

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)**

PEOPLE'S REPUBLIC OF CHINA

January 2000

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for [the People's Republic of China](#) covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of [the People's Republic of China](#), and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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CURRENCY EQUIVALENTS

(as of 29 December 1999)

Currency Unit	-	Yuan (Y)
Y1.00	-	\$0.1208
\$1.00	-	Y8.2797

The exchange rate of the Yuan is determined under a managed floating exchange rate system.

ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
ADTA	-	advisory technical assistance
AMC	-	Asset Management Company
BOT	-	build-operate-transfer
BOT/PPP	-	Build-Operate-Transfer/Public-Private Partnership
CAP	-	Country Assistance Plan
CAPE	-	Country Assistance Program Evaluation
CDB	-	China Development Bank
COS	-	Country Operational Strategy
DMC	-	developing member country
DPRK	-	Democratic People's Republic of Korea
EIA	-	environmental impact assessment
ESW	-	economic and sector work
FDI	-	foreign direct investment
GDP	-	gross domestic product
GEF	-	Global Environment Facility
GIS	-	geographical information system
GMS	-	Greater Mekong Subregion
ILO	-	International Labor Organization
IMF	-	International Monetary Fund
JBIC	-	Japan Bank for International Cooperation
KOR	-	Republic of Korea
LCF	-	local cost financing
MOFTEC	-	Ministry of Foreign Trade and Economic Cooperation
NBFI	-	non-bank financial institution
NBS	-	National Bureau of Statistics
NFYP	-	Ninth Five Year Plan
NPC	-	National People's Congress
OECF	-	Overseas Economic Cooperation Fund (of Japan)
PBC	-	People's Bank of China
PPAR	-	Project Performance Audit Report
PPP	-	public/private partnership
PPTA	-	project preparatory technical assistance
PRC	-	People's Republic of China
RETA	-	regional technical assistance
SDPC	-	State Development Planning Commission
SEPA	-	State Environment Protection Administration
SOE	-	state-owned enterprise
TA	-	technical assistance
UNDP	-	United Nations Development Programme
WTO	-	World Trade Organization

NOTE: The fiscal year of the Government ends on 31 December.

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PEOPLE'S REPUBLIC OF CHINA

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PEOPLE'S REPUBLIC OF CHINA

I. Country Performance Assessment

1. Amidst the unprecedented Asian crisis, the People's Republic of China (PRC) maintained robust growth. PRC's economy grew close to the Government's growth targets of 8 percent in 1998 and 7 percent in 1999. Two fiscal stimulus packages (Y200 billion in 1998 and Y60 billion in 1999), pump-primed public investment and growth. PRC's cautious approach to capital account liberalization and the comfortable external financial position (with about \$155 billion foreign exchange reserves that exceeds PRC's entire external debt), insulated it from the worst of the contagion effects of the Asian crisis. The Government was able to stand by its numerous public statements not to devalue the yuan. The decision not to devalue the yuan has contributed to a speedier recovery of the "crisis-countries" in the region and enhanced PRC's international image. The completion of PRC's difficult trade negotiations with the United States, which will facilitate PRC's membership to the World Trade Organization (WTO), was another key achievement in 1999. In comparison with these positive developments, PRC's urban unemployment and poverty, which were almost nonexistent in the early 1990s, have increased due partly to the State-owned enterprise (SOE) reforms that have resulted in significant lay-off of redundant workers. Urban unemployment is now close to 10 percent of the urban labor force, and about 5 percent of the urban population are classified as poor.

A. Economic Performance Assessment

2. After growing by 7.8 percent in 1998, signs of economic slowdown were visible by the middle of 1999. In the second and third quarters of 1999, annualized gross domestic product (GDP) growth slowed to about 7 percent from 8.3 percent in the first quarter of 1999 and 9.2 percent in the last quarter of 1998. Consequently, the Government further eased monetary policy in June 1999 and announced a Y60 billion fiscal stimulus package in August 1999. These policy initiatives helped the economy to achieve the Government's 7 percent growth target for 1999.

3. Gross domestic fixed investment, which had grown at 7.8 percent in 1997 grew at 14 percent in 1998. With the tapering off of the 1998 fiscal stimulus package, public investment began slowing down in the second quarter of 1999. After growing at an annualized rate of 22.7 percent in the first quarter of 1999, public fixed investment grew at 12.1 percent in the second quarter. With the August 1999 fiscal stimulus package, investment grew at about 15 percent in 1999. Household consumption data for 1999 is not yet available. Trends in retail sales, which can be used as a proxy for household consumption, indicate that despite the continuous easing of monetary and fiscal policies, consumer demand remains weak due partly to the increased unemployment caused by the laying off of redundant workers from State-owned enterprises (SOEs), and partly to the uncertainties inherent in the reform measures initiated in the areas of housing, pensions, and other social welfare provisions. Retail sales grew by 6.5 percent in 1999, approximately the same growth rate as in 1998.

4. Because of weak aggregate demand, good harvests in the past several years, over investment in several industries in the past (and hence an excess supply of many industrial products), and the overall deflationary trends in Asia following the financial crisis, domestic prices continue to decline. After declining by 0.8 percent in 1998, the consumer price index declined further by 1.5 percent in 1999. At 3 percent, the decline in retail prices was sharper.

As in 1998, all major components of the consumer price index except services declined in 1999.

5. In response to the deflationary trends and the slowing growth of the economy, the People's Bank of China (PBC), the central bank, continued to ease monetary and credit policies in 1999. In June 1999, PBC cut interest rates, a process that started in August 1996. The benchmark one-year lending rate for banks was reduced from 6.39 percent to 5.85 percent, and the benchmark one-year deposit rate from 3.78 percent to 2.25 percent. With the June 1999 interest rate reduction, the domestic bank deposit rate is lower than the comparable rate on dollar-denominated assets in the international market. PBC has taken a series of steps to ensure that the interest rate reduction does not put pressure on the yuan-dollar exchange rate that has been stable at around 8.3 yuan per dollar since 1995. To control illegal outflow of foreign exchange, PBC tightened foreign exchange regulations by: (i) strengthening supervision of export receipt remittances; (ii) tightening scrutiny of processing trade; (iii) curbing offshore renminbi trading; and (iv) prohibiting the pre-payment of foreign currency loans.

6. The March 1999 Budget continued the expansionary stance of fiscal policy with a projected deficit of 3.4 percent of GDP. Government expenditures were forecast to increase by 11.5 percent, and revenues by 9.6 percent. Total expenditures were projected to increase from 15.8 percent of GDP in 1998 to 16.5 percent. Since expenditures are increasing faster than revenues, the planned Y286 billion deficit in 1999 was slightly higher than the Y260 billion deficit recorded in 1998. With the economy showing signs of slowing down in the second quarter of 1999, the Government announced a second fiscal stimulus package of Y60 billion in August 1999. Consequently, the 1999 fiscal deficit increased to Y346 billion (or 4 percent of GDP). To compliment the fiscal stimulus package, a tax was imposed on interest income from bank deposits to discourage households from saving in bank deposits and to encourage private consumption.

7. Given the PRC's small fiscal deficits and modest public debt, continuation of an expansionary fiscal policy to pump-prime the economy in the face of deflationary trends is appropriate. However, the official measure of fiscal deficit underestimates the actual resource imbalance of the Government since it does not include the deficit spending of the SOEs, the extrabudgetary imbalances, and the quasi-fiscal operations by the State-owned banks. Inclusive of these items, IMF estimated that the fiscal deficit was about 6 percent in 1998. Continuation of fiscal pump-priming to stimulate domestic demand beyond a year or two could drain fiscal resources away from other important needs. Therefore, beyond a year or two, fiscal stimulus packages to maintain high GDP growth should be used with caution.

8. Largely due to the severe recession in Asia, PRC's export growth was subdued during 1998 and the first half of 1999, although it has picked up since July 1999. Imports, after remaining weak in 1998, increased sharply in 1999. Exports increased by 0.5 percent in 1998 and by 6 percent in 1999. Merchandise imports, which declined by 1.5 percent in 1998, increased by 18 percent in 1999. Consequently, in 1999, the trade surplus fell to \$29 billion from \$47 billion in 1998. While detailed data on capital flows for 1999 are not available, available data indicates that capital inflows continued to slow. For the first time since 1990, inflow of foreign direct investment (FDI) to the PRC declined in 1999; contracted FDI declined by 19 percent, and actual FDI declined by 10 percent.

9. Despite the worsening of the trade balance and the decline in capital flows, PRC's external payments situation continues to be comfortable. At about \$155 billion in December 1999, PRC's foreign exchange reserves were: (i) more than the \$148.6 billion in external debt (as of June 1999); (ii) about nine times the short term external debt (which is about 12 percent of PRC's total external debt); and (iii) equivalent of about 11 months imports. At less than 10 percent, the external debt-service ratio was well within prudent limits. Both the external debt and the debt-service ratios of the PRC are low by developing country standards.

10. Coupled with targeted anti-poverty programs, the robust growth enabled PRC to continue its good progress in poverty reduction. Much of the economic growth in PRC has been pro-poor. The official estimate of the number of rural poor declined from 50 million (5.4 percent of the rural population) in 1997 to 42 million (4.6 percent of the rural population) in 1998. Between 1978 and 1998, PRC was able to lift about 220 million people out of absolute poverty. PRC's official estimate of poverty has two weaknesses: (i) it is based on a very low income criterion of about Y635 annual per capita income or \$0.66 per day using purchasing power parity; and (ii) it does not cover urban areas. If the \$1 per day poverty norm were applied to PRC, in 1997 there were about 124 million rural poor accounting for 13.5 percent of the rural population. There is no official estimate of the urban poor. However, unofficial estimates indicate that in 1997 about 12 million, or about 5 percent of the urban population, were poor with per capita income less than Y1,700 (equivalent to about \$1.77 per day using purchasing power parity).

11. The lack of reliable unemployment data in the PRC, coupled with the recent SOE reforms, makes it difficult to assess the extent of unemployment. Official data on unemployment do not cover rural areas, which account for 70 percent of the labor force. Unofficial sources indicate that about 150 million, or about 30 percent of the rural labor force, are either unemployed or underemployed. Even in urban areas, the official estimate of 3.3 percent urban unemployment in 1998 covers only the workers registered with the Ministry of Labor and Social Security. It does not include workers who are laid off as xiagang workers (workers who keep a legal link to their enterprises but who receive little in the form of pay and benefits) as part of the SOE reforms. Adjusting for these limitations, the urban unemployment rate was about 9.5 percent in 1999.

12. Over the medium-term, given the modest prospects for domestic consumption, exports, and FDI inflows, GDP growth is forecast to slowdown from 7.2 percent in 1999 to about 6.5 percent in 2000 and to 6 percent by 2001. With the slowdown in growth, import growth will decline. However, with exports growing more slowly than imports, PRC's trade and current account surpluses will decline. By the year 2002, trade will more or less be in balance and the current account deficit will be 1 percent of GDP. Coupled with a decline in FDI and other capital inflows, this will lead to a drawdown of foreign exchange reserves. However, these reserves will still be substantial at over \$100 billion in 2002.

13. Four sets of factors suggest that PRC's growth slowdown will continue beyond the medium-term: (i) structural changes in the economy; (ii) diminishing returns on capital accumulation; (iii) demographic changes; and (iv) modest prospects for PRC exports and inflows of FDI. A gradual slowing of the economy has been evident in the second half of the 1990s when PRC's capital-output ratio gradually increased and GDP growth declined. Based on emerging economic trends in PRC, as well as international experience, long-term GDP growth is projected to slowdown to about 6 percent during 2000 to 2010 and 5 percent during

2010 to 2020. These figures compare to an average growth rate of 9.7 percent during the 1990s.

14. Because of the rapid growth of the economy, significant expansion of employment opportunities, and the impressive achievements in poverty reduction, in the last two decades the population has come to expect ever improving economic conditions and living standards. The prospect that in future the economy will not grow as rapidly as in the past is emerging as a matter of concern for policy makers. There is an apprehension that if high rates of economic growth are not maintained, employment creation will not be sufficient to absorb the new entrants to the labor force and those who are made redundant by SOE reforms. The key challenge for the Government is to ensure that growth in the range of 5-6 percent per year generates enough jobs to keep the unemployment rate at tolerable levels.

15. Promoting employment-friendly growth will require a reorientation of PRC's growth strategy in three ways: (i) from large enterprises to medium and small enterprises; (ii) from industry to the tertiary sector; and (iii) from state enterprises to small and medium enterprises and owner-operated businesses in the private sector.

16. While the Government has steered the economy through difficult times in the aftermath of the Asian crisis, some of the structural weaknesses found in the "crisis-countries" are also evident in the PRC. These vulnerabilities are most evident in two areas: (i) the financial sector; and (ii) the enterprise sector. These weaknesses must be addressed. There are two additional challenges that PRC need to address: (i) promoting an efficient private sector; and (ii) developing the type of legal and regulatory framework that is needed for a market economy.

17. At a strategic level, financial sector reforms and restructuring should focus on two sets of issues: (i) recapitalizing and strengthening the banks; and (ii) developing a sound capital market that promotes efficiency in resource allocation and the intermediation process through: (a) balanced development of different segments of the market, products, and services with due consideration to minimizing systemic risk; (b) adopting higher governance standards by both regulators and financial institutions; (c) strengthening the legal and regulatory frameworks to conform to international standards; and (d) ensuring that institutional capacities are developed to enforce the legal and regulatory framework. The Government has taken a series of measures in these areas during the last two years. The key future challenges are to make more progress in this area and to effectively implement many of the recent financial sector reform measures.

18. Many of the problems in the financial sector are related to ailing SOEs that account for a large portion of nonperforming loans with banks. Two of the most difficult SOE reform issues are: (i) developing alternative methods of providing the social security services that were traditionally provided by the SOEs; and (ii) developing a strategy to redeploy the redundant workers in a way that keeps the resulting social costs within tolerable limits. To create the jobs that are necessary to redeploy surplus labor from SOEs and to absorb new labor market entrants, the Government needs to adopt policies to encourage the development of small and medium sized enterprises and owner operated businesses in the private sector.

19. During the March 1999 annual session of the National People's Congress (NPC), PRC's constitution was amended to enhance the formal status of the private sector and offer it greater political protection. Prior to the constitutional amendment, the private sector was described as "supplementing" the socialist economy. With the constitutional amendment, the

private sector is now recognized as “an important part” of the economy. Building on this important initiative, a key challenge is to develop a level-playing field for the private sector vis-à-vis the public sector. There are three sets of issues that need to be addressed: (i) a legal framework which sets the rule of the game in a clear and transparent manner; (ii) a regulatory framework which reduces restrictions on private businesses; and (iii) improved private sector access to financial resources both from financial institutions and the capital market.

B. Assessment of Socio-Environmental Performance

1. Poverty Issues

20. Nine hundred million Asians, or one third of the region’s population, live in poverty. PRC accounts for around one fourth of the absolute poor in Asia. The PRC operational strategy of the Asian Development Bank (ADB) calls for promoting economic growth to reduce poverty in the inland provinces. Until 1995, around two thirds of the geographically specific ADB projects were in the wealthier coastal areas and one third were in the poorer central and western areas. The goal of both the Government and ADB is to reverse this ratio. This is consistent with the Government’s 8-7 Poverty Reduction Program which seeks to lift 80 million people out of poverty during the seven year period 1994-2000. Most of the poor reside in the inland provinces and remote areas, particularly in Southwest and Central PRC which are inhabited by a large number of minority groups. In 1998, the budgeted funds for poverty reduction programs totaled Y18.3 billion. The subsidiary funds contributed by local governments in the nationally designated poverty counties amount to 30-50 percent of the Central Government’s inputs and were Y5.5 billion to Y9.2 billion in 1998.

21. By the end of 1998, the number of rural people living in absolute poverty,¹ defined as an annual per capita income of Y635 was 42 million, or 4.6 percent of the rural population. These poor people mostly live in rural areas of southwestern, central and northeastern PRC. Minority nationalities, who often live in the more isolated areas, tend to predominate among the rural poor. There has been a significant reduction in poverty over the last two decades. The number of absolute poor in rural areas was reduced from 260 million in 1978 to 125 million in 1985, to 80 million in 1993. About 63 percent of the rural poor live in the 592 nationally designated poverty-counties. The target of the 8-7 Poverty Reduction Program to eliminate poverty by the year 2000 is unlikely to be achieved as there are still a large number of disabled or handicapped people (estimated at 10 million out of the 42 million poor), including old people without spouses and/or sufficient income. Further progress in poverty reduction is more difficult than when poverty was widespread, because the remaining poor are typically hard-to-reach people. In view of this, the Government revised the target to reduce the number of rural poor to about 22 million by the year 2000. A June 1999 National Conference on Poverty Alleviation adopted a more focused poverty-alleviation approach, in that the Government will devote its attention to poverty-villages, and poverty-households within these villages rather than on poverty counties as had been done in the past.

22. In the past, poverty was a rural problem. Since the mid 1990s, and as a result of enterprise reform, rural migration and Government downsizing, urban unemployment has been

¹ PRC’s definition of poverty represents subsistence living. In PRC, the poverty line in 1998 was equivalent to an income of \$0.66 per day using purchasing power parity. This covers only subsistence food and clothing and is well below the international norm of \$1 per day.

increasing and with it urban poverty. According to the sample survey carried out by the Development Research Center, unemployed urban people account for about 12 percent of the total labor force. In 1997, the Government announced an urban poverty line set at Y1,700 which is 33 percent of the per capita annual urban average income of Y5,160. Based on this, the incidence of urban poverty was estimated at 12 million or 5 percent of the urban population. In 1998, the urban poverty line was raised to Y2,000-2,300. The majority of urban poor are workers whose family members have all been laid off. The Government (particularly at the local level) has created support programs. The major strategy of the Government is to develop small and medium industries, allow the informal sector to grow, and reduce the social costs of enterprise reforms by continuing housing, medical and pension payments. Laid-off workers have been, or will be, trained at re-employment centers in enterprises and will receive some living allowances for a maximum three years. If they fail to get a new job within the period, the unemployed will receive payments from the unemployment insurance fund for two years. Those unemployed after receiving unemployment insurance for two years will be entitled to a minimum allowance from a fund run by the Ministry of Civil Affairs. This scheme was expanded to cover 110 million people by the end of June 1999, 26 million more than in 1998.

23. The Government and ADB agree that poverty issues should be tackled from the following perspectives: (i) providing the necessary physical infrastructure in the poorer interior provinces, particularly in poverty counties, to stimulate economic growth; (ii) restructuring infrastructure projects to more broadly distribute the project benefits in poor areas (e.g., adding feeder roads components to poor communities to the design of road and railway projects; adding rural electrification components to power projects); (iii) encouraging natural resource management to sustain agricultural production of poor areas and targeting agriculture and rural development projects towards the poor; (iv) supporting social security reform and the development of a social safety net to offset the social costs related to SOE reform and ameliorate the increasing urban poverty; (v) ensuring affordability by income level is considered during policy dialogue related to cost recovery (e.g. life line tariffs); (vi) ensuring that resettlement components of projects do not result in worsened standards of living; (vii) paying special attention to the effects of projects on women and minority groups; and (viii) looking more broadly at the poverty situation in PRC through liaison with the Leading Group on Poverty Alleviation of the State Council.

