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Seventh Meeting on Co-operation among  
Industrial Financing Institutions

New Delhi, India, 29 November - 2 December 1976

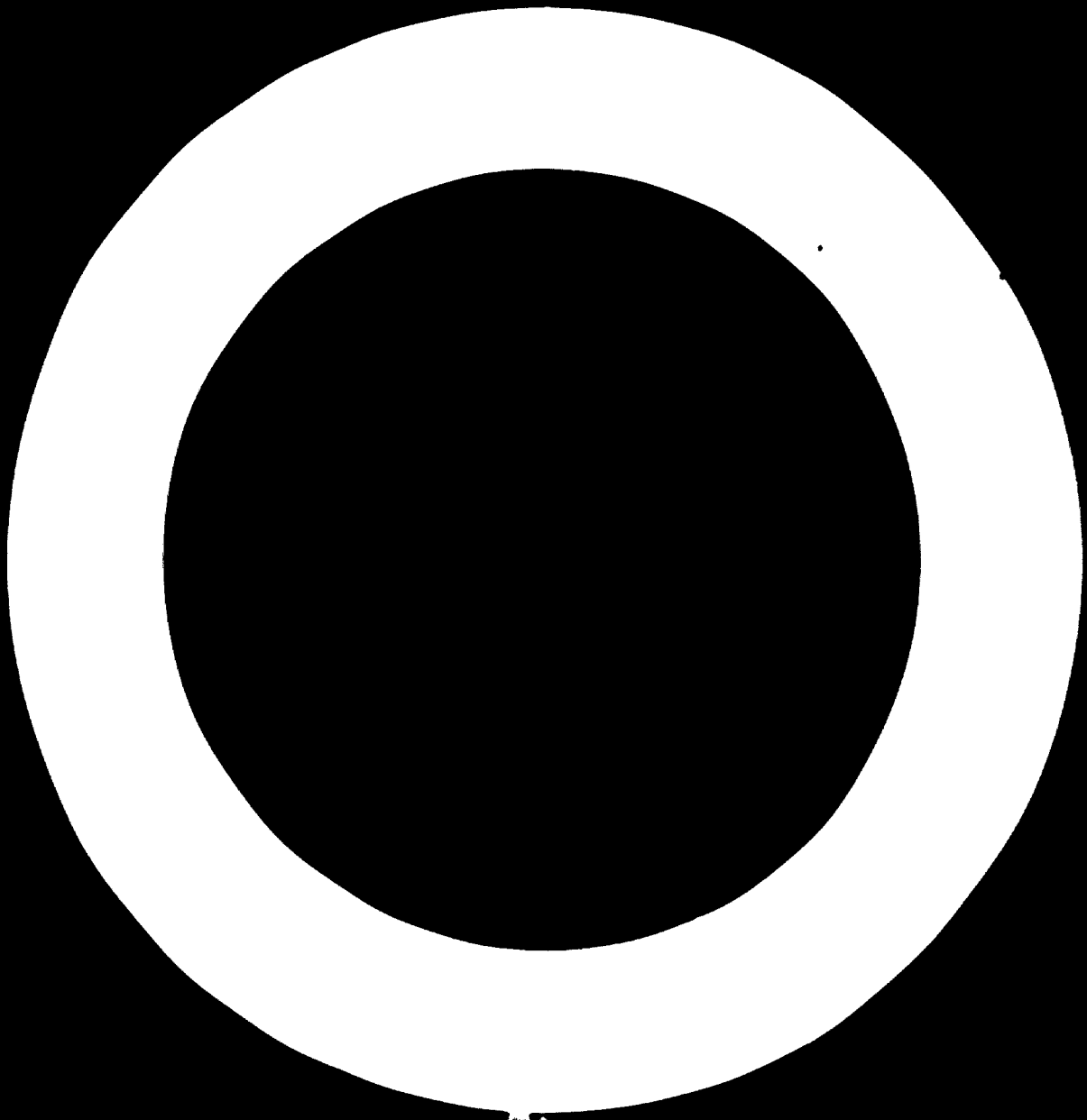
REPORT OF THE WORKING GROUP ON THE ESTABLISHMENT OF  
A WORLD ASSOCIATION OF INDUSTRIAL DEVELOPMENT FINANCING INSTITUTIONS<sup>1/</sup>

