

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2001-2003)**

PEOPLE'S REPUBLIC OF CHINA

December 2000

CURRENCY EQUIVALENTS

(as of 30 November 2000)

Currency Unit	-	Yuan (Y)
Y1.00	-	\$0.1208
\$1.00	-	Y8.2768

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/BOO	-	Build-Operate-Transfer/Build-Operate-Own
CAP	-	Country Assistance Plan
CAPE	-	Country Assistance Program Evaluation
CDB	-	China Development Bank
COS	-	Country Operational Strategy
CPM	-	Country Programming Mission
DFID	-	Department for International Development (of the United Kingdom)
DMC	-	Developing Member Country
EIA	-	Environmental Impact Assessment
ESW	-	Economic Sector Work
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
GEF	-	Global Environment Facility
GIS	-	Geographical Information System
IMF	-	International Monetary Fund
JBIC	-	Japan Bank for International Cooperation
JFPR	-	Japan Fund for Poverty Reduction
LCF	-	Local Cost Financing
LGOPAD	-	Leading Group on Poverty Alleviation and Development
MOCA	-	Ministry of Civil Affairs
MOF	-	Ministry of Finance
MOLSS	-	Ministry of Labor and Social Security
NBFI	-	Non-Bank Financial Institutions
NBS	-	National Bureau of Statistics
NFYF	-	Ninth Five Year Plan
NPC	-	National People's Congress
PBC	-	People's Bank of China
PPAR	-	Project Performance Audit Report
PPTA	-	Project preparatory technical assistance
PRC	-	People's Republic of China
PRCM	-	PRC Resident Mission
RETA	-	Regional technical assistance
SDPC	-	State Development Planning Commission
SEPA	-	State Environment Protection Administration
SOE	-	State-Owned Enterprise

TA	-	technical assistance
TFYP	-	Tenth Five Year Plan
UNDP	-	United Nations Development Programme
WTO	-	World Trade Organization

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

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for the People's Republic of China (PRC) covering the three-year period 2001-2003. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between March and July 2000, in close consultation with the PRC Government and other stakeholders, including non-government organizations. The CAP is scheduled to be discussed with the Board of Directors in October 2000. The assistance plan described in the CAP is indicative and may be revised to reflect future developments.

In June 2000, ADB established its resident mission (PRC Resident Mission or PRCM) which is expected to further deepen ADB's partnership with PRC and allow ADB to provide better services and be more responsive to PRC needs by bringing its operations closer to clients.

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COUNTRY ASSISTANCE PLAN (2001-2003)
PEOPLE'S REPUBLIC OF CHINA

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PEOPLE'S REPUBLIC OF CHINA

I. Country Performance Assessment

1. The People's Republic of China (PRC) successfully weathered the Asian crisis. Three consecutive years of expansionary fiscal policy and interest rate reductions enabled the country to contain the adverse effects of the Asian crisis, maintain a stable exchange rate, and achieve robust growth. Coupled with targeted antipoverty programs by the Government, the robust growth enabled the PRC to continue its commendable progress in reducing poverty. With the completion of the negotiations with the major trading partners for membership in the World Trade Organization (WTO), PRC is entering the 21st century with a sense of achievement based on good socio-economic performance (see Appendix 1).

2. PRC has made remarkable progress in reducing absolute poverty. The number of rural people below the official poverty line (of Y635 per capita income per year) was about 34 million (3.8 percent of the rural population) in 1999. However, PRC's fight against poverty is far from over. World Bank estimates of people living below \$1 per day in 1998 ranged from 106 million¹ (11.5 percent of the rural population) to 230 million people (18.5 percent of the total population)². The incidence of poverty in the interior provinces is much higher than that of national average, especially in the western parts of the country. Poverty is multi-dimensional. Roughly half of children in households at or below the absolute poverty line are at least mildly malnourished. Education and health conditions in the poor areas and poor families are far below the national average. Urban unemployment and poverty were largely nonexistent in the early 1990s, but are now emerging as new economic challenges.

A. Economic Performance Assessment

3. Helped by two successive fiscal stimulus packages (Y100 billion in 1998 and Y60 billion in 1999), PRC's economy grew close to the Government's growth targets of 8 percent in 1998 and 7 percent in 1999. Strong economic growth continued in the first half of 2000 when gross domestic product (GDP) grew by 8.2 percent. For the whole of 2000, GDP growth is likely to be about 7.5 percent. GDP growth will be close to 7 percent over the medium term, 2001-2003.

4. Growth in 2000 is mainly driven by domestic consumption. After slowing for six consecutive years, retail sales grew by 10.1 percent in the first half of 2000, compared to 6.8 percent in 1999. In the first half of 2000, the deflationary trend of the previous two years has been arrested. For the full year 2000, the consumer price index is estimated to increase by about 1 percent. Inflation is forecast to be in the 2-3 percent range during 2001-2003.

5. Since 1998, monetary and fiscal policies have supported domestic demand and growth. Monetary policy has been eased by lowering interest rates and reserve requirements for banks. This overall policy stance continued in 2000. The 2000 targets for broad money supply growth (14-15 percent) and narrow money supply growth (15-17 percent) are similar to those in 1999. As of end June 2000, broad money supply increased at an annual rate of 13.7 percent, and narrow money supply at 23.7 percent. To prepare the economy to the post-WTO era, the People's Bank of China (PBC) is considering introducing mechanisms to gradually allow a greater role for market forces in determining the exchange and the interest rates. The March 2000 Budget continues the expansionary fiscal stance. For 2000, Government expenditures

¹ This estimate is based on a \$1-a-day income norm adjusted for 1985 purchasing power parity.

² This estimate is based on a \$1-a-day consumption norm adjusted for 1985 purchasing power parity.

(IMF definition) are targeted to increase by 17.8 percent, and revenues by 14.2 percent. The deficit in the 2000 Budget is Y320 billion (equivalent of about 3.6 percent of GDP) as compared to Y333 billion (equivalent to 4.1 percent of GDP) in 1999.

6. With the recovery in the Asian economies, PRC's export growth has picked up substantially. Exports, which grew by 6.2 percent in 1999, grew at an annualized rate of 38.3 percent during the first half of 2000. There was an equally strong growth (36.2 percent) in imports. Despite the strong import growth, PRC will post a significant current account surplus in 2000, close to the \$16 billion surplus achieved in 1999. Capital account developments continue to be very difficult to predict, with actual foreign direct investment (FDI) declining by 8.2 percent and contracted FDI increasing by 25.6 percent during January-May 2000. However, with foreign exchange reserves of about \$160 billion, an external debt of \$151 billion, and debt-service ratio of 15 percent, the external payments situation is comfortable.

7. Given the forces of globalization, any unexpected external shock would have negative impacts on PRC's exports, foreign investment inflows, and the growth of the economy. PRC's positive economic outlook is also subject to certain domestic risks and uncertainties: (i) a deterioration in the fiscal situation, and (ii) failure to contain the social costs of state-owned enterprise (SOE) reforms within manageable levels.

8. At about 4 percent of GDP, the estimated fiscal deficit is moderate by international standards. However, this estimate does not give a full picture of the potential fiscal vulnerability as it does not take into account: (i) the quasi-fiscal operations of the Government, (ii) the unfunded pension liabilities of the Government, (iii) the Government expenditures necessary to finance the social security obligations, and (iv) the Government expenditures necessary to cover the unrealized portions of the non-performing loans taken over by the four asset management companies (AMCs). Adjusting for these factors, the fiscal situation is weaker than it appears.