2. Gender Issues

24. Women account for 49 percent of the PRC's population. PRC has made continuing efforts to improve the health, education, economic, and legal and social status of women. The PRC has a commendable policy/legal framework in place to promote and protect the rights of women. The rights of women are entrenched in a variety of laws covering marriage, compulsory education, inheritance, maternal and child health care, employment, and adoption.

25. Girls account for about 47.5 percent of primary school enrollments, representing nearly 100 percent of girls of primary school age. PRC has one of the highest female labor participation rates in the world at about 75-80 percent. Wage rewards to productivity-related characteristics, such as education and experience, have increased as the PRC's market-oriented reforms have progressed. Returns to education are higher for women than men in both urban and rural areas. Analysis of male-female wage differentials, however, indicates that there is an unexplained wage gap (after accounting for differences in education and experience) of about 10 percent. This gap is small in comparison to many other economies.

26. Gender indicators compare favorably with other countries and the overall standards of living for both men and women have improved significantly as a result of the economic reform process. While the transition to a socialist market economy has had many clear benefits for women, the adoption of market-oriented reforms has also resulted in some gender inequality. For example, women workers tend to be the first to be laid off as SOEs are restructured. There have been recent reports in the PRC media of women farmers being deprived of equal rights to contract land. The Government called for equal protection of women under the law for land contracts. While economic growth has improved the status of many women, in general women continue to be at a disadvantage when compared to men in the labor market.

3. Human Development

27. PRC's commendable progress in addressing social development concerns since 1978 reflects the increased budgetary allocation to the social sectors with spending estimated at Y10 billion per annum. Social sector expenditures, including health and education, continue to rise more rapidly than total Government expenditures. As a percent of GDP, PRC's social sector expenditure compares well to other countries in the Region, most of which have higher per capita GDPs. PRC's education expenditures are about 2.6 percent of GDP. This is higher than Indonesia and the Philippines but is lower than Malaysia, the Republic of Korea (KOR), Thailand and Singapore. PRC's health expenditures are about 2.1 percent of GDP. Although this is slightly lower than KOR, it is higher than Thailand, Singapore, Malaysia, the Philippines and Indonesia. Compared to other countries, PRC ranks well in terms of indicators of coverage (e.g., school enrollment ratios; beds or doctors per capita) but performs poorly in terms of maternal mortality rate, child malnutrition, and access to sanitation (especially in poor areas). Under its education for all program, the Government intends to universalize primary education particularly in the rural and minorities areas. Vocational and technical education are being reformed and strengthened in line with the needs of a market economy. However, PRC has a low participation rate in higher education (particularly university level) compared to most other countries in Asia. The low rate is contributing to the current shortage of skilled labor in key sectors of economy. The Government intends to increase higher education enrolment substantially in the coming years and is currently reforming the overall structure of higher education. The low level of education achieved by the labor force as a whole is a constraint to overall economic development, especially the desired shift towards higher technology sectors. This is compounded by the growing unemployment problem resulting from the migration of large number of unskilled and semi skilled workers to urban areas and lay-offs resulting from the SOE restructuring. In addition to social security and other programs to ensure minimum income levels and access to basic services for displaced workers, there is a need for a massive program of retraining through formal and informal means. The training and redeployment of the workforce will be a key component to keep the social costs of the enterprise restructuring program within tolerable limits.

4. Environment

28. PRC experiences severe air, water and solid waste pollution in many cities and natural resources degradation in rural areas. Addressing these problems is a major priority for the Government. The Government has taken steps to strengthen the environmental legislation, regulations and enforcement. Increasingly, market-based incentives are being used to complement administrative measures to encourage environmentally friendly behavior. The NPC and the State Council, through the State Environment Protection Administration (SEPA) and the Bureau of Legislative Affairs, are revising and promulgating new environmental and

natural resource conservation and utilization legislation. ADB is supporting the Government's comprehensive program to improve the environmental legal framework. In 1996, NPC approved the revision of the Water Pollution Prevention and Control Law which was revised with ADB assistance. In 1998, NPC enacted the new Land Administration Law which was prepared with ADB's technical assistance (TA). ADB is helping to draft other environmental laws. The Penal Code has been revised to classify the destruction and pollution of the environment as a criminal offense. The State Council approved a comprehensive environmental plan in support of PRC's Agenda 21, the main features of which are: (i) enforcing a total load control policy to maintain the total pollution load from industries within the 1995 levels in spite of rapid industrial growth; (ii) increasing the pollution levies to equal or exceed the waste treatment cost; (iii) increasing the use of market-based economic and financial instruments such as environmental taxes or tradable permits; (iv) promoting the use of clean production technology; and (v) adopting the Trans-Century Green Program.

29. The PRC is making a concerted effort to address its serious environmental problems, based on the Ninth Five Year Plan (NFYP) for Environmental Protection. The total investment for environment in the first three years (1996-1998) of the NFYP period was equivalent to about 0.8 percent of GNP. In 1998, environmental investment reached a record high, above 80 billion yuan (or 0.91 percent of GDP). The main objectives of the Government under the NFYP for Environmental Protection are to: (i) establish an environmental management system and an environmental legal framework that accommodate the market economy; (ii) bring environmental pollution under control; (iii) improve environmental quality in major cities; and (iv) reduce degradation of natural ecological systems. As the Government continues its reform of allowing market forces to dictate the prices of raw materials and energy, industries will produce quality products more efficiently and with lower pollution loads. While PRC will continue to depend heavily on coal for energy, the Government is promoting the development of cleaner energy sources such as natural gas, hydropower, wind power and clean coal technologies. The Government continued to implement environmentally oriented projects in the development of urban infrastructure, energy conservation, and natural resources utilization as part of its Agenda 21.

C. Governance: Sound Development Management

30. An assessment of governance must be made in the context of the economic reforms the country has undertaken in its transition towards a market-oriented economy. This transition involves a massive and radical change in the systems of development management and governance. Since 1978, the Government has adopted a series of reforms to improve economic efficiency by reducing the role of the government in economic decision-making and increasing the use of market forces in the economy. Despite the significant progress achieved to date, more progress is required. The speed of further improvements will depend on the progress made in the implementation of the overall reform program. It will take another decade for PRC to complete its full transition to a market economy.

31. To improve *accountability*, civil service reforms began in 1998 to streamline the Government and reduced the number of ministries and downsized the civil service in Beijing by about 50 percent. Similar reforms were taking place at the provincial level in 1999. One of the major aims of the 1998 Government reorganization was to further reduce the role of Government in commercial decision-making by separating the business operations under ministries from the policy and regulatory functions by spinning out productive operations into public holding corporations. This involved the abolition of 11 ministries that were exercising

control on the commercial operations of SOEs in their sectors. The corporate entities, organized on a sectoral basis, are to operate commercially and independently of the Government. State holding corporations are being used to further distance government administrative organs from commercial activities. Plans to revise the Bankruptcy Law and Enterprise Law and to close a growing numbers of SOEs indicate that the Government is preparing to deal with SOEs that fail the test of marketplace.

32. For *participation* (participatory development process), there are mechanisms in PRC to reflect the views of the population, especially when resettlement and compensation issues are involved. The ADB-supported 1998 Land Administration Law requires more consultation and disclosure in the resettlement process. Although non-government organizations are not active in the traditional sense in PRC, there are many public consultation mechanisms through which the interests of special groups are represented. As demonstrated in several hotly contested WTO debates within PRC, PRC domestic industry interests, both state-owned and non-state, have shown a growing involvement in the making of, and often criticizing, national economic policies.

33. For *predictability* (legal and regulatory frameworks), since 1993, PRC has formulated many market-related laws and is working to establish a legal system that is responsive to the needs of a market economy by the year 2000. This is a major task and significant progress has been made. An important step achieved in 1999 was enshrining the rule of law in the constitution. In addition, the Government has adopted a five-year legislative work program covering the period 1999-2003. During this period the Government plans to amend a number of existing economic laws, prepare a set of new laws, as well as draft implementing regulation for a number of laws. One example is the Accountancy Law which was revised in June 1999 to improve the basic systems and regulations affecting business and expense accounting, strengthen the control of accounting practices and punish those who violate the law. The Government has taken steps to try to reduce the number of fraudulent accounting reports that are issued by taking action to punish the concerned firms. To further strengthen their independence, accounting firms were instructed to sever their ties with government departments by the end of 1999. Only 103 of the 6,600 accounting firms have been licensed to service listed companies.

34. Others major milestones in improving PRC's legal and framework in 1999 included: (i) making the Land Administration and Securities laws effective, both of which were revised with ADB assistance; (ii) enacting the Contract Law, which clarified the rules governing contracts, moved closer to international norms and did not distinguish between the foreign and PRC parties to the contracts; (iii) adopting the law on individually owned enterprises to clarify and simplify the rules for establishing individually owned businesses and providing these private businesses with the protection of the law; and (iv) adopting a new law dealing with illegal financial practices which covered banks, credit co-operatives, finance companies, trust and investment companies and leasing companies. Business risks, particularly those related to listed companies and foreign investment, can now be assessed more rationally, transaction costs have been lowered and arbitrary Government actions have been reduced, although not totally eliminated. To complement the passage of the new laws, massive human resource development programs are planned to train the judges, lawyers, and others involved in administering, interpreting, and enforcing the new legal system. Foreign legal firms are expected to gradually play a larger role in PRC.

35. Despite this progress, it will take several more years to fully develop the legal framework that is needed for a market economy. The PRC Government recognizes these weaknesses and has set a target to establish a legal and regulatory framework necessary for a market economy and had adopted a five-year legislative work program covering the period 1999 to 2003. Once completed, this five-year legislative program is expected to improve the overall legal and regulatory framework governing the economy. During this period the Government plans to amend a number of existing economic laws, prepare a set of new laws, as well as draft implementing regulations for a number of laws. The Legislative Affairs Committee of the NPC is responsible for the preparation of these laws including amendments, and the Office of Legislative Affairs of the State Council is responsible for preparing the implementing regulations. The key laws that will be covered under this five-year program include company law, bankruptcy law, trust law, anti-monopoly and unfair competition law, telecommunications law, trade mark and patents law, income and inheritance tax law, government procurement law, and state assets law. As part of this program, the Government will also improve implementing regulations of a number of laws including regulations for the closure of financial institutions, commercial registration, social security, and administrative charges and fees.

36. The Government is gradually ratifying the conventions on labor standards adopted by the International Labor Organization (ILO). About 100 of the 180 ILO conventions on labor standards are active. PRC has ratified 20. Eight of the ILO conventions are considered as "core conventions" and relate to: (i) freedom of association and collective bargaining (conventions 87 and 98); (ii) abolition of forced labor (conventions 29 and 105); (iii) equality of opportunity and treatment (conventions 100 and 111); and (iv) minimum age (conventions 138 and 181). PRC has ratified two conventions of the eight core conventions: (i) convention 100 relating to equality of opportunity and treatment; and (ii) convention 138 relating to minimum age. The Government is maintaining close consultations with ILO regarding the ratification of several other labor conventions. The Government is considering the ratification of convention 111, as well as major non-core conventions concerning safety and health in construction, minimum standards in merchant ships, labor administration and labor inspections in industry and commerce.

37. For *transparency* (information openness), although control of media still rests with the Government, public access to information is better than in the 1980s. Statistical data and other information on the economy are regularly published in Chinese, English, and other major languages and are widely available. The Government recognizes that there is a greater need for access to accurate, timely economic information in a market economy than was the case in a command economy. Despite such progress, economic information is still guarded more closely in PRC than in some other countries.

38. PRC national accounts data system relies on a "level-by-level data reporting system" in which data are collected at the village, city, and county level and the aggregate data are then passed through the provincial governments to National Bureau of Statistics (NBS). This practice differs from the system used in most other countries where an independent statistical organization collects and aggregates the data. The supply of data to NBS in pre-aggregated form limits the ability to check data and undertake detailed analysis. The lack of separation of government and statistical functions at the local level may result in misreporting of data. Senior PRC leaders have admonished local officials to report accurate data. Beginning in the second half of 1999, the country's 5,000 biggest enterprises were required to report data directly to

NBS. The Government also plans to strengthen supervision of data collection, improve the networks through which statistics are collected and reported and is considering the need to draft a new statistics law.

39. The Government launched a fierce attack on corruption, embezzlement, and the illegal use of public funds in 1998, which continued in 1999. The Anticorruption Conference of the State Council in January 1999, attended by the Premier, Vice-Premiers and Ministers, confirmed the anticorruption drive as one of the Government's top priorities. The Government has intensified measures to fight corruption, introducing measures to abolish affiliations between Government and business. The Government also took steps to separate the military from business entities in 1998. There is an ongoing campaign to inspect public works and to hold officials personally accountable for shoddy construction, misallocation of funds and corruption. In June 1999, the Government announced that it would tighten regulation of the central budget and set up a body to punish corrupt officials based on strict auditing. The new auditing rules adopted require that officials at the national level and below, as well as leaders of SOEs, to be audited after the person is dismissed, resigned or retired. These initiatives will help to reduce the opportunities for corruption in the longer term.

40. The Government has recognized that the use of transparent bidding processes can help to create an environment that will reduce the opportunities for corruption. The Tendering and Bidding Law, adopted in 1999, mandates public bidding for: (i) large-scale infrastructure projects and public utility projects concerning public interests and security; (ii) projects invested completely or partly by the government or funded through state financing; and (iii) projects using loans and aid funds from international organizations or foreign governments. Among the important provisions of this law are: (i) tender and bidding activities will follow the principles of openness, fairness, impartiality and good faith; (ii) no local or department limits will be imposed on the tendering and bidding activities of the projects subject to bidding; (iii) no organizations or persons will, by any means, limit or exclude legal persons or organizations from other regions or systems from participating in the bidding procedure; (iv) no illegal interference in any form is permitted in the bidding process; and (v) all tendering and bidding activities and the parties concerned will be subject to legal supervision; the relevant departments for administrative supervision shall monitor the tendering and bidding activities according to law, and investigate and deal with the any illegal actions. The legislative work program includes drafting a Government Procurement Law. These two laws are important steps in developing the type of legal framework that is necessary to reduce the opportunities for corruption.

41. ADB is supporting governance activities through the technical assistance program. Support for the drafting of the Public Procurement Law, its Standard Bidding Documents and Implementing Regulations; improved audit standards and procedures; strengthening the inspection function; support for the Bankruptcy Law and other key economic laws; construction industry regulations and registration procedures; and information systems and training for legal professionals are a few examples.

D. Implementation Assessment

1. The Portfolio

42. To learn lessons of experience that might result in improved portfolio performance, ADB's Operations Evaluation Office selected PRC as the first country for a broad-based evaluation of ADB's Country Assistance Program Evaluation (CAPE). The CAPE, covering the

period from 1986-1997, was completed in late 1998. It assessed the relevance of ADB's strategy in terms of the needs of the PRC, the effectiveness of ADB operations, and the constraints that narrow the choice of operational options. From 1986 to 1990, the financial and industrial sectors dominated ADB operations. The concentration later shifted to the transport, energy, and environment sectors. The CAPE concluded that ADB's performance in the transport and energy sectors, which account for 63 percent of ADB's PRC portfolio, was good. Performance in the agriculture, financial and industrial sectors, which together account for 25 percent of ADB's PRC portfolio, was mixed. The CAPE concluded that TA had been effective in the environment, fiscal and infrastructure sectors but had not led to strategic impacts in the financial, enterprise or agriculture sectors. ADB's performance in promoting the private sector and mobilizing cofinancing was rated as good. An important finding was that the CAPs in the past embodied the borrowing program of the PRC, as projects were normally selected by the borrowers. The major recommendations of the CAPE were that: (i) the COS should be more operational and should provide a better basis for evaluation of success, while CAPs should reflect more of the strategic directions of proposed operations; (ii) ADB should support the recently established inspectorate under the State Development Planning Commission (SDPC) to improve development impact and project quality; (iii) although the PRC system has considerable strengths in the areas of project planning and preparation, ADB needs to apply due diligence in its review and acceptance of projects; (iv) ADB's TA program in PRC should be better targeted and managed more effectively; (v) high-level dialogue between ADB and PRC is needed so that ADB can better support reform in the financial sector and enterprise reform; (vi) ADB should consider classifying safety net projects as poverty projects; and (vii) ADB should continue its approach in environment interventions and broaden the coverage to include green issues. These issues were discussed in detail with the Government in the preparation of the present CAP. This is reflected in a streamlined and targeted TA program. Governance and law and development are being developed as a cluster of TA activities and support will be provided to the SDPC inspectorate. Linkages and implementation arrangements with the Global Environment Facility (GEF) are being developed to incorporate and expand environment projects and components in the program to address green issues. High level policy dialogue involving Management identified ADB's desire to play a more strategic role in the areas of financial and enterprise reform. This dialogue resulted in agreement that ADB would be the first multilateral to make a loan to support social security reform in PRC.

43. Early postevaluation results have been mixed. Of the five project performance audit reports (PPAR) carried out in PRC, three have concluded successful performance with demonstrated economic viability, sustainability, increased employment opportunities, and general compliance with environmental regulations. PPARs for a pulp mill project and a railway project rated the projects as unsuccessful. Lessons from these problem projects have been reflected in the design of subsequent projects in the respective sectors.

44. Projects in ADB's PRC portfolio are generally implemented on schedule and within budget. In terms of contract awards and disbursements, PRC has performed well compared to other DMCs. As of 31 December 1999, cumulative net lending to the PRC totaled to \$9.3 billion with contract awards and disbursements reaching \$783 million and \$819 million, respectively. PRC's disbursement ratio of 19.3, exceeds the ADB-wide average of 17.6. Reflecting the strategic objectives of its assistance package, ADB's lending focuses on physical infrastructure with more than 67 percent of the portfolio concentrated in the transport/communications and energy subsectors. Detailed portfolio performance indicators are given in Appendix 2. ADB has also provided technical assistance for 328 projects totaling

\$166.5 million as of 31 December 1999. Of the total number of TAs, project preparatory TAs (PPTAs) have accounted for 26 percent. Government agencies play a large role in project preparation activities.

45. As of 31 December 1999, 76 percent of PRC projects had fully complied with the requirements to submit audited financial statements compared to a ADB-wide average of 64 percent. Of the nine projects which did not fully comply, six were delayed compliance (all of these audited financial statements were received in the first half of 1999). One project each was rated as partial compliance and non-compliance, and no rating.

2. Issues in Project Implementation

46. The wide-ranging reform of the government structure to remove bureaucratic interference in economic activities and streamline government functions should improve transparency and expedite project processing and implementation. As a result of the 1998 reorganization of government institutions and downsizing the government bureaucracy by four million civil servants, many of the functions and employees of the former line ministries have been spun off into state holding corporations in key sectors. The Government's detailed plans for shifts of authority and functions are still being developed and the implementation of consequent changes to provincial and local administrations has been delayed. Changes in institutional arrangements and approval authority should have a substantial positive impact on ongoing and future ADB operations. However, in the near term, the changing bureaucratic environment may exacerbate institutional problems and delay approval formalities during the transition period.

