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PROPOSED RADIO SCRIPT PREPARED BY DR. TORO

The International Bank for Reconstruction and Development or World Bank has started a series of broadcasts to acquaint our peoples with the origin, organization and aims of the Bank, also what aid it can give and how such aid is obtained.

As a member of the Bank's Board of Directors, I have the privilege to make a short report on the subjects mentioned. To begin with, I should like to say that this report will be simple as it is directed to people without specific knowledge such as farmers, industrialists, employees, to all those who have had no opportunity to familiarize themselves with the operations of international credit institutions.

The idea of creating the International Bank was born simultaneously in England and in the U. S. in 1943. Economists of both countries, already pre-occupied with the consequences of the war, began to study the means that could be used for the reconstruction of countries materially affected by hostilities and also for the development needs of other regions of the world.

Discussions took place between them and when agreement was reached with regard to the general outline of the organizations believed to be adequate for the ends in view, representatives of 44 governments met at Bretton Woods in July 1944 to draft and agree on the final form of the International Bank and of another distinct yet complementary organization, the International Monetary Fund.

The International Bank has 47 member States which have contributed to the capital. The U. S. has contributed the largest share, and for reasons which we need not here explain, more than 80% of the Bank's loanable funds have been furnished by the Government and the people of that country.

The Bank started operations in June 1946. The Bank's direction is vested in the Board of Governors which meets once a year. Each country appoints a Governor. The next in line of power is the Board of Directors composed of 14 Executive Directors. Five of these are appointed by the five nations having the largest capital subscriptions; nine are elected by the Governors of the remaining member countries. These 14 Directors represent all the member countries and are permanent officials of the Bank with a term of two years. They have their offices at the Bank's headquarters in Washington and meet at least once a week. They are responsible for the workings of the Institution. The Executive Directors elect the President who serves ex officio as their chairman. Then comes a Vice-President or General Manager, Department Heads, etc. etc.

As indicated by its name, the objectives of the IBERD are: to help the reconstruction and development of member countries. Its aid consists in long-term, low interest rate cash loans and in guarantees, with its signature, of loans granted by private investors to member State governments or to other agencies of the member countries.

The Bank, however, can lend not only to Governments but also to semi-official agencies, to private, commercial, industrial and agricultural enterprises provided that such loans are guaranteed by the Government or the Central Bank of the respective country or some other institution the nature of which is similar to that of the Central Bank.

The amount of money which the World Bank may lend to one of its members is not limited by its statutes. Within the limits of the Bank's resources, loans may be as abundant as the needs of the country require provided, however, that the projects for which loans are sought are in the Bank's opinion sound, advisable and productive.

The Bank, as a general rule, only lends the money needed by the applicant for purchases abroad, and expenditure for wages and material produced within the territory of the borrower must be made in national currency and paid by the party asking for the loan.

The Bank supplies the cash and the borrower buys machinery and any other equipment in the country where such purchases can most favorably be made. If purchases are made in Europe the World Bank provides sterling, French, Swiss or Belgian francs, etc. as the case may be. It may be noted that money supplied by the Bank through loans to Europe alone has bought raw materials in South America for more than 40 million dollars.

I should like to point out that the World Bank is completely different from the Export-Import Bank. The latter is exclusively a U. S. Government agency, its funds provided by said Government and appropriated by Congress. The proceeds of its loans can only be spent in the United States. Such is not the case with the International Bank.

Turning again to the services the International Bank may give, we should mention technical aid.

Lack of technique in planning and developing our enterprises has been a serious evil which we all have suffered from to a greater or lesser degree. The International Bank for Reconstruction and Development takes special interest in sending missions of experts or individual technicians to countries who ask to be aided in the study and planning of works considered opportune for promotion. Some of these missions cover a wide range and are called upon to formulate comprehensive plans of economic development.

It is of great and urgent importance to Latin America to avail itself of the financial and technical aid which the Bank is able and desirous of giving. As we have said it is urgent that the member countries of our America should come into contact with the Bank as soon as possible especially since for the time being the Marshall Plan tackles the problem of European reconstruction which circumstance permits the International Bank to dedicate itself to a greater extent to tasks of development.

