

**Document of**  
**the International Development Association**  
**Acting as Administrator of the Interim Trust Fund**

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Report No: P-7140-CHA

**MEMORANDUM AND RECOMMENDATION**  
**OF THE**  
**MANAGING DIRECTOR**  
**TO THE**  
**PRESIDENT OF THE**  
**INTERNATIONAL DEVELOPMENT ASSOCIATION**  
**ON A**  
**PROPOSED INTERIM FUND CREDIT**  
**IN AN AMOUNT OF SDR 108.5 MILLION**  
**TO THE**  
**PEOPLE'S REPUBLIC OF CHINA**  
**FOR A**  
**QINBA MOUNTAINS POVERTY REDUCTION PROJECT**

**May 15, 1997**

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## CURRENCY EQUIVALENTS

(As of March 1997)

Currency Unit = Yuan (Y)

\$1.00 = 8.30

Y 1.00 = \$0.12

## WEIGHTS AND MEASURES

1 meter (m) = 3.28 feet (ft)

1 kilometer (km) = 0.62 miles

1 square kilometer (km<sup>2</sup>) = 100 ha

1 hectare (ha) = 2.47 acres

= 15 mu

1 ton (t) = 1,000 kg

= 2,205 pounds

1 kilogram (kg) = 2.2. pounds

## ABBREVIATIONS AND ACRONYMS

8-7 Plan	- National Seven-Year Plan for Poverty Reduction (1994-2000)
FCPMC	- Foreign Capital Project Management Center
ITF	- Interim Trust Fund
LGPR	- Leading Group for Poverty Reduction
OED	- Operations and Evaluation Department
PADO	- Poor Area Development Office
PLG	- Project Leading Group
PMO	- Project Management Office
SWPRP	- Southwest Poverty Reduction Project (CN-PE-3639)
TVE	- Township and Village Enterprise

## FISCAL YEAR

January 1 - December 31

Vice President:	Jean-Michel Severino, EAP
Director:	Nicholas C. Hope, EA2
Division Chief:	Joseph Goldberg, EA2RS
Staff Member:	Alan Piazza, Senior Economist, EA2RS

**CHINA****QINBA MOUNTAINS POVERTY REDUCTION PROJECT****LOAN/INTERIM TRUST FUND CREDIT AND PROJECT SUMMARY**

<b>Borrower:</b>	People's Republic of China
<b>Beneficiaries:</b>	Sichuan and Shaanxi Provinces, and Ningxia Hui Autonomous Region
<b>Poverty:</b>	Program of Targeted Interventions
<b>Amount:</b>	Loan: \$30.0 million ITF Credit: SDR 108.5 million (\$150 million equivalent)
<b>Terms:</b>	Loan: 20 years, including 5 years of grace, at the Bank's standard variable interest rate for LIBOR-based US dollar single currency loans ITF Credit: IDA standard terms with 35 years' maturity
<b>Commitment Fee:</b>	Loan: 0.75 percent on undisbursed loan balances, beginning 60 days after signing, less any waiver ITF Credit: 0.50 percent on undisbursed loan balances, beginning 60 days after signing, less any waiver
<b>Onlending Terms:</b>	Microfinance Cooperatives: 15 years, including 5 years of grace, at 2.88 percent annual interest rate or more TVEs: Agricultural Bank of China's standard terms Foreign Exchange Risk: borne by the project provincial governments
<b>Financing Plan:</b>	See Schedule A
<b>Economic Rate of Return:</b>	40 percent overall
<b>Staff Appraisal Report:</b>	16390-CHA
<b>Map:</b>	IBRD 27815
<b>Project ID Number:</b>	CN-PE-3590

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**MEMORANDUM AND RECOMMENDATION OF THE MANAGING DIRECTOR  
TO THE PRESIDENT OF THE  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
(the Association Acting as Administrator of the Interim Trust Fund)  
ON A PROPOSED INTERIM FUND CREDIT  
TO THE PEOPLE'S REPUBLIC OF CHINA  
FOR A QINBA MOUNTAINS POVERTY REDUCTION PROJECT**

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1. I submit for your approval the following memorandum and recommendation on a proposed Interim Fund Credit of SDR 108.5 million (\$150 million equivalent) to the People's Republic of China to help finance a Qinba Mountains Poverty Reduction Project. In addition to the Interim Fund Credit, a proposed Loan of \$30.0 million is also being separately submitted to help finance a Qinba Mountains Poverty Reduction Project. (The proposed Loan would be at the Bank's standard interest rate for LIBOR-based US dollar single currency loans, with a maturity of 20 years, including 5 years of grace.) The Credit would be on standard IDA terms, with a maturity of 35 years. The proceeds of the Loan and Interim Fund Credit would be made available to the provincial governments of Sichuan, Shaanxi and Ningxia for 17 years, including 5 years of grace, with interest at 2.0 percent per year. The foreign exchange risk would be borne by the provinces of Sichuan, Shaanxi and Ningxia for their respective components.

2. **Sector Background.** Broad participation in reform-driven rural economic growth brought about a tremendous reduction in absolute poverty in China from roughly 270 million poor in 1978 to about 100 million in 1985, or from one third to less than one tenth of total population. With continued rapid overall economic growth and strong government commitment to poverty reduction, the number of absolute poor declined to less than 70 million by the end of 1996. At least half of China's most severely affected remaining absolute poor are now concentrated in remote resource-deficient rural areas—primarily in upland regions of the interior provinces of central and western China—where they typically comprise entire communities. The very poorest households in these communities are those further disadvantaged by high dependency ratios, ill health and other difficulties. Minority peoples are heavily overrepresented among the rural poor. Although the absolute poor have land use rights, as do all of China's rural population, in most cases the land itself is of such low quality that even subsistence levels of crop production are generally impossible. Achieving productivity gains on these rainfed uplands, through increased application of fertilizer, better seed and other modern inputs, has proven problematic, and the number of the absolute poor now exceeds the carrying capacity of the land. Furthermore, since these are in many cases some of China's most ecologically fragile lands, the poor are often both the perpetrators and victims of upland environmental destruction.

3. One tenth—or about 6 million—of China's remaining absolute poor reside in the remote upland areas of Sichuan, Shaanxi and Ningxia. Absent sufficient increases in

agricultural production and rural enterprise development in these upland areas during the 1980s, per capita output of grain and subsistence foods failed to sustain any significant increase and off-farm employment opportunities have little more than kept pace with population growth. Provision of social services has also stagnated in these areas, and current levels of education achievement and health status are deplorable. At least half of the children in the poorest towns and villages do not complete elementary school and will not achieve literacy. Infant mortality rates in the poorest townships and villages exceed 10 percent, and are about triple the national average. Incidence of several infectious and endemic diseases, including tuberculosis and iodine deficiency disorders, are also prevalent in these areas. Roughly half of the children in households at or below the absolute poverty line are at least mildly malnourished (stunted), and iron, vitamin A, and other micronutrient deficiencies remain a severe problem. As many as 90 percent of poor children suffer chronic intestinal worm infection.