9. As a result of the lay-off of redundant workers and rural migration, urban unemployment and urban poverty have increased in recent years. The official estimate of urban unemployment (3.6 percent) covers only the workers registered with the Ministry of Labor and Social Security (MOLSS). It does not include workers who are laid off as *xiagang* workers (workers who have lost their jobs but keep a legal link to their enterprises and receive a fraction of original salary and benefits). Adjusting for these limitations, urban unemployment rate could be upwards of 10 percent. About half of the estimated 30-35 million surplus workers in SOEs have been laid off by mid-2000. Additional lay-offs are expected in the coming years. The social safety net is yet to be developed to prevent many of the laid off workers from falling into poverty. Failure to contain the social costs of SOE reforms within tolerable levels by reforming the social security system could increase the country's economic vulnerability.

B. Policy and Development Issues

10. Over the medium-term, effective implementation of the recently initiated reforms in the areas of financial and State enterprise sectors, development of the legal and regulatory framework required for a market economy, and promotion of private sector will continue to be challenging tasks. The Government will also have to address two other development challenges: (i) managing the post-WTO reform program, and (ii) reducing interregional socioeconomic disparities.

1. Post-WTO Reform Program

11. PRC is likely to become a member of WTO by the end of 2000. Over the long term, PRC's accession to WTO and the commitments to cut tariffs, liberalize trade and investment, and open up domestic sectors for foreign participation should lead to significant efficiency gains and wider consumer choices. Several studies estimate that the long-term gain from WTO membership to PRC will be equivalent to 1 to 2 percent of GDP. However, some of these benefits will take time to materialize. During the initial years, PRC's membership to WTO will pose several challenges.

12. Cutting import tariffs and liberalizing agricultural imports as part of WTO commitments may result in a replacement of domestic production by imports at the margin and thereby hurt the incomes of farmers. While farmers in the coastal areas may be able to switch to less resource-intensive and higher value-added products (e.g. fruit, vegetables, animal products and aquatic products) farmers in inland provinces may not be able to do so because of the lack of access to technology, and adequate infrastructure. The key challenge for the Government is to enable the farmers to shift from resource-intensive subsectors by disseminating advanced agro-technology and providing better infrastructure and other support facilities, including finance, to farmers. The participation of the private sectors in the areas of distribution, marketing and grading should be encouraged to improve the comparative advantage of domestic producers.

13. The financial position of the banking system needs to be strengthened. Although the Government is making progress in addressing the problem of nonperforming loans through the establishment of AMCs and recapitalizing the banks through bond issues, it will take time to achieve significant results in this area. Subjecting the banks to foreign competition will put pressure on them. Like the banking sector, the insurance sector and pension fund management are not well developed. Most life insurance companies have pay-out obligations that are greater than their current return on investments. Shortages of actuaries and professional management staff have contributed to poor business practices by insurance companies and pension fund management. In terms of quality of service and business skills, the insurance and pension fund management sectors lag behind international best practice. All institutions in the financial sector will have to make serious efforts at adopting best international business and prudential practices so that they can adjust to the international competition that will follow PRC's entry into the WTO.

14. WTO obligations will require PRC to further reform its laws and regulations to (i) honor immediate obligations of being a WTO member, (ii) meet the obligations promised in the bilateral WTO entry agreements which by virtue of the most favored nation clause will become obligations towards all WTO members, (iii) accord equal treatment to the domestic and foreign enterprises as required by the national treatment clause, and (iv) improve the legal framework and supervisory and regulatory system to cope with a more competitive environment.

2. Reducing Inter-regional Disparities

15. Within PRC, not all regions have benefited equally from the exceptionally rapid economic growth during the last two decades. There are growing disparities in regional living standards. Per capita GDP in western PRC is about two-thirds of the national average and only one-third of that in the coastal region. The regional disparities are also reflected in other socio-

economic indicators, such as the incidence of poverty, the primary school enrollment rate, health care facilities, the development of physical infrastructure, and ecological problems.

16. PRC must make a concerted effort to accelerate growth in the poor central and western regions. The Government is aware of the need to promote development in the poorer interior provinces. Since more than half of the absolute poor live in the western region, a growth strategy geared toward developing the western parts of PRC will be a pro-poor growth strategy. The March 2000 session of the National People's Congress endorsed the "go west" policy, a pro-active strategy to promote growth and development in the western region. The formulation of the Tenth Five-Year Plan (TFYP) is an opportune time to develop an integrated strategy to develop the central and western regions and address the high incidence of poverty in these regions.

17. Developing infrastructure, both physical and social, should constitute the core of any strategy to promote socioeconomic development in the central and western regions. Good physical infrastructure creates conditions necessary to attract private investment and facilitate economic growth. The development of physical infrastructure must be complemented by investments in social infrastructure, particularly health and education. Typically, the burden of providing health and education falls most heavily on the local governments. In poor areas, the fiscal base of local governments is weak. The fiscal system needs to be strengthened to supplement local fiscal resources to ensure that basic national standards for health and education are met in western PRC. Also, major ecological and natural resource issues must be addressed in the central and western provinces.

C. Poverty Assessment

18. Poverty reduction is a key priority of the Government. Since the "8-7 Poverty Reduction Program" began in 1994, annual Government spending on poverty reduction has increased by 150 percent.³ In 2000, the budgeted funds for poverty reduction programs amount to Y24.8 billion, a 4 percent increase from 1999 (Y15 billion for subsidized loans; Y5 billion food for work; Y4.8 billion in budgetary grants). Additional funds contributed by local governments in the nationally-designated poverty counties amount to 30-50 percent of the Central Government's inputs.

19. There are several estimates of rural and urban poverty in the PRC using different methodologies. PRC's official poverty line for rural areas is very low, Y635 per capita income per year, and reflects absolute poverty based on the minimum subsistence necessary to sustain life. Measures of absolute poverty based on official poverty line do not address quality of life issues. ADB takes a broader view of poverty and research is ongoing to develop better estimates of poverty in PRC.

1. Rural Poverty

20. Whatever estimate of poverty is used, rural poverty today is significantly lower than in 1994 when the 8-7 Poverty Reduction Program was started. The number of absolute poor in rural PRC has fallen from 70 million in 1994 to 34 million in 1999. Using the \$1 per day income based figures, the reduction was from 237 million in 1994 to 106 million in 1998. The rural poor live largely in areas in the western and central regions. Minority nationalities, who often live in the more isolated areas, are proportionally over-represented among the rural poor. About half

³ Annual spending on poverty reduction has increased by over five fold since 1986 when the current structure of poverty reduction programs was adopted.

of the rural poor live in the 592 nationally-designated poverty counties. There are about 10 million poor disabled or handicapped people, including old people without spouses and people without sufficient income mainly in remote areas. A May 2000 International Poverty Reduction Conference in Beijing, was jointly sponsored by the Leading Group on Poverty Alleviation and Development (LGOPAD), ADB, the World Bank and United Nations Development Programme (UNDP). The conference concluded that the poverty county targeting system is an effective means of planning large investments, especially for infrastructure, in poor areas but that the targeting of the poor living outside of the poverty counties needed to be strengthened. The Conference also concluded that PRC should redefine its poverty line. Until more research is done, ADB is using a rural poverty line of Y1,000.

