

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

FOR OFFICIAL USE ONLY

Report No. P-7089-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 51.4 MILLION
TO THE
PEOPLE'S REPUBLIC OF CHINA
FOR A
NATIONAL RURAL WATER SUPPLY PROJECT**

May 22, 1997

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(as of March 15, 1997)

Currency	=	Renminbi
Currency Unit	=	Yuan (Y)
Y 1.00	=	\$0.12
\$1.00	=	Y 8.3

WEIGHTS AND MEASURES

m	=	Meter (= 3.28 feet)
km	=	Kilometer (= 0.62 miles)
l	=	Liter (=0.264 US gallons)
lcd	=	Liters per capita per day
m ³	=	Cubic meter or ton of water (284 US gallons)

ABBREVIATIONS AND ACRONYMS

AWP	-	Annual Work Plan
CPO	-	County Project Office
CRWSTC	-	China Rural Water Supply Technical Center
ERR	-	Economic Rate of Return
MOPH	-	Ministry of Public Health
NPO	-	National Project Office
NPHCC	-	National Patriotic Health Campaign Committee
NPHCCO	-	Executive Office of the National Patriotic Health Campaign Committee
NPV	-	Net Present Value
OED	-	Operations Evaluation Department
PHRD	-	Policy and Human Resources Development Fund
PPO	-	Provincial Project Office
RAP	-	Resettlement Action Plan
RWSS	-	Rural Water Supply and Sanitation Project (Cr. 2336)

GOVERNMENT FISCAL YEAR

January 1 - December 31

Vice President	:	Jean-Michel Severino, EAP
Director	:	Nicholas C. Hope, EA2
Division Chief	:	Jane Loos, EA2EM
Staff Member	:	Lee Travers, Senior Environmental Economist, EA2EM

CHINA
NATIONAL RURAL WATER SUPPLY PROJECT
INTERIM TRUST FUND CREDIT AND PROJECT SUMMARY

Borrower:	The People's Republic of China.
Beneficiaries:	The four provinces of Yunnan, Hebei, Hubei, and Jiangxi and the autonomous region of Nei Mongol.
Poverty:	Program of Targeted Interventions
Amount:	SDR 51.4 million (\$70 million equivalent).
Terms:	Standard IDA terms, with 35 years' maturity including 10 years of grace.
Commitment Fee:	0.50 percent on undisbursed credit balances, beginning 60 days after signing, less any waiver.
Onlending Terms:	From the Government of China to the project provinces and autonomous region: 17 years, including 5 years' grace, with a fixed service charge of 3 percent per year and a commitment charge of 0.50 percent per year on the undisbursed balance of the credit. Foreign exchange risk would be borne by the provinces and autonomous region.
Financing Plan:	See Schedule A.
Net Present Value:	For rural water supply: positive, but varies over the 1,500 piped systems; for sanitation and health education: not applicable.
Staff Appraisal Report:	16380-CHA
Map:	IBRD 28662
Project ID Number:	CN-PE-3637

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

**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 NATIONAL RURAL WATER SUPPLY PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed credit of SDR 51.4 million (\$70 million equivalent) to the People's Republic of China to help finance a National Rural Water Supply Project. The credit would be on standard IDA terms, with 35 years' maturity including 10 years of grace. The proceeds of the credit would be onlent to the project provinces of Yunnan, Hebei, Hubei and Jiangxi and the autonomous region of Nei Mongol (hereafter referred to as "provinces"), on the following terms: 17 years, including 5 years' grace, with a fixed service charge of 3 percent per year, and a commitment charge of 0.50 percent per year on the undisbursed balance of the credit. Foreign exchange risk during repayment would be borne by the provinces.

2. **Sector and Project Background.** On the whole, rural Chinese live longer and suffer less illness than they did two decades ago. Better nutrition and higher immunization rates have contributed to those gains; so also have substantial improvements in rural water supply. From 1985 to 1993, the number of rural residents with convenient access to safe water more than doubled, to some 520 million, or 57 percent of the 920 million rural people. Of these, approximately 400 million people presently drink piped water; about half of the 205 million relying on hand pumps can also be considered to have a safe supply. The remainder, using a variety of sources including springs, rivers, and ponds, remain at high risk. Poor hygiene and sanitation practices further contribute to the spread of water-related disease. Previous experience in this sector has shown that without adoption of better hygienic practices, the positive effects of improved water supply are diminished.

3. Four hundred million rural Chinese continue to suffer from unsafe or insufficient water supplies. Problems include raw water sources with high pathogen loads due to fecal or other contamination; water with high levels of naturally-occurring fluoride, arsenic, or salts; and seasonal water shortages. In China, as in other countries, the lack of safe water correlates highly with poverty. Also positively correlated with poverty are behaviors that worsen water-related disease. Examples include failure to protect wells from contamination, boil water before drinking, or wash hands before preparing or eating food. As a result, many poor rural people suffer from common diarrheal diseases and helminth infections and, more rarely, dysentery, hepatitis, typhoid and cholera.