4. Labor market liberalization in China, spurred by strong economic growth and reduced constraints to internal travel and change of residency, has led to unprecedented labor mobility by at least 100 million migrants in a total rural labor force of 450 million. For those who have been able to participate in the local and interprovincial migration for employment process, the income rewards have been substantial. Off-farm employment opportunities are particularly important for the upland poor, since most are severely underemployed throughout most or all of the year. However, the absolute poor in upland areas have not been able to fully take part in the labor migration process due to (a) labor-market imperfections such as the lack of labor market information, (b) the poor's paucity of even rudimentary knowledge and skills required for obtaining employment in growth pole areas, and (c) inadequate financial resources to cover the initial expenses of a job search.

5. The Government's poverty reduction program, established in 1986 and coordinated by the State Council's Leading Group for Poverty Reduction (LGPR) and the central and provincial Poor Area Development Offices (PADO), emphasizes improving the productivity of the poor through investments in upland agriculture, rural infrastructure and rural enterprise development in poor counties. LGPR is the principal advocate of China's rural poor, and is now the key agency responsible for coordinating the nation's Y 15 billion in annual funding for poverty reduction programs. In 1994, LGPR issued a new National Seven-Year (1994-2000) Plan for Poverty Reduction (8-7 Plan) to guide further reductions in poverty. The 8-7 Plan recognizes that the transition and significant reduction of absolute poverty, from large numbers of poor spread widely across the countryside in the late-1970s to pockets of poverty in remote resource-deficient areas by the mid-1980s, makes it easier and fiscally less burdensome to target increased development and social services assistance to the remaining absolute poor. In near complete agreement with the Bank Group's 1992 report *China: Strategies for Reducing Poverty in the 1990s*, the 8-7 Plan calls for:

- (a) institution building and policy reform, including a strengthening of the institutions responsible for implementing explicit poverty alleviation

projects and programs, the establishment of an independent and objective poverty monitoring system, the concentration of available funding in the poorest counties (a number of relatively well-off counties and provinces are being “graduated” from the new poverty reduction program);

- (b) greater investment in the development of human capital, including more central government funding for health, nutrition, education, and relief services in the poorest areas;
- (c) promotion of labor mobility strategies to encourage the organized flow of low skilled labor from the poor areas to growth pole areas; and,
- (d) continued investment in poor area agricultural, rural enterprise, road and other rural infrastructure development projects.

6. **Project Objectives.** The primary objectives of the project are to: (a) demonstrate the effectiveness of a focused rural development project approach to poverty reduction, (b) facilitate a “market-friendly” increase in labor mobility from the poor areas to better-off rural and rapidly growing urban areas, (c) upgrade poverty monitoring at the national and local levels, and (d) significantly reduce absolute poverty in 26 of the very poorest counties in Sichuan, Shaanxi and Ningxia. The project would also stabilize or even reverse upland environmental destruction through land and pasture improvement and soil conservation works, and encourage greater local community participation by enabling households to make key decisions during project design and implementation.

7. **Rationale for Bank Group Involvement.** The project is consistent with the Country Assistance Strategy discussed by the Board on March 18, 1997 in that it directly addresses two of the Bank Group’s top operational priorities in China, namely poverty reduction and environmental protection. Bank Group participation in the project will greatly assist the realization of the Government’s 8-7 Plan and it is expected that, if successful, the project will further highlight the potential of the multisectoral approach to the remainder of China’s poor areas and the overall poverty reduction program. Bank Group involvement in the project will also play a catalytic function in the establishment of an independent national level poverty monitoring system. In addition, Bank Group participation is helping to focus the project’s rural development component toward the development and provision of an integrated package of *environmentally sound* and *farmer-determined* technologies for more productive upland agriculture.

8. **Concept and Description.** Previous Bank Group-supported poverty reduction activities in China include poor area health, education, rural water supply, and numerous agricultural projects and project components. Implementation of these single-sector projects has been successful and has made a very real and sustainable contribution to reducing absolute poverty. The proposed Qinba Mountains Poverty Reduction Project would be a focused, participatory, *multisectoral* attack on absolute poverty in an extremely resource deficient area, where previous single-sector actions undertaken by the

Government have achieved inadequate or unsustainable reductions in poverty. Key components of the project are:

- (a) **upland agriculture** (54 percent of project cost), using menus of crop and livestock activities to increase upland agricultural productivity and reverse the trend of environmental degradation through (i) extension of improved agriculture and smallholder livestock management techniques and inputs, (ii) establishment of tree crop nurseries and provision of saplings and tree crop management extension, (iii) intensification of staple crop production on the modest amount of available flat land, (iv) terracing for improved water and soil conservation, and (v) support for the development and extension of applied agricultural technologies;
- (b) **off-farm employment** (30 percent of project cost), through (i) a voluntary system of enhanced rural labor mobility for the upland absolute poor, supported by skill training, a computerized demand-driven placement system emphasizing local markets, monitoring of worker safety and resolution of abuses and grievances, and provision of financial resources to cover initial job search costs, and (ii) support for township and village enterprises (TVE) consisting of investment credit for labor-intensive commercially viable agroprocessing, mineral, service and handicraft industries with strong backward linkages to poor households and environmental safeguards meeting national standards;
- (c) **rural infrastructure** (11 percent of project cost), through the construction of rural roads, water supply systems, small-scale irrigation, drainage, biogas, and rural electrification;
- (d) **institution building and independent monitoring** (4 percent of project cost), by (i) improving LGPR and PADOs' capabilities in project design and implementation, procurement, accounting, and monitoring and evaluation, and (ii) establishing an objective poverty monitoring system by using improved survey instruments to provide a credible and comprehensive poverty profile for the project areas, analyze the accuracy of the targeting of benefits to the absolute poor, and measure and evaluate the impact of the project's individual components; and,
- (e) **microfinance** (1 percent of project cost), through a cooperative structure organizing members into five-member voluntary joint liability groups, to provide credit services to poor households for production activities.

In addition, two social services programs would be undertaken in parallel with the project. The Qinba Education Program (QEP), supported under the Fourth Basic Education Project (CN-PE-36952) that was presented to the Board in May 1997, would increase the access and quality of primary education provided to the poor through facilities construction, tuition payments, teacher and management training, and the provision of

textbooks and instructional equipment. The Qinba Health Program (QHP), to be supported under the Eighth Basic Health Services Project (CN-PE-3566) that is scheduled for Board presentation in FY98, would enhance the availability and delivery of primary and curative health care to the poor through health clinic and township hospital renovation and construction, the establishment of a village health cooperative fund, the strengthening of public health programs in disease prevention and control and for improved maternal and child health, and the enhancement of the management capabilities of health administrators at the county and provincial level.

