U. S. PRIVATE INVESTMENT ABROAD: FACILITIES AND PROGRAMS OF IFC, EXIM-BANK AND ICA AVAILABLE TO U. S. INVESTORS

(Arranged in tabular form for comparative and reference purposes.)

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INDUSTRIAL LIAISON PROGRAM
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INTERNATIONAL FINANCE CORPORATION (IFC)

I. Organization:

An international financial institution which will operate as an affiliate of the International Bank for Reconstruction and Development (the World Bank) although it is a separate legal entity with its own funds. Membership is open only to members of the World Bank.

II. Sources of Funds:

A. The authorized capital of IFC is U.S. $100,000,000 of which $93,000,000 has been subscribed by 53 countries as of September 30, 1957. Several other countries are in process of joining IFC.

B. IFC is authorized to borrow funds by sale of its own bonds or obligations. It has announced that it does not expect to utilize this authority in its early years.

C. IFC is authorized to revolve its funds by selling securities in its investment portfolio to private investors by private sale.

EXPORT-IMPORT BANK OF WASHINGTON (Exim Bank)

I. Organization:

A wholly-owned government corporation of the United States of America, established as an independent agency of the Government by the Export-Import Bank Act of 1945. Exim Bank was originally established in 1934 as a banking corporation under the laws of the District of Columbia to act as an agency of the United States.

II. Sources of Funds:

A. The authorized capital stock of Exim Bank is $1,000,000,000 all of which has been subscribed by the United States.

B. The Bank is authorized to use its earnings after payment of operating expenses and dividends on its capital stock.

C. The Bank is authorized to issue for purchase by the Secretary of the Treasury its notes and other obligations, the aggregate amount of which may be outstanding at any one time shall not exceed $4,000,000,000.

D. The President has announced the Administration's intention to seek authority from Congress at the current session of Congress (commencing in January) for Exim Bank to borrow an additional $2,000,000,000 from the Treasury.

INTERNATIONAL COOPERATION ADMINISTRATION (ICA Investment Guaranty Program and Development Loan Fund)

I. Organization:

A. The International Cooperation Administration is a semi-autonomous part of the Department of State. The Investment Guaranties Staff of ICA administers the Investment Guaranty Program.

B. The Development Loan Fund (Loan Fund) was established by the Mutual Security Act of 1957 as a unit within the ICA under a "Manager of the Fund" appointed by the President, with the advice and consent of the Senate.

II. Sources of Funds:

A. Investment Guaranty Program: the Director of ICA is authorized to issue notes for purchase by the Secretary of the Treasury in an amount not to exceed $37,500,000, in addition to notes in an amount of $200,000,000 issued by the Administrator of the Economic Cooperation Administration to the Secretary of the Treasury in 1948. The Program is also authorized to use income from the Program, e.g. fees and assets realized in the event a guaranty is invoked, for financing the Program.

B. Loan Fund: It has an initial capital of $300,000,000 appropriated by Congress with no limitation on the date of obligation or expenditure. The Congress has authorized the appropriation of $625,000,000 during FY'59 for the Loan Fund. The Fund is intended to revolve and is authorized to reuse repayments and interest payments for further financing. The President has announced the Administration's intention to seek the full appropriation of $625,000,000 under this authorization.

IFC

III. Purposes:

To further economic development by encouraging the growth of productive private enterprise in IFC member countries including dependent territories, particularly in less developed countries, by:

A. Investing in productive private enterprises, in association with private investors and without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms;

B. Serving as a clearing house to bring together investment opportunities, private capital (both foreign and domestic) and experienced management; and

C. Helping to stimulate the productive investment of private capital, both domestic and foreign.

IV. Authority:

A. IFC is authorized to make investments in any form except that it may not invest in capital stock or shares. IFC will not normally make conventional fixed interest loans. Its loans will be coupled with rights or options to subscribe to capital stock or to convert the investment into shares.

B. IFC is authorized to sell the securities in its portfolio in order to revolve its funds. Hence, the emphasis on convertible debentures and subscription warrants which are likely to be more attractive to private investors than conventional fixed interest debentures.

C. IFC is authorized to exercise these stock acquisition rights only to protect its investment from being jeopardized.

D. IFC is authorized to make loans with or

Exim Bank

III. Purposes:

To aid in financing and to facilitate exports and imports and the exchange of commodities between the United States or any of its territories or insular possessions and foreign countries or the agencies or nationals thereof.