2. Urban Poverty

21. While rural poverty is decreasing, urban poverty has been increasing since the mid-1990s. There are three groups of urban poor: (i) the hard-core urban poor comprising the disabled and elderly without family support, (ii) laid-off workers, and (iii) migrant workers. PRC has not officially adopted an urban poverty line. There are no consistent estimates of urban poverty in PRC. In 1997, the Development Research Center (DRC) estimated an urban poverty line of Y1,700 per person per year. Based on these figures and various domestic research studies, it is estimated that the urban poor range from 12 million to 15 million people (about 4 percent of the urban population). Many urban poor are workers whose family members have been laid off as a result of SOE reforms. The May 2000 Poverty Conference agreed that urban poverty lines should be two to three times those of rural poverty lines. Until more research is done, ADB will use an urban poverty line of Y2,000 in inland cities and Y3,000 in the coastal region.

22. The response of the Government to the increasing urban unemployment and poverty has been two fold: (i) introduce safety net programs in urban areas; and (ii) promote the development of small and medium enterprises (SMEs) and the tertiary sector to create new jobs. In 1997, the State Council issued a circular under which all cities and towns were required to establish social relief schemes for the urban poor by the middle of 1999. In September 1999 the State Council promulgated the Regulations on the Minimal Living Standard for Urban Residents. Under these programs, laid-off workers are being trained at re-employment centers and will receive some living allowances for a maximum of three years. If they fail to get a new job within the period, they will receive unemployment insurance for an additional two years. Those who fail to get new jobs after receiving the two years unemployment insurance and have income less than the Minimum Living Standard, will be entitled to a minimum subsistence allowance managed by the Ministry of Civil Affairs (MOCA). However these schemes, which are funded by central and local governments and managed by the municipal governments, are still in the formative phase. The operational and financial capacity to undertake urban poverty relief varies widely across cities.

3. Future Strategy

23. The Government and ADB agree that poverty issues should be tackled from the following perspectives: (i) creating the conditions for pro-poor economic growth by providing the necessary physical infrastructure in the poorer interior provinces, particularly in poverty counties, and designing projects to include direct benefits to the poor as well as to stimulate pro-poor economic growth; (ii) encouraging natural resource management to sustain agricultural production in poor areas, protecting against disasters and bad living conditions, and targeting rural development projects towards the needs of the poor; (iii) 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; (iv) ensuring affordability of project benefits by beneficiary income level (e.g. life line tariffs); and; (v) ensuring that resettlement components of projects do not worsen living standards by paying special attention to the effects of projects on women and minority groups; (vi) broadening ownership in designing and implementing poverty reduction projects to include local governments, the private sector, and non-governmental organizations; and (vii) establishing close liaison with the LGOP to facilitate further poverty-related research, monitoring and participatory approaches on all aspects of ADB operations down to the village level.

D. Assessment of Socio-Environmental Performance

1. Gender Issues

24. Women account for 49 percent of the PRC's population. PRC has made continued efforts to improve the health, education, economic, legal and social status of women. There is 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. In 1995, the Government adopted the "Chinese Women's Development Program (1995-2000)".

25. At about 75 percent, PRC has one of the highest female labor participation rates in the world. Wage rewards for women for productivity-related characteristics, such as education and experience, have increased as the market oriented reforms have progressed. PRC's other gender equality indicators such as female life expectancy and enrollment rates of girls at various educational levels also compare favorably with other countries at a similar stage of development.

26. While the transition to a market economy has had many clear benefits for women, the adoption of market-oriented reforms has also resulted in some gender inequality. The rapid diversification of both on and off farm employment opportunities is also shifting the traditional division of labor between men and women. There have been also reports in the PRC media of women farmers being deprived of equal rights to contract land.

27. Since 1995, poverty alleviation has attracted public attention in PRC. Local women's groups, government departments and international organizations have helped rural women out of poverty by teaching advanced farming skills and providing them small loans. However, most poverty-alleviation projects in PRC do not separate women from men nor provides special support to women.

2. Human Development

28. Using the United Nations Human Development Index, PRC ranked 99th out of 174 countries in 1998. PRC's commendable progress in social development since 1978 reflects: (i) the rapid economic growth that has been remarkably pro-poor; and (ii) the increased budgetary allocation to the social sectors, with spending estimated at Y10 billion per annum. On some indicators of quality of life such as life expectancy, under-five mortality, and access to safe water, PRC has reached the level of middle income countries. On other indicators such as the absolute level of deprivation, income inequality, literacy/educational attainment, and the incidence of preventable diseases, PRC's performance is better than many middle income

countries. However, in terms of indicators such as maternal mortality rate, child malnutrition, and access to sanitation (especially in poor areas), PRC's performance is less impressive.

29. As a percentage of GDP, PRC's social sector expenditure compares well to other countries in the Region, most of which have higher per capita incomes. At 2.6 percent of GDP, PRC's education expenditures are higher than Indonesia and the Philippines but is lower than Malaysia, the Republic of Korea, Thailand and Singapore. At 2.1 percent of GDP, PRC's health expenditures are lower than in the Republic of Korea, it is higher than Thailand, Singapore, Malaysia, the Philippines and Indonesia. Despite this level of expenditures, the provision of health services in rural areas has deteriorated.

30. Under its program of education for all, the Government plans to extend universal primary education to 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 at the university level) compared to most other countries in Asia. This is causing a shortage of skilled labor in key sectors of economy (e.g. finance, auditing, accounting and information technology). In response, the Government is introducing a nine-year compulsory education program and taking steps to increase higher education enrolment.

3. Environment

31. PRC experiences severe air, water and solid waste pollution in most cities and natural resources degradation in rural areas, which threatens PRC's sustainable development. The Government has become increasingly aware that the environmental stability is critical to sustainable development, and poverty reduction. Addressing these problems is now a priority for the Government. In recent years, with assistance from ADB, PRC has initiated a comprehensive program of improving the legal and regulatory framework for environmental management, including the revision of the Water Pollution Prevention and Control Law, preparation of the new Land Administration Law, and the revision of the Penal Code relating to environmental crime. The main features of PRC's Agenda 21 are to: (i) enforce a total load control policy to maintain the total pollution load from industries within the 1995 levels in spite of rapid industrial growth; (ii) increase the pollution levies to equal or exceed the waste treatment cost; (iii) increase the use of market-based economic and financial instruments; (iv) promote the use of clean production technology; and (v) adopt a comprehensive master plan of environmental projects commonly called the Trans-Century Green Program.

32. As part of the Government's efforts to strengthen the environmental legislation, regulations and enforcement, the Air Pollution Prevention and Control Act was amended in April 2000. The State Council and local governments at all levels are now required to incorporate atmospheric protection in economic and social development plans. The April 2000 Amendments promote the use of cleaner production through the use of more efficient processes, use of clean fuel such as low sulfur coal and natural gas, and reuse of waste materials by controlling the quantity of pollutant discharge per unit of production. The Amendments also include a chapter on the control of automobile emissions and provide a legal basis for the implementation of emission trading on a trial basis. Increasingly, market-based incentives are being used to complement administrative measures to encourage environmentally friendly behavior. Future priorities to strengthen the environmental legal framework include drafting laws related to evaluating environment changes, clean production, preventing sandstorms and desertification and controlling pollution from radio-active substances. There is also a recognition on the need to develop a law on the comprehensive utilization of natural resources.