47. The annual country program review missions have identified country portfolio management issues. Despite the overall satisfactory portfolio performance, implementation difficulties have affected some ADB-financed projects. Seven portfolio issues need to be addressed: (i) *Shift to Interior Provinces*: ADB's target is to shift about two-thirds of its geographically specific lending to interior provinces. Generally, the institutions in the interior provinces are weaker and less experienced in dealing with donors than the executing agencies on the East Coast. Careful monitoring and support from ADB is needed to facilitate the implementation of projects in the interior provinces; (ii) *Counterpart Funds*: In the past some executing agencies, particularly SOEs and those located in the interior provinces, experienced difficulties raising the necessary counterpart funds. Also domestic banks are increasingly following commercial norms and are scrutinizing loan applications more carefully. Because of the Government's large domestic stimulus package, the availability of counterpart funds for infrastructure projects was not a problem in 1998 or 1999. However, this issue will need to be carefully monitored as the domestic stimulation packages wind down; (iii) *Procurement in the Power Sector*: While procurement is generally undertaken efficiently in PRC, there have been some instances in the power sector of delays in implementation caused by procurement problems. Although these problems have been solved, efforts need to be made to avoid repetition. ADB is closely monitoring adherence to procurement procedures;² (iv) *Industrial and Agro-Industrial Projects*: Some industrial and agro-industrial projects involving SOEs are experiencing poor commercial performance; (v) *Resettlement*: While resettlement is generally done well in PRC, problems have been detected in the implementation of the large-scale

² ADB's adoption of mandatory standard bidding documents and the passage and implementation of the Tendering and Bidding Law are key milestones to prevent such reoccurrence.

resettlement required for a hydropower project. Remedial actions are being taken; (vi) *Reporting*: Some executing agencies are late submitting required progress reports or fail to submit the required reports. This makes it difficult to monitor project implementation issues from Headquarters; and (vii) *Delays in Loan Signing and Effectiveness*: Loans approved in 1998 experienced average delays of about nine months before being declared effective, implying implementation delays and the loss of part of the grace period. However, there has been significant improvement in 1999.

II. Country Operational Strategy

48. ADB's Country Operational Strategy (COS) was informally discussed by the Board in February 1997. ADB's strategy emphasizes three broad objectives: (i) improvements in economic efficiency; (ii) promotion of growth to reduce poverty in poor inland provinces; and (iii) environmental protection and natural resource management. The pursuit of these three broad objectives will help maximize employment creation, correct factor market distortions, address market failures of rapid growth by spreading the benefits of growth more evenly, and reduce environmental degradation. This strategy supports of the Government's objective of preserving social stability and maintaining public support for the continued implementation of the reform program. In line with this strategy, most projects that are location-specific during the period 2000-2002 are located in the inland provinces (three-fourths by number of projects; 84 percent by amount of lending).

49. Within the framework of the COS, ADB operations will focus on: (i) strengthening macroeconomic management and the policy, legal, and regulatory framework necessary to support the implementation of market-oriented reforms; (ii) addressing issues and constraints primarily in three key sectors: physical infrastructure (covering energy, transport, and urban public infrastructure including water supply and wastewater); finance and industry; and agriculture and rural development; and (iii) promoting environmentally sound behavior to ensure sustainability. To achieve macroeconomic stability and enhance investment efficiency, the Government will need to continue to: (i) develop greater expertise in the use of effective fiscal and monetary policy tools; (ii) establish efficient financial markets; (iii) accelerate enterprise reforms; (iv) strengthen the legal and regulatory framework; and (v) improve environmental management. These areas will be the focal point of much of ADB's economic and sector work and related advisory technical assistance.

III. Sector Strategies

A. Agriculture

1. Agriculture and Rural Development

50. ADB's agriculture and rural development portfolio has been modest because the PRC has not had access to ADF resources and the Government's policy is to primarily use concessional funds and domestic resources to develop the sector. PRC has mainly used funds from the World Bank (IDA), the Overseas Economic Cooperation Fund (which was merged with the Export-Import Bank of Japan in 1999 and is renamed as Japan Bank for International Cooperation), the International Fund for Agricultural Development, and bilateral aid agencies, in the agriculture sector. The Government is concerned about the capacity of agriculture and rural development projects to generate the incremental financial revenues to service OCR loans. Notwithstanding these limitations, ADB will continue its efforts to promote rural

development, poverty reduction, environmental protection and natural resource and water conservation.

51. The emphasis accorded to agriculture and rural development, particularly in the interior provinces during the NFYP and beyond, will result in increased Government investments and more participation by the non-State sector in agro-processing industries. ADB will provide financial assistance, either direct lending or channeled through financial intermediaries, to projects that have a significant impact on agricultural productivity, rural income and employment generation, value-added economic activities, and environment protection in rural areas. ADB assistance to the agricultural sector will be operationalized by: (i) targeting the poor as the main beneficiaries; (ii) increasing production and creating employment opportunities in off-farm economic activities, especially in TVEs; (iii) improving the management, development, and rehabilitation of agricultural resources; and (iv) helping to modernize agriculture. PRC is feeding 22 percent of world's population on only 7 percent of arable land. Grain production will need to increase from 490 million tons in 1998 to 700 tons by 2020 to keep pace with population and income growth. This will require major investments in agriculture research and rural infrastructure, as well as policy environment improvements to promote the required productivity increases.

52. Areas where ADB assistance could have a significant rural development impact include rural microfinance, strengthening agricultural research as well as rural finance³ and developing rural industry. The returns to agricultural research have been found to be very high and agricultural research is one of the largest contributors to increasing food supply. Giving financial support to research will accelerate growth and thus is a good investment. Creating an enabling environment to stimulate agricultural research by the private sector is also important. To support rural industry, ADB could assist the Government in the developing different rural-industrial strategies on the basis of geographical and economic criteria. ADB support could help establish institutional structures that limit the liability of investors (and banks), reward and penalize managers for their performance, and compensate shareholders for their interests.

53. The future agricultural program includes the following projects: (i) West Henan Agriculture Development which will generate income opportunities and provide rural water supply in a very poor, underdeveloped area; (ii) Yunnan Comprehensive Agricultural Development Project to generate income earning opportunities in a poor area by providing expanded production of a range of high-value crops (particularly tree crops) using sustainable and environmentally friendly systems, credit and marketing support for complimentary private agro-enterprises, capacity building for improved support services to farmers and enhanced protection of Yunnan's unique biological resources (GEF cofinancing anticipated); (iii) Efficient Utilization of Agricultural Wastes for Sustainable Rural Development to combine the use of renewable energy, particularly biogas, with opportunities to increase agricultural production and income earning activities (GEF cofinancing anticipated); (iv) Fujian Soil Conservation and Rural Development II which will build on the successful design and implementation of the on-going project and include investments in soil conservation and agricultural development, aquaculture development, agricultural markets, agro-processing, and small hydropower stations; and (v) Financing Options for Agricultural Research (ADTA) to help ensure that the financing required for agricultural research is mobilized and to identify a potential role for ADB

³ Government controls on final interest rates to end borrowers is preventing development of sustainable rural financial systems.

assistance. An ADTA for the Yunnan-Simao Forestation and Sustainable Wood Utilization Project (Loan No. 1304-PRC) has been included in the 2000 program. The Project, scheduled to be closed in early 2000, has encountered several start of operation problems which, if not resolved, may adversely affect Project quality and sustainability. The proposed ADTA will help to address these problems and a supplementary loan to fully address them may be required.

2. Forestry and Natural Resources

54. One of ADB's strategic objectives is to increase the proportion of its lending for natural resources management and environmental improvement. Although the Government prefers to use concessional funds or local currency funds for "soft" sectors, the increasing urgency of the need to correct environmental degradation and the heavy economic losses and environmental damage caused by the 1998 and 1999 floods have encouraged the Government to seek OCR resources to accelerate such development programs. Strong policy foundations for a portfolio of natural resources projects have been prepared through recently completed advisory technical assistance for Strategic Options for the Water Sector. To continue ADB's role in the water resources sector, ADTAs are included in the program to develop National Strategies for Soil and Water Conservation and a National Water Sector Framework. Related policy work will also be supported under a cluster TA for the environment sector, covering new regulations, planning tools, the Trans-Century Green Program, and Yellow River Pollution Control. TA for Water Savings in the Yellow River will help to formulate strategies and an action plan for overcoming increasingly severe water shortages in the lower river basin, largely through improving the efficiency of utilization of irrigation diversions.

55. ADB is assisting the Government to access concessional funds, such as the GEF by helping to identify suitable project components that could justify GEF funding and are unlikely to be implemented through normal lending facilities. With the Government's support ADB is also working towards an agreement with the GEF Secretariat for ADB to become an implementing agency in its own right. To help identify the highest priority habitats for ADB support, and to evaluate progress with implementation of the Biodiversity Action Plan, ADB will provide the Biodiversity Conservation ADTA. In addition, Capacity Building of SEPA is under preparation to help SEPA meet its recently increased responsibilities.

56. Soil and water conservation projects, with a strong poverty alleviation contribution, are viewed as a potential area for investment. ADB's strategy is to focus on sustainable management of upland areas to protect and enhance existing forest cover, promote increased cultivation of stabilizing plant species which can also provide improved incomes for local farmers, and reduce the sediment loads carried by the rivers. These projects will be designed to reach the poor areas and improve the quality and sustainability of growth. Related loans in the program include Yellow River Flood Management Project, Songhua River Flood Management Project (GEF cofinancing for biodiversity conservation component is anticipated: GEF cofinancing for a PPTA has been approved), Ningxia Shapoutou Water Resources and Irrigation Development, and Agriculture and Water Conservation Project (Yangtze River).

B. Infrastructure

57. Because bottlenecks in infrastructure impede efficient growth, the energy/power and transport sectors will continue to dominate ADB lending and account for about two-thirds of the lending in any given year. The large amounts of capital required for investment in infrastructure exceed the amounts available from traditional domestic, multilateral, and bilateral financing sources. To supplement ADB's lending for the public sector, the strategy promotes the use of

other sources and methods of financing such as Build-Operate-Transfer/Public-Private Partnership (BOT/PPP), joint-ventures, securitization including public share listing, and leasing to meet the massive infrastructure investment requirements. ADB will also mobilize additional resources using cofinancing tools and act as a catalyst in project financing (through loan and/or equity investment) involving private sector participation in the financing of infrastructure. Assistance will be provided to strengthen the policy framework to promote the flow of private investment into these sectors and to strengthen the domestic capital markets and the associated pension and insurance industries.

1. Energy

58. ADB's strategic agenda for policy reform in the power sector covers pricing and tariff reforms, sector restructuring and enterprise reform, increasing private sector participation, and promoting energy efficiency and environmental protection. In the energy sector, ADB will focus its assistance on: (i) promoting energy conservation and demand and supply side management; (ii) supporting improvements in the transmission and distribution systems to promote system-wide efficiency and reduce losses; (iii) developing cleaner energy sources such as hydropower, clean-coal technologies, natural gas, coal bed methane gas, wind power, and other renewable energies; (iv) developing phased programs to close small, inefficient power plants which will eliminate significant point sources of pollution; and (v) promoting the corporatization and commercialization of power utilities and the development of competitive markets in electricity.

59. Electricity demand and supply have become more balanced. Because of the weaker demand growth, the processing of several power generation projects programmed earlier has been deferred. ADB's project pipeline has been restructured from capacity expansion to focus on better utilization, efficiency, grid management, environment considerations and alternative (cleaner) energy sources. As a result, ADB's forward lending program has become more diversified. In addition to transmission projects (e.g., Shen-Da Power Transmission and Grid Rehabilitation and North Power Transmission), the forward program now includes projects to improve power sector efficiency (e.g., Hebei Zhanghewan Pumped-Storage Plant), and apply more environmentally friendly technologies (e.g., Wind Power for which GEF cofinancing is anticipated) and control acid rain pollution (e.g., Anhui Yangtze River Acid Rain Control). ADB's future program will support better grid regulation with pumped storage stations, inter-provincial/inter-regional connections, and improved distribution systems. ADB's policy dialogue will be extended by drawing on the results of Rural Electricity Supply Study. By focussing on rural electricity, this TA will provide ADB with an opportunity to deepen its understanding of the relationship between power and relatively poor rural consumers. TA will be provided to support the formulation of a Corporate Development Strategy for the State Power Corporation. ADB's possible loan for the Changsha BOT Power Project and other privately financed power projects will help provide models for mobilizing private sector investment in key infrastructure projects.

2. Transport

60. Developing efficient and integrated transport networks to meet the needs of a growing market economy and contribute to reduce poverty will require substantial investment coupled with policy and institutional reforms. In the road sector, where the need for assistance is most apparent, ADB operations will focus on: (i) the national trunk highway system; (ii) strategic provincial highways and secondary roads that improve the access of less developed communities and rural areas to regional market centers and create the environment to reduce

poverty and promote rural development; and (iii) roads that promote regional cooperation. In line with ADB's poverty reduction strategy, ADB-financed road projects will be designed to include connector roads and feeder roads to ensure that the benefits from the construction of trunk roads are spread to the poorest areas in the zone of influence.

61. A key element of ADB's policy dialogue in the road subsector is to promote private investment in road infrastructure through BOT or public/private partnership (PPP), securitization, leasing, and bond issues. ADB is actively seeking road projects under BOT scheme or PPP that meet economic and financial criteria. In 1999, for the first time, shares are expected to be listed for a ADB funded public sector road project. From 1999 onward, all ADB-financed road projects in the CAP are located in poor interior provinces, concentrating primarily on key corridors in central (Shanxi and Shaanxi) and southwest (Guizhou, Sichuan, Guangxi, Chongqing, Yunnan) PRC. Private sector road projects will be considered, regardless of their location in PRC. Policies addressed in the road subsector include institutional strengthening and corporatization to increase the commercial orientation and managerial efficiency of the expressway operating entities, setting the appropriate level and structure of tolls to promote cost recovery and create an environment to attract private investment, reducing vehicle emissions, improving construction quality and improving road safety.

62. Recognizing the continuing importance of railways in providing economic transportation for spatially distributed natural resources and production centers, ADB's strategy will focus on: (i) expanding the railway system through the construction of important lines, particularly in poverty areas; (ii) modernizing and increasing the capacity on key routes of the national railway system; and (iii) improving the operational and managerial efficiency and the commercial orientation of railway operation. The strategy will continue to focus on railway development in underserved areas in poor interior provinces to link lower income regions with growth centers (e.g., Hefei-Xi'an Railway; Ganghoh-Longyan Railway). The design of the railway projects includes the provision of link roads so that the benefits of the improved rail transportation are widely spread in the hinterland. Policy issues addressed in the railway sector include commercial operations, improving cost recovery, and managerial autonomy with accountability, including corporatization where appropriate.

63. Although ADB's PRC COS covers ports and telecommunications, ADB has exited from these sectors. The forward CAP for the public sector program does not include any loans or TAs in the ports or telecommunications sectors. However, ADB financing to private sector projects in these sectors may be considered.

3. Industry and Finance

64. While the industrial and financial sectors underwent significant transformation in the 1980s and 1990s, the performance of these two sectors continues to be governed by the structural characteristics of a state-owned economy. Activities in these two areas are closely linked since loans to SOEs account for much of the non-performing loans in the financial sector. ADB's strategy in the financial sector is to support the Government's efforts in financial sector reform, particularly in the development of the capital market. The aim is to establish a conducive policy and institutional framework, and an efficient market infrastructure for the financial market. ADB will deploy a variety of modalities of assistance subject to further discussion with authorities, supported by tailor made financial products to suit the needs of the Government and financial institutions.

65. A policy environment was established in 1999 for the next round of SOE reform measures following the amendment of the Constitution which incorporates the private sector as an integral part of the “socialist” economy, and making the Securities Law effective which will be the key element in creating effective and efficient capital markets. The Government is now ready to use the capital market as a vehicle to move forward the SOE reform agenda to the next stage. ADB’s assistance to SOE reforms in the past has been limited to the restructuring of a few specific enterprises. In future, ADB plans to provide more strategic assistance to SOE reforms at the macro level. A major focus of assistance will be helping to separate social obligations from SOEs. Implementation of a significant enterprise restructuring program will necessarily result in workforce reductions and increased unemployment in the near term, with resultant social costs. As a result of ADB’s high level policy dialogue, the Government requested ADB to support a Social Security Reform Project,⁴ to help reinforce the social security safety net to mitigate the most severe social costs, so as to allow the Government and the enterprises to make the hard choices necessary to achieve enterprise reform. ADB is helping to reform the pension system and will help to draft the social security law. ADB’s PRC Country Assistance Plan for the year 2000 has also included a TA for developing financing policy and services support program for small and medium enterprises.

66. The development of financial markets, including capital and insurance markets, has been identified as one of the key areas of ADB’s future operations. Development of the capital market is critical to channel savings efficiently and provide the Government and private sector with alternative sources of funding and appropriate risk mitigation. ADB operations begun in 1999 will continue in the immediate term with a focus on (i) the effective implementation of ADB supported 1998 Securities Law, by establishing a consistent and efficient policy and regulatory framework; (ii) the strengthening of the China Securities Regulatory Commission; and (iii) developing self-regulatory organizations at levels of securities exchanges and securities market participants. Work will continue to build the capacity of the China Insurance Regulatory Commission, and the development of institutional investors. To complement ADB’s policy work to strengthen the supervision of the insurance industry, ADB is actively exploring opportunities to bring best international practices to domestic insurance companies through loan and/or equity operations. In the medium-term, ADB will assist the Government in its efforts of mobilizing resources and addressing investor’s concerns by deepening financial market reforms and broadening its functionality. Several TAs are included in the program for this purpose (e.g., Capital Market Development; Development Policy for Mutual Fund Industry; Development of Asset Backed Securities). ADB’s assistance for Legislative Support for the Investment Fund Law will further strengthen the legal framework for the capital markets. The TAs programmed will also help ADB and the Government to strategize future assistance plans to assist the Government and capital market participants to further deepen capital market reforms and broaden its functionality through two types of projects: (i) loan to build an efficient market infrastructure, such as the MIS system for market regulators, the centralized clearing and settlement system, and the new generation of trading systems; and/or (ii) equity investment projects to develop capital market institutions/instruments, such as open-ended mutual funds and fund management companies, asset-backed securities, guarantee corporations, and rating agencies and other capital market intermediaries.

⁴ The 2001 loan project (standby for 2000), estimated at \$300 million with an additional \$200 million in cofinancing, was requested in late-1999 after completion of country programming. A PPTA is included to the CAP. The 2001 lending program will be reprioritized and adjusted after further discussions with the Government.

67. ADB is also initiating policy dialogue to support the Government in the development of an efficient and commercially-oriented banking sector. To achieve this goal, the Government needs to (i) establish a sound legal framework; (ii) enhance corporate governance and raise accounting and financial disclosure standards; (iii) improve banking regulatory and supervisory systems and liquidity management; (iv) improve legislation for bankruptcy and loan foreclosures; (v) develop efficient market infrastructure for payments, clearing, and settlements; (vi) deregulate interest rates; (vii) develop and effective strategy for debt resolution of SOEs; and (viii) ensure general public confidence in the banking system. ADB will continue to work with smaller and medium sized Joint Stock Company commercial banks to enhance their operational efficiency and broaden their ownership structures. A loan for Commercialization of Smaller Banks is included in the program. Regarding the four large State-owned banks, ADB's assistance will focus on strengthening the asset management companies (AMCs) that are being established to catalyze the bank restructuring process. ADB's technical assistance in this area, approved in 1999, will be implemented in 2000. The work with AMCs will serve as an important platform for ADB's financial sector operations to address all related issues of financial sector reforms. The future direction of ADB assistance could include a loan and guarantee facilities to AMCs and join efforts with internationally reputable financial institutions to build market infrastructure to facilitate AMC operations.

