

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

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The International Bank for Reconstruction and Development today made a loan of \$28,000,000 to Southern Rhodesia. The loan will aid in carrying out Southern Rhodesia's four-year development plan by financing the import of equipment needed for the expansion of electric power production and distribution.

Southern Rhodesia is not a member of the Bank in its own right. Its constitutional status within the British Commonwealth of Nations is that of a "self-governing colony". In that status, Southern Rhodesia has access to the Bank's resources by virtue of the membership of the United Kingdom. Consequently, the loan made today carries the guarantee of the United Kingdom.

The current development plan of the Southern Rhodesian Government covers the four years to March 31, 1955, and envisages public investment equivalent to about \$280,000,000. Private investment related to the program is expected to be of comparable size. Most of the public investment is to be in such basic services as transportation, electricity, communications and water supply; the remainder will be for housing and public buildings, social services, and agricultural and industrial development.

Railways and electric power development will receive the largest amounts as expansion in these services is vitally important in maintaining the country's rate of growth. The plan will be financed for the most part by funds from the United Kingdom and from Southern Rhodesia's own resources, but there remains a gap to be covered by other means. ECA has made a loan for railway improvements and the loan from the Bank is for electric power expansion.

Increased electric power is a prerequisite for industrial expansion in Southern Rhodesia. In keeping pace during the past few years with an unprecedented

expansion in the output of agriculture, mining and industry, the production of electricity has nearly doubled. This economic expansion, one of the most rapid in the world, is expected to continue. Between 1946 and 1951, for instance, the annual production of chrome ore increased from 167,000 to 400,000 tons. The production of tobacco rose from 47,000,000 to 90,000,000 pounds; cotton, from 1,000,000 to 5,700,000 pounds; asbestos, from 56,000 to 80,000 tons; and coal, from 1,778,000 to 2,300,000 tons. The number of manufacturing establishments increased from 435 to over 800 in the same period. This growth in the economy has brought about a very tight power supply in the Colony. In order to meet the added requirements of further development, electric generating capacity will need to be more than doubled from the present capacity to 416,000 kw by 1955.

Electricity in Southern Rhodesia is provided by steam-generated power. It is available at relatively low cost because of the abundance of cheap domestic coal. Future plans for expansion of electric power facilities include the development of hydroelectric power on a substantial scale. The hydroelectric plants, however, could not come into production until about 1961 or 1962. Until then, additional thermal (steam) plants will be needed to keep pace with the growing demand. The Bank's loan will be used to import equipment and materials required for an electric power expansion program over the three-year period ending March 1955. The program provides for the installation of about 230,000 kw of new thermal generating capacity, the erection of some 2000 miles of transmission lines and the installation of distribution equipment. The total cost of this program is equivalent to about \$52 million, of which local costs are equivalent to \$12 million. The Bank's loan will provide \$28 million of the total and the remainder will be met by Southern Rhodesia from its own resources. By far the greater part of the equipment to be bought abroad for this program will come from the United Kingdom; other suppliers will be the Union of South Africa, and, to a limited extent, the United States.

The Bank will disburse dollars for purchases in the United Kingdom. These dollars will help compensate the U.K. for the drain on its resources occasioned by

its large-scale provision of capital - public and private - for the development of Southern Rhodesia. £20 million have already been raised in the United Kingdom towards Southern Rhodesia's \$280 million development program and rather less than half of the total cost is expected eventually to come from the U.K. The program will absorb exports which would have earned foreign exchange elsewhere for the U.K. The U. K., moreover, must import raw materials and other components for the manufacture of these exports to Southern Rhodesia. These factors mean less foreign exchange earned and more foreign exchange spent. The Bank's loan, by being disbursed in dollars for the purchase of U.K. goods, will make up part of the dollar cost to the U.K. of its aid to Southern Rhodesia.

The loan is for a term of 25 years and bears interest at the rate of 4-3/4% per annum, including the 1% commission which, in accordance with the Bank's Articles of Agreement, is allocated to a special reserve. Amortization payments will begin on November 1, 1956.

Southern Rhodesia is about the same size as California and is more than one and a half times the size of the United Kingdom. The European population is 140,000 and the African population is 2,000,000. Economically, Southern Rhodesia has developed rapidly over the last thirty years, particularly since World War II. Principal exports are tobacco, gold and asbestos, while the production of chrome is of growing importance. The development plan of Southern Rhodesia should result in a further expansion, and it is estimated that if general world conditions remain favorable, total output by 1956 will have risen by around 60% and the value of exports by 50%.

After approval by the Bank's Executive Directors, the loan documents were signed by D. H. Cummings, Under Secretary to the Treasury of the Government of Southern Rhodesia, on behalf of the Colony of Southern Rhodesia, by D. H. F. Rickett, U. K. Minister (Economic) to the United States, on behalf of the United Kingdom, and by W. A. B. Iliff, Assistant to the President, on behalf of the International Bank for Reconstruction and Development.

Supplemental Statement on the International Bank Loan to  
Southern Rhodesia

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General

Southern Rhodesia is situated in Central Africa bordering on the Union of South Africa, Northern Rhodesia, and the Portuguese colony of Mozambique. It has an area of approximately 150,000 square miles. It lies in the Southern Hemisphere just north of the Tropic of Capricorn. Much of the area consists of a high plateau, which gives the country an agreeable climate.