33. The total investment for environment in the first four years (1996-1999) of the Ninth Five-Year Plan (NFYP) was equivalent to about 0.9 percent of GDP. In 1999, total environmental investment for the first time reached 1 percent of GDP (82 billion yuan).⁴ Key priorities listed in the draft TFYP for environmental protection include: (i) utilizing market based instruments to promote cleaner production and enforcement of environmental regulations; (ii) strengthening the key institutions for environmental management; (iii) promoting sustainable development in agriculture, urban planning and industries; (iv) promoting natural resources conservation and ecological protection; (v) according priority to transboundary and global environmental issues.

E. Governance

34. Since 1978, as part of the transition towards a market economy, the Government has undertaken many reforms to strengthen governance. These include initiatives to improve accountability in public administration and corporate governance, enhance participation of stakeholders in the decision making process, and promote transparency and predictability in public policy formulation. Despite the significant progress achieved to date, much remains to be done.

35. The 1998 Government restructuring and downsizing, in particular spinning –off commercial operations to independent holding companies, will improve accountability by distancing organs of state from commercial activities. This builds on the separation of the military from business entities in 1998. Ongoing efforts to amend the Company Law and the Bankruptcy Law, coupled with the closing of a growing number of SOE's, demonstrate Government's commitment to improve corporate governance and to hold accountable SOE's that fail to perform.

36. Participation is promoted through a wide range of organizations, including over 700 000 non-Government (*fei zhengfu*) and non-SOE (*fei guoqi*) organizations, international non-governmental organizations, social societies (*shehui tuanti*) and village committees. For example, Article III of the PRC Constitution officially recognizes the village committee as the basic administrative unit and mandates direct elections for village leaders, and all villages are expected to hold elections by 2000⁵. Participation mechanisms are also used extensively when resettlement and compensation issues are involved. ADB supported projects, such as the Land Administration Law and the National Guidelines for Water Tariff, require public consultation with affected communities. Public comments by letter or E-mail are being sought on the draft Tenth Five Year Plan.

37. Since 1993, PRC has been undertaking the formidable task of developing a legal system that is responsive to the needs of a market economy, with support from the ADB. Significant progress has been made, such as enshrining the rule of law in the PRC Constitution in 1999. According to the legislative work program for 1999-2003, PRC plans to amend a number of existing economic laws, prepare a set of new laws and draft implementing regulations for several other laws. The Accountancy Law was revised in June 1999 to bring PRC accounting standards in line with international best practice. Other important laws that will be drafted or revised include the bankruptcy law, the trust law, the social security law and the regulation for winding up insolvent financial institutions.

⁴ Environmental investments account for about 2 percent of GDP in the United States, and 1.5 percent in Europe and Japan.

⁵ Since 1997, a secret ballot procedure has been put in place.

38. The Government is gradually ratifying the conventions on labor standards adopted by the International Labor Organization (ILO), with 20 of the 100 active standards ratified so far. Of the eight core ILO conventions⁶, PRC has ratified two: Convention 100 relating to equality of opportunity and treatment and convention 138 relating to minimum age. The Government is considering the ratification and convention 111, as well as major non-core conventions concerning safety and health in construction, minimum standards on merchant ship, labor administration and labor inspections in industry and commerce.

39. Public access to information has improved since the 1980s, although the media is still Government controlled. Internet penetration has the potential to vastly accelerate access to information. By the end of 1999, PRC had over 15,000 websites, of which 700 were news-related. Survey data indicate that 4.3 million urban households (roughly 14 million residents) have access to the internet, with penetration significantly higher in the coastal areas⁷ than the southern inland areas⁸.

40. Although economic information is still guarded more closely in PRC than in some other countries, Government recognizes that a market economy requires improved access to accurate, timely economic information. Statistical data are regularly published in Chinese, English, and other major languages. Questions remain regarding the reliability of the information since data from the administrative reporting system are relied upon in the compilation of national accounts, but this reporting system is managed entirely by the local governments and there is minimal validation control in the system. The Government is aware of these issues and has initiated some changes in its data collection process. Improved corporate information is also expected, following the requirement in 1999 that 5,000 of the biggest enterprises report data directly to the National Bureau of Statistics (NBS). The Government has requested technical assistance from ADB for the establishment and improvement of its sample survey system for industrial and commercial enterprises in 2000.

41. The Government launched a fierce attack on corruption, embezzlement, and the illegal use of public funds in 1998, which has continued in 1999 and 2000. 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 introduced measures to abolish affiliations between Government and business, including separating 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, strengthen its audits and set up a body to punish corrupt officials. Some senior officials who have been involved in corrupt practices have been arrested and punished.

⁶ The eight core ILO conventions 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).

⁷ Beijing, Shanghai, Tianjin, Shandong, Liaoning, Guangdong, Hainan, Fujian, Zhejiang and Jiangsu.

⁸ 3.2 times the number in Hubei, Hunan, Jiangxi, Anhui, Guangxi, Chongqing, Sichuan, Yunnan and Guizhou.

F. Implementation Assessment

1. The Portfolio

42. Findings of the 1998 Country Assistance Program Evaluation (CAPE)⁹ for PRC continue to be integrated into portfolio management. The CAPE 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. ADB operations were concentrated in the financial and industrial sectors during 1986-1990. During the 1990s, the focus 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 ADB's technical assistance program had been effective in the environment, and infrastructure sectors and in providing policy support for fiscal reform but had not led to strategic impacts in the financial, enterprise and 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.

43. The major recommendations in the CAPE have been discussed with the Government. This is reflected in a streamlined and better targeted TA program. Consistent with the CAPE's recommendations, TA 3375-PRC: Project Performance Management Capacity Building was provided to strengthen the capacity of the Project Inspectorate in SDPC and a follow-up TA is now included in the program. Linkages and implementation arrangements with the GEF (Global Environment Facility) are being developed to expand ADB's environmental activities to address green side environmental issues. In May 2000, ADB was requested by the Government to assist it in preparing a GEF Partnership Program focussing on the protection of deteriorated eco-environmental areas in the western region. High level policy dialogue involving Management led to an agreement that ADB could 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 institution to make a loan to support social security reform in PRC.

44. Early postevaluation results have been mixed. Of the six project performance audit reports (PPAR) carried out for PRC, four 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 incorporated in the design of subsequent projects in the respective sectors.

45. 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 amounted to \$9.4 billion with contract awards and disbursements reaching \$5.5 billion and \$4.9 billion, respectively. PRC's 19.3 percent disbursement ratio exceeded the ADB-wide average of 17.6 percent. ADB's lending focuses on physical infrastructure with more than 65 percent of the portfolio concentrated in the transport/communications and energy subsectors. Detailed portfolio performance indicators are given in Appendix 2. ADB had provided 328 technical assistance

⁹ The first broad-based evaluation conducted by ADB's Operations Evaluation Office.

totaling \$166.6 million as of 31 December 1999. Project preparatory TAs (PPTAs) accounted for 28 percent of the total number of TAs.

46. As of May 2000, all ongoing projects (i.e. 30 projects) had submitted audited financial statements. However, some of the submissions were late. The full compliance rate audited financial statements for PRC was 63 percent as against ADB average of 61 percent.

47. 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. The recent changes in institutional arrangements and approval authority should have a substantial positive impact on ongoing and future ADB operations. However, the changing bureaucratic environment may exacerbate institutional problems and delay approval formalities during the transition period.