68. The China Development Bank (CDB) cofinances many of ADB's infrastructure projects and may become more directly involved in ADB's operations. ADB/World Bank assessment of CDB will be completed in 2000. The program also includes a TA for the Institutional Strengthening of the CDB.

C. Social Infrastructure and Environment

1. Urban Development

69. ADB's operational strategy in the water supply and urban development sectors aims to: (i) tackle constraints that increase transaction and production costs, and hamper the growth of the industry and service sectors in urban areas; (ii) address urban environmental problems; and (iii) reduce poverty and improve the living conditions and standards of urban dwellers. ADB's involvement will focus on refining and promoting market-oriented reforms to enhance their operational efficiency. Important elements will be to promote the principle of cost recovery through user charges, greater autonomy of municipal and town governments in terms of revenue raising and allocation of expenditures, improved management and urban land-use and infrastructure planning, and encouraging private sector involvement. Cost recovery is essential to promote commercial discipline and operational efficiency so as to ensure quality, maintenance and security of supply. ADB also recognizes the need to ensure that constraints do not deny the urban poor access to safe and reliable water supply. In some cases, social safety nets may be required in order to achieve both of these somewhat conflicting objectives. Because urban poverty is a newly emerging issue in PRC, little is known about it. ADB has approved TA 3377-PRC: Urban Poverty Study, a study on urban poverty which will: (i) estimate the incidence of urban poverty; (ii) establish a framework for setting municipal poverty lines adjusted for price levels and the local development level; (iii) examine the cause of urban poverty and assess the effectiveness of various poverty reduction measures; and (iv) identify measures that may need more in-depth study.

70. To address urban environmental problems, ADB will focus on investments related to water supply, wastewater treatment and air pollution. The unique problems of megacities,

particularly environmental degradation, will continue to be addressed through air and water pollution studies in Shanghai. Where possible, ADB will encourage the use of market-based instruments for environmental management including tradable permits. ADB's policy dialogue will be broadened by undertaking TA related to Urban Solid Waste Management, National Guidelines for Urban Wastewater Management, and Low-income Housing Sector.

71. While recognizing the importance of allowing the coastal region to continue its rapid pace of development, ADB will promote investments in the poorer inland provinces. ADB will continue to implement the sector strategy with emphasis given to urban environment management including water resource management, waste water, solid waste management, and capacity building of local governments. The 2000-2002 assistance program has been prepared according to the sector strategy and focus, covering projects for water supply, urban environment management, waste water treatment, and capacity building. The project areas include *Heilongjiang* (Mudanjiang and Harbin), *Tianjin*, *Hebei*, the *Hai and Luan River* and *Inner Mongolia* (Hohhot and Baotou). The work financed under the environmental cluster TA for Trans-Jurisdictional Environment Management will provide policy support for the water supply/waste water treatment projects included in the program.

2. Environment

72. ADB's country strategy includes improving environment protection and natural resource management as one of its three objectives. ADB's strategic thrusts in the environment include: (i) building institutional capacity; (ii) improving the policy, legal, regulatory, and management systems; (iii) promoting cleaner technologies; (iv) supporting the utilization of economic measures, supply-side measures and other measures to protect and ensure sustainable utilization of natural resources; and (v) promoting environmentally sustainable agricultural and natural resource management practices. In operationalizing its strategy, ADB is targeting its interventions in six areas: (i) improving air and water quality in urban areas; (ii) increasing efficiency and greater diversification to cleaner sources in the energy sector; (iii) increasing energy conservation and diffusion of clean technology processes in the industrial sector; (iv) promoting comprehensive basin planning and pollution cleanup in rivers and lakes; (v) protecting watersheds, conserving biodiversity, and preserving unique ecosystems in the natural resources sector; and (vi) strengthening institutional capacity in sectoral agencies involved in environmental management. ADB's support for environmental activities in PRC is closely aligned with Agenda 21 and the NFYP. Environmental initiatives are included in the 2000-2002 pipeline (e.g, TA cluster for Trans-Jurisdictional Environment Management, ISO 14000 and Environmental Management System; Environmental and Natural Resources Accounting). ADB loans and/or TAs will address significant number of priority areas targeted in the Trans-Century Green Plan such as water pollution control of some major river basins and air and water pollution control in major cities. Several projects in the program have environment as a primary objective and others have environment as a secondary objective. The lending program includes 8 projects with environment as a primary objective and four projects with environment as a secondary objective.

73. Institutional strengthening of concerned agencies involved in environment and natural resources legislation formulation, policy planning, management, and enforcement is a key feature of ADB's capacity building and policy support programs. Over one-third of ADB technical assistance will support broadly defined environmental interventions. ADB has assisted SEPA in building its institutional capacity through several projects, notably in developing the guidelines on environmental impact assessment (EIA) and training staff in EIA

procedures. ADB is also assisting in the development of capacity in other sectoral agencies with environmental responsibilities and management functions (i.e., NPC-Environmental Protection Committee; State Development Planning Commission; Ministry of Science and Technology). ADB has broadened its environmental policy dialogue to cover the use of market-based instruments and tradable permits.

74. The Government has requested ADB to take the lead role among donors in trying to mobilize GEF funds for biodiversity conservation. There is a biodiversity ADTA in the pipeline. ADB is working with the Government to identify appropriate projects to develop a pipeline of GEF eligible projects or adding GEF components to projects in the pipeline (e.g., Songhua River Basin Flood Management, Wetlands and Biodiversity Management; Yunnan Comprehensive Agricultural Development; Efficient Utilization of Agricultural Wastes for Sustainable Rural Development).

D. Governance Dimensions of ADB Operations

75. Since PRC became a member country in 1986, ADB has provided assistance to address various governance issues. ADB assistance has supported efforts to improve the legal and regulatory frameworks (e.g., supervision of the financial sector and capital markets; developing frameworks to promote foreign investment for infrastructure development; environmental legislation and regulation; and drafting economic laws), build capacity for executing agencies and central agencies, and strengthen fiscal, accounting and auditing systems. The Government has been willing to engage in constructive policy dialogue with ADB and has welcomed the policy advice provided by ADB through studies, seminars, and conferences. The Government has given attention to the recommendations and findings of studies prepared under ADB's economic and sector work (ESW) designed to improve development management and governance. A governance profile will be prepared in 2000 and the future program includes one major governance TA each year. In 2000/2001, ADB-funded work will take place which will help to strengthen several important economic laws and regulations (e.g., bankruptcy, company, social security, trust, closing involvement financial institutions, registering commercial and industrial organizations, administrative licensing).

76. ADB's program has also addressed issues of governance within the context of specific policy issues. ADB staff have opportunities to exchange views on issues of governance, including corruption, with the authorities during the course of country operations and all phases of the project cycle (e.g., country operational strategy study, country programming mission, country program review mission, project appraisal, review, and postevaluation). Some assistance has been provided to improve governance and reduce the potential for corruption in the longer term. TA No. 2845-PRC (Establishment of National Procurement Regulations for the Public Sector) has produced six sets of draft regulations and three sets of sample bidding documents that contain provisions related to corrupt and fraudulent practices. Under TA No. 3138-PRC (Regulatory Framework for the Engagement of Consultants), ADB is assisting the Government in developing detailed guidelines for the selection and engagement of consultants, which increase transparency, take account the principles of ADB's anticorruption policy, and provide for equal opportunity competition. Under TA No. 3103-PRC (Strengthening the Government Auditing System), assistance is being provided to help strengthen the Government's auditing system to conform with requirements of the Audit Law and, as far as practicable, international auditing standards. Every ADB loan processing mission draws attention to the anticorruption sections recently added to ADB's Guidelines for Procurement and Guidelines on the Use of Consultants, and ADB's more stringent auditing requirements.

77. ADB's anticorruption policy is intended to reduce the burden that widespread, systemic corruption exacts from the governments and economies in the region. More specifically, ADB's anticorruption policy is centered on three objectives: (i) supporting competitive markets, and efficient, effective, accountable, and transparent public administration as part of ADB's broader work on governance and capacity building; (ii) supporting promising anticorruption efforts on a case-by-case basis and improving the quality of ADB's dialogue with its DMCs on a range of governance issues, including corruption; and (iii) ensuring that ADB's projects and staff adhere to the highest ethical standards. These issues will be addressed in the PRC Program.

E. Gender Dimensions of ADB Operations

78. A country briefing paper on gender issues was completed in 1998 which analyzed gender-related issues and identified factors which should be taken into consideration when designing ADB projects. Because of PRC's lack of access to ADF, ADB has not been able to deepen its involvement in the social sectors which offer the best opportunities to design and implement interventions aimed specifically at women. However gender issues have been, and will continue to be, considered in ADB's program. Specific gender concerns will be identified through the completion of social impact assessments for loan projects, with particular emphasis on those projects located in minority and poverty areas. The special needs of women will be considered while developing resettlement action plans and enterprise restructuring programs. Overall, ADB's gender strategy is to assess the likely impacts on women and build appropriate mitigation measures into project designs to ensure that any negative impacts will not be disproportionately borne by women.

F. Private Sector Operations

79. PRC has successfully attracted large amounts of private funds, mostly for export-oriented, manufacturing plants located on the East Coast. In March 1999, NPC amended the Constitution to recognize the private sector as an important part of the socialist market economy and to protect the legal interests and rights of private enterprise. This is a significant step because prior to the amendment, the private sector was considered as having only a complementary role in the economy. This amendment should accelerate the development of PRC's private sector, which produces about 24 percent of the country's GDP (as against only 0.9 percent in 1979) and employs 78.2 million workers. As a follow-up to the March amendment, the National People's Congress passed a new law on individual enterprises in September 1999. The Law provides the legal framework for setting up and operating private enterprises in the country. The Government also took steps in 1999 to encourage financial institutions to lend to private sector clients and to provide better export rights to the private sector. The full development of the private sector's role in the economy will depend upon the overall policy environment for private enterprise and the availability of investible funds for private sector. Given the large absorptive capacity of the private sector and ADB's limited financial resources for private sector lending, there is a need to be selective and focused in ADB's private sector activities.

80. ADB lending for stand-alone, private sector manufacturing projects on the East Coast is not envisioned in the COS. ADB will seek to improve the environment for private sector investment by: (i) promoting conditions favorable to non-state-sector-led growth; (ii) improving transparency/predictability by strengthening the legal and regulatory framework; (iii) promoting private sector investment in infrastructure; and (iv) promoting foreign capital inflows and investment in PRC through capital market operations, particularly for infrastructure and unlisted enterprises. The program includes several TAs to help the Government promote the

development of the private sector (e.g. Private Sector Policy Development; Financing Policy on Small-Medium Enterprises; Legislative Support for the Investment Funds Law).

81. ADB's private sector lending in PRC will focus on: (i) infrastructure projects; (ii) capital market debt and/or equity funds that target infrastructure, capital market development, enterprise reform, energy conservation, pollution abatement, and development in interior regions; and (iii) stand-alone industrial or financial sector projects with significant reform elements. ADB is playing a lead role in helping to improve the framework for BOT investments in the infrastructure sectors and assisting in the financing of pilot BOT projects, which are awarded on the basis of transparent, competitive bidding. ADB will also use equity investments in domestic financial institutions to improve corporate governance and to introduce best international practice. The private sector projects in the 2000-2002 pipelines include: (i) Hunan Changsha Power Plant; (ii) Hunan Geothermal Power Project; and (iii) Hunan Dongting Coal Gasification Project. ADB is also exploring prospective projects in the water supply and wastewater treatment sectors, the transport sector and equity investments in commercial banks and insurance companies.

IV. Subregional Economic Cooperation

82. ADB is playing a leading role in two ongoing regional programs that include PRC, the Greater Mekong Subregion (GMS) and the Central Asia Region.

83. Through Yunnan Province, PRC is an active participant in ADB-supported regional program to promote economic cooperation in GMS. Several priority subregional projects in the transport and energy sectors involving PRC have been identified. One project in the transport sector with important subregional linkages, the Southern Yunnan Road Development Project, was approved in 1999. This Project was prepared under a regional technical assistance (RETA No. 5728: Chiang Rai-Kunming Road Improvement). A TA for Sustainable Development of Land and Water Resources in the Lancang River Basin Area is under way. In addition to the above projects being undertaken under the aegis of GMS, ADB has identified other projects in the transport, power, and agriculture sectors in Yunnan Province and Guangxi Zhuang Autonomous Region that also have regional implications. Two road projects are in the program: (i) the Yunnan Highway III (tentative) which will link Yunnan to Myanmar, and (ii) the Guangxi Road Development will improve the road in the Vietnamese border. Both projects will benefit from work being undertaken within the GMS framework to facilitate cross border trade. PRC's active participation in GMS is reflected by its strong commitment to provide financing for part of the Lao PDR portion of the Kunming to Chiang Rai Road.

84. ADB is pursuing cooperation in the Central Asian Republics (Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan) and Xinjiang Uygur Autonomous Region in PRC. A series of RETAs are helping the countries identify and prioritize development projects that increase and diversify trade and other economic activities in three sectors: (i) energy, (ii) transport and communications, and (iii) regional payments and trade. A preliminary set of project profiles has been prepared and these have been discussed by country officials at ADB-financed seminars. Several priority projects in the transport and energy sectors involving PRC have been identified. Two projects in the transport sector with important subregional linkages include: (i) Kashgar-Torugart Railway Project, and (ii) Rail Crossing Improvements at the Druzba-Ala Pass (Kazakhstan-PRC Border). In the energy sector, one possible project has been identified: Facilitation of Kyrgyz Electricity Exports to PRC, which has been studied under RETA No. 5663: Kyrgyz Republic and Xinjiang Uygur Autonomous Region Power Development Study.

These initiatives need to be further studied before bankable projects will emerge which can be included in the PRC Country Program.

85. Other donors have also recognized the importance of multiple-country regional development initiatives, such as the UNDP-sponsored Tumen River Basin studies involving Japan, Republic of Korea (KOR), Russian Federation, the People's Democratic Republic of Korea (DPRK), Mongolia, and the PRC. Other regional initiatives are also underway in Northeast Asia. ADB has participated as an observer in some of these activities, but it is difficult for ADB to actively participate in or finance, regional initiatives in Northeast Asia as two of the countries (Russian Federation and the DPRK) are not members of ADB.

V. Donor Activities and Aid Coordination

86. PRC does not have a formal aid group to coordinate its external assistance. Until 1998 external assistance was handled by several agencies such as PBC for ADB and the International Monetary Fund (IMF), the Ministry of Finance for the World Bank, and the Ministry of Foreign Trade and Economic Cooperation for UNDP and the bilateral agencies. As part of the Government's 1998 reorganization, steps were taken to streamline foreign aid management. Responsibility for major lenders to PRC (e.g. ADB; WB; Japan Bank for International Cooperation (JBIC); and most bilateral export credit agencies) was consolidated in the Ministry of Finance. The shift of ADB's window from PBC to the Ministry of Finance was smooth and did not disrupt ADB operations. The Ministry of Foreign Trade and Economic Relations continues to be responsible for the agencies that provide grant financing to PRC. This reorganization should improve the Government's ability to coordinate major donors. The SDPC, under the guidance of the State Council, acts as the coordinating arm of the Government, including the review and approval of projects proposed for external assistance. To promote aid coordination, UNDP Office in Beijing publishes an annual report on development assistance in PRC based on the information submitted by major donors. ADB regularly consults with major donors and contributes to UNDP development assistance report (see [Appendix 3](#)).

87. The World Bank Group provides the largest multilateral development assistance to PRC. Its operational strategy focuses on poverty alleviation, environment improvement, alleviation of infrastructure bottlenecks, and macroeconomic and enterprise reforms. Main sectors of operations include agriculture, transport, energy, industry, education, water supply, and health. In the past few years, the World Bank's annual lending amounted to \$3 billion, which included about \$2.5 billion in International Bank for Reconstruction and Development loans mainly for infrastructure and energy projects, and about \$500 million in International Development Association (IDA) credits mostly for education, rural water, and poverty reduction projects. The World Bank's annual lending program to PRC declined to \$2.09 billion in the current fiscal year with the phasing out of IDA credits on 30 June 1999. The end of PRC's access to IDA is likely to result in less World Bank lending in the health and education sectors.

88. UNDP's fourth country programming (1996-2000), focuses on human resource development, including job creation in inland areas and public administration and management. This differs from UNDP's previous program which concentrated more on infrastructure and industry on the east coast. In addition to its periodic assessments of the economy, IMF provides advice on macroeconomic management, including the development of the legislative framework for strengthening the central bank and commercializing and

restructuring the banking sector. ADB maintains contact with the World Bank, IMF, and UNDP to coordinate policy advice and exchange information on lending programs.

89. Japan, through its JBIC, is the largest source of bilateral financing to PRC and is mainly involved in physical infrastructure (ports, roads, railways, airports, telecommunications, and energy development), water resource development and environment improvement projects. Under the Fifth Yen Credit (1999 and 2000 fiscal years), JBIC committed 390 billion yen (about \$3.7 billion) for 28 projects. JBIC financing for traditional infrastructure sectors such as transport and power will be less dominant than in previous packages. The Japan International Cooperation Agency provides grant and technical assistance in a total amount of about \$140 million equivalent annually. Other sources of bilateral funding are Germany, Australia, Canada, France, Italy, Spain and the United Kingdom, whose financial assistance programs consist of bilateral grants and mixed credits. The programs of most bilateral agencies focus on technological and management improvement, poverty reduction and human development, environment improvement, strengthening institutional capabilities and social development.

90. During Country Programming Missions, the representatives of all major multilateral and bilateral agencies residing in Beijing are visited to exchange views and information. During project processing, concerned donors are also visited. ADB shares information on its operations with all major donors and draws their attention to the availability of the CAP on ADB's Web Page. Efforts are underway to strengthen ADB/WB/JBIC coordination at the sector level. In addition to the joint meeting on the environment in April 1999, other sector level meetings are planned. ADB has shared country operational strategies with the Canadian International Development Agency and the Department for International Development of the United Kingdom, and has held periodic discussions with AusAid. There are formal coordination meetings held on an annual basis with JBIC. Information sharing takes place with the United States Environmental Protection Agency on environmental matters, particularly related to tradable permits. The sectoral operations of major multilateral and bilateral agencies are summarized in Appendix 3. Because of PRC's large absorptive capacity, donors do not compete for projects in PRC. There is, however, room to improve donor coordination by involving other donors more closely in ADB funded TAs on a policy or strategic nature. If ADB established a Resident Office in Beijing, ADB could participate more actively in local donor coordination.