IV. Authority:

A. Exim Bank is authorized and empowered to do a general banking business except that it cannot purchase with its funds any stock in any other corporation except that it may acquire any such stock through the enforcement of any lien or pledge or otherwise to satisfy a previously contracted indebtedness.

B. Exim Bank is also authorized to provide insurance, in an amount not in excess of $100,000,000, for the benefit of citizens of the U.S. against the risks of loss of or damage to tangible personal property of U.S. origin which is exported from the U.S. and is located in any friendly foreign country, to the extent that such loss or damage results from hostile or war like action in time of peace or war, including civil war, revolution, rebellion, insurrection,

ICA

III. Purposes:

A. Investment Guaranty Program: To encourage and facilitate the participation of U.S. private enterprise to the maximum extent practicable in furthering the purpose of the Mutual Security Act, e.g. contributing to the economic strength of other free nations through private trade and investment abroad.

B. Loan Fund: "To strengthen friendly foreign countries by encouraging the development of their economies through a competitive free enterprise system, to minimize or eliminate barriers to the flow of private investment capital and international trade, to facilitate the creation of a climate favorable to the investment of private capital; and to assist, on a basis of self-help and mutual cooperation, the efforts of free people to develop their economic resources and to increase their productive capabilities."

IV. Authority:

1. Loan Fund: The Fund is authorized to make loans, credits, or guaranties, or to engage in other financing operations or transactions to or with nations, organizations, persons or other entities, on such terms and conditions as the President may determine. The Fund is prohibited from making guaranties of equity investments against normal business-type risks. The statutory provision establishing the Fund is not exhaustive as to the types of guaranties that could be made, and hence, creates a minor degree of ambiguity with respect to the Fund's relationship to the types of guaranties authorized to be issued under the Investment Guaranty Program.

2. Investment Guaranty Program:

A. To issue guaranties against inconvertibility into dollars of foreign currencies received as earnings or profits from an approved dollar investment or as repatriation of the investment,

IFC

Authority: (cont.)
without security.

E. IFC is authorized to guarantee securities in which it has invested in order to facilitate their sale.

V. General Policies:

A. IFC will only consider investments whose objective is the establishment, expansion or improvement of productive private enterprise which will contribute to the development of the economy in which the country is located. However, unlike the World Bank, IFC, when satisfied that the enterprise is productive in character, will customarily not investigate its developmental priority as against other possible investments in the same country.

B. IFC will engage in financing operations in association with private investors, i.e., where private capital is being invested at or about the same time. IFC must be satisfied that the private investors are contributing out of their resources as much of the required funds as may reasonably be expected. Ordinarily IFC will expect the private investors to put up more than half of the capital required.

C. IFC must be satisfied that the balance of the required funds for the investment is not available from other private sources on reasonable terms.

D. Funds provided by IFC will not necessarily be restricted to payment for any specific goods or services but will generally be freely usable by the enterprise for its business purposes.

E. In choosing among various eligible

Exim Bank

Authority: (cont.)
or civil strife arising therefrom, or from an order of any government or public authority confiscating, expropriating, or requisitioning such property and to the extent that such property is owned in whole or in part by the assured or constitutes security for financial obligations owed to the assured.

V. General Policies:

1. Loans:

A. The Bank extends loans, guaranties, or financial assistance in other forms for the primary purpose of promoting the export trade of the U.S., including services. This trade may be assisted by financing specific exports of U.S. products or by financing exports of equipment, materials and services required for specific development projects abroad. (See J below.) These activities also serve to promote foreign trade by building up the economy, increasing employment and raising income levels in foreign countries, which thereby afford better markets for American products or become better suppliers of imports. In exceptional cases where private financing is not available, Exim Bank may assist in financing imports.

B. Exim Bank seeks to supplement and encourage the use of private capital. Accordingly, it endeavors to obtain the maximum participation by commercial banks or other financial institutions in credit arrangements to which it is a party. The Bank ordinarily requires that a U.S. exporter shall have contracted to receive a cash payment of not less than 20 per cent of the invoice value not later than delivery of the goods, and that the exporter shall participate in the financing to the

ICA

Authority: (cont.)
in whole or in part.

B. To issue guaranties for loss of all or any part of an approved dollar investment by reason of expropriation or confiscation by action of the government of a foreign nation.