2. Issues in Project Implementation

48. PRC has demonstrated a strong project implementation capability. The good project quality and implementation experience reflect the strong sense of project ownership that prevails among all agencies involved in the design, implementation, and management of projects as well as the rigorous screening and approval process for development projects, particularly those proposed for external assistance.

49. Despite the overall satisfactory portfolio performance, implementation difficulties have affected some ADB-financed projects. Seven portfolio issues need to be addressed: (i) *Implementation Capacity*: 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 Coastal Region. Careful monitoring and support from ADB is needed to facilitate the implementation of projects in the inland provinces; (ii) *Counterpart Funds*: Because of the Government's large domestic stimulus package, the availability of counterpart funds has generally not been a problem for infrastructure projects. However, some projects in other sectors, particularly those involving financially independent entities, have experienced counterpart fund problems. Therefore, this issue will need to be carefully monitored as the domestic stimulation package winds down and ADB projects are increasingly located in the poorer interior provinces; (iii) *Procurement*. While procurement is generally undertaken efficiently in PRC, there have been some instances in the power and transport sectors of delays in implementation caused by procurement problems. In some cases, ADB has refused to finance contracts that were not awarded in a manner consistent with ADB procurement Guidelines. Efforts need to be made to avoid repetition¹⁰; (iv) *Resettlement*: Resettlement is generally done well in PRC and adequate remedial actions are being taken during the implementation. However, ADB needs to be involved from the earliest stage when large-scale resettlement is required; (v) *Reporting*: Some executing agencies are late in submitting required progress reports or fail to submit the reports. This makes it difficult to monitor project implementation issues from the Headquarters; and (vi) *Delays in Loan Signing and Effectiveness*: Loans approved have experienced average delays of about 9 months before being declared effective, implying implementation delays and the loss of part of the grace period.

50. The establishment of the PRC Resident Mission (PRCM) in Beijing in June 2000 will foster closer interactions with stakeholders, including Government officials, NGOs, private sector and other donors, and enhance ADB's local knowledge. This presence in Beijing will

¹⁰ ADB's adoption of mandatory standard bidding documents and the passage and implementation of the Tendering and Bidding Law should help to prevent such reoccurrences.

increase ADB's development impact. Because of its local presence, local knowledge and proximity to executing agencies, the PRCM will enable ADB to collaborate more closely with the Government in project planning and design and contribute to improving ADB's portfolio management and project administration. The PRCM is expected to provide follow-up in such areas as TA approvals, loan effectiveness, appointment of consultants, procurement, disbursement, and the timely release of counterpart funds.

II. Country Operational Strategy

51. ADB's Country Operational Strategy (COS), which was informally discussed by the Board in February 1997, has three broad objectives: (i) improving economic efficiency; (ii) promoting growth to reduce poverty in poor inland provinces; and (iii) enhancing 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 in PRC.

52. Until 1995, around two thirds of the location-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 these percentages so that ADB projects help promote growth in the poorer inland provinces. In line with this strategy, most projects that are location-specific during the period 2001-2003 are located in the poorer central and western regions (65 percent by number and 76 percent by amount of lending).

53. 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, water supply and wastewater); finance and industry; social security; and agriculture and rural development; and (iii) promoting sound environmental management 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 and the development of a social safety net; (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.

54. While the details of the TFYP will be announced in March 2001, the Government approved its strategic direction in October 2000. The main strategic thrusts include: (i) maintaining high growth in next five years; (ii) increasing farmer's income; (iii) developing the Western Region; (iv) supporting private sector/service sector development and SOE reforms; (v) preparing WTO entry; (vi) establishing social security system; and (vii) pursuing political reform. A new COS will be prepared in 2001 to ensure that ADB's assistance strategy is supportive of the development strategy of TFYP. As part of the preparatory work for the COS, a conference on PRC's Long-term Economic Prospects and Challenges was held in ADB Headquarters in June 2000. Senior Government officials and other experts from PRC made presentations on several key issues relating to PRC's socioeconomic development over the next decade (e.g. long term growth prospects, poverty, fiscal reform, social security reform).

55. The findings and recommendations of the ongoing study on the Policy Support for PRC 2020 Project will be used as inputs for the new COS. In line with the general endorsement on

the ADB's initial thoughts presented to the May 2000 Poverty Conference, discussions will begin on a Poverty Partnership Agreement by the end of 2000. These discussions will draw on several ongoing studies.¹¹

III. Sector Strategies

A. Agriculture

1. Agriculture and Rural Development

56. Food security and the improvement of market mechanisms will continue to be the central goal of PRC's agricultural policy. The National Long-Term Economic Plan calls for annual farmer income growth of 4 percent, maintenance of "near" food self-sufficiency, and elimination of absolute poverty in rural areas. Past emphasis on grain production has resulted in the conversion of some fragile ecosystems - wetlands, forests and pastures - into cultivated lands. Given the arable land constraints (0.1 hectare per capita and declining), efforts must focus on using an integrated approach to agriculture that promotes sustainability and environmental protection while increasing productivity and developing marginal land.

57. Consistent with these goals and constraints of agricultural policy, the key elements of the government's agricultural development strategy include: (i) protecting arable land from desertification and urban/industrial encroachment; (ii) improving agricultural production technology; (iii) improving research, support services and delivery of inputs; (iv) enhancing farm infrastructure including irrigation and drainage facilities; (v) improving postharvest handling, storage, distribution and marketing facilities; (vi) integrating crop production with forestry, livestock, and aquaculture, whenever feasible; (vii) providing market-based production incentives to farmers by deepening agricultural reforms; and (viii) creating off-farm employment opportunities through the development of rural agroprocessing industries.

58. The ADB's strategy for the agriculture sector will support the Government's development strategy by providing financial assistance, either direct lending or channeled through financial intermediaries, to projects that have a significant impact on agricultural productivity, rural income growth and employment generation, value-added economic activities, and environment protection in rural areas. The strategy will emphasize poverty alleviation and private sector development through improved efficiencies in the area of agricultural production, quality control, processing and marketing as well as integrated transportation, distribution and information networks with major urban centres.

59. ADB's operations in the agriculture sector will include: (i) the Yunnan Comprehensive Agricultural Development and Biodiversity Conservation that will assist in stimulating agricultural growth in a poor area, conserving biodiversity and alleviating rural poverty; and (ii) the Second Fujian Soil Conservation and Rural Development that will build on the successful experience of ADB's first project in this area.

2. Forestry and Natural Resources

60. In the aftermath of the 1998 and 1999 floods, the Government sought ADB assistance to address natural resource management issues. An ADB-funded study on Strategic Options for the Water Sector (completed in May 1999) provides strong policy foundations for a portfolio

¹¹ A rural poverty analysis has been completed under TA 3150-PRC: *Study on Ways to Support Rural Poverty Reduction Projects*. An Urban Poverty Study will be completed in 2001 under TA No. 3377: PRC.

of natural resources projects. To continue ADB's policy and strategic role in the water resources sector, ADTAs are included in the program to develop National Strategies for Soil and Water Conservation, and to undertake related policy work under a cluster TA on Trans-Jurisdiction Environmental Management. The Program also includes Strategic Planning for the Yellow River Basin which will help to formulate strategies and an action plan for overcoming increasingly severe water shortages in the lower river basin by improving the efficiency of utilization of irrigation diversions.