4. The central government has made water supply a high priority since 1985, and improved water coverage in urban and in wealthier rural areas is now relatively high. For decades, the Chinese National Patriotic Health Campaign Committee (NPHCC) under the

Ministry of Public Health (MOPH) has run health education and action campaigns targeting a broad array of rural health problems. Early successes included reduction of schistosomiasis and insect-borne diseases. Efforts in sanitation and health education have been less successful. The NPHCC has also worked to expand the use of latrines, particularly composting latrines that promise high rates of pathogen destruction. However, both the relatively high cost of such latrines and the lack of targeted education messages to show the link with improved health have slowed adoption.

5. To meet its goal of 65 percent safe water coverage by the year 2000, the government must now focus on providing water supply and health/hygiene education and facilities to the poorer and more remote areas. The proposed project responds to this challenge by providing support for the construction of improved water supply facilities, the development of more effective health education strategies, and the strengthening of management in rural water supply operations. The project builds on experience under two previous IDA credits for rural water supply and sanitation in China, and is expected to benefit 4.6 million poor rural residents in 40 counties of five inland provinces.

Sector Issues and Government Policy

6. **Water Supply.** To maintain momentum gained during the United Nations “International Drinking Water Supply and Sanitation Decade” (1981-90), in 1991 China set 1995 rural water supply goals at: 35 to 50 percent coverage of drinking water meeting international quality standards, including 35 to 40 percent of rural residents receiving piped water supplies. Both goals were met and even more ambitious goals established for 2000, with the government hoping to provide safe water to an additional 88 million people in the most water-scarce areas by the turn of the century. Those now needing assistance include 50 million suffering from long-term water scarcity, and 40 million drinking water with excessive levels of fluoride; the rest drink saline or alkaline water, or water carrying heavy loads of bacteria, viruses, and parasites. Although basically all of the piped water supplies have been deemed safe, hand pumps and other sources do not always reach that goal.

7. Intervention in the rural water supply sector ranges from household-specific solutions of rainwater collectors or shallow- and deep-well hand pumps, to single- and multivillage piped water systems. Of the total rural population that is currently adequately served, over 75 percent get their water through piped systems. Although construction and maintenance costs per person for piped systems are often higher than for hand pumps or similar facilities, they are usually preferred when financing can be arranged because their convenience is matched by the ease of controlling water quality. As long as adequate measures are taken to protect the sources, wells and rainwater collectors can also be used to provide safe drinking water. Hand pumps often serve communities where population is sparse and/or ground and surface water is scarce. Rainwater collectors are primarily used in mountainous regions, where rainfall is plentiful, but access to surface water is difficult.

8. **Sanitation and Health Education.** Poor sanitary conditions in rural China exacerbate health problems created by a lack of clean water. Human wastes are collected and transported to the fields for use in agriculture, often without further treatment. The use of such waste for fertilizer is a traditional practice, and will undoubtedly continue. The main objectives of sanitation improvements are therefore to improve the standard of latrines and to make reuse practices more hygienic. By 1995, 80 percent of rural households had some sort of household latrine, but most of these facilities are rudimentary at best: they provide temporary storage of wastes and are unprotected from flies and other insect vectors of disease transmission. Sixteen percent of the rural population use “sanitary” latrines, usually defined as latrines with full walls and roof, odorless and insect-free; an additional 18 percent, primarily in county towns, have access to composting latrines that promise high rates of pathogen destruction. The availability of public and school latrines is low, and they rarely meet the “sanitary” standard. NPHCC efforts to expand the use of improved rural latrines have in the past been scattered and uncoordinated, with most improvements left up to individual provinces or townships.

9. In most rural areas, a network of NPHCC workers, Women’s Federation representatives, local epidemic prevention stations, and schools has led health education campaigns encouraging a wide array of hygienic behaviors. That work, combined with a high literacy rate (even in poor areas), has led to widespread knowledge of many basic health behaviors, such as the importance of drinking boiled water. However, actual behavioral change has been slow to follow, especially in poor areas where fuel may be scarce and understanding of the link between raw water or unwashed hands and diarrhea is tenuous. Thus, the problem is more one of the effectiveness of health messages than of their dissemination: health education in most rural areas provides little concrete information to link hygienic behavior to improved health, and most provinces still lack specialized health education training. International experience has demonstrated the importance of careful targeting and very specific health messages, rather than general injunctions to behave well.