C. To issue guaranties for loss of all or any part of an approved dollar investment by reason of war.

V. General Policies:

1. Loan Fund:

A. "The Fund will be administered so as to support and encourage private and other participation furthering the purposes of the Loan Fund" (see III above).

B. The Fund will be administered so as not to compete with private capital, the Export-Import Bank or the International Bank for Reconstruction and Development.

C. In acting on requests for financing, the Fund will take into account (i) whether financing could be obtained in whole or in part from other free world sources on reasonable terms, (ii) the economic and technical soundness of the activity to be financed, and (iii) whether the activity gives reasonable promise of contributing to the development of economic resources or to the increase of productive capacities of the country.

D. Loans will be made only on the basis of firm commitments by the borrowers to make repayment and upon a finding that there are reasonable prospects of such repayment.

E. Loans are likely to be dollar denominated in the first instance with repayments in dollars or local currency at the option of the borrower, with an exchange rate guaranty by the borrower in cases of local currency repayments, and with a higher interest rate attaching for

IFC

General Policies: (cont.)

investment opportunities, IFC's decision will be significantly influenced by (a) the estimated profitability of the investment to both IFC and its associates, and (b) the prospective contribution to its investment portfolio. IFC will invest a substantial part of its funds on a basis approximating venture capital and expect financial returns commensurate with the risk.

F. IFC contemplates in its early years making U.S. dollar denominated investments as its paid-in capital will be in dollars. This will largely assure that its funds will be freely available for investment in all member countries and obviate impairment of its total capital by currency devaluations. In special cases, where the profitability prospects of the investment outweigh transfer and exchange risks, IFC will be prepared to make loans in other currencies. In any event, the amount of IFC's participation will not normally be measured by the foreign exchange requirement of the enterprise.

G. The usual range of maturities for IFC loans will be from 5 to 15 years.

H. IFC will finance only private enterprises. IFC will not seek or accept a government guaranty of repayment of any of its investments. Industrial, agricultural, financial, commercial and other private business enterprises are eligible for IFC financing; but IFC will prefer in its early years, to make investment in industrial enterprise. IFC will not invest in social overhead projects, e.g. housing, hospitals, and schools, or normally in basic utilities of the type financed by the World Bank, e.g. transport and power. IFC will not engage in refunding or refinancing operations.

I. IFC will normally pay out to the enterprise being financed the full amount which IFC has agreed to invest, either in a lump sum or by

Exim Bank

General Policies: (cont.)

extent of not less than 25 per cent of the financed portion. If the applicant is a foreign buyer he is expected, wherever possible, to arrange participation in the financing by the proposed U.S. exporter.

C. The Bank does not compete with private capital and does not, therefore, extend credit when private capital is available in adequate amounts on reasonable terms.

D. The Bank generally makes loans only for specific purposes.

E. Loans are made only when reasonable assurance of repayment is offered. This involves credit-worthiness and ability of the borrower to obtain the necessary foreign exchange.

F. As a general rule, the Bank extends credit only to finance purchases of materials and equipment produced or manufactured in the U.S. and of technical services of American firms and individuals, as distinguished from expenditures for goods and services in the borrowing country or for purchases in third countries.

G. In the absence of a clear showing to the contrary, it is assumed that credit for periods of less than one year may be obtained on reasonable terms from private sources. Accordingly, the Bank generally limits its consideration to transactions justifying credit of one year or more.

H. The Bank prefers to extend credits to private entities rather than to foreign governments if the project is of a commercial nature.

I. Disbursements under a commitment by the Bank are made only upon receipt of satisfactory evidence that the purposes of the loan have been or are being carried out.

J. The Bank in carrying out its purposes,

ICA

General Policies: (cont.)

local currency repayments. As the Fund is designed to revolve subsequent loans may be made in local currency received in payment of the original loans made by the Fund. It is likely that local currencies received in repayment of loans will not be convertible, and this may result in a multiplicity of revolving funds with limited orbits.

2. Investment Guaranty Program:

A. Only investments made by citizens of the U.S. or of any State or Territory, substantially beneficially owned by U.S. citizens, in a country participating in the Program under an agreement between the U.S. and the country, are eligible.

B. The investment must be new. This may be to establish a totally new enterprise in the foreign country, or to expand, modernize or develop an existing one. Although existing U.S. investment may also further the purposes of the Mutual Security Act, such investment is not eligible.