61. In response to the Government's request, ADB will take a lead role among donors in trying to mobilize GEF funds for integrated ecosystem management, aimed at optimizing synergies between land degradation and the GEF focal areas (climate change, biodiversity conservation, international waters, and ozone depletion). In this way the Government aims to formulate a partnership agreement with GEF defining a coordinated and integrated response to land degradation in the arid, semi-arid, and dry sub-humid ecosystems of western areas in PRC. The partnership (with a 10-15 year horizon) will promote the integration of the TFYPs of the Ministries of Agriculture and Water Resources (MOA and MWR), and the State Administrations for Forestry and Environmental Protection (SFA and SEPA), and will comprise a package of policy reforms, institutional changes, and a core set of investment projects complemented by sector studies and advisory technical assistance for a GEF Program Approach for Land Degradation (Development of GEF/PRC Partnership on Land Degradation).

62. Soil and water conservation projects, with a strong poverty alleviation contribution, is an important area in the future program. ADB will 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. The Yellow River Flood Management Project, Songhua River Flood Management Project (GEF cofinancing for biodiversity conservation component is anticipated), and the Ningxia Shapoutou Water Resources and Irrigation Development Project will be designed to reach the poor areas and the needs of the absolute poor, mostly minority groups.

B. Infrastructure

63. Consistent with the PRC Country Operation Strategy, the Government has requested ADB for continued lending to the energy/power and transport sectors in order to alleviate infrastructure bottlenecks as well as improve the flow of commodities from the poorer Western provinces to the coastal areas. These sectors account for slightly more than half of total lending during the 2001-2003 program period. 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 and Public-Private Partnership) to meet the scope of infrastructure investment requirements. ADB will also mobilize additional resources using cofinancing mechanisms and act as a catalyst in project financing (through loan and/or equity investment) involving private sector participation in the financing of infrastructure. Work in these areas will continue under ongoing TAs such as the Jiangsu BOT Highway TA. To ensure that ADB financed infrastructure projects generate pro-poor economic growth, most of the infrastructure projects in the program are located in the poorer interior provinces, and will be designed with specific poverty reduction components or monitorable impact features. Infrastructure projects will be designed to spread development benefits to the poor (e.g. adding feeder roads to road and railway projects; incorporating rural electrification components in power projects; considering ability to pay in tariff design).

1. Transport

64. In the road sector, where the need for assistance in the transport sector in the transport sector is most apparent, ADB operations will focus on the construction of the national trunk highway system, and improving strategic provincial highways and secondary roads that facilitate regional cooperation/inter-jurisdictional trade and thus improve the access of less developed communities to regional market centers. In line with ADB's poverty reduction strategy, ADB-financed road projects will be designed to include connector roads and feeder roads that will also maximize the benefits of trunk roads to the poorest areas in the zone of influence. This will promote rural development and help increase rural incomes. All road projects in the program are located in poor inland provinces, concentrating primarily on key corridors in southwestern PRC (Guangxi, Shanxi, Sichuan, Yunnan and Guizhou) and the central region (Taiyuan to Xi'an).

65. 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 were listed for two ADB financed public sector road projects¹². Private investment to road projects will mostly take place in the eastern coastal areas where the traffic levels and expected returns are high enough to attract the private sector and freight forwarding operators. 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 creating an environment to attract private investment, reducing vehicle emissions, improving construction quality and improving road safety.

66. ADB's transport strategy will also focus on expanding the railway system by constructing connecting lines and link roads with poverty areas as well as modernizing and increasing the capacity/distribution and tracking of product on key routes of the national railway system. Policy issues addressed by ADB in the railway sector include commercializing operations, improving cost recovery and promoting managerial autonomy with accountability, including corporatization where appropriate. The JFPR will be explored to supplement road and railway infrastructure projects in a manner that directly benefit the core poor.

67. Although ADB's PRC COS covers ports and telecommunications, ADB has exited from these sectors. While the CAP for the public sector program in 2001-2003 does not include any loans or TAs in these sectors, ADB would consider financing private sector projects in these areas.

¹² Loan 1261-PRC: Hunan Expressway and Loan 1262-PRC: Jilin Expressway.

2. Energy

68. Although the PRC has achieved overall balance in the demand and supply for power, there are local power shortages because of the bottlenecks in the low voltage distribution systems and the lack of adequate investments in regional interconnections. There are also significant transmission losses at the low voltage level that lead to high electric tariffs, particularly in rural areas. The high cost of electricity has a significant impact on rural disposable income and constrains expenditure on education, health as well as investment in income generation activity, particularly by poor households.

69. To lower the costs of production and achieve a proper hydro/thermal power mix, the Government will improve grid interconnections and thus optimize available generating capacity, rationalize inefficient coal-fired power plants, and develop competitive power markets over the next decade. The Tenth-Five Year Plan (TFYP) will promote more environment-friendly power generation including hydropower development in the western region and investments in the inter-provincial and inter-regional transmission connections. Consequently, Government approval of new power generation projects will emphasize “transmitting power from the west to the east”, the reduction of sulfur dioxide, nitrogen dioxide, and total suspended particles that adversely affect air quality and result in acid rain, and allocating more gas resources as well as renewable energy for power generation. Under TFYP, the Government has set a 5 percent target of renewable energy-based electricity by the end of 2005 to reduce the high pollutant generation rate per unit energy delivered to consumers.

70. ADB will encourage private sector participation and technology transfer in the power sector to address the Government’s concerns over pollution standards and production efficiency. ADB will support private sector investment in LNG terminals and gas pipelines to provide PRC with a clean fuel alternative. In the western and central areas, ADB’s private sector operations will encourage the development of merchant power plants and the privatization of existing state-owned power plants to support the creation of competitive markets for electricity.

71. ADB, through its ongoing TA for Power Sector Restructuring, is helping the State Power Corporation (SP) to introduce competitive power markets. ADB’s lending pipeline includes high voltage inter-provincial and inter-regional interconnections and particularly those utilizing modern technology such as the high voltage DC transmission (HVDC) systems (Shen-Da System Improvement and Electrification; and Inter-regional System Improvement). Priority will be given to projects involving strengthening and modernization of the rural and urban distribution systems. This will enable ADB to promote the reforms in the rural and urban power supply and address rural income growth and poverty reduction. For power generation, in addition to special purpose generation project (Hebei Zhanghewan Pumped Storage) to meet peak demand, ADB will focus on small to medium hydropower projects in the western region. ADB will identify more renewable energy projects (e.g. wind power; solar power; and use of biogas).

3. Finance, Enterprise and Social Security Reform

72. A key element of the Government’s enterprise reform strategy is to make SOEs responsive to market forces and to hold SOEs accountable for their commercial performance. Among other things, this requires comprehensive reform of the social security system. The Government’s major objectives in social security reform are: (i) to develop a responsive social safety net for laid-off SOE workers; (ii) improve coverage for the self-employed, private sector workers, and the poor; (iii) remove the rigidities in the labor markets by allowing portability of

benefits; and (iv) reduce the fiscal burden on the provinces and the national government. These concepts will initially be tested on a pilot project basis in Liaoning Province.