10. **Bank Group Assistance Strategy and Rationale for Bank Group Involvement in the Project.** The China Country Assistance Strategy, presented to the Board on March 18, 1997, highlighted human development as one of the five major themes in Bank support for China’s development. Within that theme, poverty reduction plays a major program role. The poverty reduction program seeks to increase the resources controlled by the poor, be these income generating (such as improved agricultural land), contributing to future productivity (education), or protecting physical well being (health). Improving rural water and sanitation meets several of those goals. It typically releases labor for other purposes, can itself be a productive input, and by lowering pollutant and pathogen intake by the poor, helps protect their health.

11. **Lessons Learned from Previous Bank Group Experience.** The 15-year history of Bank Group involvement in the rural water and sanitation sector in China, coupled with a much longer and very rich history elsewhere, provide knowledge crucial to the

design of the proposed new project. The components of the new project are drawn from lessons learned in two earlier IDA projects [the 1985 Rural Water Supply Project (Cr. 1578, \$80 million equivalent) and 1992 Rural Water Supply and Sanitation Project (Cr. 2336, \$110 million equivalent)].

12. With respect to *water supply*, both previous projects have established that Chinese villagers, even in poor areas, willingly contribute capital and pay tariffs sufficient to finance the construction and maintenance of safe and convenient water supply systems. Moreover, although collective farming has been abandoned in Chinese rural areas, the village collective management structure remains sufficiently robust to manage water systems. An Operations Evaluation Department assessment of the first project showed that design and construction quality continues to hold up some 10 years after initial construction. The second project will be completed in 1998 and water supply investments from that project also continue to perform well. Identified weaknesses in both projects include occasional miscalculation of demand, hence system overdesign. The more aggressive prior design review required under the proposed project should rectify that problem.

13. The current project also recognizes that beneficiary participation determines project success. In the IDA-financed projects, Chinese beneficiaries eventually pay the full cost of water supply. Bearing this financial burden, they also demand a large say in how they connect to and use the water systems, have a strong appreciation of its benefits, and expect to have a voice in continued operations. This project seeks to further increase that participation by requiring that systems designers provide participating villages with an analysis of alternative designs and their costs, permitting villagers to choose their preferred option.

14. *Sanitation and health education* efforts have fared less well than water supply. The Implementation Completion Report from the first project, which supported only water supply, noted that integration of water supply with health education and sanitation elements would substantially increase health impacts. The sanitation work in the second project sought to address this issue by replacing existing, nonsanitary latrines with composting latrines having high pathogen kill rates. However, these improved latrines usually cost much more than the willingness to pay, especially in the poor villages typically included in the rural water supply projects. The proposed project recognizes from Chinese and international experience that willingness to pay for improved latrines correlates highly with income. In the poor areas served by this project, if individual households with a high willingness to pay can be identified, they will be helped to build sanitary latrines through designs and other technical assistance. Construction of a very small number of composting latrines may be subsidized, but in communities lacking willingness to pay for improved latrines, program emphasis will be on the need for changing water and sanitation-related behavior through more carefully-targeted health messages.

15. With respect to *project management*, the project recognizes the need to improve quality through increased project office supervision of water supply design and construction, and more central input into the health education and sanitation component. In the first project, weak support for the project offices led to delays in design approval and in the development of annual work plans. The proposed project strengthens the management capabilities of the project offices at all levels, through more intensive staff training in operations, procurement and financial management; a more comprehensive system for the prior review of annual work plans; and support for surveys to establish project baseline conditions and monitoring indicators. Increased emphasis is also placed on the need for aggressive supervision of water plant construction quality.

16. **Project Objectives.** The project supports government-led efforts to improve the well-being of rural people through better drinking water and sanitation conditions in poor and remote villages. The principal objective of the project is to provide access to safe, conveniently located water to 4.6 million poor rural people in Hebei, Hubei, Jiangxi, and Yunnan provinces and Nei Mongol Autonomous Region, and to improve related water and sanitation practices. A supporting objective is to provide the water at the lowest possible cost and to ensure its sustainability through good maintenance and accounting practices.

17. **Project Description.** The project design links physical investment in safe water supply systems, with the provision of related health education messages, and access to sanitation information and demonstration facilities, in order to maximize health and productivity improvements within the beneficiary population. The project would comprise the following: **(a) Water Supply:** provision of safe water, sustainably financed, to poor communities currently lacking such supplies. Project design would maximize community participation in the selection of service alternatives. Users would be expected to pay the full cost of the water. Water system operator and accountant training would be supported to ensure low-cost operation and project sustainability. **(b) Sanitation and Health Education:** assistance to ongoing village health education efforts. This component would work with primary school teachers, village doctors, Women's Federation representatives, and public health systems in their efforts to improve water use and sanitation practices in the villages. It would support demonstration programs to increase use of composting latrines; the preparation of health education messages aimed at expanding the adoption of improved sanitation and hygiene practices among the target beneficiaries, primarily housewives, school-aged children and decisionmakers in households; and training of health education specialists in delivery of those messages. **(c) Project Management:** support to increase project office capacity to provide services to beneficiary villages. This would include surveys and research on effective strategies to expand adoption of improved sanitation and convey health messages. It would also encompass training in project management skills.