Prepared by :

The Latin American Association of Development Financing Institutions (ALIDE)

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WORLD FEDERATION OF DEVELOPMENT FINANCING INSTITUTIONS

Action Group

SECOND MEETING

1. Convening of the Meeting. In conformity with the decision reached during the First Meeting of the Action Group, on 10 December 1975, the Latin American Association of Development Financing Institutions (ALIDE) sent out invitations to the Group's Second Meeting, the purpose of which was to establish the World Federation of Development Financing Institutions (WFDFI).
2. The Meeting. At the invitation of the United Nations Industrial Development Organization (UNIDO) the Action Group's second meeting was held in Vienna, Austria, on Tuesday, 23 March, and Wednesday, 24 March 1976. In response to UNIDO's request that the Group should assist in the preparations for the Seventh Meeting on Co-operation among Industrial Development Financing Institutions, Thursday, 25 March 1976, was devoted primarily to that subject.

The working sessions were held at UNIDO Headquarters. At the first session, Mr. Erich Becker-Boost, the Director of UNIDO's Investment Co-operative Programme Office, welcomed the members of the Action Group. There were a number of receptions for the members hosted by UNIDO and its executive officers.

The Group expressed its gratitude to UNIDO for its invitation and for the services and facilities it had made available for the second meeting.

3. Participants. The following persons attended the Meeting :  
Mr. Auguste Daubrey, President of the African Association of Development Financing Institutions (AIAFD) and Director-General of the National Agricultural Development Bank of the Ivory Coast; Mr. Moncef Maaoui, Vice-President of AIAFD and Assistant General Manager of the Société Tunisienne de Banque; Mr. H.F.G. Leembruggen, General Manager of the Malaysian Industrial Development Finance Berhad, of Asia; Mr. Z. Annab, General Manager of the Industrial Development Bank of Jordan; Mr. Tomás Pastoriza, Director of ALIDE, who presided over the Group's deliberations as the representative of the President of the Latin American Association; Mr. Ricardo Palma Valderrama, Secretary General of ALIDE; Mr. Willi F.L. Engel, Director, Kreditanstalt für Wiederaufbau, Federal Republic of Germany; Mr. Alberto Cerrolaza Asenjo, President of the Instituto de Crédito Oficial, Spain; and Mr. Ulrich Loeser of UNIDO.

The meetings were also attended by Mr. Erich Becker-Boost and Mr. Aaron Basak of UNIDO and by Mr. William Keller of the International Finance Corporation, who had been requested by UNIDO to act as legal adviser. Miss Paulette Bezazian of UNIDO assisted by providing secretarial services.

4. Subjects discussed. As provided for in its agenda, the Second Meeting heard presentations by the regional associations and groups and an exchange of views regarding the documentation prepared in accordance with the plan of action adopted at the First Meeting. The discussions covered the following aspects :

(a) Presentations of the regional associations and groups. The following presentations were heard :

AIAFD. Mr. Daubrey briefly sketched the progress achieved since the establishment of the African Association, touching on the assistance which, even before its establishment, the Association had received from the African Development Bank and UNIDO as well as from ALIDE. He referred to his visit to ALIDE Headquarters and called special attention to the managerial concept applied at AIAFD, whose Executive Committee currently includes representatives of the principal languages and four subregions of Africa. AIAFD has a membership of sixty development institutions offering services for specific sectors, or multisectoral institutions.