Projects, development of which the Bank can aid, are innumerable.

Basic development needs comprise: improvements in transport and communications; power projects; water supply and other public utilities; technical progress in matters of production and industrialization of farm products; industrial, irrigation and colonization projects—to mention just a few that can be undertaken.

The establishment or expansion of manufacturing and transforming industries is in most cases one of the most important aspects of development. It is generally advisable, at the beginning, to lay stress on the production of consumers goods and the processing of raw materials requiring a limited amount of equipment per worker employed, and which can use traditional skills introducing at the same time modern mechanical systems.

To date, the following International Bank loans were made to Latin America:

34,100,000 to Mexico
75,000,000 to Brazil
16,000,000 to Chile

Making a total of 125 million.

Mexico

On January 6, 1949 the Bank had granted two loans to Mexico in the aggregate amount of \$34,100,000 for power development. Both went jointly to the Federal Electricity Commission, an agency of the Mexican Government for waterpower development, and to the Nacional Financiera Co. Ltd., an official financial agency which among others is in charge of the Government's foreign loan negotiations. Both loans are guaranteed by the Mexican Government.

The first loan in the amount of \$24,100,000 will be used by the Federal Electricity Commission to finance equipment and material bought abroad and needed for the completion of various projects comprised in the program which the Commission has set up for the years 1947-52 in relation to the building of new hydro and thermo electric generating plants, transmission lines and distribution systems in various parts of Mexico. It is a 25-year credit carrying a 4.5% rate per annum including a 1% commission as provided for in the statutes of the Bank. Amortization, calculated to liquidate the loan at maturity, shall begin in the fifth year.

The second loan is for 10 million dollars and is to go to the Mexican Light & Power Company, Ltd. This company and its subsidiaries are the major power producers in the City of Mexico and surrounding areas and are the sole power distributors therein. The loan's object is to pay partially for the importation of equipment and materials which the Company will need in order to realize the expansion program of its generating plants and distribution services in the Mexico City region.

Brazil

On January 27, 1949 the Bank granted a loan of 75 million dollars to the Brazilian Traction Light & Power Company, Ltd. a Canadian enterprise, to help finance the expansion of Brazil's water power and telephone services. The United States of Brazil has guaranteed the loan.

This credit operation has a term of twenty-five years, carrying 3 1/2% interest, plus 1% annual commission. The amortization which liquidates the loan at maturity begins July 1, 1953. The Brazilian Traction Light & Power Company, Ltd. intends to use the credits for the purchase of a considerable amount of equipment in the United States, Canada, the United Kingdom and other European countries. The Canadian Government has agreed to the use by the Bank in its loan operation of not more than 8 million Canadian dollars from Canada's subscription share in the capital of the Bank. The United Kingdom in turn has approved the use of not more than 500,000 sterlings derived from Great Britain's subscription to the capital of the Bank. The Bank proposes to spend these amounts on purchases which, under the Loan Agreement, the Brazilian Traction will make in Canada and the United Kingdom, respectively.

Chile

As explained in the Bank's Third Annual Report, in March 1948, two loans were granted to Chile, one amounting to 13.5 million dollars for water power development and another of 2.5 million dollars for the purchase of agricultural machinery. However, to make these loans effective a Government guarantee is required and it wasn't until the other day that Chile passed legislation to this effect.

The Bank's contribution to the economic development of its less advanced members is not limited to the credits granted to date. At their own request member states have been visited by an increasing number of technical Bank missions, drawn either from the Bank's own personnel or other sources, to study the national economies of less developed members, assist in formulating practical development programs adapted to existing needs and suggest measures for strengthening financial stability and credit conditions. Such studies and the measures resulting therefrom serve to support the credit operations of the Bank and thus contribute to a more rapid and balanced development of the countries concerned. Furthermore, they make the economic atmosphere of the less-developed bank members more attractive for private investors and thereby stimulate the flow of investments.

The International Bank is a cooperative and non-profit institution. As said before, its shareholders are the governments of a great many countries which only expect enough return to pay for the expenses involved in their operation.

In concluding, I should like to advise the peoples of Latin America to let the International Bank for Reconstruction and Development know of their needs and to benefit from its assistance.