9. **Lessons Learned from Previous Bank Group Operations.** The Bank Group's experience with a large number of multisectoral rural-development-cum-poverty-alleviation projects has not been entirely successful in terms of impact or sustainability. An extensive review by the Bank Group's Operations Evaluation Department (OED) of two decades of Bank Group experience with rural development projects documents that the complexity of project implementation and problems with institutional coordination have been the principal causes of mixed results. Recognizing that these institutional difficulties are inherent to multisectoral projects, the OED analysis favors the approach of "implementing separate project components in different ministries as though they were separate projects, but with a coordinating unit located in a nonsector ministry such as Planning or the President's Office" and emphasizes the importance of long-term institution building. The OED report also highlights the importance of (a) strong government commitment to the project and a favorable macroeconomic environment, (b) relying primarily on locally proven technical innovations (the results of research and trials were often not available in time to have an impact on concurrent projects), (c) retaining flexibility in program design during implementation, (d) supplementing the Bank Group's own inputs, during design and supervision, to cover the full range of skills required by a multisectoral project, (e) a comprehensive monitoring and evaluation process, and (f) full community participation. These lessons are fully reflected in the design of the proposed project. In particular, LGPR, which is a nonsectoral office of the State Council, would be responsible for coordinating project design and monitoring implementation. The project also enjoys strong government support and a favorable macroeconomic environment, relies primarily on an integrated package of proven technologies, and would establish a comprehensive monitoring and evaluation process. Community participation has been achieved through a process of detailed consultation in upland communities involving village leaders, village teachers, health practitioners and other members of the community. During project preparation, independent field investigations by two anthropologists led to suggestions regarding community participation, and these were incorporated into overall project design and specific component activities.

10. The proposed project also builds on lessons from recent Bank Group loans to China in the health, education, agriculture and rural infrastructure sectors. For social services, specific lessons include the importance of increasing access to existing rural facilities, improving teacher and health service worker technical skills, establishing reliable financing mechanisms, and upgrading bilingual education in minority areas. In agriculture, the experience of earlier Bank Group-supported projects suggests the need

for greater emphasis on crop diversification and marketing in order to avoid the risk of oversupply, and to enhance sustainability by assigning responsibility for project management to existing institutions (suitably strengthened). Since the Bank Group has very little experience with labor mobility projects, the project builds on the early experience of the Southwest Poverty Reduction Project's (SWPRP—CN-PE-3639) labor mobility component, and on lessons from the Ministry of Labor's recent experience in this area and ongoing rural research work.

11. SWPRP has been under implementation for two years and, while careful review and evaluation of the project's individual components can only begin in the latter years of project implementation, enough evidence is already available to support some preliminary lessons. First, the successful implementation of SWPRP during 1995-96 has confirmed that the project's unique organizational and management structure can satisfy the special requirements of its above average complexity and implementation capacity needs. Second, the SWPRP model of poverty reduction represents a significant advance over previous poverty reduction mechanisms in China and is worthy of widespread adoption. Third, it is now clear which components have been most successful. During intensive supervision work during the second half of 1996, an organized exchange between the SWPRP county project management office (PMO) staff in Guangxi confirmed the growing consensus that: the education and health subcomponents and the rural infrastructure component are the activities which are most warmly received by the project's primary beneficiaries; the labor mobility component provides the quickest means of overcoming poverty; the agriculture component's activities require an enormous amount of preparatory work by county- and lower-level project staff; and project supervision and poverty monitoring are the most difficult tasks to complete. The success of the education, health and rural infrastructure activities is closely associated with the fact that project villagers actively plan and implement, and directly and immediately benefit from, these undertakings. Bank Group supervision of the project has confirmed the county PMO staff's views that the project's primary beneficiaries are extremely enthusiastic about the education, health, drinking water, and other rural infrastructure activities, and that labor mobility can quickly lift migrant workers and (through remittances) their families above the poverty line. Supervision missions have also observed the payoff to some successful upland agriculture activities and to effective project supervision and poverty monitoring, but have noted the heavy demands these activities place on county- and lower-level project implementation staff. TVE development is the only SWPRP component that is performing poorly. Measures were taken during the second half of 1996 to overcome the key obstacles of (a) poor prospects for enterprise financial viability and (b) lack of counterpart financing, and it is hoped that the component will move forward quickly during 1997.

12. **Implementation.** LGPR and its Foreign Capital Project Management Center (FCPMC) have principal responsibility for project design and implementation. A Technical Advisory Group has been set up at the national level to provide technical support to FCPMC and assist the provinces and counties in completing the provincial,

county, and subproject feasibility studies. *At the provincial level*, Project Leading Groups (PLG) have been set up to (a) mobilize institutional, technical and financial resources and support for the preparation and implementation of the project and (b) provide a critical coordination and monitoring function. The PLGs comprise Directors and staff of the provincial PADOs, Planning Commissions and Finance bureaus, the several technical bureaus directly involved in the project (including the Agriculture, Forestry, Water Resources, Labor, TVE, Statistical and other bureaus), the Women's Federation and the Agricultural Development Bank of China. In addition, provincial Project Management Offices (PMO), comprising PADO staff and a number of specialized staff from outside the LGPR system, have been established to ensure effective and timely preparation and implementation of the project. Under the general supervision of the provincial PMOs, the provincial Labor Bureaus would assist with the final preparation and the implementation of the labor mobility component. *At the county level*, PMOs have been established and have played the lead role in organizing the preparation of the county and subproject feasibility studies. Working closely with the several technical bureaus directly involved in the project and with the township governments and their offices at the administrative village level, the county PMOs would also take the lead role in coordinating project implementation. County PLGs have also been set up to secure coordination among the technical bureaus.

13. **Monitoring of Project Performance and Impact.** Performance monitoring would include a detailed baseline sample survey with annual follow-up surveys, and monitoring by FCPMC and the three provincial PMOs of a detailed listing of performance indicators. Models for both the survey work and the listing of performance indicators have been established under SWPRP. Throughout implementation, the Bank Group will focus on a subset of about 15 indicators, including: *inputs*—counterpart funding, and staffing of the provincial- and lower-level PMOs; *outputs*—elementary school attendance rates, number of treatments provided by village-level healthcare funds, number of upland poor placed in off-farm jobs, kilometers of rural roads built, land area adopting project agricultural activities, and jobs created in project rural enterprises; *outcomes*—completion rate at sixth grade level, migrant laborers' income levels and remittances, and number of project beneficiaries with improved access to safe drinking water; and *impact*—infant mortality rate, incidence of absolute poverty in the project areas, knowledge of and access to off-farm employment, and adoption of a focused rural development project approach to poverty reduction in nonproject counties.