73. The Government has asked ADB to be the first multilateral agency to support its social security reform through a program loan. In response, ADB's Program includes Social Security Reform Program Loan (SSRPL) and three TAs aimed at strengthening policy development within the SDPC, MOF, MOLSS and MOCA. The SSRPL will provide support in the following areas: (i) consolidating the social security system (SSS) with broadened coverage and affordability, (ii) prudently resolving the implicit pension debt problem, (iii) enhancing efficiency and improving accountability of the social security system administration, (iv) developing supplementary schemes, and (v) strengthening the legal, regulatory and supervisory framework for the social security system, the insurance sector and capital markets. The supporting TAs will provide for policy support in the areas of medical insurance and unemployment insurance and with an emphasis on maternal child care, workers' injury and the minimum living standard. The SSRPL will introduce a number of administrative support mechanisms to facilitate program management in the area of Minimum Living Standard. During the Program period ADB will also help improve the legal framework for social security reform by helping to draft the Social Security Law and the Trust Law.

74. ADB is also supporting the development of the financing and legal infrastructure for SMEs. During the Program period, ongoing work will continue under four TAs approved in 2000 through which ADB will help facilitate SME growth by (i) creating a favorable macro policy environment with the SETC to develop feasible financing mechanisms to SMEs; (ii) develop financial instruments with the Shanghai Municipal government to facilitate SME access to financing in the debt markets; (iii) support ongoing policy and legal reform in consultation with the All China Federation of Chambers of Commerce to stimulate private sector development and business support services; and (iv) provide institutional strengthening to the China Development Bank (CDB) – a major policy bank with a focus on project finance and SME development on-lending in the western region. The TAs will form the basis for the implementation of the SME-based Financial Instruments loan in 2003.

75. In the area of capital markets, ADB operations will continue to strengthen the regulatory and supervisory frameworks for the development of supplementary schemes through: (i) the effective implementation of ADB supported Securities Law which became effective in 1999; (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 also continue to build capacity of the China Insurance Regulatory Commission to strengthen prudential regulations and establish solvency rating systems on insurance companies by the CIRC as well as stimulate the development of institutional investors. ADB will take an active role in the development of this sector through a TA for China Life Insurance Corporate Governance. This publicly-held company has an active interest in developing the supplementary health insurance market in the PRC. Joint venture equity investment by a foreign insurer, assisted through ADB involvement, will bring best practices in commercial insurance that will also assist the sustainability of the social security system over the long-term.

C. Social Infrastructure and Environment

1. Urban Development

76. The ADB's operational strategy for the water supply and urban development sectors aims to (i) address urban environmental problems; (ii) reduce existing bottlenecks that increase transaction and production costs and hamper the growth of the industry and service sectors; and (iii) improve urban living standards and health safety particularly for low income groups. The Urban Poverty Study that was approved recently will help to understand the various facets of urban poverty in PRC. ADB's involvement in the urban sector will focus on refining and promoting market-oriented reforms to enhance their operational efficiency. Important principles of ADB operations will be to promote the principle of cost recovery through user charges and encouragement of private sector involvement. To address urban environmental problems and prevent contamination of drinking water, ADB will focus on reducing infrastructure bottlenecks in water supply, wastewater treatment, solid waste, and air pollution in order to rehabilitate urban residential districts and improve water quality/health safety. ADB will encourage private sector involvement throughout the water supply chain including wastewater treatment, solid waste management, water supply and distribution and thus improve the quality of water delivered to all urban income groups.

77. To address urban environmental problems, ADB encourages the use of market-based instruments for environmental management including tradable permits. ADB had a major impact on the level structure and calculation of water tariffs¹³ by assisting the Government in preparing the first ever National Guidelines for Water Tariffs (NGOWT) which was promulgated in September 1998. A second water tariff study¹⁴ is underway to help implement the NGOWT in selected case study cities. During the program period ADB's urban policy dialogue will be broadened by undertaking work related to urban solid waste, wastewater management and the financial strengthening of water utilities.

78. The pressure on urban infrastructure and urban environmental problems are most evident in the rapidly growing coastal region. Therefore, the PRC Country Operational Strategy provides for ADB to help address such problems in cities on the east coast. ADB will also promote urban investments in the poorer inland provinces which would complement the Government's "go west" strategy. However, the fiscal and managerial capacities in interior cities are generally weaker than along the coastal region. These factors will be carefully assessed and mitigated in project design to ensure good project quality. The Program includes projects for water supply, urban environment management, wastewater treatment, and capacity building. The project areas include *Heilongjiang* (Mudanjiang and Harbin) for water supply, *Beijing, and Hebei Province*, for small and medium cities development, *Wuhan, Hebei, and Inner Mongolia (Hohhot and Baotou)* for wastewater treatment. 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

79. ADB's strategic thrusts in PRC's environment sector include (i) improving the policy, legal and regulatory and management system; (ii) building institutional capacity; (iii) improving air and water quality; (iv) promoting cleaner technologies and (v) promoting sustainable and efficient practices in agriculture and natural resources utilization. ADB's support for

¹³ TA 2773-PRC: Water Tariff Study.

¹⁴ TA3250-PRC: Water Tariff Study II.

environmental activities in PRC has been closely aligned with Agenda 21, NFYP and the probable focus on environment under TYFP. ADB is a member of the China Council for International Cooperation on Environment and Development. Environmental initiatives in the Program are TA cluster for Trans-Jurisdictional Environment Management, Strengthening Industrial Compliance with Environmental Standards and Environmental and Natural Resources Accounting. ADB loans and/or TAs will address priority areas such as water pollution control for some major river basins and air and water pollution control in major cities and desertification. Ten of the 29 projects in the lending program address environment as a crosscutting concern.

80. Nearly one-fourth of ADB technical assistance in the 2001-2003 program 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) and promoting clean production technology. ADB has broadened its environmental policy dialogue to cover the use of market-based instruments and tradable permits, strategic environmental assessments for region-based development initiatives in the poorer western provinces, and for environment compliance issues related to WTO accession.

81. The loan and TA program include several soil and water conservation projects that will contribute strongly towards easing poverty through reducing the risks of environmental degradation to poor communities (e.g. Ningxia Shapoutou Water; Resources and Irrigation; Fujian Soil Conservation and Rural Development II; Integrated Ecosystem Management Project in Northern Areas. In line with the Government's request for ADB to take a major role in mobilizing GEF for land degradation and biodiversity conservation, 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). These activities will allow ADB to broaden its activities to address "green side" environmental issues, consistent with the recommendations in the CAPE.

82. Air and water pollution that directly impacts on the livelihood and health of the urban poor living close to polluting industries or using polluted water. ADB also addresses such as "brown side" issues in the Program by including projects that will improve water quality (e.g. Hebei Hai and Luan River Development) and curb air pollution directly or indirectly in targeted area (e.g. Acid Rain Control and Environmental Improvements).

D. Governance Dimensions of ADB Operations

83. Since the mid 1990s, governance has become an increasingly important part of ADB's PRC operations. ADB's work in governance will continue during the program period, particularly work related to law and development. ADB is currently supporting the drafting of several important economic laws and regulations (e.g., bankruptcy, company, social security, trust, closing involvement financial institutions, registering commercial and industrial organizations, administrative licensing). New law and development TAs added to the program include reviewing banking laws and regulations and examining the implications of WTO membership on law reform. In 2003 ADB will begin to examine the development of a legal assistance system which will strengthen the linkage between ADB's law and development work and poverty.

