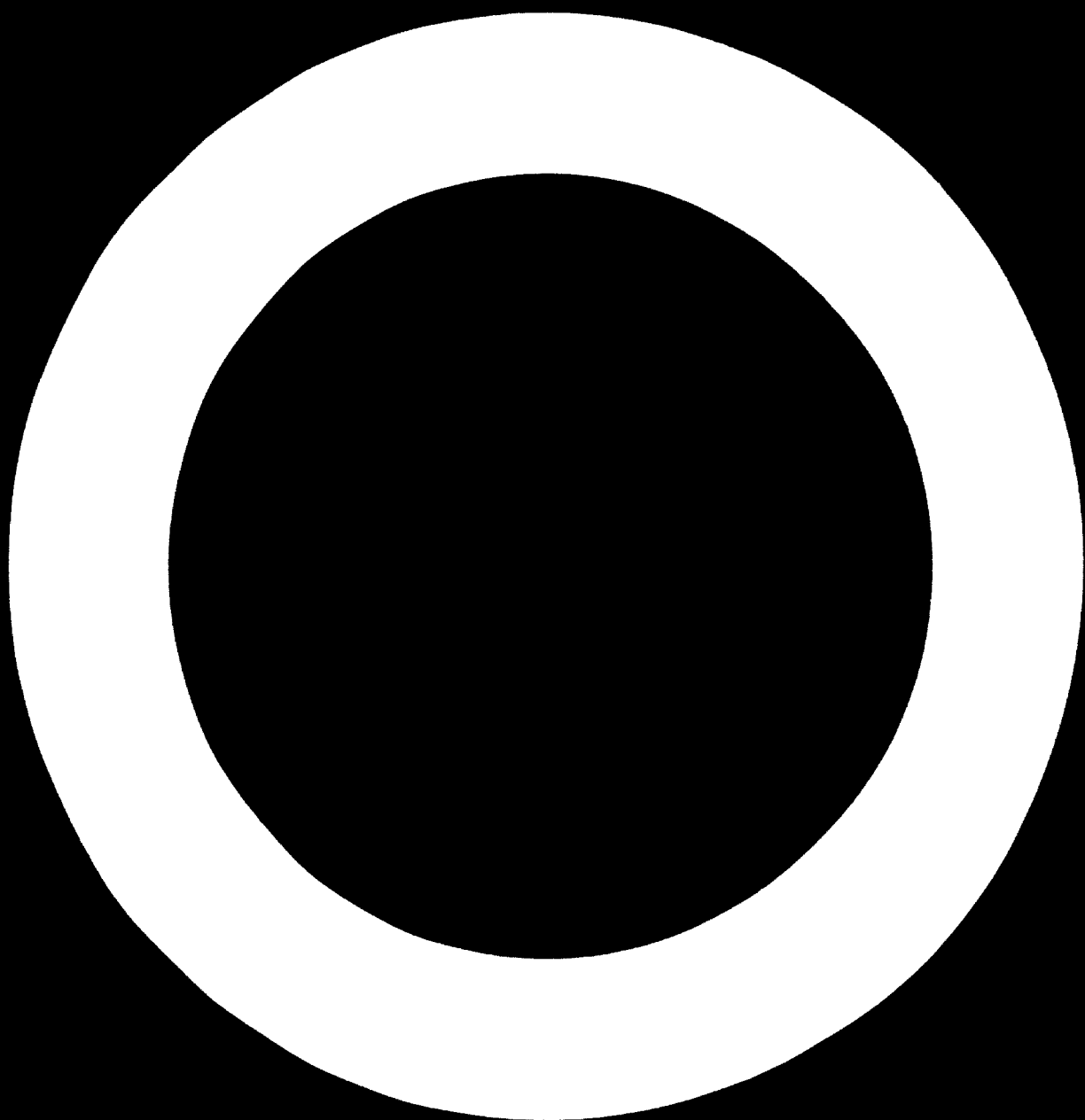




**DEPUTY ORGANIZATION CHART FOR AN OLD ESTABLISHED AND LARGE INDUSTRIAL DEVELOPMENT BANK (WITH SEVERAL BRANCHES IN TWO REGIONS)**



