



World Bank Group Archives Exhibit Series

World Bank's First Development Loans to
Chile, 1948

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These exhibits, authored by World Bank archivists, highlight key events, personalities, and publications in the history of the World Bank. They also bring attention to some of the more fascinating archival records contained in the Archives' holdings.

To view current exhibits, visit the [Exhibits](#) page on the Archives' website.



World Bank's First Development Loans to Chile, 1948

Background

Reconstruction was the World Bank's main mission until 1948. On May 9, 1947, an agreement was signed granting a reconstruction loan to France in the amount of \$250 million. In August 1947 there were additional reconstruction loans: to the Netherlands, Denmark, and Luxembourg.

The World Bank's loans were important sources of funds for Western Europe until the Marshall Plan took over the burden of reconstruction. This freed the Bank to turn its attention more fully to development.

The International Bank for Reconstruction and Development announced on March 25, 1948 that the Board of Executive Directors approved two loans to Chile totaling \$16 million (Loans 0005 and 0006): one for the development of electric power and water resources and the other for the importation of agricultural machinery and equipment. These were the Bank's first development loans and the first loans the Bank made to a country in Latin America.



Early construction work of the Los Cipreses hydroelectric power plant



One of the tractors imported to Chile by the Corporacion de Fomento

The First Development Loan (Loan 0005)

The first development loan (Loan 0005) of \$13.5 million was made to the Corporacion de Fomento de la Produccion and its subsidiary Empresa Nacional de Electricidad S.A. (Endesa) as co-borrowers. Chile's potential hydroelectric capacity was estimated at a total of 6 million kw. At the end of 1942, the country's total installed capacity for the generation of

electric power amounted to approximately 50,000 kw, of which only 145,000 kw was hydro power.



The proceeds of the Bank loan were to be used to purchase equipment, supplies and services required for the development or expansion of four electric power projects and for incidental irrigation.

The Second Development Loan (Loan 0006)

The second development loan (Loan 0006) was signed on the same day as the Endesa loan. It was for \$2.5 million to the Corporacion de Fomento for the purchase of agricultural machinery. The project consisted of a program for the purchase and importation by Fomento of agricultural machinery to increase the productivity of Chilean agriculture.



The Los Molles hydroelectric plant constructed in Chile, 1953



The funicular to Los Molles hydroelectric plant, 1953

It was part of a large-scale program of agricultural mechanization initiated by Fomento immediately after the war years, in order to offset shortages of local production of foodstuffs resulting from under-utilization of arable land.

The machinery to be imported included tractors, threshing machinery, harvesters, ploughing machines, land clearing and earth moving equipment, and irrigation equipment.

The Bank's Approach to Development

Apart from these two loans for Chile for hydro-electric and agricultural development, several other development loans were in an advanced stage of



negotiations at that time. Discussions were also in progress with regard to other projects in many different countries.

In addition, the Bank's approach to development was officially framed in the Third Annual Report of the International Bank for Reconstruction and Development, 1948:

"That approach is one of willingness to help its members to analyze their development problems, to work with them in mapping out the broad lines along which their development may be advanced most soundly and rapidly, and whenever possible to select for initial financing those projects which seem most likely to contribute to such advance".



A tractor working on a land clearance project