18. The total project cost is estimated at about \$134 million equivalent, including foreign exchange of \$35.6 million. Interest during construction would require an additional \$2.7 million. The proposed credit, totaling \$70.0 million equivalent, would provide about

52 percent of the project's total financing requirement. The remaining 48 percent would be funded by provincial, prefectural, and county governments and by the project beneficiaries, with the latter contributing no more than 25 percent of initial capital costs. Financing plans of individual provinces vary in accordance with their needs to borrow IDA funds and the local governments' and users' ability to contribute. The credit is expected to cover 100 percent of foreign costs and 36 percent of local costs.

19. 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 (IBRD 28662) is also attached. The Staff Appraisal Report, No. 16380-CHA dated May 22, 1997, is being distributed separately.

20. **Project Implementation.** The responsibility for project management and implementation is divided among national, provincial and county levels. At each level, Leading Groups have been established to provide policy guidance and advice of an intersectoral nature. Their responsibilities include: (a) formation and staffing of project offices; (b) oversight of project offices; (c) resolution of policy issues that arise during project implementation; and (d) coordination of project issues across project related government bureaus. The National Leading Group is headed by the deputy director of the NPHCC and the president of the Executive Office of the NPHCC (NPHCCO). At the provincial level, the Leading Groups are headed by standing vice-governors responsible for health matters, with at least two bureau directors as members. County-level Leading Groups are headed by county magistrates and such bureau directors as the magistrate deems important to project execution.

21. Project offices have been established at each level to carry out day-to-day project implementation. The project offices will be supported by sector institutions, design institutes and international and national consultants. Their general responsibilities include: (a) project design, guidance, coordination, supervision and evaluation at each administrative level; (b) designing training programs and conducting national-, provincial- and county-level training in health education and project management; and (c) preparing annual work plans, project progress and financial reports. Country project offices have the critical responsibility of ensuring that designs meet villager needs, then facilitating efficient village operation of completed systems.

22. The National Project Office (NPO), which was established to manage the Rural Water Supply and Sanitation (RWSS) Project, is attached to the NPHCCO and is part of the China Rural Water Supply Technical Center (CRWSTC). Provincial project office (PPO) staffing is drawn from such provincial departments as planning, finance, water conservancy and power, agriculture, urban construction, tax, and patriotic campaign commission offices; county project offices (CPOs) work under the guidance of county-level Leading Groups and have staff drawn from the same range of technical

backgrounds. Two of the PPOs, in Yunnan and Nei Mongol, were established in 1992 to manage the implementation of RWSS Project.

23. **Project Sustainability.** Local government funding and beneficiary financing through water tariffs provide a framework for project sustainability. The virtual absence of direct central government financing for the rural water supply and sanitation sector distinguishes China from most other developing countries. Water plants constructed under this project are maintained as independent systems, with tariffs set at a rate to cover the original investment and repay the loan. These tariffs make up no more than 4 percent of villagers' per capita income, and usually less than 3 percent. Benefiting villagers are expected to pay between 75 and 100 percent of the water supply capital costs: in-kind labor and materials contribution (typically 10 to 15 percent of the water facility investment costs), together with upfront cash payments collected prior to construction, make up 25 percent of capital costs. Through tariffs, the beneficiaries repay the county for the 50 percent of the capital costs covered by the IDA credit. The local government contribution (25 percent of capital costs) may also be recaptured through the water tariff, at the option of the local government. This arrangement under the first two projects has demonstrated high levels of sustainability. That would be enhanced under the current project through increased villager participation, better construction supervision and more intensive training of plant operators and managers.

24. Previous experience has shown that sanitation costs often exceed villagers' willingness to pay. This project will take steps toward ensuring replicability in this area by identifying higher-income households willing to invest in improved sanitation, and by using sanitation education to induce increases in willingness to pay. Health education financed by the project would be integrated with existing government-led programs, and would focus on sustainable behavioral change rather than on simply delivering messages to a target number of people.

25. On the institutional side, project training would provide the project offices with a foundation for efficient, cost-effective operation of the investment program. Efficient water supply system operation would benefit from training and institutional support in finance and water plant operation and management. Surveys to establish monitoring indicators and baseline conditions will provide valuable information, both for educators targeting health and sanitation messages and for measuring the benefits of this project.

