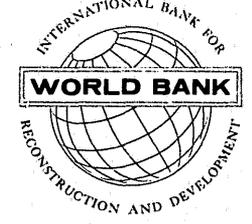


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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Bank Press Release No. 66/13
April 27, 1966

Subject: \$20 million loan for road project in Finland

The World Bank has approved a loan equivalent to \$20 million to Finland for the improvement of highway transportation. The project is part of a continuing program being carried out by the Finnish authorities to upgrade the country's road network to modern standards.

Finland's network of public roads totals 40,000 miles, of which only 3,000 miles are paved. A Bank loan of \$28.5 million was made in July 1964 for the paving of 1,500 miles, the construction of a nine-mile freeway, the purchase of road maintenance equipment, and a study of Finland's long-range transportation requirements.

The road project now being financed consists of the construction of a four-lane, 7.2-mile freeway, with approach roads, between Tampere, the second largest city, and Kulju; the construction of the Kyronsalmi Bridge, with adjacent road sections, to the island town of Savonlinna; the asphalt paving of about 1,250 miles of roads during 1966 and 1967; and the final engineering and design by consultants of an additional 210 miles of roads.

Tampere, about 100 miles north of Helsinki, is the most heavily industrialized city in Finland; Kulju, a small town to the south, is on the trunk route to Helsinki and other ports on the southern coast of Finland. The majority of the 570 industrial enterprises in the area are transporting their products on the existing Tampere-Kulju road. The four-lane divided highway now to be built will replace a

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heavily congested two-lane road, effecting savings in time and vehicle operating costs. The Kyrönsalmi Bridge will be a steel structure crossing a bay to Savonlinna, a resort town and growing manufacturing center. The present bridge, which is the only connection to the east, is a railway bridge that is also open to road traffic as one-lane during intervals between the passing of trains. Traffic across the bridge has doubled in the last two years, causing frequent and serious congestion. The roads to be paved are located in various parts of the country.

Finland, the fifth largest country in Europe, has a population of 4.6 million. The majority of the people and most of the country's economic activity are concentrated in the south. The forests, which cover 70% of the land area and are the primary economic resource, are mainly in central and northern Finland. The main transport arteries are those connecting timber supply areas with the wood-working industries and ports in southern Finland, and those which connect the major population centers of the south with one another and with the ports. The low over-all density of population and the relatively few large urban centers have resulted in a widespread network of transport lines carrying low volumes of traffic. The railways and highways each carry about two-fifths of the freight traffic, with waterways accounting for the remainder. Four-fifths of the passenger traffic use road transport.

The transport survey, which was financed by the last Bank loan, suggested measures to improve transport coordination in the country, and set forth transport requirements and related investment for the next decade. Its recommended investment program places primary emphasis on road development, which is expected to grow faster than that of other forms of transport. The recommended investment of 9.5 billion Finnish marks (\$3 billion) in the road sector involves construction, improvement and paving of some 19,000 miles of highways in the next ten years.

Recognizing the need of keeping the road investment program to a minimum, the study suggests steps to achieve a greater degree of concentration of economic activity within central and northern Finland, recommending the channeling of economic activity into certain urban centers, rather than spreading it thinly throughout the country and thus further aggravating the low traffic density problem of the Finnish road system.

The current road project will be executed by the National Board of Roads and Waterways (N.B.R.), an organization within the Ministry of Communications and Public Works responsible for the construction and maintenance of all public roads in Finland. All the works should be finished in late 1968, at a total estimated cost equivalent to \$40 million. The Bank loan will cover half the total, and the remaining costs will be met by the Government of Finland. Contracts for the work will be awarded on the basis of international competitive bidding. Prior to the last Bank road loan, most of the road improvement and construction works were executed by the N.B.R.'s own forces, using local contractors for certain types of work. The 1964 loan introduced for the first time in Finland the use of contractors for the entire work and established the principle of international competitive bidding. More extensive use of contractors and consultants has resulted in shorter construction time and reduced costs, enabling N.B.R. to cope better with the need for rapidly upgrading the road system to modern standards.

The loan will be for a term of 15 years and bear interest at the rate of 5% per annum. Amortization will begin August 1, 1969.