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World Bank

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BANK NEWS RELEASE NO. 92/52

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CHINA: REGIONAL CEMENT INDUSTRY PROJECT

The following is additional information about a project announced in this week's issue of World Bank News.

DATE: March 19, 1992

WORLD BANK GROUP SUPPORT: World Bank loan: \$82.7 million. The World Bank loan is for 20 years, including five years of grace, with a variable interest rate, currently 7.73 percent, linked to the cost of the Bank's borrowings. It also carries an annual commitment charge of 0.25 percent on the undisbursed balance.

TOTAL COST: \$265.1 million

OTHER FINANCING: Equity provision by investment companies, \$59.7 million; Internal funds, \$13.7 million; Nanjing Provincial Government, \$13.2 million; China Petrochemical Corporation, \$7.5 million; Investment companies, \$60.9 million; Industrial and Commercial Bank of China (ICBC), \$27.4 million

IMPLEMENTING AGENCY: State Administration for Building Materials Industry

ESTIMATED COMPLETION DATE: 1996

PROJECT DESCRIPTION: The objective of the Regional Cement Industry Project is to help China achieve its goals in the cement sector, namely, to: (a) expand the cement production capacity; (b) improve the product quality and production efficiency of existing cement plants; (c) strengthen domestic capabilities for research and design in the cement industry; and (d) address the issues of economic inefficiency and pollution relating to the country's small cement plants. The project includes three components: (a) the Tongling cement production and distribution component, which will implement a regional cement production and distribution scheme involving installation of a cement plant at Tongling and construction of facilities at Ningbo to process the clinker to be shipped from Tongling; this component will be supported by a river and coastal bulk transport system; (b) the Zhongguo component involves replacing wet-process cement production units with a cement dry-process unit (to improve production efficiency and product quality) and expanding production capacity at a medium-scale cement plant; and (c) the technical assistance component, which will provide financial and technical support to strengthen four cement industry research and design institutes, along with a study to improve the efficiency and emissions of small-scale cement plants.



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BRAZIL EMPHASIZES ENVIRONMENTAL AND AMERINDIAN PROTECTION IN NEW PROJECT
FOR THE NORTHWEST FRONTIER

\$167 million loan approved by the World Bank

WASHINGTON, March 18, 1992 -- The state of Rondonia, in Northwest Brazil, is undertaking a major project to preserve its rain forest, safeguard its biodiversity, and protect its indigenous population while promoting sustainable development. The World Bank is supporting the project with a \$167 million loan, equivalent to 75 percent of the project's total cost.

Rondonia's \$228.9 million natural resource management project will benefit over 5,000 Amerindians, 2,400 families of rubber tappers and other forest dwellers, 900 families of fishermen and riverine groups, and 52,000 low income farming families. Rondonia is in the Brazilian Amazon.

Under the project, the government has begun to change key policies, regulations, and public investment programs in order to provide a comprehensive and coherent framework for sustainable development in Rondonia. The government has already divided the state in agro-ecological zones, separating those areas where sustainable development is possible from those which should be preserved because of the poor quality of their soils, the richness of their biodiversity, or the fact that they are traditional homelands of indigenous people.

The project also creates the necessary instruments to protect and enforce the borders of all conservation units, Amerindian reserves, public forests and extractive reserves, and to control illegal deforestation, logging, and forest fires. It addresses the institutional weaknesses of this new state's main agencies by piloting a new form of partnership with local non-governmental organizations in planning, implementing and monitoring activities.

The project incorporates the lessons that both the Brazilian government and the Bank have learned over the last ten years on how to balance the promotion of economic development with environmental protection. The misguided policies of the past -- such as fiscal incentives, subsidized credit, land titling policies and public infrastructure investment programs -- conspired to encourage unsustainable patterns of migration and land occupation, with harmful consequences for the environment and the Amerindian communities in Rondonia.