14. **Costs and Financing.** The estimated project cost totals \$360 million equivalent, with a foreign exchange component of \$108 million equivalent (30 percent). The Bank Group would finance SDR 108.5 million (\$150 million equivalent) through the Interim Trust Fund and \$30 million through the loan, covering all of the foreign exchange costs and about 30 percent of local costs. The Government of China has selected LIBOR-based US dollar single currency loan terms for the loan in order to facilitate management of the foreign exchange risk of their borrowing by more closely matching the currency of their liabilities with their net trade flows, about 75 percent of which are dollar-denominated. The Borrower selected the LIBOR-based product in order to preserve the

full maturity of this loan (compared to the fixed-rate option that would have resulted in a shorter maturity), and judges that it can manage the interest rate risk. To allow rapid startup of work under the project's labor mobility, land and farmer development, and institution-building components, retroactive financing of up to SDR 13 million has been recommended to cover expenditures for these items incurred between February 1, 1997 and the date of signing of the Loan and Interim Fund Credit Agreements. A breakdown of costs and the financing plan are shown in Schedule A. Amounts and methods of procurement, and the disbursement schedule are shown in Schedule B. A timetable of key project processing events is provided in Schedule C. Schedules D and E show the status of Bank Group operations in China and "China-at-a-Glance" tables. A map is also attached. The Staff Appraisal Report, No. 16390-CHA dated May 15, 1997, is being distributed separately.

15. **Sustainability.** Based on the development of improved extension services, the selection of a wide range of appropriate crop varieties and livestock breeds, and the improvement of research capabilities that will support project activities, the upland agriculture component is likely to be sustainable. Activities supporting off-farm employment will be sustainable through (a) the emphasis on labor mobility cost-recovery, (b) rural enterprise selection based on commercial viability, and (c) the provision of training to county and provincial Labor Bureau staff. Improved education and health services will be sustainable since the increases in household income levels brought about through the project will be sufficient to allow for the gradual phaseout of the initial subsidies for the recurrent costs under the social services activities. Institutional sustainability is addressed through a comprehensive program of technical assistance, training, and study tours to strengthen existing capacity and ensure development of long-term capabilities. The ability to monitor poverty is sustainable, and will increase over time through the development of enhanced survey instruments.

16. **Agreed Actions.** The principal assurances obtained from the Borrower at negotiations were that: (a) the education and health programs would be implemented; (b) project farmers would receive exclusive land use rights for a term of not less than 30 years for all lands they plant under the project; (c) labor mobility would be undertaken only on a strictly voluntary basis, and an adequate monitoring and reporting system, focusing on fair treatment of workers and workplace safety, would be finalized and implemented by September 1997; (d) a mid-term review would be undertaken in 1999; and (e) onlending to TVEs and microfinance institutions would be carried out by the provinces in accordance with procedures and on terms and conditions acceptable to the Bank Group.

17. **Environmental Aspects.** This is a Category B project and, overall, the project is expected to have a favorable environmental impact. In particular, the land and farmer development component focuses on improving productivity through reversing upland environmental destruction. Potential minor environmental issues arise from changes in land use practices, the development of small-scale enterprises, and the construction of rural roads and other small-scale rural infrastructure. The labor mobility component also

raises several social issues. An acceptable Environmental Management and Mitigation Plan, which identifies environmental issues and defines necessary mitigation measures, has been prepared. The necessary mitigation measures comprise known and proven engineering and technical solutions, and are covenanted under the project. In addition, the labor mobility component has been subjected to careful social and anthropological review, and an effective monitoring system would be established under the project to guarantee migrant workers' rights and job safety. TVE establishment and expansion, road construction, and other project activities would require acquisition of less than 130 ha of cultivated land and would affect about 2,570 people (though none would lose their homes). An acceptable Resettlement Action Plan has been prepared and its implementation is covenanted under the project. During implementation, the provincial PMOs would have prime responsibility for monitoring resettlement activities.

18. **Project Benefits.** The project would significantly reduce absolute poverty in 26 of the very poorest counties in western China by increasing the incomes and productivity and improving the health and educational status of about 2.3 million upland poor. It would also demonstrate the effectiveness of a comprehensive rural development project approach to poverty reduction, stabilize or even reverse the environmental destruction of upland areas, upgrade poverty monitoring at the national and local levels, and encourage greater local community participation by enabling households to make key decisions during implementation.

19. **Risks.** The project addresses problems of chronic absolute poverty and natural resource degradation in an area where previous single-sector interventions have not led to sustainable reductions in poverty. The greatest strength of the project—its focused multisectoral rural development approach—comes at the inherent cost of greater than average complexity and greater difficulties in implementation. This risk was identified prior to the initiation of project preparation, and has been effectively countered by (a) the project's unique organizational and management structure, which features an existing, relatively powerful national network of committed antipoverty agencies, (b) a strong institution and implementation capacity-building program, and (c) the full involvement of the beneficiaries and village communities in the design and implementation of the project. In addition, the project relies on an integrated package of proven technologies and interventions. County-level governments, where leadership required for effective implementation is more sustainable due to the local importance of the project, have extensive experience with these technologies and interventions.

20. Individual components also face specific risks. For the land and farmer development component, there is a risk of slower-than-expected adoption of improved farming practices, resulting in slower realization of economic and environmental benefits. However, the improved techniques would (a) be integrated with existing local farming practices, (b) require limited material inputs, and (c) be introduced, in some cases, on a pilot basis. The project's emphasis on strengthening the extension service through technical assistance and provision of required subject-matter specialists, and training of farmer-technicians and demonstration households is also designed to minimize these risks. The

project's participatory approach is designed to gain the trust and involvement of beneficiaries and to generate a sense of ownership in project activities. There are significant market risks for several of the cash and economic tree crops, but these risks are considered to be acceptable. Several activities (such as terracing) under the land and farmer development component would directly mitigate the risks of drought.

21. The labor mobility and TVE components face the risks of weak monitoring of worker conditions and sudden changes in market conditions. The China Western Human Resources Development Center, which has already established a highly effective monitoring system under SWPRP, would work with LGPR, the provincial Labor Bureaus and the All-China Women's Federation to monitor and evaluate labor mobility activities. A pilot-phase evaluation would also identify operational issues, and make necessary adjustments. The diversified portfolio of small-scale TVEs has been developed with attention to commercial viability. While specific TVEs face higher demand and price fluctuations (notably silk reeling and tea processing), the majority of products are intended for use in growing local and provincial markets.

22. **Recommendation.** I am satisfied that the proposed Interim Fund Credit would comply with Resolution No. 184, adopted by the Board of Governors on June 26, 1996, establishing the Interim Trust Fund, and I recommend that the President approve it.