C. The investment may be an equity investment, a loan, or a royalty agreement. Loans must be for a minimum term of 3 years and in the case of serial loans, the average maturity must not be less than three years. Equity investments and royalty agreement must have an apparent life of at least 5 years.

D. The investment may be in cash, materials or equipment or patents, processes or techniques. If cash, it must be in dollars or foreign currencies acquired with dollars, or if otherwise acquired or owned by the investor, fully transferable into dollars. Materials or equipment must be dollar purchased. Patents, processes or techniques do not include trade names, trademarks and good will. Further, patents, etc. should represent predominantly a body of information and experience already in existence.

IFC

General Policies: (cont.)

agreed installments.

J. A significant criterion for IFC in choosing among eligible investment opportunities will be the extent to which IFC participation would bring about the investment of private capital by other investors. IFC will invest in association with either local or foreign investors, or both. IFC will be particularly interested in investments involving private capital from both local and foreign sources.

K. IFC will normally expect its private associates in the financing, or the management of the enterprise itself, to make or to engage consultants to make the principal technical investigation of the proposal.

L. During its early years IFC will not normally make investments in the more highly industrialized countries.

M. IFC will normally entertain investment proposals where (a) the new investment in the enterprise is a minimum of about U.S. $500,000 or its equivalent and (b) the participation sought from the IFC is at least U.S. $100,000 or its equivalent.

N. IFC has not set a fixed upper limit. IFC prefers, however, to make a substantial number of moderate sized investments rather than a few relatively large investments.

O. Although IFC will finance only private enterprises, an enterprise in which public funds have been invested is not precluded from financing if the enterprise is essentially private in character.

P. Although IFC may in appropriate cases provide assistance in finding managerial personnel, it will not assume responsibility for managing the enterprise. IFC will expect its private associates to provide the management.

Exim Bank

General Policies: (cont.)

i.e. facilitating U.S. exports makes "development loans" at the request of overseas importers (public or private) for financing U.S. goods and services. Increasing emphasis is being placed on this aspect of the Bank's operations in the context of U.S. policies for aiding the economic development of less developed countries.

K. In cases involving loans to foreign governments consideration will be given to the international investment position of the country at short-term and long-term, with particular reference to the dollar and convertible currencies due on all external fixed-service obligations, as well as on commercial accounts, over the life of the loan.

2. Insurance:

A. Exim Bank insurance with respect to war risk and expropriation "is not available to the extent that coverage against the same risks can be obtained commercially or through other insurance programs of the United States Government," e.g. the ICA Investment Guaranty Program.

B. The Bank concentrates on insurance of exports of U.S. commodities such as cotton, e.g. the Bank has alloted $50 million or 1/2 of its insurance authority to cover U.S. cotton held on consignment abroad.

ICA

General Policies: (cont.)

E. Ordinarily services will not be considered an investment. In special circumstances where services are intimately interwoven with another type of eligible investment, such as transmitting a process, they may be considered for guaranty eligibility.

F. Guaranties may be written for a period of up to 20 years from the date of issuance. ICA authority to issue new guaranties extends to June 30, 1967.

G. The fee is 1/2 of 1 per cent per annum of the guaranty coverage for each type of guaranty, i.e. convertibility, expropriation and war risk.

H. Guaranty coverage will not extend to potential or unrealized assets of an investment, e.g. in an oil or extractive industry investment estimated reserves are not eligible for coverage.

I. Ordinarily investment in foreign government-owned enterprises will not be eligible for investment, e.g. loans to a foreign government-owned corporation.

J. Convertibility guaranties do not cover general devaluation of a foreign currency.

K. War risk guaranties are confined to coverage of direct damage or destruction to physical plant facilities and equipment.

L. Although war risk guaranties do not cover loss by reason of "revolution or insurrection" if expropriation occurs as a consequence of such hostilities, if there is an applicable expropriation guaranty in effect, it covers expropriation not only by the government in power at the time the guaranty issues, but also expropriation or confiscation by any successor government, which comes to power by legal means or through force.

IFC

General Policies: (cont.)
IFC may stipulate that its views be obtained before major changes in management are made, or may require the right to have some representation of its interests on the Board of Directors of the borrowing enterprise.

