



**FOR IMMEDIATE RELEASE**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

1818 H STREET, N.W., WASHINGTON 25, D. C.      TELEPHONE: EXECUTIVE 3-6360

PRESS RELEASE NO. 463

SUBJECT: \$15 million power loan  
in Chile.

November 1, 1956.

The World Bank today made a loan of \$15 million for electric power development in Chile. The loan will help to finance three projects which will increase the supplies of power to Concepcion, a growing industrial center, and to the Santiago-Valparaiso area, which contains the greatest concentration of Chilean industrial, commercial and agricultural activity.

Grace National Bank of New York is participating in the loan, without the World Bank's guarantee, to the extent of \$298,000 representing the first maturity which falls due October 15, 1960.

The loan was made to the Corporacion de Fomento de la Produccion (Fomento) and Empresa Nacional de Electricidad, S.A. (Endesa) as co-borrowers. Fomento is a government agency responsible for promoting economic development in Chile, and Endesa is a joint stock company, owned almost entirely by Fomento. Endesa was established in 1944 to plan electric power development in Chile and to provide facilities for meeting power requirements which cannot be provided by private companies.

The projects for which today's loan was made are part of an expansion program to be carried out by Endesa during 1956-62. Together with facilities to be provided by private companies, the program should meet Chile's expected demand for power through 1965. Electricity consumption has increased steadily in the past ten years; in that time, sales of public service companies have risen by 150%. The Santiago, Valparaiso and Concepcion areas are the largest consumers and in recent years power has had to be rationed in the Santiago-Valparaiso region. Demand is growing at an accelerated rate in the Concepcion area in which are

Public Disclosure Authorized

Public Disclosure Authorized

located an integrated steel mill, and several metallurgical plants. Pulp and paper mills, being built in the area with the help of previous Bank financing, will soon be coming into operation and adding to demand. Endesa's program will add about 400,000 kilowatts of generating capacity and the three Bank projects will provide 166,000 kilowatts of this new capacity.

The proceeds of the loan will finance most of the foreign exchange costs of constructing a 68,000-kilowatt hydroelectric plant at La Isla on the Cipreses River downstream from the existing Cipreses plant; adding two generating units with a combined capacity of 49,000 kilowatts to the existing Abanico power station; and constructing a new 48,900-kilowatt hydroelectric plant on the Huanehue River, near the outlet of Lake Pullinque. The Isla and Abanico power stations are located near Santiago and Concepcion respectively and will produce power for these areas. The Pullinque plant is located to the south in an area of limited power demand but, because of its large mountain lakes capable of providing seasonal storage, it is a potentially important source of hydroelectric power.

The Pullinque plant will be interconnected to the south with the Pilmaiquen power system, and through the Abanico system to the north with Santiago, thus affording a single integrated system from Santiago to Puerto Montt -- a distance of about 750 miles. Distribution lines will also be constructed to serve small towns and villages now without electricity.

Endesa is doing the engineering and construction work and the projects are scheduled for completion in 1960.

The total cost of the projects is estimated at the equivalent of \$54.5 million. The Bank's loan will finance \$15 million of the foreign exchange costs. Endesa has arranged to finance the remaining \$2 million in foreign exchange from other sources. It will meet the local currency costs from its own resources and from other Chilean sources.

This is the Bank's second loan to Fomento and Endesa for electric power

development. The first one, for \$13.5 million, was made in 1948 and helped to finance the now existing hydroelectric plants at Cipreses and Molles, the expansion of the Pilmaiquen plant, the construction of transmission lines including the one between Santiago and Concepcion, and distribution facilities. Since 1948 Endesa has become an increasingly important supplier of public power to distributing companies and has provided some distribution facilities in small towns and rural areas. In 1955, it owned about one-third of Chile's generating capacity and produced about 25% of the energy consumed.

Today's loan is for a term of 20 years and bears interest of 5% including the 1% commission charged by the Bank. Amortization will begin October 15, 1960. The loan is guaranteed by the Republic of Chile.

The Bank has now lent a total of \$51.8 million in Chile: \$28.5 million for power, \$20 million for the pulp and paper plants, \$2.5 million for agriculture, and \$800,000 for the exploration of underground water resources.

After years of chronic and accelerated inflation -- prices increased 85% in 1955 -- the Chilean Government has embarked on a program to restore economic and financial stability. Limitations on wage adjustments, restrictions on bank credit, a sweeping exchange reform and new tax legislation are the principal steps taken to date. Record copper prices and production in 1955-56 provided foreign exchange to liquidate most of the commercial arrears as well as to finance current imports. Multiple exchange rates were eliminated and a free floating rate was established for all trade and most payments.

As one result of the program, the rate of inflation is being checked. Although prices are still rising -- 32% in the first nine months of 1956 -- the increase is due in part to imports at the new exchange rate and in part to the progressive elimination of artificial price controls and subsidies for a number of basic commodities. The year 1956 is a transitional period and while some difficult steps must still be taken before stabilization can be assured, real

progress has evidently been achieved.

After having been approved by the Bank's Executive Directors, today's loan documents were signed by His Excellency, Mario Rodriguez, Ambassador for Chile in Washington, on behalf of the Republic of Chile, Jorge Schneider, U.S. Representative for Fomento, on behalf of Fomento, Reinaldo Harnecker, General Manager of Endesa, on behalf of Endesa, and by Eugene R. Black, President, on behalf of the World Bank.