ALIDE. Mr. Pastoriza and Mr. Palma spoke briefly of the spirit of co-operation which animated the Latin American Association and which it had already had an opportunity to display in its relations with AIAFD and its decision to co-operate with the Asian and other regional associations. They informed the meeting of the recent visit to Latin America of a special delegation from the financing institutions of the Arab countries and of the actions which it had been agreed ALIDE would perform to provide liaison between the Arab and Latin American institutions. They referred to the possibility that the Action Group might meet in Lima in July 1976 at the time of the sixth ordinary meeting of ALIDE's General Assembly. ALIDE had more than 100 members in 23 countries including financing institutions in countries lying outside the region as well as international financing organizations.

Asia. Mr. Leembruggen reported that two years before the Sixth Meeting on Co-operation among Industrial Development Financing Institutions organized by UNIDO in Caracas, the Asian development financing institutions had already met for the purpose of considering the establishment of a regional association of their own and of encouraging joint efforts. An Asian Committee had been formed in Caracas, which had had talks with ALIDE and AIAFD representatives. A survey conducted among fifty Asian institutions had revealed that the majority of them favoured the establishment of a regional association and its integration with public and private institutions in areas not limited to the industrial sector. There was reason to believe that the Asian association would be created at the next meeting of Asian development bankers in Manila.

(b) Exchanges of views regarding the basic documentation for the World Federation of Development Financing Institutions (WFDFI). Of the five draft documents ("Federation or association?", "Background", "Justification", "Constitution" and "Founding Agreement"), which had been prepared and distributed by ALIDE in advance at UNIDO's special invitation, it was decided, following agreement that the name of the institution should be chosen after its character and composition had been determined, to examine first the draft constitution. It was pointed out that these draft statutes, which, like the other documents, constituted a first working draft, reflected ALIDE's experience in Latin America.

The opinions in the course of the meetings touched on various aspects of the articles and the planned organizational structure, and can be summarized under the following conceptual headings :

- i. Membership of the regional associations. It was pointed out that the existing associations are made up of development financing institutions which are really development banks in the broad sense of the term. As to the possibility of defining what is meant by a development financing institution (DFI), it was noted that the DFI concept is interpreted broadly in the various regions, that it is to be understood in the context of national development planning, that institutions servicing one or several sectors are allowed for, that the promotional criterion is specified and that development is laid down as the principal goal. In this context it was said that each of these institutions is both a bank and something more than a bank.

ii. Principles which must guide the structuring of the proposed institution.

Essentially, these would be the principles of geographical balance and neutrality, it being understood, on the one hand, that these concepts refer to the number of members so as to prevent a particular region with a larger number of DFIs from being able to decide on its own at any given moment the destinies of the proposed world body and, on the other, that neutrality means doctrinal neutrality. Reference was also made to democracy understood as respect for majorities and minorities. It was stressed that the future institution should complement and reinforce the activities of its members, particularly the regional associations, and not compete with them. The point was also made that since the purpose of the new organization was to promote greater integration within the international development banking community, it should be based on the regional groupings, emphasizing regional aspects and providing, in its function as a central co-ordinating agency, an integrated network with associations at the regional level.

iii. Objectives, functions and means of action of the institution.

In connexion with those enumerated in the draft document, mention was made inter alia of the promotion of integration, the co-ordination of efforts, the exchange of information, technical co-operation and advisory services, arbitration and information for suppliers.

iv. Membership of the world body. The importance of having development financing institutions which serviced all sectors of production (agriculture, industry, etc.) was recognized, and specific reference was made to the need to consolidate the regional associations through the new organization (in line with the proposals in the draft document), and in this connexion the associations yet to be established were also mentioned. As to the problem of defining what is meant by a region, it was pointed out that traditionally this depends on the development financing institutions themselves and the groupings they establish in accordance with their own regional criteria. Regarding the membership of the world body, the views expressed referred mainly to the following considerations :

Origin, i.e. whether the institutions are those of developing countries or developed countries. It was recognized that the developed countries no longer require development financing as such but that, in view of their membership in the existing regional bodies, they could be admitted as associate members of the world organization.