VI. Cofinancing and Catalyzing External Resources

91. From 1987 to 1999, ADB loans to PRC financed only about 34 percent of the total project costs; about 56 percent of the total project costs were financed by Government sources which reflects the strong project ownership. The remaining 10 percent of the project costs was financed by cofinancing. Total cofinancing for PRC projects amounted to \$2.8 billion, of which 85 percent is from commercial cofinancing. Of the total cofinancing, 54 percent (18 projects) are financed from domestic sources. ADB encourages domestic resource mobilization for ADB projects. Cofinancing from external sources has been secured for commercially viable projects, especially in the power sector. Cofinancing from domestic sources, particularly the commercial banks and the China Development Bank, is growing in the PRC operations. It is expected that domestic cofinancing will continue to increase in the near term, although the precise amounts of local cofinancing have not yet been determined for the projects in the CAP.

92. Most of the road and energy projects in the program will involve cofinancing from domestic sources. Much of this cofinancing will come from the China Development Bank.

However there is a growing interest among PRC commercial banks to diversify their portfolios by providing financing for sound development projects in which ADB is involved. In addition to mobilizing domestic cofinancing, ADB will make a concerted effort during the program period to secure cofinancing from the GEF for selected projects.

93. While private sector projects will involve significant amounts of commercial cofinancing from international sources, the public sector program does not involve large amounts for foreign cofinancing. This reflects several factors: (i) *Project Mix*: The Government prefers to use commercial cofinancing for large power generation projects; the forward program does not include such projects; (ii) *Institutional Factors*: In the past export credit agencies were coordinated by the Ministry of Foreign Trade and Economic Cooperations (MOFTEC) while ADB's window as PBC. This institutional set up made it difficult to design projects that involved export credit. Now that ADB and export credit agencies all work with the Ministry of Finance, it may be easier to involve export credit in future ADB projects. However, bilateral grant organizations still work with MOFTEC. Thus difficulties in securing bilateral grant cofinancing for ADB projects are expected to continue; (iii) *Market Conditions*: Interest rates in PRC are currently low and there are adequate funds available to finance infrastructure projects. Thus executing agencies prefer domestic rather than international financing since the interest rate is lower and there is no foreign exchange risk.

94. While PRC's credit rating fared well during the Asian Crisis, international banks and other providers of cross-border debt are concerned about: (i) the highly publicized failure of several NBFIs, the Guangdong International Trust and Investment Company and some systematic weakness of PRC's financial system; (ii) the risk of RMB devaluation; and (iii) weakness in the legal framework affecting BOTs. Because of these concerns, and the reduction in the number of international banks competing for business in PRC, the banks are requiring significantly higher margins, shorter repayment periods and a greater degree of comfort or support from the central Government. However, international banks still want to, and can, effectively price cofinancing for ADB's projects in PRC, but only if they can get support or credit enhancement from ADB, through its partial risk guarantee and/or partial credit guarantee. The potential for greater use of export credit and ADB's partial credit guarantee in PRC is being explored. ADB will increase efforts to brief, through presentations and discussions, Government officials at MOF and the SDPC of the benefits of ADB cofinancing and its credit enhancements plus ADB's capabilities to arrange cofinancing from international financial markets at reasonable terms for infrastructure projects in PRC. These efforts are expected to encourage SDPC to assign larger commercially viable projects for ADB assistance, envisaging cofinancing to be arranged with the help of ADB.

VII. ADB's Operational Program

95. ADB lending, which was \$1,232 million in 1999, is expected to be stabilized at \$1.2 to \$1.3 billion annually. The proposed lending program will be supported by a TA program containing approximately equal numbers of PPTA and ADTA for about \$19 million in 2000 and for around \$15 to \$17 million in 2001 and 2002.

96. The main characteristics of the 2000-2002 loan and TA program are summarized in Table 1. In keeping with the Government's priorities to stimulate the economy through increased infrastructure investment, the 2000-2002 country assistance program remains concentrated on investment in basic infrastructure. About two thirds of ADB's lending will be in the transport and power sectors. Despite this emphasis, traditional economic growth projects

account for only about 26 percent of the proposed program. The majority of projects have social and/or environmental concerns as a secondary objective. The TA program has been restructured by giving priorities to PPTAs and ADTAs which maximize ADB's strategic impact. Two key themes in the TA program are improved environmental management and improved governance. A listing of proposed projects in the pipeline for 2000-2002 is summarized in [Appendix 4](#), and a breakdown by type and sector in [Appendix 5](#). Project profiles for 2000 loans are attached as [Appendix 6](#).

Table 1: Lending and Technical Assistance Program, 2000-2002

A. Public Sector Lending Program

	1998 (Actual)		1999 (Actual)		2000		2001		2002	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a	7	1,162.0	7	1,232.0	8	1,290.0	11	1,400.0	9	1,330.0
ADF	-	-	-	-	-	-	-	-	-	-
OCR	7	1,162.0	7	1,232.0	8	1,290.0	11	1,400.0	9	1,330.0

B. Technical Assistance Program

TA Program ^b	1998 (Actual)		1999 (Actual)		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
	34	23,510	28	19,827	25	19,195	23	15,400	19	13,600

^a The Program comprise of firm projects. Standby projects are shown as firm for the following year.

^b The 2001-2002 TA program is expected to be from \$15 to \$17 million as projects are identified. The drop in TA in 2001 and 2002 reflects the fact that not all TAs in those years have been identified rather than an intention to reduce the number of TAs.

VIII. Economic and Sector Work Program

97. To enhance operational efficiency, a comprehensive home page residing on ADB's intraweb system has been developed for PRC. This will be upgraded in 2000. Additional work will be undertaken to update and improve ADB's PRC geographic information system (GIS). The GIS provides a powerful tool to help better target ADB operations in the poor areas of the PRC. The GIS system identifies both poverty counties and indigenous peoples counties.

98. Fiscal reforms are being supported by a continuing series of technical assistance projects. In 1999, work focused on assessing options for strengthening the municipal budget and revenue systems. Strategically, this study is important as most ADB projects are implemented by local governments which have been granted greater autonomy in fiscal administration. Work under an ongoing TA (TA No. 3253-PRC: Public Infrastructure Investment Policy) will identify: (i) the specific sectors in which PRC's public infrastructure investment should concentrate; (ii) the level of government (central or local) that should be responsible for the various types of public infrastructure investments; (iii) the methods of financing these investments; and (iv) ways of improving the efficiency of public infrastructure investment. The deepening of financial sector reforms will be supported through TA studies that will strengthen the capital markets and the financial sector.

99. The Economic and Sector Work (ESW) has three major themes: (i) governance: the program builds on past successful work in the area of law and development; (ii) environment: the program continues to build on ADB's past successes in both lending and policy advice, and includes more assistance for "green side environmental issues"; (iii) poverty: the program has been structured to address some poverty issues within the constraint posed by PRC's lack of access to ADF. A poverty profile, an environmental profile and a governance profile will be developed for PRC during the program period. To help sharpen the focus of ADB's poverty

reduction efforts, the preparation of a poverty profile and an ADTA for an Urban Poverty Study are under way and the program includes ADTAs for Resettlement and Poverty Reduction and Socio-Economic Assessment of Infrastructure Projects.

100. ADB has been playing a lead role in helping the Government to formulate strategies to address key long-term development issues. The results of this work will be included in PRC's 2020 study, which will outline the Government's policies to guide development in all sectors of the economy for the next 20 years. A follow-on study will focus more on specific policy studies with special reference to ADB's strategic objectives and operations in the country (PRC 2020 III). The results of this work will be reflected in the Tenth Five-Year Plan and will provide inputs for the revision of the PRC COS which is expected to be completed in 2001.

IX. Local Cost Financing

101. ADB operational experience in the PRC, a Group B2 country, shows that domestic resources have consistently been used to meet the larger portion of the financing requirements of ADB-assisted projects. ADB loans, on the average, have accounted for about a third of the total project cost requirements. The use of the proceeds of ADB loans for local cost financing (LCF) has been limited. As of 31 December 1999, of the \$9.6 billion total ADB lending to PRC, only \$398 million was used for local cost financing including local cost financing of \$158 million under the Northeast Flood Damage Rehabilitation Project approved on 22 April 1999. LCF for that project was justified on the basis of the difficulty of local governments, particularly in the poverty counties, in raising additional financial resources for rehabilitation purposes, given that the huge required expenditures for rehabilitation and the income of these local governments have decreased substantially by the damages of the floods. The provision of LCF for the Northeast Flood Damage Rehabilitation Project was consistent with ADB's policy on Rehabilitation Assistance After Disasters and was an exception to the general principle of ADB not providing LCF for PRC. No LCF is anticipated for the loans shown in program. However, minimal use of LCF may be considered for projects located in the less developed inland provinces to address social development and environmental concerns.

PEOPLE'S REPUBLIC OF CHINA
COUNTRY PERFORMANCE INDICATORS

Item	1994	1995	1996	1997	1998	1999 Preliminary
ECONOMIC INDICATORS						
A. Income and Growth						
1. GNP per Capita (dollars, current) ^a	450.0	520.0	620.0	710.0	750.0	...
2. GDP Growth (% in constant prices)	12.7	10.5	9.6	8.8	7.8	7.1
Primary	4.0	5.0	5.1	3.5	3.5	3.0
Secondary	18.4	13.9	12.1	10.8	9.2	8.5
Services	9.6	8.4	7.9	8.2	7.6	7.0
B. Saving and Investment (current market prices)						
	(percent of GDP)					
1. Gross Domestic Investment	41.2	40.8	39.6	38.1	37.8	37.8
2. Gross Domestic Saving	42.6	41.1	40.5	41.5	40.9	39.0
C. Money and Inflation						
	(annual percent change)					
1. Consumer Prices (annual average)	24.1	17.1	8.3	2.8	(0.8)	(1.5)
2. Broad Money (M2) (annual average)	26.2	16.8	18.9	17.3	15.3	14.7
D. Government Finance						
	(percent of GDP)					
1. Total Revenue	11.9	11.1	11.3	12.0	12.8	13.4
2. Total Expenditure and Net Lending	14.7	13.2	12.9	13.8	15.8	16.7 ^b
3. Overall Surplus/Deficit (-)	(2.7)	(2.1)	(1.6)	(1.8)	(3.0)	(3.4) ^b
E. Balance of Payments						
1. Merchandise Trade Balance (% of GDP)	1.3	2.6	2.4	5.1	4.9	3.0 ^c
2. Current Account Balance (% of GDP)	1.3	0.2	0.9	3.3	3.1	1.2
3. Export (\$) growth (annual percent change)	35.6	24.9	17.9	20.9	0.5	6.0 ^c
4. Import (\$) growth (annual percent change)	10.4	15.5	19.5	3.8	0.3	18.0 ^c
F. External Payments Indicators						
1. International Reserves (billion dollars, end of period) ^d	51.6	73.6	105.0	139.9	145.0	154.7
- months of imports	6.7	8.3	9.6	12.3	9.5	11.5
2. External Debt Service (% of exports)	12.6	12.6	12.6	12.6	12.6	...
3. External Debt (% of GDP)	17.6	15.2	14.2	14.6	15.2	15.2
Memorandum Items:						
GDP (current prices, billion <i>yuan</i>)	4,675.9	5,847.8	6,788.5	7,477.2	7,955.3	8,319.0
GNP (current prices, billion <i>yuan</i>)	4,667.0	5,749.5	6,685.1	7,314.3	7,801.8	...
Exchange Rate (<i>yuan</i> per dollar, annual average)	8.6	8.3	8.3	8.3	8.3	8.3
Population (million)	1,198.5	1,211.2	1,223.9	1,236.3	1,248.1	1,260.0

... Not available.

^a Based on World Bank Atlas.^b Budget estimates for the year.^c Customs basis for 1999 and based on balance of payments for other years.^d Beginning July 1992, foreign exchange holdings of the Bank of China are excluded.

Source: Chinese authorities, World Bank, and staff estimates.

PEOPLE'S REPUBLIC OF CHINA
COUNTRY PERFORMANCE INDICATORS

	1985	1990	Latest Year
POPULATION INDICATORS			
Total Population (millions)	1070.6	1153.5	1248.1 (1998)
Annual Population Growth Rate (% change)	1.4	2.3	1.0 (1998)
SOCIAL INDICATORS			
Total Fertility Rate (births per woman)	2.4	2.1	1.9 (1996)
Maternal Mortality Rate (per hundred thousand live births)	...	88.9	62 (1996)
Infant Mortality Rate (below 1 year; per '000 live births)	37.0	32.9	33.1 (1997)
Life Expectancy at Birth (years)	68.3	68.9	70.0 (1997)
Female	70.0	72.0	72.0 (1997)
Male	68.0	69.0	68.0 (1997)
Adult Literacy (%)	...	77.8	83.8 (1997)
Primary School Enrollment (% of school age population)	123.0	127.0	120.0 (1996)
Female	114.0	121.0	117.0 (1995)
Secondary School Enrollment (% of school age population)	40.0	49.0	70.0 (1996)
Female	33.0	42.0	66.0 (1996)
Child Malnutrition (% of under age 5)	21.0	17 (1987)	16.0 (1992-97)
Population Below Poverty Line (%)	14.8	9.4	4.6 (1998)
Income Ratio of Highest 20% to Lowest 20%	6.6	5.5	10.0 (urban, 1996)
Population with Access to Safe Water (%)	...	75.5	86.7 (1996)
Population with Access to Sanitation (%)	...	...	21.0 (1995)
Public Education Expenditure as % of GNP	2.6	2.3	2.3 (1996)
Public Health Expenditure as % of GDP	...	2.1	3.8 (1990-97)
Human Development Index	0.7	0.6	0.7 (1997)
Human Development Ranking	66	101	98 (1997)
ENVIRONMENTAL INDICATORS			
Forestry			
Deforestation			
Total Area (sq. km)	...	...	866 (1990-95)
Annual deforestation (average % change)	...	...	0.1 (1990-95)
Biodiversity			
Nationally protected area			
Area (thousand sq. m)	...	...	598.1 (1996)
As % of land area	...	...	6.4 (1996)
Land Use			
Cropland (% of land area)	11 (1980)	...	13 (1997)
Permanent Pasture (% of land area)	36 (1980)	...	43 (1994)
Air Pollution (Ambient concentrations)			
Particulates ^a (microgram per cu. M)	...	...	377 (1995)
SO ₂ ^a (microgram per cu. M)	...	...	90 (1995)
Global Environmental Problems			
Total CO ₂ emissions (million metric tons)	1476.8 (1980)	...	3363.5 (1996)
Per Capita CO ₂ emissions (million metric tons)	1.5 (1980)	...	2.8 (1996)

... Not available.

^a Refer to Beijing only.

Source: PRC Poverty Profile, ADB; Agrostat, FAO; World Development Indicators 1999, World Bank.

PEOPLE'S REPUBLIC OF CHINA
PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(as of 31 December 1999)

A. Project Portfolio ^b	Net Loan Amount		Rating (No.) ^a									
			Total		Implementation Progress				Development Objectives			
			\$ million	%	No.	%	HS	S	PS	U	HS	S	PS	U
Agriculture and Natural Resources	625.0	9.2	7	13.7	1	5	1	0	0	6	1	0
Energy	1,539.0	22.7	11	21.6	5	5	1	0	1	10	0	0
Finance and Industry	555.0	8.2	4	7.8	1	2	1	0	2	2	0	0
Social Infrastructure	530.0	7.8	4	7.8	0	4	0	0	0	4	0	0
Transport and Communications	3,042.0	44.8	20	39.2	4	16	0	0	0	19	1	0
Others/Multisector	502.0	7.4	5	9.8	0	3	1	0	1	1	2	0
Total	6,793.0	100.0	51	100.0	11	35	4	0	4	42	4	0

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	5,891.0	-	5,891.0
(2) Disbursed amount (\$ mn, cumulative, active loans only)	2,577.4	-	2,577.4
(3) Percentage disbursed [(2)/(1)] (%)	43.8	-	43.8
(4) Disbursements (\$ mn, active loans only, latest year)	819.0	-	819.0
(5) Disbursement ratio (%) ^c	19.3	-	19.3

C. Net Transfer of Resources ^d (\$ million)	OCR	ADF	Total
Net transfer in 1994	390.4	-	390.4
Net transfer in 1995	399.7	-	399.7
Net transfer in 1996	528.3	-	528.3
Net transfer in 1997	376.0	-	376.0
Net transfer in 1998	507.1	-	507.1
Net transfer in 1999	445.3	-	445.3

D. Post-Evaluated Projects (by year of approval)	1968 - 1977		1978 - 1987		1988 - 1999		1968 - 1999	
	No.	%	No.	%	No.	%	No.	%
1. Postevaluation Rating								
Rated Generally Successful (GS)			1	100.0	3	60.0	4	66.7
Rated Partly Successful (PS)			-	-	-	-	-	-
Rated Unsuccessful (US)			-	-	2	40.0	2	33.3
No Rating			-	-	-	-	-	-
Total			1	100.0	5	100.0	6	100.0
2. Postevaluation Rating by Sector								
1968-1999								
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	1	25.0			1	50.0	2	33.3
Energy	1	25.0			-	-	1	16.7
Finance and Industry	1	25.0			-	-	1	16.7
Social Infrastructure	-	-			-	-	-	-
Transport and Communications	1	25.0			1	50.0	2	33.3
Others/Multisector	-	-			-	-	-	-
Total	4	100.0			2	100.0	6	100.0

^a HS - Highly satisfactory; S - Satisfactory; PS - Partially satisfactory; U - Unsatisfactory.

^b Active loans only (excluding closed loans during the year).

^c The disbursement ratio is defined as the ratio of total disbursement in a given year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans which have become effective. "Net loan amount at the beginning of the year" includes all effective loans at the beginning of the year. "Loans amounts of newly approved loans which have become effective" includes loans approved before and after the beginning of the year that have become effective after the beginning of the year.

^d Includes private sector projects.

Source: CIRC Country Detail/PPR (as of 31 December 1999).