VI. Types of Assistance Available:

IFC loans will generally be dollar denominated and take the form of convertible debentures, or debentures accompanied by subscription warrants of some other form of rights to obtain capital stock or shares. Because the right to acquire stock or shares can only be exercised by a purchaser from IFC itself, IFC will frequently wish to obtain some participation in profits, in addition to any fixed interest rate.

Exim Bank

VI. Types of Assistance Available:

I. Direct Financing:

A. Purchases from an exporter without recourse upon him, of a portion of the notes or acceptances of a foreign importer received by him in connection with an export sale.
B. Loans to a U.S. or foreign private entity or foreign government for purchase of U.S. material, equipment, or services destined for a project abroad.
C. Purchase of the obligations of a U.S. importer in connection with an import transaction.
D. A recent (August 1957) amendment to the Agricultural Trade Act of 1954 provides that not more than 25 per cent of the local currencies received by the U.S. from the sale of surplus agricultural commodities under the Act "shall be available through and under the procedures established by the Export-Import Bank for loans mutually agreeable to said bank and the country" concerned "to United States business firms and branches . . . for business development and trade expansion in such countries and for loans to domestic or foreign firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products" provided that no loans could be made for the manufacture of products to be exported to the U.S. in competition with products produced in the U.S. or for the manufacture or production

ICA

VI. Types of Assistance Available:

1. Loan Fund: The Loan Fund has not yet announced the types of credit assistance it will make available. The section above on "Authority" sets out the scope of financing in which the Fund may engaged. It is understood, however, that in its first year, FY'58, a significant portion of the Fund's loans will be made to foreign governments to complete financing of projects underway as a result of earlier ICA loans or grants and for other priority projects of a type which ICA heretofore contemplated financing out of economic development assistance funds, a category now merged into the Loan Fund. It is understood, too, that this expected series of loans does not preclude loans to private enterprise during the first year of the Fund, and certainly not in subsequent years. See also section on "General Policies" above, particularly VIE.

2. Investment Guaranty Program: See section on "Authority" above for three types of investment guaranties available, and section on "General Policies" above for types of investment eligible for coverage, and section on "Terms and Conditions" below for discussion of alternative type of convertibility guaranty.

Exim-Bank

Types of Assistance Available: (cont.)
of any commodity to be marketed in competition with U.S. agricultural commodities or products thereof.

2. Guaranties: Guaranties are extended directly to exporters or importers, or through purchase of obligations from exporters or importers by a commercial bank or other financial institution in the U.S. under an agency or guaranty agreement with the Bank. Such guaranties may cover all of the risks of the repayment or, if requested, may be limited to coverage only of dollar transfer or other specified risks.

3. Insurance: The Bank issues war risk and expropriation insurance on United States exports owned by United States nationals and located in friendly foreign countries. The insurance is available for the benefit of United States exporters who consign goods or commodities to agents abroad for sale, or who finance export sales under arrangements calling for retention by the exporter, or his bank, of an ownership or security interest in the exported goods for a period after their arrival on shore in the foreign country of destination and prior to their delivery or processing in that country.

IFC

VII. Credit Terms and Conditions:

1. Maturities: The usual range of maturities for IFC loans will be from 5 to 15 years. Arrangements for amortization of investments by installments and for prepayment will be negotiated in the light of the circumstances of each case.

2. Interest Rates: IFC does not have a policy of uniform interest rates for its investments. The rates will be negotiated in each case in light of the relevant factors, e.g. risk, nature and extent of participation in

Exim-Bank

VII. Credit Terms and Conditions:

1. Maturities: The maturities of credits granted by the Bank are arranged in accordance with the circumstances in each case. Generally speaking, they are commensurate with those customarily extended in the U.S. for similar goods or projects. Principal amounts are ordinarily made payable in equal semi-annual or quarterly installments.

2. Interest Rates: In determining rates of interest to be charged on loans, the Bank

ICA

VII. Credit Terms and Conditions:

Loan Fund: Terms with respect to maturities, interest rates and security have not been announced. The loans are, however, likely in many instances to allow option for repayment in dollars or local currency, with a higher interest rate attaching for local currency repayments of principal. Maturities are likely to run up to 30 years in many instances. Security requirements are likely to vary with the nature of the investment and the identify of the borrower.

IFC

Credit Terms and Conditions: (cont.)
profits and conversion or subscription rights.

3. Security: Whether security is required and, if so, in what form, will depend upon the status of the enterprise, on other terms and conditions proposed for the investment, and on the laws of the country concerned.