NOTE: Money figures are expressed in U.S. dollar equivalents

Over the last two decades, Rondonia was subject to rapid and disorderly occupation and deforestation. With the opening of the agricultural frontier in Brazil, the state's population grew from 113,000 inhabitants in 1970 to 491,000 in 1980, reaching 1.4 million in 1988. As the population increased, forest cover in Rondonia shrank rapidly from 99 percent of the total state area in 1975 to about 76 percent in 1988. Of the 5.8 million hectares which have been deforested, about half are estimated to have reverted to secondary growth-forest.

Rondonia has a total land area of 24.3 million hectares, of which about 2.6 million hectares (11 percent) are covered by good soil that presents no major barrier to agriculture. About 6.4 million hectares (26 percent) are soils of moderate fertility, suitable only for perennial cropping and agro-forestry. The remaining 63 percent of the state are soils of extremely low fertility which should be maintained under permanent forest cover. Presently, 75 percent of the state is under forest cover.

As part of project preparation, the government has set aside vast tracts of forest as nature preserves. In addition to the 4.7 million hectares of forests already demarcated as reserves for indigenous people (an area larger than Holland or Denmark), more than 4 million hectares have been interdicted as new conservation units and reserves, including extractive reserves crucial to the survival of rubber tapping communities.

Under the project, the government will avoid encroachment into areas where Amerindians live. About 4,400 Amerindians live in the 12 reserves already demarcated in the state. During the next five years, an additional five reserves will be demarcated for another 500 Amerindians. This will bring the total number of indigenous reserves to 17, occupying an area of 5.2 million hectares. The government estimates that another 1,000 to 2,000 Amerindians, most of them as yet uncontacted, live in Rondonia.

The project will also improve health services for Amerindian groups and poor farmers.

The World Bank loan is for 15 years, including five years of grace, with a variable interest rate, currently 7.73 percent, linked to the cost of the Bank's borrowings. It also carries an annual commitment charge of 0.25 percent on the undisbursed balance.

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COSTA RICA'S AGRICULTURAL SECTOR ASSISTED BY WORLD BANK LOAN

WASHINGTON, D.C., March 19, 1992 -- The World Bank has approved a \$41 million loan to Costa Rica to help finance an agricultural sector investment and institutional development project. The loan will help improve the scope and quality of agricultural services and productivity of small farmers.

The \$70 million project aims to support Costa Rica's sustainable agricultural growth by improving the efficiency and effectiveness of public sector institutions and their expenditures.

By helping to regularize land rights and improving agricultural productivity of small farmers, the project will also contribute to alleviating rural poverty.

The project will be implemented by the Ministry of Agriculture and Livestock, the Executive Secretariat for Agricultural Sector Planning (SEPSA), the Agrarian Development Institute, and the Ministry of Public Works and Transports.

The project will strengthen sector policy planning, evaluation, and monitoring capacity of SEPSA. It will also support a shift of public expenditures away from inefficient food distribution operations and marketing of basic grains towards growth enhancing services such as agricultural research and extension, land titling, and land settlement consolidation.

The project will support sector reforms directed at improving the regulatory framework and economic environment for private sector development, and develop an analytical framework for the design of projects, regulations and incentives to encourage appropriate land use, with emphasis on soil erosion control.

To be carried out over a period of seven years, the project will provide funds for civil works, equipment, materials, vehicles, technical assistance, training and studies. In addition to the Bank loan, the project will be financed by the Government of Costa Rica (\$28.2 million) and by the producers (\$800,000).

To date, Costa Rica has received 34 World Bank loans and one International Development Association (IDA) credit, totalling \$705.4 million. Of the total World Bank lending to Costa Rica, four loans were made for agriculture, amounting to \$56 million.

The World Bank loan to the Republic of Costa Rica is for 17 years, including five years of grace, with a variable interest rate, currently 7.73 percent, linked to the cost of the Bank's borrowings. It also carries an annual commitment charge of 0.25 percent on the undisbursed balances.

NOTE: Money figures are expressed in U.S. dollar equivalents.