**PEOPLE'S REPUBLIC OF CHINA
PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation
Public Sector Projects Only
(as of 31 December 1999)**

Sector ^a	Project Name	Net Loan Amount		Approval	Effectivity	Closing Dates		Physical Progress (%complete)	Cumulative (\$ million)		Project Performance Rating ^b	
		OCR	ADF	Dates		Original	Revised		Contract Awards	Disbursements	Implementation Progress	Development Objectives
		(\$ million)				(mm/yy)						
AGR	Yunnan-Simao Forestation & Sustainable Wood Utilization	77.00	-	Jun-94	Jun-95	Dec-99	-	73	63.84	75.62	PS	PS
AGR	Second ABC	100.00	-	Jan-95	Jul-95	Jul-99	Jan-00	96	100.04	99.82	S	S
AGR	Hainan Agriculture & Nat. Resources	53.00	-	Sep-95	Dec-96	Jun-00	Jun-04	20	2.09	4.63	S	S
AGR	Fujian Soil Conservation	65.00	-	Sep-95	Feb-96	Jun-02	-	83	39.27	44.05	HS	S
AGR	North Flood Damage & Rehab: Inner Mongolia	110.00	-	Apr-99	Aug-99	Apr-02	-	10	9.85	11.42	S	S
AGR	North Flood Damage & Rehab: Heilongjiang	110.00	-	Apr-99	Aug-99	Apr-02	-	10	15.08	18.12	S	S
AGR	North Flood Damage & Rehab: Jilin	110.00	-	Apr-99	Aug-99	Apr-02	-	10	0.78	3.35	S	S
ENE	Guangzhou Pumped Storage Stage II	200.00	-	Aug-93	Apr-94	Dec-99	Jun-00	90	135.85	159.07	HS	HS
ENE	Hunan Lingjintan Hydropower	116.00	-	Sep-94	May-95	Apr-01	-	82	80.35	55.69	S	S
ENE	Qitaihe Thermal Energy & Envtl Imprv	165.00	-	Oct-94	Jul-95	Jun-00	-	60	100.19	76.70	S	S
ENE	Henan Power	200.00	-	Nov-95	Nov-96	Jun-01	-	18	169.17	72.63	S	S
ENE	Fujian Mianhuanan Hydropower	170.00	-	Dec-95	Apr-97	Dec-01	-	38	45.05	11.52	S	S
ENE	Ping Hu Oil & Gas	130.00	-	Dec-95	Dec-96	Jun-01	-	90	82.50	88.39	HS	S
ENE	2nd Industrial Energy Efficiency	149.98	-	May-96	Jan-97	Jun-01	-	70	125.34	122.82	S	S
ENE	Anhui Fuyang Engg Tech Assistance	2.00	-	Sep-96	Apr-97	Dec-98	Dec-99	80	1.37	0.95	HS	S
ENE	Xian-Xianyang-Tongchuan Envt Improvement	156.00	-	Sep-97	Mar-98	Dec-01	-	20	26.84	5.74	PS	S
ENE	Northeast Power Transmission	150.00	-	Nov-97	May-98	Mar-01	-	10	43.59	21.89	HS	S
ENE	Yunnan Dachoashan Power Transmission	100.00	-	Nov-98	Aug-99	Jun-03	-	1	10.21	0.26	HS	S
I&F	Laiwu Iron & Steel Mill	133.00	-	Mar-92	Jul-92	Sep-96	Nov-99	96	113.57	131.78	PS	HS
I&F	Fertilizer Industry Restructuring	250.00	-	Aug-93	Jul-94	Jun-98	Jun-00	85	226.61	239.02	S	S
I&F	Everbright Bank of China	60.00	-	Nov-96	Feb-97	Feb-01	-	96	60.00	57.45	HS	HS
I&F	(AEI) Industrial Pollution Abatement	112.00	-	Nov-96	Oct-97	Jun-01	-	28	59.12	18.50	S	S
SOC	(AEI) Municipal Wastewater Treatment	28.00	-	Nov-96	Oct-97	Jun-02	-	30	12.95	8.03	S	S
SOC	Zhejiang-Shanxi Water Supply	100.00	-	Sep-97	Feb-99	Jun-02	-	42	31.08	9.81	S	S
SOC	Suzhou W/S & Wastewater Treatment	102.00	-	Sep-98	Nov-99	Jun-03	-	8	-	0.07	S	S
SOC	Suzhou Creek Rehabilitation	300.00	-	Jun-99	-	Mar-05	-	0	-	-	S	S

^a Sector:

AGR: Agriculture and Natural Resources

SOC: Social Infrastructure

I&F : Industry and Finance

T&C : Trnspasport and Communications

OTH : Others/Multisector

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially successful; U: Unsatisfactory.

PEOPLE'S REPUBLIC OF CHINA
PORTFOLIO PERFORMANCE

Table 2: Status of Project Implementation
Public Sector Projects Only
(as of 31 December 1999)

Sector ^a	Project Name	Net Loan Amount		Approval	Effectivity	Closing Dates		Physical Progress (%complete)	Cumulative (\$ million)		Project Performance Rating ^b	
		OCR	SF	Dates		Original	Revised		Contract Awards	Disbursements	Implementation Progress	Development Objectives
		(\$ million)		(mm/yy)		(mm/yy)						
T&C	Hunnan Expressway	74.00	-	Nov-93	Apr-94	Dec-98	Dec-99	98	62.15	74.00	S	S
T&C	Yunnan Expressway	150.00	-	Sep-94	May-95	Jan-99	Jun-00	95	124.59	143.29	S	S
T&C	Second Telecommunications	73.00	-	Sep-95	Oct-96	Dec-99	-	100	59.56	65.46	S	S
T&C	Hebei Expressway	220.00	-	Sep-95	Jul-96	Dec-00	-	85	163.59	147.13	HS	S
T&C	Liaoning Expressway	100.00	-	Sep-95	May-96	Jan-00	-	99	88.35	96.93	HS	S
T&C	Yantai Port	63.00	-	Dec-95	Mar-97	Jun-00	-	50	14.09	11.60	S	S
T&C	Fangcheng Port	52.00	-	Jan-96	Jun-97	Dec-99	Jun-01	65	30.35	22.19	S	PS
T&C	Daxian-Wanxian Railway	100.00	-	Jun-96	Dec-97	Dec-00	-	35	52.97	29.51	S	S
T&C	Chongqing Expressway	150.00	-	Sep-96	Jul-97	Jan-02	-	40	76.39	52.70	S	S
T&C	Shenyang-Jinzhou Expressway	200.00	-	Nov-96	Jul-97	Apr-01	-	75	173.41	158.05	HS	S
T&C	Jiangxi Expressway	150.00	-	Nov-96	Mar-97	Jun-02	-	55	81.44	42.69	S	S
T&C	Shenmu-Yanan Railway	200.00	-	Sep-97	Mar-99	Jun-03	-	28	87.28	45.45	HS	S
T&C	Xianmen Port	50.00	-	Nov-97	May-98	Sep-02	-	40	20.52	10.77	S	S
T&C	Hebei Roads	180.00	-	Jun-98	Feb-99	Dec-02	-	48	79.70	29.85	S	S
T&C	Guizhou-Shuibai Railway	140.00	-	Aug-98	May-99	Jun-03	-	30	55.35	24.28	HS	S
T&C	Chengdu-Nanchong Expressway	250.00	-	Nov-98	Aug-99	Dec-03	-	0	168.46	16.98	S	S
T&C	Changchun-Harbin: Hashuang Expressway	170.00	-	Nov-98	Aug-99	Dec-02	-	0	60.77	16.37	S	S
T&C	Changchun-Harbin: Changyu Expressway	220.00	-	Nov-98	Aug-99	Dec-02	-	0	-	0.17	S	S
T&C	Southern Yunnan Road Development	250.00	-	Jun-99	-	Mar-04	-	0	-	-	S	S
T&C	Shanxi Road Development	250.00	-	Sep-99	-	Jun-04	-	0	-	-	S	S
OTH	Qingdao Envtl Improvement	103.00	-	Dec-92	Aug-93	Jun-98	Jun-00	100	76.54	89.36	S	PS
OTH	Tangshan & Chengde Envtl Improvement	140.00	-	Nov-93	Jun-94	Jun-99	Jun-00	92	105.08	115.18	S	HS
OTH	Beijing Envtl Improvement	157.00	-	Nov-94	May-96	Jun-02	-	25	49.42	48.19	PS	PS
OTH	Shanxi Envtl Improvement	102.00	-	Dec-99	-	Dec-03	-	0	-	-	S	S
	Total	6,792.98	-						3,184.69	2,577.44		

^a Sector:

AGR: Agriculture and Natural Resources

SOC: Social Infrastructure

I&F : Industry and Finance

T&C : Trnaspport and Communications

OTH : Others/Multisector

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially successful; U: Unsatisfactory.

**PEOPLE'S REPUBLIC OF CHINA
OVERALL EXTERNAL ASSISTANCE**

External Source (US\$ million)	Period	Ordinary Loan	Soft Loan	Mixed Credit/ Export Credit	Grant Assistance
Multilateral Assistance					
ADB	1998	1202.00			23.50
UNDP	1996-2000				194.08
World Bank	FY1998/1999	1674.40	447.60		
Bilateral Assistance					
Australia	FY1998/1999				85.66
Canada	1998				47.37
France	1997		50.80		
Germany	1998		601.80 ^a	12.80	76.16
Italy	1996-1998		235.80 ^b		14.00
Japan	FY1998	791.46 ^c	3714.3 ^d		140.00
Spain	1997		600.00 ^e		NA
United Kingdom	1999 ^f		23.67	NA	NA
United States	1997			700.00	

^a Including \$304 million of market funds.

^b Includes export credits.

^c Untied loans from ex-Japan Export-Import Bank.

^d FY1999/FY2000

^e Includes some mixed credits and export credit.

^f Planned assistance

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Strategic		Responsible Division	Year of PPTA	PROJECT COST (\$ million)				
	Dev't Objectives ^a				TOTAL	Bank		Gov't	Cofinancing (Others)
	Primary	Secondary				OCR	ADF			Total
2000 FIRM LOANS									
Agriculture and Natural Resources									
1. Yellow River Flood Management	ENV	POV	AEFN	1999	300.0	150.0	150.0	150.0	
2. West Henan Agricultural Development	ECO	POV	AEFN	1999	135.0	50.0	50.0	85.0	
Subtotal					435.0	200.0	-	200.0	235.0
Energy									
1. Hebei Zhanghewan Pumped-Storage Plant	ECO		IEEN	1995/99	940.0	210.0	210.0 ^b	181.0	549.0
2. Wind Power Project	ECO	ENV	IEEN	1998	148.0	60.0	60.0	37.0	51.0
Subtotal					1,088.0	270.0	-	270.0	218.0
Transport and Communications									
1. Chongqing and Guizhou Roads Development	ECO		IETC	1998	1,174.0	320.0	320.0 ^c	656.0	198.0
2. Hefei-Xi'an Railways	ECO	POV	IETC	1999	2,835.0	300.0	300.0	1,313.0	1,222.0
Subtotal					4,009.0	620.0	-	620.0	1,969.0
Social Infrastructure^d									
1. Mudanjiang Water Supply	HD	ENV	AEWU	1999	210.0	100.0	100.0	81.0	29.0
2. Tianjin Wastewater Treatment and Water Resources Protection	ENV	HD	AEWU	1999	375.0	100.0	100.0	133.0	142.0
Subtotal					585.0	200.0	-	200.0	214.0
Total					6,117.0	1,290.0	-	1,290.0	2,636.0
Standby 2000									
Agriculture and Natural Resources									
1. Fujian Soil Conservation and Rural Development II	ECO	POV	AEAR	1999	80.0	80.0	80.0		
2. Efficient Utilization of Agricultural Wastes for Sustainable Rural Development (MOA)	ENV	POV	AEAR	1999	30.0	30.0	30.0 ^e		
Subtotal					110.0	110.0	-	110.0	-
Finance^f									
Transport and Communications									
1. Guangxi Road Development	ECO		IETC	1999	200.0	200.0	200.0		
Subtotal					200.0	200.0	-	200.0	-
Social Infrastructure									
1. Harbin Water Supply	HD	ENV	AEWU	1999	520.0	180.0	180.0	340.0	
Subtotal					520.0	180.0	-	180.0	340.0
Total					830.0	490.0	-	490.0	340.0
2001 PIPELINE									
Agriculture and Natural Resources									
1. Yunnan Comprehensive Agricultural Development	ECO	POV	AEAR	1999	50.0	50.0	50.0		
2. Fujian Soil Conservation and Rural Development II	ECO	POV	AEAR	1999	80.0	80.0	80.0		
3. Efficient Utilization of Agricultural Wastes for Sustainable Rural Development (MOA)	ENV	POV	AEAR	1999	30.0	30.0	30.0 ^e		
4. Ningxia Shapoutou Water Resources and Irrigation Development	ECO	POV	AEFN	2000	234.0	50.0	50.0	184.0	
5. Songhua River Basin Flood Management	ENV	POV	AEFN	1999	330.0	150.0	150.0	150.0	30.0
Subtotal					724.0	360.0	-	360.0	334.0
Energy									
1. Shen-Da Power Transmission and Grid Rehabilitation	ECO		IEEN	1999	100.0	100.0	100.0		
Subtotal					100.0	100.0	-	100.0	-
Finance^f									
1. Commercialization of Smaller Banks	ECO		IEFI	1999	60.0	60.0	60.0		
Subtotal					60.0	60.0	-	60.0	-
Transport and Communications									
1. Shanxi & Shaanxi Roads	ECO	POV	IETC	1999	350.0	350.0	350.0		
2. Guangxi Road Development	ECO		IETC	1999	200.0	200.0	200.0		
Subtotal					550.0	550.0	-	550.0	-
Social Infrastructure									
1. Hohhot & Baotou Urban Development & Waste Management ^g	HD	ENV	AEWU	2000	150.0	150.0	150.0		
2. Harbin Water Supply	HD	ENV	AEWU	1999	520.0	180.0	180.0	340.0	
Subtotal					670.0	330.0	-	330.0	340.0
Total					2,104.0	1,400.0	-	1,400.0	674.0
Total					2,104.0	1,400.0	-	1,400.0	674.0

^a ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; and ENV = Environmental Protection.

^b Cofinancing of \$30 million is envisaged.

^c \$200m for Guizhou and \$120m for Chongqing.

^d ADB may be requested to finance the foreign exchange component of the proposed Zhejiang-Shanxi Water Supply II Project in the amount of \$40 million.

^e Scope and amount may be expanded.

^f ADB has been requested to provide a \$300 million loan in 2000 and mobilize \$200 million for Social Security Reform.

If this loan is incorporated into the country program, a reprioritization of the current program would be required.

^g For further discussion during the 2000 Midterm Review.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Strategic Dev't Objectives ^a		Responsible Division	Year of PPTA	PROJECT COST (\$ million)				
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)
						OCR	ADF			Total
2002 PIPELINE									
Agriculture and Natural Resources									
1. Agriculture and Water Conservation ^b	ENV		AEFN	2000	100.0	100.0	100.0		
Subtotal					100.0	100.0	-	100.0	-
Energy									
1. North Power Transmission	ECO		IEEN	1997	490.0	100.0	100.0	390.0	
2. Inter-regional Power Transmission ^b	ECO		IEEN	2000	210.0	100.0	100.0	110.0	
3. Renewable Energy	ECO	ENV	IEEN	1998	80.0	80.0	80.0		
4. Anhui Yangtze River Acid Rain Control	ENV		IEEN	2000	150.0	150.0	150.0		
Subtotal					930.0	430.0	-	430.0	500.0
Transport and Communications									
1. Southwest Road I (Sichuan Highway)	ECO	POV	IETC	2000	300.0	300.0	300.0		
2. Southwest Road II (Yunnan Highway III - Baoshan-Longlin)	ECO	POV	IETC	2000	200.0	200.0	200.0		
3. Ganzhou-Longyan Railway (Jiangxi-Fujian)	ECO	POV	IETC	2001	200.0	200.0	200.0		
Subtotal					700.0	700.0	-	700.0	-
Social Infrastructure									
1. Hebei Hai and Luan River Development	ENV		AEWU	2000	100.0	100.0	100.0		
Subtotal					100.0	100.0	-	100.0	-
Total					1,830.0	1,330.0	-	1,330.0	500.0

^a ECO = Economic Growth; POV = Poverty Reduction; and ENV = Environmental Protection.

^b For further discussion during the 2000 Midterm Review.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ 000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Fujian Soil Conservation and Rural Development II	AEAR	PP	250.0	-	250.0
2. Financing Options for Agriculture Research	AEAR	AD	150.0	-	150.0
3. Yunnan-Simao Forestation and Sustainable Wood Utilization	AEAR	AD	1,000.0	-	1,000.0
4. Ningxia Shapoutou Water Resources	AEFN	PP	930.0	-	930.0
5. Agriculture and Water Conservation ^a	AEFN	PP	800.0	-	800.0
6. National Strategies for Soil and Water Conservation	AEFN	AD	800.0	-	800.0
	Subtotal		3,930.0	-	3,930.0
Energy					
1. Inter-regional Transmission Lines	IEEN	PP	800.0	-	800.0
2. Acid Rain Control in Yangtze River Basin (Anhui)	IEEN	PP	600.0	-	600.0
3. Corporate Development Strategy for SP	IEEN	AD	700.0	-	700.0
	Subtotal		2,100.0	-	2,100.0
Finance					
1. Commercialization of Smaller Banks	IEFI	PP	1,000.0	-	1,000.0
2. Institutional Strengthening of China Development Bank	IEFI	AD	600.0	-	600.0
3. Financing Policy on Small-Medium Enterprises	IEFI	AD	1,500.0	-	1,500.0
4. Private Sector Development Policy	IEFI	AD	600.0	-	600.0
	Subtotal		3,700.0	-	3,700.0
Transport and Communications					
1. Southwest Roads I (Sichuan Highway)	IETC	PP	600.0	-	600.0
2. Southwest Roads II (Yunnan Highway III)	IETC	PP	600.0	-	600.0
	Subtotal		1,200.0	-	1,200.0
Social Infrastructure					
1. Hai and Luan Wastewater II (Hebei)	AEWU	PP	600.0	-	600.0
2. Hohhot & Baotou Urban Development and Waste Management	AEWU	PP	600.0	-	600.0
3. Urban Solid Waste Management (MOC)	AEWU	AD	600.0	-	600.0
4. National Guidelines for Urban Wastewater Management (MOC)	AEWU	AD	700.0	-	700.0
5. Capacity Building for Social Assessments for Resettlement and Poverty Reduction	SOC D	AD	765.0	-	765.0
	Subtotal		3,265.0	-	3,265.0
Others					
1. TA Cluster for Trans-Jurisdiction Environmental Management (SEPA) ^b	FN/WU/ENV	AD	2,500.0	-	2,500.0
2. PRC 2020 III	PE1	AD	500.0	-	500.0
3. Strengthening MIS and Project Administration of MOF	PE1	AD	500.0	-	500.0
4. Governance Reform/National Procurement Guidelines II	OGC/COPP	AD	1,000.0	-	1,000.0
5. Support for Consulting Industry Associations	COCS	AD	500.0	-	500.0
	Subtotal		5,000.0	-	5,000.0
Total			19,195.0	-	19,195.0

^a For discussion during the 2000 Midterm Review.

