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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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The International Bank for Reconstruction and Development today made two loans for Iceland in European currencies. One, in various currencies equivalent to \$1,350,000, will assist in carrying forward a program of agricultural development. The other, of £90,000 (\$252,000), is to finance the construction of a building to house radio transmitter equipment serving North Atlantic air traffic. The loans were made to Framkvaemdabanki Islands (the Iceland Bank of Development) and are guaranteed by the Government of Iceland.

The Bank has now made five loans for Iceland's economic development, all in European currencies, totaling the equivalent of \$5,914,000. The earlier loans were for two hydroelectric power stations, a nitrogen fertilizer plant and for agricultural development.

Today's agricultural loan, like the one made in 1951, is to further a program begun in 1951 to increase Iceland's agricultural production. The purpose of the program is to restore agriculture to its former place of importance and lessen Iceland's dependence on the fishing industry. The program aims to increase agricultural production 50% by 1965, and should improve Iceland's foreign exchange position considerably through import savings and export earnings.

Under the program the cultivated area will be extended to permit further mechanization of hay making and to make possible a considerable expansion of sheep flocks and a moderate increase in the number of cattle. This calls for the drainage, ploughing, reseeded and fencing of natural grasslands, and the construction of farm buildings to store winter feed, to shelter animals, and to provide better dwellings for farmers and their families.

The Bank's earlier loan, in European currencies equivalent to \$1,008,000, helped pay for imports needed in the program during 1952. Today's loan will finance imported equipment and materials needed for the period July 1953 through 1954. In each of these years, it is planned with the help of the loan to bring under cultivation 8,600 acres of grassland; to build farm structures to house 1,000 cattle and 20,000 sheep; and to build 150 farm dwellings. The kronur equivalent of the International Bank's loan will be lent by Iceland's Agricultural Bank to farmers who participate in the program.

The loan is for a term of 22 years and carries interest of 5% including the 1% commission which, under the Bank's Articles of Agreement, is allocated to a special reserve. Amortization payments will begin September 1, 1958.

The second loan, of £90,000, will pay for the construction of a building to house some of the radio equipment operated by the Icelandic Post and Telegraph Administration for the safety and convenience of civilian aircraft flying over the North Atlantic. Transmitters used by the Administration for ground-air communications and for broadcasting weather information are at present sheltered in an inadequate temporary structure, and a new building is needed to assure the continuance of adequate and reliable service.

Under an arrangement administered by the International Civil Aviation Organization, the cost of the service is paid from contributions by eleven countries, including Iceland, whose airlines operate over the North Atlantic. ICAO has arranged with the participating countries for an increased contribution of funds to assure sufficient revenue to pay interest and amortization on the Bank's loan. Maintenance of the navigation service of the Telegraph Administration will help Iceland to continue earnings of foreign exchange from international aviation, and will be of benefit to airlines of Belgium, Canada, Denmark, France, Iceland, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States.

The loan is for a term of 12 years and carries interest of 4-3/4%, including the statutory 1% commission. Amortization payments will begin July 15, 1954.

The borrower, the Iceland Bank of Development, was established in February 1953. It is a public investment institution entrusted with major responsibilities for the programming and financing of development in Iceland. The International Bank was consulted and gave advice on the way in which the new institution could be organized.

After having been approved by the Bank's Executive Directors, the loan documents were signed today by His Excellency Thor Thors, Minister of Iceland in Washington, on behalf of the Government of Iceland, by Dr. Benjamin Eiriksson, General Manager of the Iceland Bank of Development, on behalf of the borrower, and by Eugene R. Black, President, on behalf of the International Bank.

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