Date: \_\_\_\_\_  
 In Force for year: 19.\_\_\_\_



**INSPECTION FORM III**

<b>C. OWNER'S EQUITY:</b> Share Capital (authorized) Share Capital (paid-up) General Reserves (cumulative) Retained Surplus (cumulative) Others (Specify)	ON DATE OF SANCTION OF LOAN	TO-DAY .....19..	PROJECTED FUTURE INCREASE/DECREASE	PAID UP- NO DATE YES/NO	UNPAID (AMOUNT)
				<b>D. TAXES, RENT:</b> Sales Tax Excise Duty Municipal Taxes Land Revenue Others Rent	

**E. INSURANCE:**

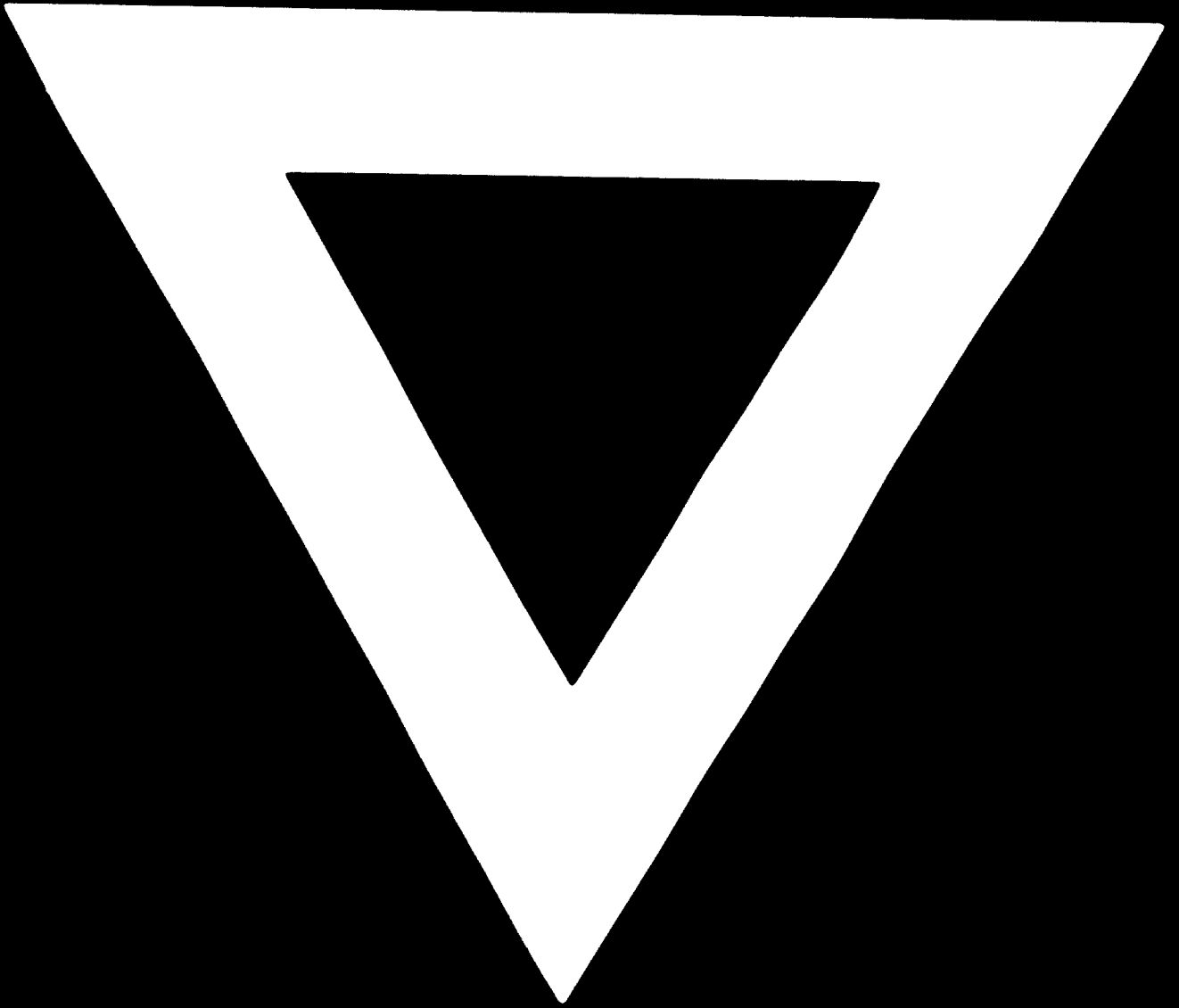
ASSETS COVERED	AGAINST WHAT RISKS	NAME OF INSURANCE CO.	POLICY NUMBER	AMOUNT INSURED	EXPIRY DATE	DEPART'S
As specified in the Loan Agreement						
Other Insurance taken out						