Status of members. Under the provisions of the draft, the world organization includes only juridical persons (bodies). In the discussions on this subject, views were expressed on the one hand favouring adherence to the notion of juridical persons while at the same time advocating some form of professionalization (permanent professional council); on the other hand, it was argued that it should be possible for both bodies and natural persons to be members of the world organization.

The active member category. The active members of the world organization, which the draft recommends should be a federation, are to be the national development financing institutions of each geographical area, represented by their particular regional association. As far as development financing institutions which are not affiliated with any regional association are concerned, it was suggested that, when no regional association exists in their area, these institutions should have the status of temporary active voting members, in which connexion stress was laid on the responsibility of the world organization for encouraging the establishment of regional associations where they do not yet exist. Arguments were also heard for the possibility of active membership directly and through regional associations, regardless of whether a regional association does or does not exist in a given region. During the exchange of views, there was a reiteration of arguments concerning the need to strengthen the regional associations, their functions and their experience, and the effects of placing DFIs belonging to regional associations in a looser relationship with the world organization than would be the case if they were not affiliated with a regional body. The obligations and rights of active members which were discussed under this heading were the payment of assessments, the right to vote, and a voice in the running of the world organization. With respect to assessments it was pointed out that, with the procedure of additional direct affiliation, DFIs that were members of a regional association would have two assessments to pay - one to the regional and the other to the world body - and it was suggested that, in such a case, the assessment payable to the world organization should be reduced. With regard to the right to vote, which in the draft is distributed in a balanced way among the regions, with numerical equality of votes, it was suggested that voting might be by the regional associations but on a weighted basis according to the number of DFIs represented in

each of them, or that the votes of the DFIs - which would then be entitled to a direct vote - could be added to those of the regional association, while each DFI not affiliated with a regional association would have the right to a direct vote. It was suggested that consideration should be given, in the Executive Committee of the world organization, to appropriate representation for regions and for national DFIs which might be granted direct affiliation (with or without a regional association in the geographical area); further, an analysis was made of the situation of an association vis-A-vis its members in terms of determining regional responsibility within the Executive Committee.

v. Other points raised. A number of proposals of a general nature were put forward during the discussions, including the following :

The setting up of a Co-ordination Committee of existing regional associations, taking into account the infrastructure and logistical base already available, for the purpose of exchanging information and services, sharing experience and thus fostering unity of action and co-ordination among the regional groupings as a first step towards the establishment of the world body (proposal of the African Association).

The dissemination of different proposed solutions, but with a recommendation by the Action Group as to which of them should be chosen. Possible suggestions might be, for example, to set up a Federation of Regional Associations, or to have as the Federation's active members the development financing institutions of the various geographical areas, represented by their regional associations, or else to have an association in which the DFIs would participate directly, each individual body enjoying the right to vote.

5. General considerations. With the desired support of the financial institutions of the developed nations, the new organization should bring together the development financing institutions of the developing countries on the basis of the principles of geographical balance, doctrinal neutrality, complementing the activities of the DFIs and regional associations, promoting and strengthening the regional groupings rather than competing with them, so as to emphasize regional "personality", and creating, through a central co-ordinating function, an integrated world-wide system of development banking.