European settlement first began with the formation of the British South Africa Company in 1890. The company administered the territory until responsible government was instituted in 1923. Since then, Southern Rhodesia has been a self-governing colony within the British Commonwealth. The early settlers were first attracted to the region by its mineral wealth, particularly gold which had been mined by the natives for centuries. In 1923 the European population was only 35,000 and the wealth of the country was derived almost wholly from gold mining. During the inter-war period, the European population almost doubled, secondary industries were formed, and tobacco farming was introduced, although mining remained the most important source of wealth. Since 1939, economic expansion has proceeded more rapidly. There has been a large increase in agricultural output, particularly of tobacco, and manufacturing has become more important than mining. By June 30, 1951, the European population had reached 138,000 and the African population 2 million.

Economic Situation

Since 1946, real output has increased by 60% and the volume of exports by 50%. A comparable rate of increase is expected in the next few years. This growth at one of the most rapid rates of economic expansion to be found anywhere in the world has been made possible by a substantial inflow of capital which has resulted in a rate of investment of nearly one-third of national income. The result of this inflow of capital has been a sizeable balance of payments deficit on current account.

Southern Rhodesia is heavily dependent on exports, one-half of total output being exported. Tobacco has now become the most important export; next in importance being gold, asbestos, manufactures (clothing, cigarettes, footwear), and chrome ore.

The government has pursued a sound fiscal policy. The national debt, which is now about equal to the annual national income, i.e. £94 million (\$263 million), has been incurred mainly to provide the basic equipment required by an expanding economy. About three-fourths of the national debt has its counterpart in interest-bearing loans made by the government for productive purposes, and the payments received on these loans help to offset the debt service charges in the government budget.

External public debt, some three-fifths of the total national debt, is in pounds sterling and its service has never exceeded 5% of total annual export earnings. Southern Rhodesia usually shows a gold and dollar trade surplus. Since 1947, trade and exchange controls have been used to limit dollar imports to ensure that dollar expenditures will be kept below gold and dollar receipts.

## Four-Year Plan

The current four-year public investment plan began on April 1, 1951 and is to run to March 31, 1955. The public investment plans of the central government, local government units and the Rhodesia Railways, for this four-year period total £100 million (\$280 million equivalent). Over two-thirds of the investment is in basic services (transportation, electricity, communications, water supply). The remainder is for public buildings, heavy mechanical equipment, municipal and other social services, and promotion of agricultural and industrial production. The development plans assume that considerable investment by private interests will be forthcoming to take advantage of the opportunities opened up by the expansion in basic services. There is ample evidence that the colony under present conditions is securing the private capital it needs. Of the total of £100 million (\$280 million equivalent) required by the public investment plans, rather less than one-half is expected to come from the U.K. (£20 million have already been so provided), and around one-third from local sources. The remainder, some £21 million (\$58 million) will have to come from elsewhere. The International Bank loan of \$28 million will fill about half of the remaining gap. £5 million (\$14 million) has been obtained from ECA and it is hoped that the remainder will be obtained from Mutual Security Agency and private sources.

The public investment plan is well adapted to the country's needs. Railways and electricity receive the largest amounts, one-third and one-fifth of the total. Expansion in both of these services is vitally important to keep pace with and make possible the further growth of the country. The railways, in fact, have already fallen behind and the plan will make it possible for them to catch up with and then to keep abreast of development. An important part of the railway program is the construction of a new line giving Rhodesia access to a new port and thus avoiding the limitation to further growth now present in the dependence on the port of Beira.

Expansion in the supply of electricity is also an urgent necessity. In the last four years, consumption of electricity has increased by 90%. To keep pace with the added requirements resulting from the continuing growth in the economy, an increase in electrical generating capacity will be needed from the present 168,000 kw to 416,000 kw by the end of the four-year plan.

In the public services as well as in private enterprise, the general level of ability is high and it is expected that the development plans will be efficiently executed. At present, most skilled trades are open to Europeans only, but with the gradual rise in the level of African education, it may be expected that Africans will not merely become more efficient in the occupations they at present follow, but will be employed on more responsible work. Although progress may be slow, there are great potential reserves of industrial skill in the African people.

Barring world-wide deflation, the real output and exports of Southern Rhodesia should continue to grow substantially. The successful completion of the Four-Year Plan should result in a similar rate of increase in production and exports as shown in the last five years.

## Political Trends

Some progress is being made on a scheme to secure a closer association, perhaps a federation, of the three British Central African territories, Southern Rhodesia, Northern Rhodesia, and Nyasaland. The Secretary of State for the

Colonies in the new British cabinet stated at the end of November that the British Government was convinced of the urgent need to attain this objective and that they believed this could best be achieved by federation. Under the proposed scheme, matters most directly affecting African interests would remain as at present (subject to the ultimate authority of the U.K. Government) the responsibility of the territorial governments and legislatures and not of the federal government.

Considerable economic advantages have been advanced in support of closer association: the territories as a group would be less vulnerable to economic fluctuations than if they remain separate, and there would be a broader basis for public administration. Full coordination of development in Central Africa could be most securely achieved through establishing a single political unit. Already the territories are meeting certain problems on a joint basis: there is a joint board to run the railway on which both Rhodesias depend; and a Currency Board on which all three territories are represented to provide a common currency for the whole area. Joint action would also be necessary to develop the great river, the Zambezi, which separates the two Rhodesias.