^b Including TAs for (i) Legislation and Institutions (ii) Planning Tools and Methodologies, (iii) Trans Century Green Program, and (iv) Yellow River Pollution Control. Budget allocation for each TA will be determined during the 2000 Midterm Review.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ 000)		
			Bank	Others	Total
2001 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Livestock and Feed Economy: Emerging Markets and Policies ^a	AEAR	AD	500.0	-	500.0
2. Biodiversity Conservation ^b	AEFN	AD	600.0	-	600.0
3. National Water Sector Framework	AEFN	AD	800.0	-	800.0
4. Water Saving Practices in the Yellow River Basin	AEFN	AD	400.0	-	400.0
	Subtotal		2,300.0	-	2,300.0
Energy					
1. Shanghai Air Pollution Control ^b	IEEN/AWWU	PP	600.0	-	600.0
2. Clean Technology	IEEN	PP	600.0	-	600.0
3. Study on Power Distribution Policy	IEEN	AD	500.0	-	500.0
	Subtotal		1,700.0	-	1,700.0
Finance					
1. Capital Markets Development	IEFI	AD	500.0	-	500.0
2. Social Security Reform	IEFI	AD	1,000.0	-	1,000.0
3. Financial Sector Restructuring	IEFI	AD	1,000.0	-	1,000.0
	Subtotal		2,500.0	-	2,500.0
Transport and Communications					
1. Southwest Roads III (Guizhou Highway II)	IETC	PP	600.0	-	600.0
2. Ganzhou-Longyan Railway (Jiangxi-Fujian)	IETC	PP	800.0	-	800.0
3. Xi'an Ring Road	IETC	PP	600.0	-	600.0
	Subtotal		2,000.0	-	2,000.0
Social Infrastructure					
1. Chao Lake Urban Waste Management ^b	AEWU	PP	700.0	-	700.0
2. Shanghai Water Supply ^b	AEWU	PP	800.0	-	800.0
3. Beijing Water Supply ^b	AEWU	PP	800.0	-	800.0
4. Socio-economic Assessment for Infrastructure Projects	SOC D	AD	700.0	-	700.0
	Subtotal		3,000.0	-	3,000.0
Others					
1. ISO 14000 and Environmental Management System	ENVD	AD	800.0	-	800.0
2. Environment and Natural Resources Accounting	ENVD	AD	600.0	-	600.0
3. Legislative Support for Investment Fund Law	IEFI/OGC	AD	400.0	-	400.0
4. Economic Aspects of Administrative Law	OGC	AD	600.0	-	600.0
5. Review of Fiscal Reforms	PE1	AD	500.0	-	500.0
6. Governance Reform II	PE1/OGC	AD	1,000.0	-	1,000.0
	Subtotal		3,900.0	-	3,900.0
Total			15,400.0	-	15,400.0

^a May be forwarded to 2000.

^b For discussion during the 2000 Midterm Review.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ 000)		
			Bank	Others	Total
2002 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Rural Finance	AEAR	AD	800.0	-	800.0
2. Planning and Management of Geological Hazards	AEFN	AD	800.0	-	800.0
3. Pearl River Basin Development	AEFN	PP	600.0	-	600.0
4. Assessment of Forest Resource Management	AEFN	AD	600.0	-	600.0
	Subtotal		2,800.0	-	2,800.0
Energy					
1. Henan Baoquan Pumped-Storage Project ^a	IEEN	PP	800.0	-	800.0
2. Power Pricing Strategy	IEEN	AD	600.0	-	600.0
3. Regulatory Framework for Power Sector	IEEN	AD	1,000.0	-	1,000.0
	Subtotal		2,400.0	-	2,400.0
Finance					
1. Establishment of Deposit Insurance Company	IEFI	AD	900.0	-	900.0
2. Development Policy for Mutual Fund Industry	IEFI	AD	600.0	-	600.0
3. Development of Asset-Backed Securities	IEFI	AD	800.0	-	800.0
	Subtotal		2,300.0	-	2,300.0
Transport and Communications					
1. Southwest Roads IV	IETC	PP	700.0	-	700.0
2. Facilitation of the Rail Trade with the Central Asian Republics	IETC	AD	1,000.0	-	1,000.0
	Subtotal		1,700.0	-	1,700.0
Social Infrastructure					
1. Urban Environment Infrastructure Preparation	AEWU	PP	600.0	-	600.0
2. Industrial Urban Environment Improvement	AEWU	PP	500.0	-	500.0
3. Financial Strengthening of Local Government	AEWU	AD	600.0	-	600.0
4. Low Income Housing Sector Study	AEWU	AD	800.0	-	800.0
	Subtotal		2,500.0	-	2,500.0
Others					
1. Environmental Compliance and Enforcement	ENVD	AD	600.0	-	600.0
2. Macroeconomic Policy Support	PE1	AD	300.0	-	300.0
3. Governance Reform III	PE1/OGC	AD	1,000.0	-	1,000.0
	Subtotal		1,900.0	-	1,900.0
Total			13,600.0	-	13,600.0

^a For discussion during the 2000 Midterm Review.

PEOPLE'S REPUBLIC OF CHINA
LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002

Classification	2000 (Firm)		2001-2002	
	No.	%	No.	%
I. By Type				
A. Economic Growth	2	25.0	5	26.3
B. Projects Directly Aimed at Social Concerns	1	12.5	2	10.5
C. Projects Directly Aimed at Environmental Concerns	2	25.0	5	26.3
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	3	37.5	7	36.8
Total	8	100.0	19	100.0
II. By Sector				
A. Agriculture and Natural Resources	2	25.0	5	26.3
B. Energy	2	25.0	5	26.3
C. Finance	-	-	1	5.3
D. Transport and Communications	2	25.0	5	26.3
E. Social Infrastructure	2	25.0	3	15.8
Total	8	100.0	19	100.0

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: West Henan Agriculture Development Project			2. Sector/Subsector: Agriculture and Natural Resources/Agricultural Support Services	
3. Dev. Objective: Primary: GRO Secondary: POV				
4. Rationale: The economic development of West Henan is severely constrained because of its high population density, hilly to mountainous terrain, scarce arable land, harsh climatic conditions, and limited water resources. Average per capita income is Y1,200 (\$145). The incidence of poverty in this region is high at 11 percent, as against 4 percent for the Province; and 12 of the 32 counties in West Henan are nationally designated poverty counties. The region is suitable for the cultivation of a number of temperate fruits and nuts and a variety of Chinese medicinal plants. The region is also becoming a major supplier of beef, mutton, and pork because of the availability of underutilized pastures and cattle and small livestock well adapted to local conditions. The shortage of medium- and long-term rural credit and inadequate potable and irrigation water supply have constrained horticultural and livestock development. The Project is designed to help remove these constraints.			5. Beneficiary Participation/Consultation Needs: As the Project involves 24 counties in West Henan, there is considerable attention to public participation. The main methods involved are public meetings, random interviews in the field, and application of questionnaires. In total more than 1,300 stakeholders were consulted formally. Potential beneficiaries took an active part in drawing up the most suitable environmental protection measures. All project components will be designed and implemented in consultation with the beneficiaries. Activities involving relending of loan proceeds, in particular, will be prepared by the beneficiaries with technical assistance from the implementing agencies.	
6. Objective and Scope: The Project's primary objective is to promote economic growth and increase farm incomes in West Henan to reduce poverty. The Project consists of three components: (i) horticulture development which supports the rehabilitation, development, and improvement of fruit tree crops, medicinal plants; (ii) production of field and greenhouse vegetables; (iii) livestock development which supports household cattle breeding and raising, pure-bred piggeries, and sheep and goat breeding and raising, using crop residues and underutilized grasslands and duck production; and (iii) a water supply and irrigation scheme which provides pumping and conveying facilities to draw and transfer water from the Yellow River to Yima City and Mianchi County to meet their acute rural, urban, and industrial water demands, and to supply water for orchard irrigation and livestock uses.				
7. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m):				Remarks:
Financing (Source)	FC	LC	Total	
ADB	50.0	0.0	50.0	
Cofinancing	0.0	0.0	0.0	
Borrower	0.0	85.0	85.0	
Total	50.0	85.0	135.0	
8. Estimated Benefits and Beneficiary Groups: The Project is expected to benefit 156,000 households directly. Non-farm employment opportunities will be created in pig breeding and water supply. At full development, household incomes are expected to increase substantially. Annually, 93 million cubic meters of water will be supplied.				
9. Executing Agency: Henan Provincial Government (HPG)			10. Project Implementation Period: Start: 2000 End: 2005	
11. Environment Category: A			12. Processing Year: 2000	

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE					
1. Project Name: Yellow River Flood Management Sector Project			2. Sector/Subsector: Agriculture and Agro-Industry/ Agricultural Support Services		
3. Dev. Objective: Primary: ENV Secondary: POV					
4. Rationale: The Yellow River basin's most significant problem is the extremely high erosion of soil from the Loess Plateau, covering 640,000 km ² , or 80 percent of the total catchment area. In high river flows, the sediment is carried, at 1.6 billion t/yr, into the lower river basin. About 25 percent of the sediment is carried through to the sea, the remainder is deposited in the river channel and flood plains. Hence, the river bed is rising at 5-10 cm/yr, and flood control embankments have to be periodically raised. The current flood management plan comprises (i) soil and water conservation in the upper and middle river reaches; (ii) construction of multipurpose reservoirs; (iii) adjustment and improvement of flood control embankments in the lower river reach; (iv) flood retention basins; (v) development and building controls in flood-prone areas; and (vi) planning measures, such as relocation of families living in high risk floodplains. These measures are complemented by flood prediction and warning systems, and an elaborate disaster relief system. In the wake of the 1998 floods in the Yangtze, Songhua, Nen, and Liao river basins, MWR has been directed to prepare and implement a program to overhaul the nation's flood defense system and uniformly improve the standard of flood protection. In the Yellow River, the objective is to strengthen the flood protection system to be able to withstand a 1,000 years average recurrence interval flood.			5. Beneficiary Participation/Consultation Needs: The TA fact-finding mission in June 1999 conducted field visits to the sites of proposed flood control and protection works in Henan Province, and consulted at community level with intended beneficiaries and potentially affected persons. Extensive beneficiary participation and consultation will be undertaken as part of the TA, scheduled to start in the second half of 1999.		
6. Objectives and Scope: The objective of the Yellow River Flood Management Sector Project (YRFMSP) is to reduce flooding and flood hazards in the lower Yellow River through improved management of soil and water resources throughout the river basin. The proposed YRFMSP will assist the Government to realize this objective by financing the strengthening and improvement of flood control works in the lower river basin, such works being designed and implemented in support of other complementary components of the comprehensive flood management plan for Yellow River. The Project will also finance works aimed at securing greater safety for persons living in flood-prone areas, particularly in relation to raising homes above the level of possible flooding and improvement of evacuation routes.					
7. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m):			Remarks: No cofinancing is envisaged for this project.		
Financing (Source)	FC	LC			Total
ADB	150.0	0.0			150.0
Cofinancing	0.0	0.0			0.0
Borrower	-	150.0			150.0
Total	150.0	150.0			300.0
8. Estimated Benefits and Beneficiary Groups: Beneficiaries will comprise 78 million persons living in 110 cities in the "outer" floodplain (73,000 km ²), and 1.8 million people living in 2,100 villages in the "inner" floodplain (4,650 km ²).					
9. Executing Agency: Ministry of Water Resources and Yellow River Water Conservancy Commission			10. Project Implementation Period: Start: 2000 End: 2005		
11. Environment Category: B/A			12. Processing Year: PPTA in 1999 Loan in 2000		

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE					
1. Project Name: Hebei Zhanghewan Pumped Storage Plant			2. Sector/Subsector: Energy/Electric Power		
3. Dev. Objective: Primary: GRO Secondary:					
4. Rationale: The Hebei power system is dominated by coal-fired plants with negligible contribution from other sources such as hydropower for peaking because Hebei lacks these natural resources. Small, old, and polluting coal-fired plants are used to meet the peak load. As a result, system operation is inefficient and costly, and suffers from frequent power interruptions. Consumers covered by the existing rural electrification network suffer from poor power supply because of its inadequate capacity. The Zhanghewan Pumped Storage Project will pump water up to an artificial reservoir on the Laoyemiao Mountain during the night when the system load is low (thus allowing coal-fired plants to operate more efficiently at continuous power for the whole day), and generate peaking power when needed with the same water during the day and evening.			5. Beneficiary Participation/Consultation Needs: The population affected by the inundation will be approximately 3,000 by 2000. Beneficiaries will be consulted through the socioeconomic surveys to be conducted under ADB's ongoing TA, through public meetings and media information		
6. Objectives and Scope: Specific objective is to improve power supply to all consumers by constructing an underground 1,000 MW pumped storage plant in Hebei Province and closing down old inefficient and polluting coal-fired power plants. To improve power supply to rural consumers, the rural electrification network will be strengthened.					
7. Estimated Cost and Financing Plan (\$)			Remarks:		
Loan Project Cost (\$m):			International commercial cofinancing and local cofinancing are anticipated.		
Financing (Source)	FC	LC			Total
ADB	210.0	0.0			210.0
Cofinancing	31.0	518.0			549.0
Borrower	0.0	181.0			181.0
Total	241.0	699.0			940.0
8. Estimated Benefits and Beneficiary Groups: Direct beneficiaries would be power consumers in Hebei who would enjoy more stable peak-load supply. Indirect beneficiaries would be those in surrounding areas who would benefit from reduced environmental damage from use of non-polluting energy source as compared to coal.					
9. Executing Agency: Hebei Electric Power Corporation (HEPC)			10. Project Implementation Period: Start: 2000 End: 2005		
11. Environment Category: A			12. Processing Year: 2000		

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Wind Power Project			2. Sector/Subsector: Energy/Electric Power	
3. Dev. Objective: Primary: ECO Secondary: ENV				
4. Rationale: Combustion of fossil fuels has led to serious local environmental problems in the PRC, notably air pollution. The PRC's fossil fuel-based energy structure implies high and rapidly increasing greenhouse gas (GHG) emissions, which currently account for more than 10 percent of annual global energy-related GHG emissions. The increases in coal use will further exacerbate the PRC's difficulties in mitigating problems of increasing acid rain, and deteriorating urban air quality in most cities, where ambient air pollution concentrations commonly exceed World Health Organization guidelines by three to five times. Reducing environmental damage from coal is an important issue, as annual economic losses due to adverse health impacts and agricultural losses associated with coal-related air pollution in the PRC are estimated to be high as 6 percent of GDP. An aggressive program of energy conservation and development of non-coal energy alternatives, including renewable energy (wind energy, solar, etc.) could limit the increase in GHG emissions in the longer term. With moderate action, the PRC could draw as much as 6 percent of its energy needs in 2020 from renewable energy sources.			5. Beneficiary Participation/Consultation Needs: To the extent possible, beneficiaries will be consulted through the socioeconomic surveys to be conducted under ADB's TA, through public meetings and media information in each of the three provinces/administrative regions.	
6. Objectives and Scope: To develop commercial grid-connected, wind-based electricity generation by establishing four new wind farms (about 102 MW to 172 MW) in Xinjiang Autonomous Region, in Liaoning and Heilongjiang provinces.				
7. Estimated Cost and Financing Plan (\$)			Remarks: Cofinancing from GEF and other bilateral sources is envisaged.	
Loan Project Cost (\$m):				
Financing (Source)	FC	LC	Total	
ADB	60.0	0.0	60.0	
Cofinancing	46.0	5.0	51.0	
Borrower	0.0	37.0	37.0	
Total	106.0	42.0	148.0	
8. Estimated Benefits and Beneficiary Groups: Direct beneficiaries would be the rural/agricultural, commercial, industrial, and household consumers in Urumqi, Xiwaizi and Taizili townships in Liaoning Province and in Jinshen township in Heilongjiang Province as well as indirect beneficiaries in surrounding areas who would enjoy reduced environmental damage from use of non-polluting energy source as compared to coal. In addition, more than 100 million poor rural residents in remote areas currently depend on traditional biomass fuels for most of their energy needs and more than 75 million mostly poor people do not have access to electricity. The expansion of renewable energy use in the PRC is therefore important not only to reduce environmental damage, but also for improving social conditions and reducing poverty.				
9. Executing Agency: Xinjiang Electric Power Co. Ltd, Heilongjiang Electric Power Co. Ltd and Liaoning Electric Power Co. Ltd.			10. Project Implementation Period: Start: 2000 End: 2004	
11. Environment Category: B			12. Processing Year: 2000	

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Chongqing-Guizhou Roads Development			2. Sector/Subsector: Transport and Communications/Roads and Road Transport	
3. Dev. Objective: Primary: GRO Secondary:				
4. Rationale Major roads in the PRC, including Chongqing Municipality and Guizhou Province, are congested and dangerous. Increases in the supply of consumption goods and in passenger travel have led to a faster increase in demand for road transport and other modes. Most roads contain a mix of fast and slow moving traffic, which reduces average speeds and increases road accidents. The Government's strategy for alleviating road transport bottlenecks is reflected in the development of the National Trunk Highway System (NTHS) to build a 30,000 km network of high quality interprovincial highways. As of the end of 1998, ADB has made 11 loans for NTHS sections, including four in the southwestern interior provinces. The Project forms the northern portion of Chongqing-Zhangjiang Expressway (1,129 km), one of the seven priority routes of the NTHS, and links up in Leishandian with the ongoing ADB-financed Chongqing Expressway.			5. Beneficiary Participation/Consultation Needs: A participatory rural appraisal technique was adopted during social analysis as part of the feasibility study to facilitate beneficiary participation in Project formulation and implementation. Public consultation was undertaken during the course of the social analysis using the participatory approach. Local key-persons and households were interviewed in selected towns and villages along the project road to identify current problems as perceived by people in the project area and to address such problems in the project design.	
6. Objective and Scope: The Project will enhance incomes and contribute to reducing poverty in the southwestern Chongqing Municipality and northern Guizhou Province by increasing the capacity of the national, provincial, and county road network. The Project will: (i) improve access of industrial and agricultural enterprises to markets; (ii) improve access of the rural population to market opportunities, social services, and employment; (iii) attract investment through providing additional transport capacity in the project area; and (iv) alleviate congestion and reduce accidents on existing roads. The Project will also support sector reforms relating to non-government financing, road safety, and corporatization of expressway operations. The project scope includes: (i) construction of 174 kilometers (km) of four-lane, access-controlled, toll expressway, including interchanges, bridges and tunnels, and service areas; (ii) upgrading of feeder roads; (iii) procurement of equipment for toll collection, traffic management and safety, communications, maintenance, and administration; (iv) land acquisition and resettlement; and (v) training and consulting services for construction supervision, traffic safety engineering, and monitoring and evaluation.				
7. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m):				Remarks: Cofinancing from local sources is envisaged.
Financing (Source)	FC	LC	Total	
ADB	320.0	0.0	320.0	
Cofinancing	0.0	198.0	198.0	
Borrower	192.0	464.0	656.0	
Total	512.0	622.0	1,174.0	
8. Estimated Benefits and Beneficiary Groups: By reducing the cost of road transport and alleviating traffic congestion, the Project will help accelerate economic and social development in southwestern Chongqing Municipality and northern Guizhou Province. The quantifiable benefits in terms of savings in time and vehicle operating costs for existing and generated traffic, and avoided accident costs will generate an economic internal rate of return of about 15 percent. The financial internal rate of return for the Project is estimated at about 7 percent. The main beneficiaries of the Project will be the residents of the numerous towns and villages, along the route who will benefit from improved access to markets and social services.				
9. Executing Agency: Chongqing Expressway Construction Company and Guizhou Expressway Development Company			10. Project Implementation Period: Start: 2000 End: 2004	
11. Environment Category: A			12. Processing Year: 2000	

