

Eighth session
Item 25

REPORT OF THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Note: The Secretary-General has received the following communication from the International Bank for Reconstruction and Development.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Washington, D. C.

4 February 1949

Statement of principal activities
since 1 September 1948

This statement, supplementing the Third Annual Report of the International Bank for Reconstruction and Development, has been prepared for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report and of the problems of economic development of underdeveloped countries. It summarizes the loans granted by the Bank since the issuance of the Third Annual Report and its other activities during this period in the field of economic development and in the marketing of its securities.

LOANS GRANTED

Mexico

On 6 January 1949, the Bank agreed to grant two loans totalling \$34,100,000 for electric power development in Mexico. The joint borrowers in each case are the Comision Federal de Electricidad, a Mexican Government agency charged with the development of electric power facilities, and Nacional Financiera, an official financing institution whose functions include the negotiation of foreign loans on behalf of the Mexican Government. Both loans are to be guaranteed by the Mexican Government.

The first loan, in the amount of \$24,100,000, is to be used by the Federal Electricity Commission to finance imports of equipment and materials necessary to complete a number of projects included in the Commission's 1947-52 programme of construction of new steam and hydro-electric generating stations, transmission lines and distribution systems in various parts of Mexico.

Mexico. The loan is for a term of twenty-five years, and carries an interest rate of 4-1/2 per cent which includes the commission charge of 1 per cent annually required by the Bank's charter. Amortization payments, calculated to retire the loan by maturity, will begin in the fifth year.

The second loan, in the amount of \$10 million, will be re-lent by the borrowers to the Mexican Light and Power Company, Limited. This Company, with its subsidiaries, produces most of the electric power and undertakes all the distribution of electricity in Mexico City and the surrounding area. The loan will finance part of the cost of imports of equipment and materials to be made by the Company in order to carry out a programme for the expansion of its electrical generating and distributive facilities in the Mexico City area.

The Mexican Light and Power Company proposes to undertake in 1949 a reorganization of its capital structure. The present loan is designed to permit the expansion programme to be carried forward pending the formulation and consummation of a reorganization plan. In view of the anticipated reorganization proceedings, the loan is to be made through the intermediary of the Mexican Government agencies mentioned above, covers only expenditures to be made up to 31 December 1949, and is for a term of one year only, repayment being due on 31 December 1949. The loan carries an interest rate of 4-1/2 per cent, which includes the usual 1 per cent commission charge. If the reorganization is satisfactorily completed in 1949 and other conditions warrant, the Bank will be prepared to consider the negotiation of a long-term loan for the purpose of financing the remainder of the foreign exchange costs of the Company's programme and refunding the short-term credit.

Mexico, faced with a rapid population growth, urgently needs a greater supply of electric power in order to permit and stimulate industrial development and the increase of agricultural production through modern methods of irrigation. Industrial expansion has already been restricted by shortage of power in the more developed areas, while in other areas, where the use of electricity is in the earliest stages, the installation of reliable central sources of supply is expected promptly to create a substantial demand for power for productive uses.

The Federal Electricity Commission has undertaken to supplement, where necessary, the expansion of facilities provided by other electric power enterprises in Mexico, the largest of which is the Mexican Light and Power Company. The projects of the Commission which the Bank is to finance have been co-ordinated with those of the Mexican Light and Power Company and other enterprises in order to avoid overlapping and to secure a balanced /development

development of the Mexican electric power industry as a whole.

Brazil

On 27 January 1949, the Bank granted a loan of \$75 million to the Brazilian Traction, Light and Power Company, Ltd., a Canadian corporation, to assist in financing the expansion of hydro-electric power facilities and telephone installations in Brazil. The loan is guaranteed by the United States of Brazil.

The loan is for a term of twenty-five years and carries an interest rate of 3-1/2 per cent, plus the 1 per cent annual commission. Amortization of principal will begin on 1 July 1953, and is calculated to retire the loan by maturity.