Gautam S. Kaji  
Managing Director

Washington, D.C.  
May 15, 1997

Attachments

## CHINA

## QINBA MOUNTAINS POVERTY REDUCTION PROJECT

## ESTIMATED COSTS AND FINANCING PLAN

(\$ Million)

	Local	Foreign	Total
<b>Estimated Costs</b>			
Labor Mobility	25.9	11.1	37.0
Rural Infrastructure	21.5	9.2	30.7
Land & Farmer Development	104.7	44.9	149.6
TVE Development	33.1	14.2	47.3
Microfinance	2.2	1.0	3.2
Institution Building & Project Management	5.5	2.3	7.8
Poverty Monitoring	1.4	0.6	2.0
<b>Total Base Cost</b>	<b>194.3</b>	<b>83.3</b>	<b>277.6</b>
Physical Contingency	9.6	4.1	13.7
Price Contingency	48.1	20.6	68.7
<b>Total Project Costs</b>	<b>252.0</b>	<b>108.0</b>	<b>360.0</b>
<b>Financing Plan</b>			
Interim Trust Fund Credit	60.0	90.0	150.0
IBRD	12.0	18.0	30.0
Provincial Governments	142.0	0.0	142.0
Prefectural and Local Governments	17.0	0.0	17.0
Beneficiaries	21.0	0.0	21.0
<b>Total</b>	<b>252.0</b>	<b>108.0</b>	<b>360.0</b>

*Note:* Totals may not add up due to rounding.

## CHINA

## QINBA MOUNTAINS POVERTY REDUCTION PROJECT

SUMMARY OF PROPOSED PROCUREMENT ARRANGEMENTS /a  
(\$ million)

	Procurement Method			NBGF /c	Total
	ICB	NCB	Others /b		
Civil Works	-	27.7 (9.7)	84.9 (29.1)	-	112.6 (38.8)
Crop Establishment	-	-	37.7 (13.2)	-	37.7 (13.2)
Livestock Maintenance	-	-	46.2 (16.2)	-	46.2 (16.2)
Equipment	2.8 (2.8)	23.9 (17.9)	2.0 (1.5)	0.1 (0.1)	28.6 (22.2)
Vehicles	5.3 (5.3)	0.3 (0.2)	0.1 (0.1)	-	5.6 (5.5)
Construction Materials	-	-	3.6 (2.7)	-	3.6 (2.7)
Agricultural Inputs	31.9 (31.9)	-	6.6 (5.7)	-	38.5 (37.7)
Labor Placement	-	-	43.4 (21.7)	-	43.4 (21.7)
Microfinance Subloans	-	-	3.6 (1.8)	-	3.6 (1.8)
TA, Research & Training	-	-	11.0 (11.0)	-	11.0 (11.0)
Management & Supervision	-	-	10.7 (5.4)	-	10.7 (5.4)
Other	-	-	4.3 (3.9)	14.1 (0.0)	18.4 (3.9)
<b>Total</b>	<b>40.0 (40.0)</b>	<b>51.8 (27.8)</b>	<b>254.1 (112.2)</b>	<b>14.1 (0.0)</b>	<b>360.0 (180.0)</b>

/a Figures in parentheses are the respective amounts financed by the Bank Group.

/b Includes force account, limited international bidding, national shopping, direct purchase, etc.

/c Not financed by the Bank Group.

**DISBURSEMENT CATEGORIES**  
(\$ million)

Category	Amount Disbursable (\$ million)	Percentage Disbursable
Works, Crop Establishment, and Livestock Maintenance	68.1	35% of total expenditure
Goods	68.1	100% of foreign expenditure, 100% of local expenditure (ex-factory); 75% for other goods procured locally
Labor Training and Placement	21.7	50% of total expenditure
Microfinance Subloans	1.8	50% of amounts paid under subloans
Consultant Services & Training	13.0	100% of total expenditure
Operating Costs	3.4	50% of total expenditure
Unallocated	3.9	
<b>Total</b>	<b>180.0</b>	

**ESTIMATED DISBURSEMENT SCHEDULE**  
(\$ million)

IBRD Fiscal Year	1998	1999	2000	2001	2002	2003
Annual	27.0	36.0	54.0	37.8	21.6	3.6
Cumulative	27.0	63.0	117.0	154.8	176.4	180.0

**CHINA**

**QINBA MOUNTAINS POVERTY REDUCTION PROJECT**

**TIMETABLE OF KEY PROJECT PROCESSING EVENTS**

- 
- (a) Time taken to prepare the project: 19 months (October 1995 to April 1997)
  - (b) Prepared by: Central, Provincial and Local Governments, with Bank Group Assistance financed in part by a project preparation grant from the Japan Policy and Human Resource Development Fund
  - (c) First Bank mission: October 1995
  - (d) Appraisal mission departure: January 1997
  - (e) Negotiations: April 1997
  - (f) Planned date of effectiveness: September 1997
  - (g) List of relevant ICRs:

<u>Credit/Loan No.</u>	<u>Project</u>	<u>ICR Date</u>	<u>PPAR No.</u>
Cr. 1733-CHA	Red Soils I	02/24/93	12033
Cr. 2611-COL	Health Services Integration	09/30/94	-
Cr. 1244-NIC	Second Education	12/01/83	-

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This report is based on the findings of identification, preparation, preappraisal, and appraisal missions during the period October 1995 to January 1997. The report was prepared by: Messrs./Mmes. A. Piazza (Economist/Task Manager), M. Goldberg, Julia Li, and S. Liu (Microenterprise, Financial Institutions, and Labor Mobility), E. Liang (Economist), C. Saint-Pierre and B. Trangmar (Agriculture), M. Young and R. Yip (Public Health), C.L. Cheong (Engineer), M. Judd and Z. Lin (Anthropology), N. DeWitt (Legal) and J. Fritz (Environment). Peer reviewers are M. Ravallion (PRDPH), M. Young (HDD), and R. Grimshaw (consultant). The preparation team gratefully acknowledges the strong support of a *Japan: Policy and Human Resources Development Fund Grant*, without which the preparation of this complex and innovative project would have been extremely difficult.

## STATUS OF BANK GROUP OPERATIONS IN THE PEOPLE'S REPUBLIC OF CHINA

## A. STATEMENT OF BANK LOANS AND IDA CREDITS

(As of March 31, 1997)