26. **Agreed Actions.** At negotiations, assurances were obtained from China and the Provinces that: (a) the NPO, PPOs and CPOs will be adequately financed, and staffed with competent, experienced people throughout the project; (b) the provincial project annual work plans for the following year will be prepared and submitted to the NPO for review and approval no later than October 15 of each year, and the consolidated national annual work plans (AWPs) prepared and submitted to IDA for approval no later than November 30; and (c) the provinces will carry out or cause to be carried out the resettlement of persons affected by the project in a manner and according to the Resettlement Policy Framework satisfactory to the Association.

27. Assurances were obtained on the following financial performance criteria: (a) the provincial governments will provide, or ensure that the prefectures and counties provide, the necessary counterpart funds for the execution of the project. The foreign exchange risk during the investment phase will be borne in proportion to the originally agreed counterpart contribution of each level of government, and during repayment by the provinces; (b) the water charges for all investments, commencing not later than the second full fiscal year of operations, would be set annually to cover operations and maintenance costs, administrative costs, taxes, and the greater of depreciation or debt service; (c) annual audits of project expenditures and of statements of expenditures and Special Account maintained by the Ministry of Finance will be submitted to the Association by the NPO no later than six months after the end of the fiscal year; (d) provincial and county-level annual audits will be carried out and maintained at the Provincial Finance Bureau for Association review; (e) water plant facilities with total investment greater than Y 5 million will be audited at the conclusion of their first full fiscal year of operation by qualified private sector auditors, such audit to be submitted to IDA for review; and (f) large, medium, and small-scale water supply investments will be appraised by the NPO, PPOs, or CPOs, respectively, for the quality of their engineering and financial preparation and for their overall feasibility. For all water systems with total investment above Y 0.5 million, the county quality assurance office will be retained to verify that construction practices and standards have met design specifications.

28. **Environmental Aspects.** The balance of the environmental impact is substantially positive; however, potential adverse impacts from construction or a failure to protect water supply sources require the classification of the project as Category B in terms of the Operational Directive on Environmental Assessment. The project relies on a thorough review and supervision process to ensure that these environmental concerns are addressed. Feasibility studies for water system designs include measures for water source protection, and frequent water quality testing during implementation will ensure early identification of any problems.

29. **Resettlement.** When water supply schemes supply more than one village, the water plant requires the collective land of one of the villages. The typical area for each treatment plant would be no larger than 4-8 mu (4/15 to 8/15 hectares). To ensure that land acquisition is minimized, the county will be required to obtain PPO no-objection where planned or actual land acquisition for any water system exceeds 3 mu (1/5 of a hectare), and NPO no-objection where planned or actual land acquisition exceeds 5 mu (1/3 of a hectare), or where residential buildings will be acquired. Where acquisition of cultivated land cannot be avoided, the current users will be compensated in a fashion that maintains or improves their standard of living.

30. The total amount of land that would be acquired for all schemes over the five year period is estimated at less than 120 ha. This land would be acquired in approximately 1,500 different sites over the 40 counties, or an average of about 0.08 ha per scheme. Reflecting the modest impact in any affected village (typically no more than two households affected), and the expectation that actual impacts will be known only on a

year-to-year basis, the Bank Group did not seek an overall Resettlement Action Plan (RAP) for the project. Rather, a Policy Framework for Compensation, Resettlement and Rehabilitation of Project-Affected Persons was agreed with the government during negotiations. The Framework requires each CPO to prepare an annual Resettlement Inventory if fewer than 150 people are affected and otherwise to prepare a RAP. Each annual Inventory or RAP will be reviewed by the respective PPO and the NPO for conformity with the Framework, and provided for Association review.

31. **Program Objective Categories.** The primary Program Objective Category is environmentally sustainable development, with poverty alleviation and women in development as secondary objectives. The beneficiaries under the project are located within some of China's poorest communities, though not necessarily in the most poverty-stricken villages. As discussed above, ultimately, the costs of the project investments are borne by the beneficiaries. The Credit will allow the beneficiary upfront capital contribution to fall from 60 percent to 25 percent of total investment, considerably broadening the number of villages able to invest in safe water supply. A higher share of IDA financing would allow even poorer areas to join, but reduce the total number of beneficiaries. The chosen balance is sufficient to ensure targeting of poor areas, while maximizing beneficiary numbers.

32. In most Chinese rural communities, women occupy the key position in family hygienic practices, through preparing food, educating and caring for children, and caring for sick family members. Thus, the health and sanitation education efforts under this project will be targeted on them, using institutions such as the Women's Federation that are able to more effectively reach women. The previous two IDA-financed rural water projects have generated village-level reports on benefits to women, but no consistent impact evaluation has been undertaken. The monitoring work under the proposed project will allow a more concrete evaluation to be done.