The Brazilian Traction, Light and Power Company, Ltd. intends to use the loan proceeds to purchase substantial amounts of equipment in the United States, Canada, the United Kingdom and Continental Europe. The Canadian Government has given its approval to the use by the Bank in its loan operations of up to 8 million Canadian dollars from Canada's subscription to the Bank's capital. The Government of the United Kingdom has given its approval to the use of up to £500,000 out of the United Kingdom's subscription to the Bank's capital. It is the intention of the Bank to disburse those amounts in connection with purchases eligible under the loan agreement to be made by the Brazilian Traction in Canada and the United Kingdom respectively.

Brazilian Traction will use the proceeds of the loan to finance substantially all the foreign exchange costs of an expansion programme now being undertaken by its Brazilian subsidiaries in the Rio de Janeiro and Sao Paulo areas, the most highly industrialized and thickly populated part of Brazil. The expansion programme provides for increases of more than 50 per cent in the presently over-loaded power generating capacity of those areas, involving large-scale additions to transmission and distribution equipment and to water supply facilities for power purposes. In addition, local telephone services will be increased by about 40 per cent and long distance traffic capacity will be expanded to meet the urgent needs for these services. The total cost of the expansion programme is estimated at the equivalent of about \$182 million during the next four to five years, of which about \$107 million (almost entirely for local expenditures) is being financed by the Company from its own resources.

Chile

Two Chilean loans, of \$13.5 million for hydro-electric development and \$2.5 million for the purchase of agricultural machinery, were authorized in March 1948, and are described in the Third Annual Report. The authorization, however, is subject to guarantee of the loans by the Chilean Government. The Chilean Government has only recently enacted legislation authorizing such a guarantee.

South America

Bolivia

An exploratory mission was sent to Bolivia in April 1948 to study the economic and financial situation and the development potentialities of the country. Suggestions have been made designed to improve Bolivia's credit standing.

Colombia

As a result of conversations with a Colombian financial mission in Washington and of studies by a Bank mission in Colombia, an agreement has been reached between the IBRD and Colombia concerning the formulation of an economic development programme.

A two-phase programme is now being worked out:

1. Colombia is in the process of undertaking certain fiscal and monetary reforms. Simultaneously, the IBRD has sent a technical mission to Colombia to complete its investigations of three types of projects. Subject to the successful implementation of the reform programme and evidence that certain projects are technically feasible and financially practicable, it is expected that loan negotiations may begin.
2. Later, an IBRD mission will be sent to assist Colombia in the formulation of an overall development programme. This mission will also complete a thorough economic study of the country. If favourable conditions for financing are worked out, the IBRD will be interested in discussing additional loans, based upon the results of this mission, for economically desirable projects over a period of time.

Ecuador

An IBRD mission visited Ecuador in July 1948 for the purpose of making an economic study and becoming acquainted with development opportunities. On the basis of the mission's report, the Bank has expressed to the Government its willingness to assist in the preparation and possible financing of appropriate development projects and the formulation of measures of fiscal reform.

Paraguay

An IBRD mission visited Paraguay in September 1948. Although no specific projects are ready for financing, the IBRD considers that development possibilities do exist and is preparing to work with the Paraguayan Government to assist in the formulation of specific bankable projects.

Peru

Two missions have visited Peru, one to make a general survey and the second (consisting of an irrigation expert borrowed from FAO) is at present
/assisting

assisting in the formulation of general irrigation policies and programmes as well as of the details of a specific irrigation project.

Uruguay

A mission, headed by the Bank's Loan Director, was sent to Uruguay in December 1948 to study the fiscal and economic situation and to investigate development projects. A second mission is now in Uruguay to make engineering studies of electric power and telephone projects and to discuss with the Uruguayan Government the possible financing of the foreign exchange costs of this programme.