Loan/ Credit Number	FY	Borrower	Purpose	Amount (US\$ million) (net of cancellations)		
				Bank	IDA	Undisb.(a)
		52 loans and 51 credits have been disbursed		5,702.8	3,822.8	-
		of which SECAL:				
2967/1932	88	PRC	Rural Sector Adj.	200.0	93.2	-
<b>Active Loans</b>						
1885	88	PRC	Northern Irrigation	-	103.0	1.0
2968	88	PRC	Railway IV	200.0	-	2.8
1997	89	PRC	Shaanxi Prov. Agriculture	-	106.0	0.1
2009	89	PRC	Integrated Reg. Health	-	52.0	0.6
3022	89	PRC	Tianjin Light Industry	154.0	-	4.4
3073/2025	89	PRC	Shandong Prov. Highway	60.0	(50.0)(b)	6.7
2145	90	PRC	National Afforestation	-	300.0	6.8
2159	90	PRC	Hebei Agricultural Dev.	-	150.0	4.0
2172	91	PRC	Mid-Yangtze Agricultural Dev.	-	64.0	1.4
3265/2182	91	PRC	Rural Credit IV	75.0	200.0	0.1
3274/2186	91	PRC	Rural Indust Tech (SPARK)	50.0	64.3	2.1
3286/2201	91	PRC	Medium-Sized Cities Dev.	79.4	89.0	3.5
2210	91	PRC	Key Studies Development	-	131.2	7.8
2219	91	PRC	Liaoning Urban Infrastructure	-	77.8	4.8
2242	91	PRC	Henan Agricul. Dev.	-	110.0	10.8
3337/2256	91	PRC	Irrig. Agricul. Intensif.	147.1	187.9	6.0
2294	92	PRC	Tarim Basin	-	125.0	1.1
2296	92	PRC	Shanghai Metro Transport	-	60.0	7.8
3406	92	PRC	Railways V	330.0	-	33.7
3412/2305	92	PRC	Daguangba Multipurpose	30.0	37.0	4.6
2307	92	PRC	Guangdong ADP	-	162.0	57.0
3415/2312	92	PRC	Beijing Environment	45.0	80.0	37.7
2317	92	PRC	Infectious and Endemic Disease Cont.	-	129.6	71.5
3433	92	PRC	Yanshi Thermal Power	180.0	-	1.3
2336	92	PRC	Rural Water Supply and Sanitation	-	110.0	20.3
2339	92	PRC	Educ. Development in Poor Provs.	-	130.0	9.5
3443	92	PRC	Regional Cement Industry	82.7	-	4.1
3462	92	PRC	Zouxian Thermal Power	310.0	-	27.2
3471	92	PRC	Zhejiang Provincial Highway	220.0	-	70.1
2387	92	PRC	Tianjin Urban Devt. & Envir.	-	100.0	46
2391	92	PRC	Shp Waste Disposal	-	15.0	6.3
2411	93	PRC	Sichuan Agricultural Devt.	-	147.0	41.5
3515	93	PRC	Shuikou Hydroelectric II	100.0	-	43.9
2423	93	PRC	Financial Sector TA	-	60.0	43.3
3530	93	PRC	Guangdong Provincial Transport	240.0	-	33.1
3531	93	PRC	Henan Provincial Transport	120.0	-	19.9
2447	93	PRC	Ref. Inst'l and Preinvest.	-	50.0	26.3
3552	93	PRC	Shanghai Port Rest. and Devt.	124.3	-	10.7
2457	93	PRC	Changchun Water Supply & Env.	-	120.0	69.8
2462	93	PRC	Agriculture Support Services	-	115.0	21.2
3560/2463	93	PRC	Taihu Basin Flood Control	100.0	100.0	93.8
2471	93	PRC	Effective Teaching Services	-	100.0	53.5
3572	93	PRC	Tianjin Industry II	134.0	-	90.1
3581	93	PRC	Railway VI	420.0	-	178.2
3582	93	PRC	South Jiangsu Envir. Prot.	250.0	-	50.2
2475	93	PRC	Zhejiang Multicities Devt.	-	110.0	64.9
3606	93	PRC	Tianhuangping Hydroelectric	300.0	-	156.6
3624/2518	93	PRC	Grain Distribution	325.0	165.0	435.0
2522	93	PRC	Environmental Tech. Assist.	-	50.0	24.1
2539	94	PRC	Rural Health Workers Devt.	-	110.0	63.0
3652	94	PRC	Shanghai Metro Transport II	150.0	-	15.6
3681	94	PRC	Fujian Provincial Highways	140.0	-	85.6
3687	94	PRC	Telecommunications	250.0	-	145.0
2563	94	PRC	Second Red Soils Area Devt.	-	150.0	54.9

Loan/ Credit Number	FY	Borrower	Purpose	Amount (US\$ million) (net of cancellations)		
				Bank	IDA	Undisb.(a)
2571	94	PRC	Songliao Plain Agric. Devt.	-	205.0	92.8
3711	94	PRC	Shanghai Environment	160.0	-	111.0
3716	94	PRC	Sichuan Gas Devt & Conservatn.	255.0	-	176.1
3718	94	PRC	Yangzhou Thermal Power	350.0	-	201.8
B103	94	PRC	Yangzhou Thermal Power	57.2	-	56.1
3727	94	PRC	Xiaolangdi Multipurpose	460.0	-	134.7
2605	94	PRC	Xiaolangdi Resettlement	-	110.0	59.3
2616	94	PRC	Loess Plateau Watershed Devt.	-	150.0	67.1
2623	94	PRC	Forest Resource Devt. & Prot.	-	200.0	132.4
3748	94	PRC	National Highway	380.0	-	207.4
3773/2642	95	PRC	Ent. Housing/Soc Sec Reform	275.0	75.0	287.0
3781	95	PRC	Liaoning Environment	110.0	-	84.0
3787	95	PRC	Xinjiang Prov. Highways	150.0	-	101.4
2651	95	PRC	Basic Ed for Poor/Minorities	-	100.0	46.0
3788	95	PRC	Shenyang Industrial Reform	175.0	-	145.8
2654	95	PRC	Economic Law Reform	-	10.0	7.8
2655	95	PRC	Comp Maternal/Child Health	-	90.0	46.7
3846	95	PRC	Zhejiang Power Development	400.0	-	361.4
B105	95	PRC	Zhejiang Power Development	64.3	-	61.5
3847	95	PRC	Technology Development	200.0	-	195.0
3848	95	PRC	Sichuan Power Transmission	270.0	-	262.3
3873/2709	95	PRC	Fiscal TA	25.0	25.0	43.2
3874/2710	95	PRC	Yangtze Basin Water Res Devt	100.0	110.0	98.2
3897	95	PRC	Railway VII	400.0	-	400.0
3906/2744	95	PRC	Southwest Poverty Reduction	47.5	200.0	173.2
3910	95	PRC	Inland Waterways	210.0	-	184.4
3914/2756	95	PRC	Iodine Deficiency Dis. Control	7.0	20.0	21.8
3929	96	PRC	Shanghai-Zhejiang Highway	260.0	-	193.8
3933	96	PRC	Ertan II Hydroelectric	400.0	-	137.7
B106	96	PRC	Ertan II Hydroelectric	50.0	-	48.3
2794	96	PRC	Disease Prevention	-	100.0	87.2
3966/2799	96	PRC	Hubei Urban Environment	125.0	25.0	142.2
3967/2800	96	PRC	Labor Market Development	10.0	20.0	26.6
3980	96	PRC	Henan (Qinbei) Thermal (c)	440.0	-	440.0
3986	96	PRC	Second Shaanxi Prov. Highways	210.0	-	200.0
3987	96	PRC	Second Shanghai Sewerage	250.0	-	248.0
2831	96	PRC	Third Basic Education	-	100.0	73.2
2834	96	PRC	Shanxi Poverty Alleviation	-	100.0	78.6
4001	96	PRC	Animal Feed	150.0	-	150.0
4027	96	PRC	Second Henan Prov. Highway	210.0	-	210.0
4028/2870	96	PRC	Gansu Hexi Corridor	60.0	90.0	137.4
4044/2886	96	PRC	Seeds Sector Commercialization	80.0	20.0	96.7
4045	96	PRC	Chongqing Ind. Pollution Control	170.0	-	170.0
4055/2892	96	PRC	Yunnan Environment	125.0	25.0	149.0
4063/2898	97	PRC	Vocational Education Reform	10.0	20.0	19.1
4099	97	PRC	Second Xinjiang Highway (c)	300.0	-	300.0
4124	97	PRC	Second National Highway (c)	400.0	-	400.0
<b>Total</b>					<b>8,913.6</b>	<b>9,452.5</b>
				<b>17,090.8</b>		
of which has been repaid				1,711.1	53.8	
Total now held by Bank and IDA (a)				15,379.7	8,859.8	
Amount sold: Of which repaid				-	-	
<b>Total Undisbursed</b>				<b>7,549.3</b>	<b>1,903.2</b>	<b>9,452.5</b>