33. **Project Benefits.** Project investments in rural water supply and in better health and sanitation behaviors would result in significant improvements in the health of many rural residents. Improved water supply has been shown to have a broad array of benefits: freeing labor time, reducing waterborne diseases, and providing an input to production. OED review of experience under the Rural Water Supply Project validated that finding. In terms of health, an international literature review of similar projects has shown that moving to safe water reduced diarrheal morbidity by 16 percent, and substantially increased water quantities reduced morbidity 25 percent, with a joint effect of 37 percent if both conditions were met. Hygiene education also offers documented improvements in health outcomes.

34. The project investment strategy targets benefits on poor villages, while ensuring an adequate net present value (NPV) of investments. Because economic demand for safe water is positively correlated with income, NPV from private water demand would have been maximized by targeting unserved, yet high-income, villages. Instead, the project strategy recognizes that important health and social welfare externalities are not captured

in private demand, and concern with the latter centers on having adequate returns to ensure project financial sustainability. Those returns will vary over the nearly 1,500 piped systems, but are expected to yield positive system NPVs. The financial covenant, which requires that water tariffs cover all operations and maintenance costs and the greater of depreciation or debt service, combined with a 25 percent initial villager capital contribution, serves as a key decision variable for village participation in the project. The corresponding tariff is estimated during feasibility studies and villagers choose whether or not to participate, and choose among system alternatives, based on those estimated costs. The tariff alone meets the financial sustainability requirement, and would yield at least a 3 percent ERR even in the absence of consumer's surplus. The 12 percent discount rate established for Bank Group projects in China, and yielding a positive NPV, would be met through private demand alone under conservative assumptions about the shape of the demand curve. The positive externalities associated with improved public health and social welfare, although not explicitly estimated, reinforce the expectation of a positive NPV from the investments in safe water.

35. **Risks.** Three main types of project risks exist, relating to implementation and operations, regulation, and long-term sustainability. Implementation and operations risks arise in counterpart financing and water system design, construction, and operations. In earlier projects, counterpart funding delays have slowed implementation. Government contributions have also adjusted slowly to increased financing demands due to foreign exchange rate changes. Explicit inclusion of that risk, when estimating counterpart contributions for this project, alerts all levels of government to the possible need early in project implementation. Even when adequately financed, current water systems frequently offer opportunities for better design, construction, and operations that would help ensure sustained, efficient operations. This project would meet that opportunity through increased supervision and training at every project management level.

36. A regulatory risk is possible from local price bureau resistance to timely implementation of the new tariff structure for water. To mitigate this risk, tariff estimates are an explicit part of the feasibility study. These, and the agreed pricing formula, will be reviewed by price bureaus prior to an investment being made. If the price bureau cannot accept the agreed approach, investments will be redirected to other counties.

37. Two perceived risks to long-term sustainability are environmental and behavioral. The environmental risk arises in the need to protect water sources from pollution or overextraction. Either outcome could increase costs sufficiently to exceed benefits. Feasibility studies consider environmental risks, and if adequately done, and needed source protection measures are taken, the risks will be minimized. A more modest risk to long-term sustainability would arise from a failure of the health and sanitation program to induce significant change in those behaviors. The project faces great uncertainty over whether the existing Chinese approach to health and sanitation work can be improved upon. If not, project areas would not realize gains from this component relative to nonproject areas. The project seeks to mitigate this risk through the use of a knowledge-attitude-practice study to launch the work, complemented by monitoring to provide feedback during the

implementation period, allowing the program to be modified throughout the implementation period.

38. **Recommendation.** I am satisfied that the proposed Interim Fund Credit would comply with Resolution No. 184, adopted by the Board of Governors of the Association 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 22, 1997

Attachments

CHINA

NATIONAL RURAL WATER SUPPLY PROJECT

ESTIMATED COSTS AND FINANCING PLAN

(\$ million)

	Local	Foreign	Total
ESTIMATED COSTS			
A. Rural Water Supply			
Yunnan	11.6	4.1	15.7
Hebei	13.4	7.9	21.3
Hubei	16.9	5.9	22.8
Nei Mongol	10.3	3.1	13.4
Jiangxi	15.0	6.2	21.2
Subtotal	67.3	27.2	94.5
B. Sanitation and Health Education			
Yunnan	1.4	0.4	1.8
Hebei	1.8	0.4	2.2
Hubei	1.9	0.5	2.4
Nei Mongol	1.1	0.2	1.3
Jiangxi	1.8	0.5	2.3
Subtotal	7.9	2.0	9.9
C. Project Management			
Yunnan	1.0	0.1	1.0
Hebei	1.2	0.0	1.2
Hubei	1.1	0.1	1.2
Nei Mongol	0.6	0.1	0.7
Jiangxi	1.2	0.0	1.2
Subtotal	4.9	0.4	5.3
Total Baseline Costs	80.1	29.6	109.7
Physical Contingencies	10.5	3.9	14.4
Price Contingencies ^{/a}	7.8	2.1	9.9
Total Project Costs	98.4	35.6	134.0
Interest during construction ^{/b}	2.7	0.0	2.7
Total Financing Required	101.1	35.6	136.7
FINANCING PLAN			
Provincial governments	5.3	0.0	5.3
Prefecture, county and township governments	28.1	0.0	28.1
Communities and individuals	33.3	0.0	33.3
IDA	34.4	35.6	70.0
Total	101.1	35.6	136.7

^{/a} Price contingencies as a percentage of base costs are 18 percent on the Renminbi value of the project, including the expected inflation and exchange rate changes.