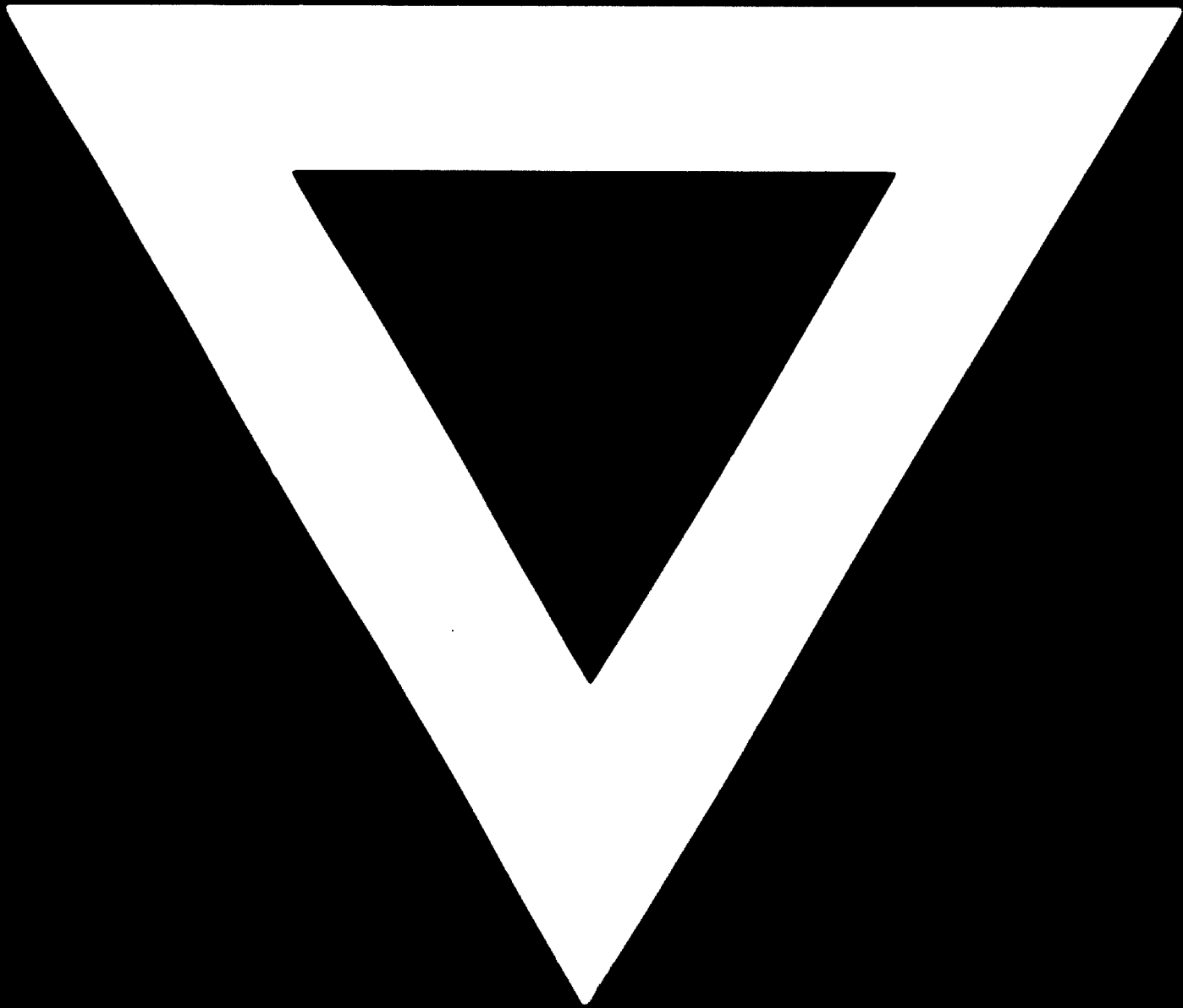
The first thing that must be done to achieve these objectives, according to the view of Mr. Keller, Legal Adviser of the International Finance Corporation, is to reach agreement on the basic elements of the proposed world organization, beginning with the definition of its membership and the members' rights and duties. Once those basic characteristics have been determined, there will be no difficulty in deciding on the name and coherently developing the entire institutional structure.

Accordingly, it was felt that it might be best to await the imminent establishment of the Asian association before moving ahead with the project for an organization of world-wide scope. In the meantime, the various meetings scheduled to take place in the months ahead (e.g., AIAFD in Kinshasa, ALIDE in Lima, etc.) must be used for continued study of this subject in greater depth. It will also be necessary to disseminate the draft documentation regarding the world body.

6. Action Group. The Group could meet again in the future on appropriate occasions; this could include sessions of a committee consisting of representatives of the different geographical areas.



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