VIII. Insurance or Guaranty Terms and Conditions:

IFC has no formal program of guaranties or insurance. It may engage in special guaranty operations on an ad hoc basis in the context of larger financing arrangements.

Exim Bank

Credit Terms and Conditions: (cont.)
takes into consideration the maturity of the loan and the extent of credit risk to be assumed by the Bank as affected by such guaranties as may be offered, as well as prevailing U.S. commercial and government interest rates. Interest is computed on the outstanding balance and is usually payable semi-annually or quarterly.

3. Security: Requirement varies with the circumstances of the particular transaction.

VIII. Insurance Terms and Conditions:

1. The Bank utilizes the facilities of private U.S. insurance companies which act as underwriting agents of the Bank. Applications for insurance are submitted to these underwriting agents.

2. The insurance is based, insofar as practicable, upon consideration of the risk involved in each case.

3. The term of coverage will not exceed one year, subject to renewal or extension from time to time for periods of not exceeding one year.

ICA

VIII. Guaranty Terms and Conditions:

A. Guaranty contracts are available for up to 20 years from the date of issuance. The investor has the sole right of terminating the guaranty contract prior to its termination date, i.e. as of the next anniversary date of the contract. The investor may also reduce his coverage as of the next anniversary date. The effective coverage will also be reduced by withdrawls of the originally guarantied capital or by use of the guaranty contract.

B. The fee for each type of investment guaranty, convertibility, expropriation and war risk is 1/2 of 1 per cent per annum of the face amount of the guaranty contract; it is payable annually in advance. There is an alternative type of convertibility guaranty--especially designed for creditors or licensors who have little expectation of receipts during a substantial part of the life of their guaranty contract--under which the investor establishes a cumulative annual schedule of the face amount of the guaranty corresponding to his expected receipts, rather than selecting a constant face amount. The annual fee is 1 per cent of the face amount scheduled for a particular year plus a standby charge of 1/4 of 1 per cent of the difference between such scheduled amount and the maximum face amount which will accumulate under the schedule by the last year of the contract.

Guaranty Terms and Conditions: (cont.)
C. If a guaranty contract is invoked:
i. In convertibility cases the investor transfers the inconvertible currency to the U.S. Government and it becomes government property.
ii. In expropriation cases, the U.S. Government is subrogated to the rights and claims of the investor against the expropriating government.
iii. In war risk cases, such rights as are conferred on U.S. investors by the country in which the investment is made, e.g. indemnity or other compensation, are transferred to the U.S. Government.
D. Face Amount of Guaranties:
i. Convertibility:
a. Equity: maximum protection available is an amount equal to 200 per cent of the dollar amount of the investment.
b. Loan: maximum protection available is the dollar total of the principal of the loan, plus interest.
c. Royalty agreements: maximum protection is the dollar amount of royalty payments which can reasonably be expected over the life of the contract.
ii. Expropriation:
a. Equity: maximum protection available is an amount equal to the original investment plus future earnings which the investor can establish as a reasonable expectation.
b. Loan: maximum protection is the dollar amount of the principal of the loan, plus interest.
c. Royalty Agreements: expropriation coverage available only where there are fixed payment commitments (not percentages) and not in excess of these fixed amounts.
iii. War Risk: maximum amount of coverage available is 90 per cent of the value of the investor's ownership in the physical property of the foreign enterprise. (The investor is thus a co-guarantor