**F. STAFF:**

As per original Project Report - Number actually employed - Number	FOREIGN + DOMESTIC		UNSKILLED WORKERS		ACCOUNTS DEPARTMENT		SALES DEPARTMENT	
	SKILLED WORKERS	WORKERS	EMPLOYEES	EMPLOYEES	DEPARTMENT	DEPARTMENT	DEPARTMENT	DEPARTMENT

**Comments on efficiency of staff:**





**76. 02. 09**



**EXHIBIT FORM III**

**G. WORKING CAPITAL**

- (I) Required Working Capital as estimated on date of sanction of loan: ..... Local .....
- (II) Available Working Capital on completion of construction (start of production): ..... Local .....
- (III) Estimated Working Capital of to-day: ..... Local .....

CURRENT ASSETS	CURRENT LIABILITIES	
<p>Cash in Hand</p> <p>Cash in Bank</p> <p>Accounts receivable, L&amp;F (Debtors)</p> <p>Advances to Directors and Others</p> <p>Deposits made to others</p> <p>Notes receivable</p> <p>STOCKS (estimated):</p> <p style="padding-left: 20px;">Raw Materials and Stores</p> <p style="padding-left: 20px;">Goods in process</p> <p style="padding-left: 20px;">Finished goods (not invoiced)</p> <p>Others: (assets of cash value)</p> <p style="text-align: right;">TOTAL:</p>	<p>Accounts payable (creditors)</p> <p>Notes payable (within 12 months)</p> <p>Short-term loans payable (within 12 months)</p> <p>Advances from Directors/Partners</p> <p>Bank Overdraft (sanctioned .....)</p> <p style="padding-left: 20px;">drawn today .....</p> <p>Advances from Buyers</p> <p>BANK Loan repayments including interest (within 12 months)</p> <p>Dividends payable</p> <p>Taxes, Rent payable</p> <p>Others</p>	<p>.....</p>
CURRENT RATIO: _____		(Current assets/current liabilities)

Comments on adequacy of Working Capital:

INSPECTION FORM III

H. PRODUCTION:

PRODUCTS	UNIT	PRESENT RATE OF WORKING COVERING PERIOD			
		1	2	3	4
		FROM	TO	TO	TO
a.		QUANTITY PRODUCED DURING THIS PERIOD	MONTHLY AVERAGE QUANTITY PRODUCED	PERCENTAGE OF NORMAL CAPACITY	COST OF FABRICATING (EXCLUDING DEPRECIATION, A R.P.M. + ...)
b.					PERCENTAGE OF THE ...
c.					
d.					

I. SALES:

	PERIOD		
	9	10	11
a.	QUANTITY INVOICED DURING THIS PERIOD	MONTHLY AVERAGE QUANTITY INVOICED	NET VALUE OF GOODS INVOICED DURING THIS PERIOD
b.			PREVIOUS MONTHLY AVERAGE NET VALUE INVOICED PER UNIT
c.			
d.			

SALES OVERHEADS: (Sales salaries, travel expenses, commission, etc.)  
Average per month (L) .....

(L) .....

Comments on increase in cost of manufacturing, decline in production or in sales (if any)

**INSPECTION FORM III**

**J. MAJOR DEFICIENCIES FOR NEXT QUARTER:**

PRODUCTS	COUSES OF MOST OF	OUTLOOK FOR QUARTER
	DATE OF REPORT	IF GENERAL
APPROX. (1) (COOP, PAIR, TOOP)		

- a.
- b.
- c.
- d.

**L. MAINTENANCE OF PLANT:**

Person responsible for maintenance:

Is maintenance, greasing, lubrication, carried out to a pre-set schedule:

Are repairs carried out efficiently and quickly:

Is fire protection adequate and efficient:

**K. DEFICIENCIES ENCOUNTERED IN:**

- (i) Procurement of raw material.
- (ii) Achieving required standard quality
- (iii) Breakdown of Machinery
- (iv) Obtaining spares
- (v) Scarcity of fuel, water, electricity, etc.
- (vi) Non-availability of skilled labour

**COMMENTS:** (also on back page)

**NAME AND DESIGNATION OF INSPECTING OFFICER**

**DESIGNATION OF INSPECTING OFFICER**

..... 19..