(a) As credits are denominated in SDRs (since IDA Replenishment VI), undisbursed SDR credit balances are converted to dollars at the current exchange rate between the dollar and the SDR. In some cases, therefore, the undisbursed balance and total credit amount held indicate a dollar amount greater than the original principal credit amount expressed in dollars.

(b) Fully disbursed.

(c) Not yet effective.

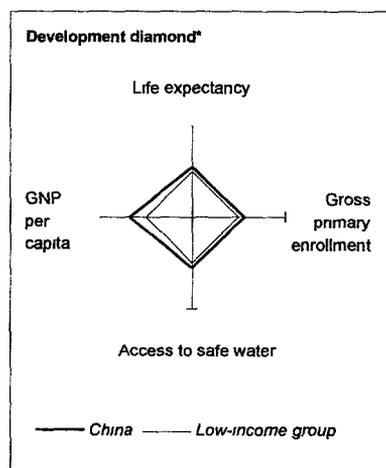
**B. STATEMENT OF IFC's COMMITTED AND DISBURSED PORTFOLIO**  
(As of March 31, 1997, in US\$ million)

FY Approval	Company	Committed				Disbursed			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1985	Guangzhou Auto	1.88	3.23	0.00	0.00	1.88	3.23	0.00	0.00
1987	China Bicycles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1988	Crown Elec	2.09	0.00	0.00	0.00	2.09	0.00	0.00	0.00
1992	China Bicycles	8.50	2.44	0.00	0.00	8.50	2.44	0.00	0.00
1992	Guangzhou Auto	0.00	1.32	0.00	0.00	0.00	1.32	0.00	0.00
1993	Shenzhen PCCP	3.76	.99	0.00	0.00	3.76	.99	0.00	0.00
1993	Yantai Cement	17.69	1.95	0.00	9.44	17.69	1.95	0.00	9.44
1994	China Bicycles	0.00	.95	0.00	0.00	0.00	.95	0.00	0.00
1994	China Walden JV	0.00	7.50	0.00	0.00	0.00	3.79	0.00	0.00
1994	Dalian Glass	20.50	2.40	0.00	40.50	20.50	2.40	0.00	40.50
1994	Dynamic Fund	0.00	12.35	0.00	0.00	0.00	9.46	0.00	0.00
1994	China Walden Mgt	0.00	.01	0.00	0.00	0.00	.01	0.00	0.00
1994	Plant. Timber	10.00	1.00	0.00	20.00	10.00	1.00	0.00	20.00
1995	Dupont Suzhou	24.92	3.85	0.00	52.00	11.34	3.85	0.00	23.12
1995	Nantong Wanfu	5.63	2.41	0.00	0.00	0.00	0.00	0.00	0.00
1995	Newbridge Inv.	0.00	10.00	0.00	0.00	0.00	5.04	0.00	0.00
1995	Suzhou PVC	0.00	2.48	0.00	0.00	0.00	2.48	0.00	0.00
1996	Beijing Hormel	5.00	.50	0.00	5.50	1.00	.50	0.00	0.00
1996	Fairyoung Ports	0.00	4.98	0.00	0.00	0.00	4.98	0.00	0.00
1996	Jingyang	40.00	0.00	0.00	100.00	18.57	0.00	0.00	46.43
1996	Nanjing Kumho	16.00	3.81	0.00	45.50	7.59	3.81	0.00	21.57
1996	Weihai Weidongri	4.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Pending Commitments</b>									
1996	* CALTEX OCEAN	31.33	0.00	0.00	66.00				
1996	* NANJING HUINING	4.00	0.00	0.00	0.00				
1997	* NINGBO	0.00	2.00	0.00	0.00				
1996	* SHANDONG SAND	17.00	0.00	0.00	25.00				
1995	* SUZHOU PVC	14.10	0.00	0.00	15.80				
1996	* TIANJIN	9.10	0.00	0.00	9.10				
1996	* TIANJIN KUMHO	23.50	0.00	3.00	47.00				
1996	* XIAMEN XIAN	10.00	0.00	0.00	0.00				

# China at a glance

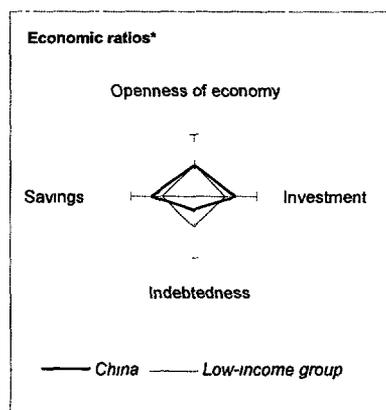
## POVERTY and SOCIAL

	China	East Asia	Low-income
Population mid-1995 (millions)	1,211.2	1,709	3,188
GNP per capita 1995 (US\$)	620	830	460
GNP 1995 (billions US\$)	751.0	1,418	1,466
<b>Average annual growth, 1990-95</b>			
Population (%)	1.2	1.3	1.8
Labor force (%)	1.1	1.4	1.8
<b>Most recent estimate (latest year available since 1989)</b>			
Poverty headcount index (% of population)	11		
Urban population (% of total population)	30	31	29
Life expectancy at birth (years)	69	68	63
Infant mortality (per 1,000 live births)	29	36	58
Child malnutrition (% of children under 5)	17	17	38
Access to safe water (% of population)	83	77	75
Illiteracy (% of population age 15+)	19	17	34
Gross primary enrollment (% of school-age population)	118	117	105
Male	120	120	112
Female	116	116	98