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Hefei-Xi'an Railway			2. Sector/Subsector: Transport and Communications/Railways	
3. Dev. Objective: Primary: GRO Secondary: POV				
4. Rationale and Objective Rail traffic on the existing east-west corridor from Liangyungang to Lanzhou has increased rapidly and is congested. The Hefei-Xi'an Railway (the Project) will mitigate bottlenecks for transportation of goods and passengers in the east-west direction. By interfacing with major national railway routes, the Project will help to improve traffic maneuverability and overall efficiency. The project railway will traverse the less developed areas in southwest Shaanxi, Henan, North Hubei, and northwest Anhui provinces. The project influence area with a total population of about 37 million is rich in natural resources but its development has lagged behind the coastal regions. The Project is expected to stimulate industrial and national resources development and help reduce the incidence of rural poverty.			5. Beneficiary Participation/Consultation Needs: Beneficiary consultation and participation will be needed during project preparation and implementation.	
6. Scope: The objectives of the Project are to promote economic growth by providing the necessary transport infrastructure and to create the conditions necessary to improve incomes and living conditions of the rural poor in order to reduce the incidence of poverty. The scope of the Project will include: (i) construction of 954 km Hefei-Xi'an Railway; (ii) environmental protection and mitigation measures; (iii) resettlement of affected persons; (iv) provision of link roads so that the benefits of the improved rail transportation are widely spread in the hinterland particularly in poor areas; and (v) institutional support for commercial operation and establishing appropriate tariffs for improved cost recovery.				
7. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m):				Remarks: Cofinancing from local sources is anticipated.
Financing (Source)	FC	LC	Total	
ADB	300.0	0.0	300.0	
Cofinancing	0.0	1,222.0	1,222.0	
Borrower	468.0	845.0	1,313.0	
Total	768.0	2,067.0	2,835.0	
8. Estimated Benefits and Beneficiary Groups: The Project will remove existing bottlenecks in transportation and benefit rail users, both passengers and shippers of goods. Economic transportation will benefit less developed areas and help provide employment and raise incomes of the rural poor and reduce poverty.				
9. Executing Agency: Ministry of Railways			10. Project Implementation Period: Start: 2000 End: 2004	
11. Environment Category: A			12. Processing Year: 2000	

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Mudanjiang Water Supply			2. Sector/Subsector: Social Infrastructure/Water Supply and Sanitation	
3. Dev. Objective: Primary: HD Secondary: ENV				
4. Rationale: The existing water source for Mudanjiang city is heavily polluted and is becoming unsuitable for the drinking purpose. Mudanjiang city has decided to develop alternative water source to meet the long-term demand for safe drinking water.			5. Beneficiary Participation/Consultation Needs: Beneficiary participation and consultation would be needed during project preparation and implementation regarding project design, demand for water, and construction.	
6. Objectives and Scope: The main objective of the Project is to develop alternative drinking water source and expand water distribution network in Mudanjiang city. The Project will involve (i) construction of a multipurpose dam, water conveyance facilities, water treatment plants, and a mini-hydropower plant, and (ii) expansion of water distribution network.				
7. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m):				Remarks: Cofinancing from China Development Bank is envisaged.
Financing (Source)	FC	LC	Total	
ADB	100.0	0.0	100.0	
Cofinancing	0.0	29.0	29.0	
Borrower	0.0	81.0	81.0	
Total	100.0	110.0	210.0	
8. Estimated Benefits and Beneficiary Groups: About 0.8 million in Mudanjiang city will receive direct benefits from the project through augmented water supply with improved quality. The low-income group living in the fringe areas will receive greater benefits as present water supply to those areas is not adequate.				
9. Executing Agency: Mudanjiang Linhai General Water Supply Company			10. Project Implementation Period: Start: 2001 End: 2005	
11. Environment Category: A			12. Processing Year: 2000	

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Tianjin Waste Water Treatment and Water Resources Protection			2. Sector/Subsector: Social Infrastructure/ Water Supply and Sanitation	
3. Dev. Objective: Primary: ENV Secondary: HD				
4. Rationale: Tianjin is located in the lowest reaches of the Hai River Basin. Of the nine major rivers in the basin, seven flow through Tianjin to Bohai Bay. Due to the untreated wastewater discharged into the rivers, the surface water is heavily polluted. Water quality of the most rivers does not meet the water quality standards even for agricultural water sources and general amenity purposes (Class V). The water quality of Bohai Bay is also deteriorating and annual occurrence of red tide has increased, inflicting considerable damage to ocean fisheries and aquacultural industry. The Government has designated Tianjin as one of the four major cities, requiring urgent intervention in pollution prevention and control on a priority basis.			5. Beneficiary Participation/Consultation Needs: The Tianjin Municipal Government, the project executing agency, will conduct consultations among key stakeholders, some of whom are represented from the Project Leader Group, as Municipal agencies during formulating the Project. This group will meet regularly to advise on the project progress. The municipal government will ensure that the momentum for consultation and beneficiaries' participation be maintained during the project implementation as well as after project completion.	
6. Objectives and Scope: The overall objective of the Project is to improve the water quality in Hai River and protect water resources for Tianjin water supply, and thereby enhance the public health standards and quality of life for residents living in Tianjin. The Project also aims to improve the water quality in Bohai Bay. The scope includes (i) construction of the Beicang wastewater treatment facilities, and (ii) implementation of water resources protection scheme of the existing Luan-Tianjin water diversion system.				
7. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m):				Remarks: ADB financing may be increased. Cofinancing from China Development Bank is anticipated.
Financing (Source)	FC	LC	Total	
ADB	100.0	0.0	100.0	
Cofinancing	0.0	142.0	142.0	
Borrower	74.0	59.0	133.0	
Total	174.0	201.0	375.0	
8. Estimated Benefits and Beneficiary Groups: Project beneficiaries would be 9.6 million people living in Tianjin. The Project will contribute to environmental improvement and public health in two main ways: (i) reduced water pollution through treating wastewater generated, and (ii) improved raw water quality through protecting water resources for drinking water.				
9. Executing Agency: The Executing Agency for the Project will be the Tianjin Planning Commission of the Municipal Government. The Implementation Agencies will be the Tianjin Sewerage Corporation and a water supply company to be created.			10. Project Implementation Period: Start: October 2000 End: December 2005	
11. Environment Category: A			12. Processing Year: 2000	

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)
PIPELINE UPDATE**

PEOPLE'S REPUBLIC OF CHINA

March 2000

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Strategic		Responsible Division	Year of PPTA	PROJECT COST (\$ million)					
	Dev't Objectives ^a				TOTAL	Bank		Gov't	Cofinancing (Others)	
	Primary	Secondary				OCR	ADF			Total
2000 FIRM LOANS										
Agriculture and Natural Resources										
1. West Henan Agricultural Development	ECO	POV	AEFN	1999	152.0	67.0	67.0	85.0		
Subtotal					152.0	67.0	-	67.0	85.0	
Energy										
1. Wind Power Project	ECO	ENV	IEEN	1998	148.0	60.0	60.0	37.0	51.0	
Subtotal					148.0	60.0	-	60.0	37.0	51.0
Finance and Industry										
1. Social Security Reform Program	ECO	HD	IEFI		500.0	300.0	300.0			200.0
Subtotal					500.0	300.0	-	300.0	-	200.0
Transport and Communications										
1. Guizhou and Chongqing Roads Development	ECO		IETC	1998	1,224.0	370.0	370.0 ^b	656.0	198.0	
2. Hefei-Xi'an Railways	ECO	POV	IETC	1999	2,835.0	300.0	300.0	1,313.0	1,222.0	
Subtotal					4,059.0	670.0	-	670.0	1,969.0	1,420.0
Social Infrastructure										
1. Mudanjiang Water Supply	HD	ENV	AEWU	1999	210.0	100.0	100.0	81.0	29.0	
2. Tianjin Wastewater Treatment and Water Resources Protection	ENV	HD	AEWU	1999	405.0	130.0	130.0	133.0	142.0	
Subtotal					615.0	230.0	-	230.0	214.0	171.0
Total					5,474.0	1,327.0	-	1,327.0	2,305.0	1,842.0
2001 PIPELINE										
Agriculture and Natural Resources										
1. Yunnan Comprehensive Agricultural Development	ECO	POV	AEAR	1999	150.0	65.0	65.0	85.0		
2. Efficient Utilization of Agricultural Wastes for Sustainable Rural Development (MOA)	ENV	POV	AEAR	1999	60.0	30.0	30.0 ^c	30.0		
3. Yellow River Flood Management	ENV	POV	AEFN	1999	300.0	150.0	150.0	150.0		
4. Ningxia Shapoutou Water Resources and Irrigation Development	ECO	POV	AEFN	2000	234.0	50.0	50.0	184.0		
5. Songhua River Flood, Wetlands and Biodiversity Management	ENV	POV	AEFN	1999	330.0	150.0	150.0	150.0	30.0	
Subtotal					1,074.0	445.0	-	445.0	599.0	30.0
Energy										
1. Shen-Da Power Transmission and Grid Rehabilitation	ECO		IEEN	1999	300.0	100.0	100.0	200.0		
2. Anhui Yangtze River Acid Rain Control	ENV		IEEN	2000	450.0	150.0	150.0	300.0		
Subtotal					750.0	250.0	-	250.0	500.0	-
Transport and Communications										
1. Shaanxi Roads	ECO	POV	IETC	1999	600.0	200.0	200.0	400.0		
2. Guangxi Road Development	ECO		IETC	1999	600.0	200.0	200.0	400.0		
Subtotal					1,200.0	400.0	-	400.0	800.0	-
Social Infrastructure										
1. Hohhot & Baotou Urban Development & Waste Management	HD	ENV	AEWU	2000	300.0	150.0	150.0	150.0		
Subtotal					300.0	150.0	-	150.0	150.0	-
Total					3,324.0	1,245.0	-	1,245.0	2,049.0	30.0
2002 PIPELINE										
Agriculture and Natural Resources										
1. Fujian Soil Conservation and Rural Development II	ECO	POV	AEAR	1999	200.0	80.0	80.0	120.0		
Subtotal					200.0	80.0	-	80.0	120.0	-
Energy										
1. Hebei Zhanghewan Pumped-Storage Plant	ECO		IEEN	1995/99	940.0	210.0	210.0 ^d	181.0	549.0	
2. North Power Transmission	ECO		IEEN	1997	490.0	100.0	100.0	390.0		
Subtotal					1,430.0	310.0	-	310.0	571.0	549.0
Transport and Communications										
1. Southwest Road I (Sichuan Highway)	ECO	POV	IETC	2000	600.0	300.0	300.0	300.0		
2. Shanxi Roads II	ECO	POV	IETC	1999	600.0	200.0	200.0	400.0		
3. Ganzhou-Longyan Railway (Jiangxi-Fujian)	ECO	POV	IETC	2001	800.0	200.0	200.0	600.0		
Subtotal					2,000.0	700.0	-	700.0	1,300.0	-
Social Infrastructure										
1. Hebei Hai and Luan River Development	ENV		AEWU	2000	100.0	100.0	100.0			
2. Harbin Water Supply	HD	ENV	AEWU	1999	520.0	180.0	180.0	340.0		
Subtotal					620.0	280.0	-	280.0	340.0	-
Total					4,250.0	1,370.0	-	1,370.0	2,331.0	549.0

^a ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; and ENV = Environmental Protection.

^b \$250m for Guizhou and \$120m for Chongqing.

^c Scope and amount may be expanded.

^d Cofinancing of about \$30 million is envisaged.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ 000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Fujian Soil Conservation and Rural Development II	AEAR	PP	250.0	-	250.0
2. Ningxia Shapoutou Water Resources	AEFN	PP	930.0	-	930.0
3. Study on Funding Options for Agriculture Research	AEAR	AD	150.0	-	150.0
4. National Strategies for Soil and Water Conservation	AEFN	AD	800.0	-	800.0
5. GEF Program Approach to Land Degradation	AEFN	AD	100.0	-	100.0
	Subtotal		2,230.0	-	2,230.0
Energy					
1. Acid Rain Control in Yangtze River Basin (Anhui)	IEEN	PP	1,000.0	-	1,000.0
2. Corporate Development Strategy for SP	IEEN	AD	700.0	-	700.0
	Subtotal		1,700.0	-	1,700.0
Finance and Industry					
1. Institutional Strengthening of China Development Bank	IEFI	AD	600.0	-	600.0
2. Development of an SME Credit Support System	IEFI	AD	750.0	-	750.0
3. Development of an SME Financing Policies and Mechanisms	IEFI	AD	750.0	-	750.0
4. Private Sector Development Policy	IEFI	AD	600.0	-	600.0
	Subtotal		2,700.0	-	2,700.0
Transport and Communications					
1. Southwest Roads I (Sichuan Highway)	IETC	PP	1,000.0	-	1,000.0
2. Southwest Roads II (Yunnan Highway III)	IETC	PP	700.0	-	700.0
3. Ganzhou-Longyan Railway (Jiangxi-Fujian)	IETC	PP	800.0	-	800.0
4. Jiangsu Highway BOT (Liyang-Yixing)	IETC	AD	500.0	-	500.0
	Subtotal		3,000.0	-	3,000.0
Social Infrastructure					
1. Hai and Luan Wastewater II (Hebei)	AEWU	PP	600.0	-	600.0
2. Hohhot & Baotou Urban Development and Waste Management	AEWU	PP	600.0	-	600.0
3. Urban Solid Waste Management (MOC)	AEWU	AD	600.0	-	600.0
4. Capacity Building for Social Assessments	SOCDD	AD	781.0	-	781.0
	Subtotal		2,581.0	-	2,581.0
Others					
1. TA Cluster for Trans-Jurisdiction Environmental Management (SEPA) ^a	FN/WU/ENV	AD	1,000.0	-	1,000.0
2. PRC 2020 III	PE1	AD	800.0	-	800.0
3. Strengthening MIS and Project Administration of MOF	PE1	AD	500.0	-	500.0
4. Government Procurement Law	OGC/COPP	AD	500.0	-	500.0
5. Governance and Public Sector Procurement	COPP	AD	500.0	-	500.0
6. Establishment of Sample Survey for Industrial/Commercial Enterprises	EDSD	AD	600.0	-	600.0
	Subtotal		3,900.0	-	3,900.0
Total			16,111.0	-	16,111.0

^a The total TA cluster is \$2.5 million comprising of TAs for (i) Legislation and Institutions; (ii) Planning Tools and Methodologies; (iii) Trans Century Green Program; and (iv) Yellow River Pollution Control. The cluster will be phased in a period of three years.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ 000)		
			Bank	Others	Total
2001 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Agriculture Development and Irrigation	AEFN	PP	800.0	-	800.0
2. Yunnan-Simao Forestation and Sustainable Wood Utilization	AEAR	AD	1,000.0	-	1,000.0
3. Livestock and Feed Economy: Emerging Markets and Policies	AEAR	AD	500.0	-	500.0
4. Biodiversity Conservation	AEFN	AD	600.0	-	600.0
5. Water Saving Practices in the Yellow River Basin	AEFN	AD	400.0	-	400.0
Subtotal			3,300.0	-	3,300.0
Energy					
1. Inter-regional Transmission Lines	IEEN	PP	800.0	-	800.0
2. Renewable Energy	IEEN	PP	600.0	-	600.0
3. North Power Transmission (supplementary)	IEEN	PP	150.0	-	150.0
4. Study on Power Distribution Policy	IEEN	AD	500.0	-	500.0
Subtotal			2,050.0	-	2,050.0
Finance and Industry					
1. Commercialization of Smaller Banks	IEFI	PP	700.0	-	700.0
2. Capital Markets Development	IEFI	AD	1,000.0	-	1,000.0
3. Development of Mortgage-backed Securities (PBC/MOC)	AEWU/IEFI	AD	500.0	-	500.0
Subtotal			2,200.0	-	2,200.0
Transport and Communications					
1. Southwest Roads III (Guizhou Highway II)	IETC	PP	800.0	-	800.0
2. Shanxi Highway	IETC	PP	600.0	-	600.0
3. Xi'an Ring Road	IETC	PP	600.0	-	600.0
4. Poverty-Oriented Road Development Planning	IETC	AD	500.0	-	500.0
Subtotal			2,500.0	-	2,500.0
Social Infrastructure					
1. National Guidelines for Urban Wastewater Management (MOC)	AEWU	AD	700.0	-	700.0
2. Socio-economic Assessment for Infrastructure Projects	SOCD	AD	700.0	-	700.0
Subtotal			1,400.0	-	1,400.0
Others					
1. TA Cluster for Trans-Jurisdiction Environmental Management (SEPA)	ENVD	AD	750.0	-	750.0
2. ISO 14000 and Environmental Management System	ENVD	AD	800.0	-	800.0
3. Environment and Natural Resources Accounting	ENVD	AD	600.0	-	600.0
4. Legislative Support for Investment Fund Law	IEFI/OGC	AD	400.0	-	400.0
5. Study on Strategy of Poverty Reduction in Northern Shaanxi	tbd	AD	450.0	-	450.0
6. Support for Consulting Industry	COCS	AD	500.0	-	500.0
7. Strengthening Accounting Profession	EDEV/CTL	AD	600.0	-	600.0
5. Study on Fiscal Policy to Stimulate Investment	PE1/OGC	AD	800.0	-	800.0
6. Governance Reform II	PE1/OGC	AD	1,000.0	-	1,000.0
Subtotal			5,900.0	-	5,900.0
Total			17,350.0	-	17,350.0

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ 000)		
			Bank	Others	Total
2002 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Pearl River Basin Development	AEFN	PP	600.0	-	600.0
2. Rural Finance	AEAR	AD	800.0	-	800.0
3. National Water Sector Framework	AEFN	AD	800.0	-	800.0
4. Planning and Management of Geological Hazards	AEFN	AD	800.0	-	800.0
5. Assessment of Forest Resource Management	AEFN	AD	600.0	-	600.0
	Subtotal		3,600.0	-	3,600.0
Energy					
1. Anhui Fuyang Thermal Power Plant (supplementary)	IEEN	PP	150.0	-	150.0
2. Power Pricing Strategy	IEEN	AD	600.0	-	600.0
3. Regulatory Framework for Power Sector	IEEN	AD	1,000.0	-	1,000.0
	Subtotal		1,750.0	-	1,750.0
Finance and Industry					
1. Corporate Governance & Industrial Sector Readjustment	IEFI	AD	1,000.0	-	1,000.0
	Subtotal		1,000.0	-	1,000.0
Transport and Communications					
1. Southwest Roads IV	IETC	PP	600.0	-	600.0
2. Southwest Roads V	IETC	PP	600.0	-	600.0
3. Road Development in Western China	IETC	AD	600.0	-	600.0
4. Facilitation of the Rail Trade with the Central Asian Republics	IETC	AD	1,000.0	-	1,000.0
	Subtotal		2,800.0	-	2,800.0
Social Infrastructure					
1. Urban Environment Infrastructure Preparation	AEWU	PP	600.0	-	600.0
2. Industrial Urban Environment Improvement	AEWU	PP	500.0	-	500.0
3. Financial Strengthening of Local Government	AEWU	AD	600.0	-	600.0
4. Study on Urbanization Development Model	AEWU	AD	600.0	-	600.0
	Subtotal		2,300.0	-	2,300.0
Others					
1. Infrastructure Development in Western China	tbd	AD	800.0	-	800.0
2. TA Cluster for Trans-Jurisdiction Environmental Management (SEPA)	ENVD	AD	750.0	-	750.0
3. Environmental Compliance and Enforcement	ENVD	AD	600.0	-	600.0
4. Economic Aspects of Administrative Law	OGC	AD	600.0	-	600.0
5. Provincial Expenditure Review	PE1	AD	600.0	-	600.0
6. Macroeconomic Policy Support	PE1	AD	300.0	-	300.0
7. Governance Reform III	PE1/OGC	AD	1,000.0	-	1,000.0
	Subtotal		4,650.0	-	4,650.0
Total			16,100.0	-	16,100.0