IFC	Exim Bank	ICA
		Guaranty Terms and Conditions: (cont.) of at least 10 per cent of the value of his ownership in physical property of the enterprise.)
IX. Sale of Securities in Investment Portfolio: IFC will actively seek to revolve its funds by the sale of securities in its portfolio to private investors. Loans and other financing arrangements are entered into with a view to resale.	IX. Sale of Securities in Investment Portfolio: The Bank is prepared to consider proposals for the purchase of portions of its portfolio by commercial banks or other private investors. The portfolio consists primarily of credit instruments, and to a limited extent equity instruments resulting from the enforcement of a lien or pledge.	IX. Sale of Securities in Investment Portfolio: It is not contemplated that the Loan Fund will revolve by actively selling portions of its portfolio Loans will not be made with this possibility as a major consideration. Credit instruments will make up the bulk of the portfolio.
X. Limitation of Lending Authority: As a matter of policy IFC is limiting its investments in its early years to its subscribed authorized capital, i.e. up to $100,000,000. As indicated above under "Sources of Funds" IFC may borrow funds through the sale of its own securities, or revolve its funds through the sale of investments in its portfolio. IFC may also increase its authorized capital and sell additional shares in accordance with the provisions of the Articles of Agreement of IFC.	X. Limitation of Lending Authority: The Bank may have loans, guaranties and insurance outstanding at any one time in an aggregate amount not in excess of $5,000,000,000. This ceiling may be increased at the current session of Congress convening January 1958.	X. Limitation of Authority: 1. Investment Guaranty Program: Guaranties with a total face value of not to exceed $500,000,000 may be outstanding at any one time. 2. Loan Fund: Limit is amount of funds available for its operation derived from Congressional appropriations and the revolving nature of the loan fund. The first year's limit is $300,000,000. $625,000,000 has been authorized for appropriation in FY'59 and the Administration has announced its intention of seeking an appropriation in the authorized amount.
XI. Management: A Board of Directors shall run the IFC. The Executive Directors of the World Bank who represent at least one government which is a member of IFC will serve as directors of IFC. The Board will appoint the President and officers of IFC. The President of the World Bank is ex-officio chairman of the Board of IFC.	XI. Management: President of Exim Bank is appointed by the President of the U.S. by and with advice and consent of the Senate; serves as Chairman of the Board. Board of Directors consists of 5 members appointed by the President of the U.S. by and with advice and consent of the Senate. Advisory Committee of 9 members is appointed by the Board of Directors.	XI. Management: 1. Investment Guaranty Program: The ICA Investment Guaranties Staff processes all guaranty applications. The Director of ICA authorizes the issuance, and the Export-Import Bank issues the guaranties and administers them as agent for ICA. 2. Loan Fund: See section on "Organization" above. The Loan Fund operates in connection with a Loan Committee, consisting of the Deputy Under Secretary of State for Economic Affairs, as chairman, the Director

IFC

XII. Relationship to Government of Country of Investment:

1. IFC will not seek or accept a government guaranty of repayment of its investments.

2. IFC will not seek or require the enterprise to seek, formal governmental approval of any proposed financing except as may be required by law. However, IFC will not make an investment in a member country if the government of that country objects. IFC will give each member government desiring it appropriate notice of any contemplated financing within its territories.

3. Before making an investment in a country which restricts or regulates payments or obligations in foreign exchange, IFC will often wish to enter into an understanding with the government, like any private investor, regarding transfer of income and repatriation of capital. IFC will not seek preferential treatment not available to private investors in comparable transactions.

Exim Bank

XII. Relationship to Government of Country of Investment:

1. The Bank will lend to governments and accept government guaranties as appropriate.

2. Approximately the same practices as IFC obtain with respect to loans to private enterprises.

3. Approximately the same practices as IFC obtain with respect to understandings with governments.

ICA

Management: (cont.)
of ICA, and the Chairman of the Board of the Export-Import Bank, which, under the foreign policy guidance of the Secretary of State, "establish basic financial terms and conditions for the operations and transactions of the Fund."

XII. Relationship to Government of Country of Investment:

1. Loan Fund: There is no formal definition in the statutory provisions establishing the Fund on relationships to the country wherein the investment is made. The purpose of the Fund does refer to "self-help and mutual cooperation." The Fund has not yet announced a policy on this point. Presumably, as is customary with most U.S. foreign economic aid operations, the approval or at least acquiesence of the foreign government concerned will be required with respect to loans or other financing arrangements entered into with private parties in a foreign country.

2. Investment Guaranty Program:
A. There is a bilateral agreement between the U.S. and each foreign country participating in the Program. Pursuant to the agreement certain rights of the U.S. are recognized in cases where guaranty contracts are invoked and the investor transfers assets or rights to the U. S. Government. The agreements also provide for certain procedures to govern the operation of the Program. Several countries have entered into agreements recently covering all three types of guaranties. Most participating countries have entered into agreements covering two types, convertibility and expropriation. War risk only became available pursuant to the Mutual Security Act of 1956. A few countries

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Relationship to Government of Country of Investment: (cont.)
have only agreed to convertibility guaranties, e.g. the U.K., India and several Latin American countries.

B. Pursuant to the statute establishing the program and these agreements each investment to be eligible for a guaranty must be approved by the participating country which is the situs of the project in which the investment is being made. The responsibility for obtaining country approval is with the investor.