^{/b} Interest during construction is based on: (i) onlending rates for projected disbursements of Credit proceeds; and (ii) payment of commitment charges.

Note: Totals may not add due to rounding.

CHINA

NATIONAL RURAL WATER SUPPLY PROJECT

PROCUREMENT ARRANGEMENTS

(\$ million, including contingencies)

Project Component	Procurement Method			NIF	Total
	ICB	NCB	Other		
Civil Works	0.0 (0.0)	17.4 (7.0)	60.0 (24.0)	0.0 (0.0)	77.4 (31.0)
Equipment and Materials	44.0 (35.2)	0.0 (0.0)	0.5 (0.4)	0.0 (0.0)	44.5 (35.6)
Technical Assistance and Training	0.0 (0.0)	0.0 (0.0)	4.2 (3.1)	0.0 (0.0)	4.2 (3.1)
Surveys and Monitoring	0.0 (0.0)	0.0 (0.0)	0.3 (0.3)	0.0 (0.0)	0.3 (0.3)
Land Acquisition	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	2.7 (0.0)	2.7 (0.0)
Project Management	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	5.0 (0.0)	5.0 (0.0)
Total	44.0 (35.2)	17.4 (7.0)	65.0 (27.8)	7.7 (0.0)	134.0 (70.0)

Notes: (1) Other procurement methods include national shopping, force account, consultant services and financing of incremental costs.

(2) NIF: Not IDA-financed.

(3) Figures in parentheses are amounts to be financed by IDA.

(4) Figures may not add due to rounding.

DISBURSEMENTS

Category	IDA Credit Amount (\$ million equiv.)	Expenditures to be Financed (percent)
Civil Works	29.0	Yunnan: 36 percent of expenditures Hebei: 33 percent of expenditures Hubei: 42 percent of expenditures Jiangxi: 42 percent of expenditures Nei Mongol: 45 percent of expenditures
Goods, Equipment, Materials	33.8	100 percent of foreign expenditures, 100 percent of local expenditures (ex-factory, net of VAT), and 75 percent of other items procured locally
Training and Study Tours	2.7	100 percent of incremental expenditures
Consultant Services	0.4	100 percent of expenditures
Incremental Costs	0.3	100 percent of expenditures
Unallocated	3.8	
Total	70.0	

ESTIMATED DISBURSEMENTS

(\$ million)

IDA Fiscal Year	1998	1999	2000	2001	2002	2003
Annual	9.6	12.7	16.4	16.2	10.2	4.9
Cumulative	9.6	22.3	38.7	54.9	65.1	70.0

CHINA

NATIONAL RURAL WATER SUPPLY PROJECT

TIMETABLE OF KEY PROJECT PROCESSING EVENTS

Time taken to prepare the project:	11 months
Prepared by:	Governments of Yunnan, Hebei, Hubei and Jiangxi Provinces and Nei Mongol Autonomous Region, with consultant assistance funded by PHRD funds
First Bank mission:	June 1996
Appraisal mission departure:	April 12, 1997
Negotiations:	May 1997
Board Presentation:	June 17, 1997
Planned date of effectiveness:	September 1997
List of relevant ICRs:	Project Completion Report on China—Rural Water Supply Project (Credit 1578-CHA): 09/30/92

This report is based on the findings of an appraisal mission that visited China in April 1997. Project team members included Mr. Lee Travers (Senior Environmental Economist and Task Manager), Mr. George Plant (Principal Operations Officer), Ms. Ellen Schaengold (Senior Sociologist), Ms. Dawn Vermilya (Financial Analyst), Mr. Huang Ping (Sociologist, Consultant), Ms. Alison Kaufman (Project Assistant), and Ms. Sharon Hu (Administrative Assistant). Assistance was also provided by Ms. Meredith Dearborn and Ms. Barbara Bitondo (Report Processing), and Ms. Chen Tianshu (Interpreter). Peer reviewers for the project were Messrs./Mmes. May Yacoob (Medical Anthropologist, Research Triangle Institution), Mary Judd (ASTHR) and Mike Garn (TWUWS).