Venezuela

An IBPD mission visited Venezuela, at its request, to study the economic situation and the Government's development programme. It is hoped that the conclusions from this study can be discussed with representatives of the new Government of Venezuela in the near future.

Europe

Finland

A mission in November 1948 studied the country's economy and various suggested projects. The Bank is now about to enter into negotiations concerning the possible financing of some of these projects.

Timber Equipment Project

The Bank has been represented at meetings of the Timber Sub-Commission of the United Nations Economic Commission for Europe, at which projects for the financing of timber development in Eastern Europe, for export to Western Europe, have been worked out. The Bank is currently attempting to negotiate loans to Yugoslavia and Finland for this purpose. Czechoslovakia and Austria may also participate in the programme.

Turkey

A mission is at present in Turkey to consider the country's economy and to select projects most suitable for financing.

Near East - Africa

Iran

The Iranian Government requested the Bank to recommend technical experts in various fields to survey development needs and potentialities in Iran. The Bank suggested several firms which might undertake such a survey and one of them, Overseas Consultants, Inc., has been engaged by the Government for this purpose. The Bank may shortly supplement this survey with a mission of its own.

Lebanon

A Bank mission visited Lebanon in September 1948 to study the economy of the country and the fields for which Bank financing might be requested.

/It is expected

It is expected that recommendations based on the findings of this mission will be submitted shortly to the Government of Lebanon.

Asia

India

A mission headed by the Assistant Loan Director and including a railroad technician is at present in India studying the country's economy and the possibilities of the Bank financing certain development projects proposed by the Indian Government.

Philippines

A Bank mission visited the Philippines in January - February 1948. Assistance has been given in narrowing the projects down to those most suitable for Bank financing, and certain fiscal and financial reforms have been suggested to the Philippine Government. Negotiations looking towards an initial development loan have been entered into.

General

United Kingdom Colonies

In response to applications from the Colonial Development Corporation and the Overseas Food Corporation, a Bank representative visited London in December 1948 to discuss loan possibilities with colonial and other officials, and studies have been made of the proposals put forward.

French Colonies

Conversations have been held in connection with possible financing of development projects in French colonies.

MARKETING OPERATIONS

As the Bank's available funds have been adequate to meet its needs, no new public issues of its securities have been made. In January 1949, however, the Bank sold, with its guarantee, an additional \$2.2 million of Dutch shipping loan bonds from its portfolio, bringing the total of such bonds sold to \$10.3 million out of a total of \$12.0 million.

Meanwhile, the market record of the Bank's own bonds, issued in July 1947, has continued favourable. The bid price quoted on the New York Stock Exchange on 3 February 1949, on the 3 per cent issue maturing in 1972 was 100 and that on the 2-1/4 per cent issue maturing in 1957 was 99-1/2.

The release of up to 8 million Canadian dollars by Canada and of up to £500,000 by the United Kingdom from their respective 18 per cent local currency subscriptions raises to four the number of countries that have authorized the use for loans of some of their local currency subscription. The others are Belgium, which agreed in August 1947 to the Bank's use of the equivalent of \$2 million in Belgian francs, and the United States, which

/has made

has made its entire 18 per cent subscription available. The funds which have become available for lending up to the end of 1948, expressed in round numbers in terms of United States dollars, consist of:

20 per cent paid-in portion of United States subscription....	\$635,000,000
2 per cent portion of subscriptions of other countries	
paid in in gold or dollars.....	98,300,000
Part of 18 per cent of subscriptions of Belgium, United Kingdom and Canada paid in in local currency.....	12,000,000
Proceeds of two bond issues in the United States.....	250,000,000
Sale of Swiss Franc Bonds to the B.I.S.....	4,000,000
Net available funds from operations to 31 December 1948.....	8,100,000
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	\$1,007,400,000

The Bank hopes to obtain further authorizations for the use of some part of the 18 per cent local currency subscriptions of other members, both in order to increase the amount and flexibility of its loanable resources and to strengthen the international character of its operations.