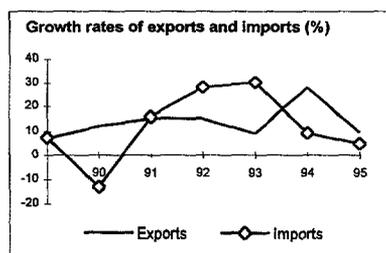
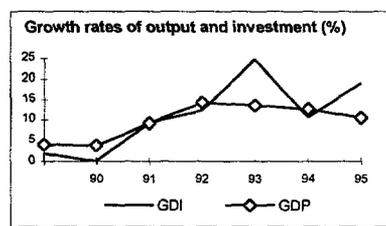
## KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995	
GDP (billions US\$)	160.3	304.9	540.9	697.6	
Gross domestic investment/GDP	30.3	37.8	39.9	40.5	
Exports of goods and non-factor services/GDP	5.2	9.9	22.0	21.0	
Gross domestic savings/GDP	30.6	33.7	41.2	42.0	
Gross national savings/GDP	30.6	34.0	41.2	40.5	
Current account balance/GDP	-0.2	-3.9	1.3	0.2	
Interest payments/GDP		0.2	0.7	0.7	
Total debt/GDP		5.5	18.6	16.9	
Total debt service/exports		8.3	8.9	9.9	
Present value of debt/GDP			15.8		
Present value of debt/exports			68.5		
<b>(average annual growth)</b>					
GDP	7.7	9.6	12.6	10.5	8.5
GNP per capita	7.1	8.0	11.3	7.9	7.6
Exports of goods and nfs	17.9	13.3	28.1	9.6	8.5



## STRUCTURE of the ECONOMY

	1975	1985	1994	1995
<b>(% of GDP)</b>				
Agriculture	32.0	28.4	20.3	20.6
Industry	42.8	43.1	48.0	48.4
Manufacturing	31.6	35.4	37.6	37.6
Services	25.2	28.5	31.7	31.1
Private consumption	61.9	53.1	45.9	45.7
General government consumption	7.6	13.2	12.8	12.2
Imports of goods and non-factor services	5.0	14.0	20.6	19.4
<b>(average annual growth)</b>				
Agriculture	5.1	4.2	4.0	5.0
Industry	10.0	12.8	18.4	14.1
Manufacturing	13.1	12.3	18.4	13.3
Services	8.8	9.4	9.3	7.9
Private consumption	7.3	8.3	9.7	6.3
General government consumption	8.5	9.5	7.8	
Gross domestic investment	8.9	9.7	10.5	19.1
Imports of goods and non-factor services	21.1	9.0	9.3	5.0
Gross national product	8.5	9.5	12.6	9.0



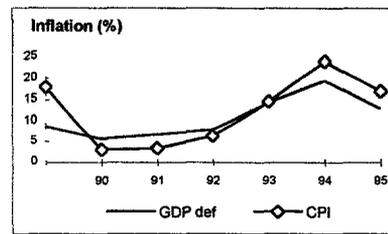
Note: 1995 data are preliminary estimates

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

China

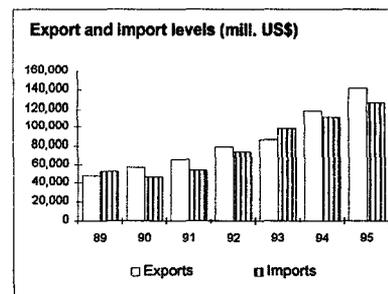
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
<b>Domestic prices</b>				
(% change)				
Consumer prices	0.2	9.3	24.1	17.1
Implicit GDP deflator	-0.9	10.1	19.5	13.1
<b>Government finance</b>				
(% of GDP)				
Current revenue	.	25.5	12.0	11.6
Current budget balance	.	6.7	0.4	0.4
Overall surplus/deficit	.	-0.5	-1.6	-1.6



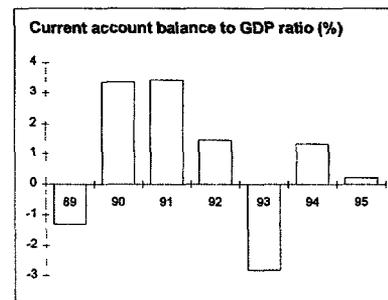
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)		27,350	121,006	148,770
Food		3,803	10,015	9,954
Fuel		7,132	4,069	5,335
Manufactures		13,522	101,298	127,283
Total imports (cif)		42,252	115,614	132,078
Food		1,881	5,014	9,126
Fuel and energy		172	4,035	5,127
Capital goods		18,694	55,624	57,481
Export price index (1987=100)		92	123	133
Import price index (1987=100)		78	122	132
Terms of trade (1987=100)		118	101	101



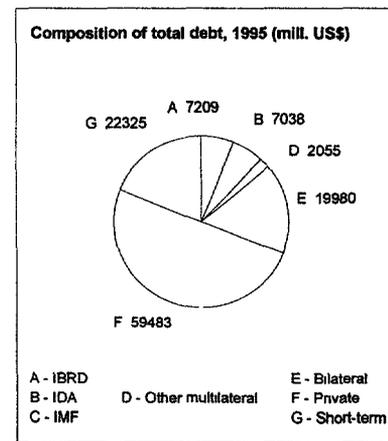
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	7,828	28,163	118,811	142,000
Imports of goods and non-factor services	8,097	41,149	111,472	127,600
Resource balance	-269	-12,986	7,339	14,400
Net factor income	0	932	-1,018	-14,300
Net current transfers	0	171	836	724
Current account balance, before official transfers	-269	-11,883	7,157	824
Financing items (net)		9,443	23,370	21,376
Changes in net reserves		2,440	-30,527	-22,200
<b>Memo:</b>				
Reserves including gold (mill US\$)		13,214	53,560	75,760
Conversion rate (local/US\$)	1.9	2.9	8.6	8.4



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	0	16,696	100,457	118,090
IBRD	0	498	5,933	7,209
IDA	0	431	6,097	7,038
Total debt service	0	2,478	11,135	15,065
IBRD	0	26	679	810
IDA	0	4	50	63
Composition of net resource flows				
Official grants	0	117	337	326
Official creditors	0	1,117	3,121	7,203
Private creditors	0	2,867	6,690	5,683
Foreign direct investment	0	1,659	33,787	38,000
Portfolio equity	0	0	3,915	2,807
World Bank program				
Commitments	0	1,092	4,020	2,850
Disbursements	0	565	2,063	2,269
Principal repayments	0	0	324	364
Net flows	0	565	1,739	1,905
Interest payments	0	29	405	509
Net transfers	0	536	1,334	1,396





**MAP SECTION**



# CHINA QINBA MOUNTAINS POVERTY REDUCTION PROJECT PROJECT COUNTIES

- XIJ1 PROJECT COUNTIES
- +—+—+ RAILROADS
- - - - - ROADS
- ~~~~~ RIVERS
- ELEVATIONS >1500 METERS
- SELECTED CITIES
- ⊙ PROVINCE CAPITALS
- — — — — COUNTY (XIAN) BOUNDARIES
- — — — — PROVINCE BOUNDARIES
- · — · — · — INTERNATIONAL BOUNDARIES (INSET)



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