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	-
Active Loans						
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	Ship 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
Total				17,090.8	8,913.6	9,452.5
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				-	-	
Total Undisbursed				7,549.3	1,903.2	9,452.5

(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.

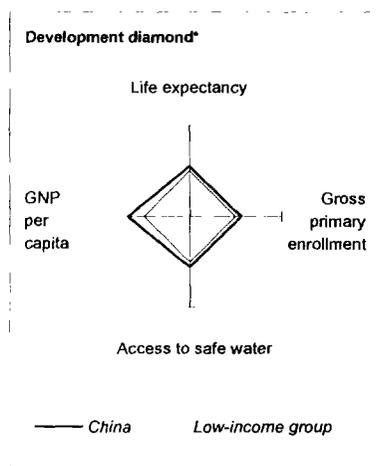
B. STATEMENT OF IFC'S COMMITTED AND DISBURSED PORTFOLIO
(As of March 31, 1997, in US\$ million)

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	Fairyong 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
Pending Commitments									
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

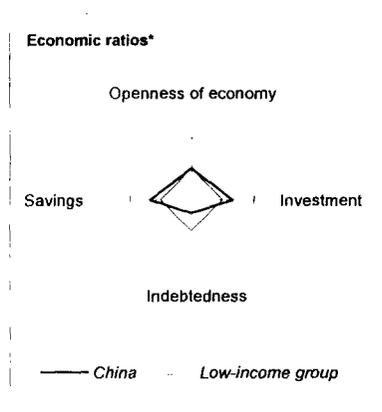
POVERTY and SOCIAL

	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
Average annual growth, 1990-95			
Population (%)	1.2	1.3	1.8
Labor force (%)	1.1	1.4	1.8
Most recent estimate (latest year available since 1989)			
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



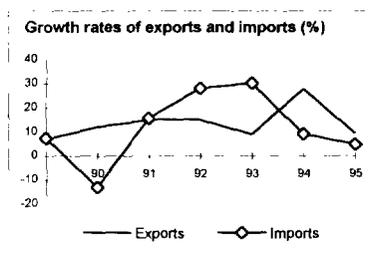
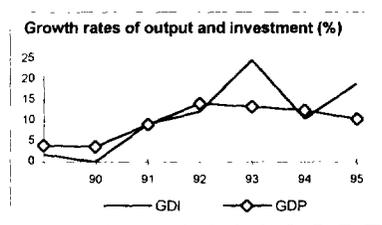
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	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	..	
(average annual growth)					
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
(% of GDP)				
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
(average annual growth)				
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



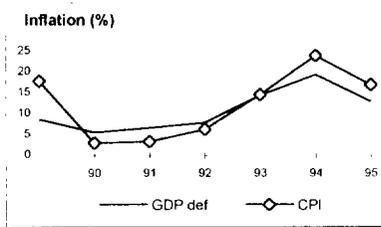
Note: 1995 data are preliminary estimates.

* 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

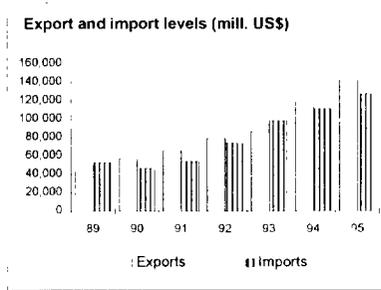
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
<i>(% change)</i>				
Consumer prices	0.2	9.3	24.1	17.1
Implicit GDP deflator	-0.9	10.1	19.5	13.1
Government finance				
<i>(% of GDP)</i>				
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



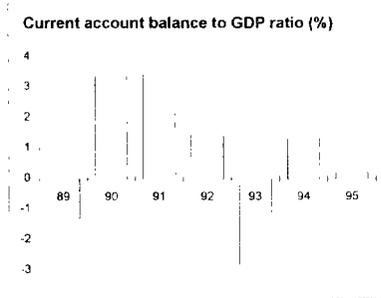
TRADE

	1975	1985	1994	1995
<i>(millions US\$)</i>				
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



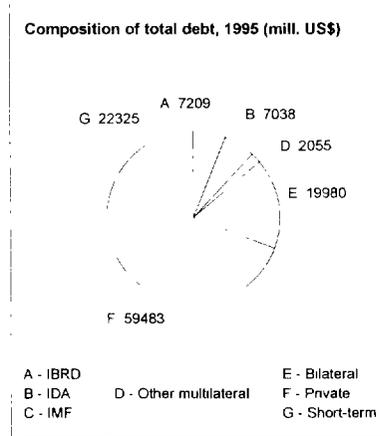
BALANCE of PAYMENTS

	1975	1985	1994	1995
<i>(millions US\$)</i>				
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
Memo:				
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
<i>(millions US\$)</i>				
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





IMAGING

Report No.: P
Type: MOMD

7089 CHA