84. ADB missions have been raising issues of governance, including corruption, with the Government during the course of country operations and all phases of the project cycle (e.g., country programming mission, country program review mission, project appraisal, review, and post-evaluation). Assistance was provided to improve governance and reduce the potential for corruption in the longer term by introducing transparent, competitive bidding. The progress made under TA 2845-PRC (Establishment of National Procurement Regulations for the Public Sector) is being followed up by support for drafting the implementation regulations for the 1999 Tendering and Bidding Law and assistance for the preparation of Government Procurement Law under. Additional TA is included in the program to extend the work under TA 3138-PRC (Regulatory Framework for the Engagement of Consultants), to help develop a consulting industry in which consultants are engaged in a transparent, competitive manner. Other areas of governance covered by the program include continuing ADB's work in supporting fiscal reform, strengthening the accounting profession and evaluating methods and standards for efficient corporate management.

E. Gender Dimensions of ADB Operations

85. The PRC country briefing paper on gender issues was completed in 1998 which analyzed gender-related issues and identified factors that 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 will continue to be considered in conjunction with ADB loan and TA operations. 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 in PRC 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

86. PRC has successfully attracted large amounts of private funds, mostly for export-oriented, manufacturing plants located in the coastal region. 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 amendment should help to accelerate the development of PRC's private sector, which now 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 Constitutional amendment, the NPC passed a law on individual enterprises in September 1999. The Law provides the legal framework for setting up and operating private enterprises. In 2000 the Government took steps to encourage financial institutions to lend to private sector clients and to provide better export rights to the private sector.

87. ADB will seek to further improve the environment for private sector investment by: (i) improving transparency/predictability by strengthening the legal and regulatory framework required for a market economy; (ii) promoting private sector investment in infrastructure; (iii) promoting foreign capital inflows and investment in PRC through capital market operations, particularly for infrastructure and unlisted enterprises; and (iv) providing financing for financial sector or enterprise project that have strong reform and catalytic impacts. Policy dialogue and TAs associated with Social Security Reform Program Loan will help to open-up supplementary

pensions and health insurance for the private sector. The Program includes TAs to promote the development of the private sector (e.g. Debt Securities Market Development; China Life Insurance Corporate Governance). The Program also includes support from ADB to explore ways to attract foreign direct investment in the western region.

88. ADB's private sector operation will focus mainly on two sectors: infrastructure and finance. ADB will consider financing infrastructure projects that involve private sector participation in such areas as power generation, gas transportation, roads, ports, telecommunications, water supply, wastewater treatment, and solid waste management. ADB will give particular attention to pilot BOT projects. Priority will be given to pioneering projects and projects that can serve as models for structuring private sector investment. While private investment will mostly be in the coastal region, efforts will be made to support projects in the central and western parts of the country. In the financial sector, ADB will explore opportunities to provide support for investment funds that target small and medium-sized enterprises, infrastructure investments, and/or projects involving energy conservation, pollution abatement, and development of interior regions. ADB will also consider taking equity positions in existing and new banks, insurance companies and other domestic financial institutions to broaden ownership, improve corporate governance, and/or introduce international best practice. Stand-alone industrial projects may be considered for assistance if they have significant reform elements. ADB will not support new manufacturing capacity along the east coast. Most of PRC's large inflows of FDI have been used for that purpose and there is little catalytic role for ADB.

IV. Subregional Economic Cooperation

89. ADB is playing a leading role in two ongoing regional programs that include PRC, the Greater Mekong Subregion (GMS) and the Central Asia Region. Through Yunnan province, PRC is an active participant 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. ADB has helped to identify other projects in the transport, power, and agriculture sectors in Yunnan province. Yunnan Highway III will link Yunnan to Myanmar, and facilitate cross border trade. PRC's active participation in GMS is reflected by its commitment in 2000 to provide financing for part of the Lao PDR portion of the Kunming to Chiang Rai Road. In addition, Yunnan Province has been an active participant in TA 5881: Preventing HIV/AIDS Among Mobile Populations in the Greater Mekong Subregion (GMS)" study.

90. ADB is pursuing cooperation among the Central Asian Republics and the 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 of the priority projects in the transport and energy sectors involve PRC. These initiatives need to be further studied before inclusion in the Program. The Government is interested in regional TAs to study cross border transport projects, particularly railways.

91. Regional initiatives are also underway in Northeast Asia including the UNDP/UNIDO sponsored Tumen River Basin studies. 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 participating countries (the Russian Federation and the People's

Democratic Republic of Korea) are not members of ADB. ADB is monitoring these developments and seeking to promote cooperation between PRC and Mongolia.

V. Donor Activities and Aid Coordination

92. PRC does not have a formal aid group to coordinate its external assistance. As part of the Government's 1998 reorganization, steps were taken to streamline foreign aid management. Responsibility for major lenders (e.g. ADB; World Bank; Japan Bank for International Cooperation-JBIC; and most bilateral export credit agencies) was consolidated in the Ministry of Finance (MOF). The Ministry of Foreign Trade and Economic Cooperation continues to be responsible for most of the agencies that provide grant financing to PRC. This reorganization improved the Government's ability to coordinate major donors. The State Development Planning Commission (SDPC), under the guidance of the State Council, acts as the coordinating arm of the Government for the review and approval of projects proposed for external assistance. ADB regularly consults with major donors and contributes to the UNDP development assistance report (see Appendix 3, pages 1 and 2). The establishment of PRCM will enable ADB to play a greater role in local aid coordination and build stronger relationship with other funding sources.

93. The World Bank Group is the largest multilateral donor to PRC. Its operational strategy focuses on poverty alleviation, environment improvement, removing infrastructure bottlenecks, and supporting macroeconomic and strategic reforms. The World Bank's core areas of strategic focus during the 2001-2005 include: (i) giving greater attention to the development of human and natural capital; (ii) expanding the role for the non-State sector; and (iii) improving efficiency in resource use to cope with the increased trade and investment integration expected during 2001-2005. The World Bank's annual lending program to PRC declined to \$2.1 billion in the 2000 fiscal year with the phasing out of IDA credits on 30 June 1999. The end of PRC's access to IDA will result in less World Bank lending in the health and education sectors and for direct poverty alleviation.

94. UNDP's fourth country programming (1996-2000), focuses on human resource development, job creation in inland areas and public administration and management. The UNDP program priorities also cover poverty mitigation, governance and environment, which are expected to remain the focus of its fifth country program to be prepared once the UNDP development framework is finalized by the end of 2000. Through PRCM, ADB have provided comments on emerging partnership framework for the future cooperation between the group and PRC. 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. Through PRCM, ADB is participating in various IMF missions.

95. Japan, through JBIC, is the largest source of bilateral financing and is mainly involved in physical infrastructure, 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. In addition, a special tied yen credit totaling 500 billion yen (about \$4.7 billion) in three years (1999-2001) was committed. In the future 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 about \$140 million equivalent annually in grant and technical assistance. Other major sources of bilateral funding are the European Union, Germany, the United Kingdom, Canada, Australia, France, Italy and Spain (Appendix 3, page 3). Contacts with the local donor community have strengthened with the establishment of PRCM.

96. 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. There are formal coordination meetings held on an annual basis with JBIC. ADB has shared country operational strategies with the Canadian International Development Agency, the Department for International Development (DFID) of the United Kingdom, KfW of Germany, and AusAid. ADB and DFID are collaborating on the proposed Social Security Reform Program Loan in particular on areas relating to the social safety net for the urban poor. Because the pipelines of other donors are full for several years in advance, it is difficult to arrange formal bilateral cofinancing. There is, however, room to improve donor coordination by promoting a wider dissemination of the results of ADB TAs of a policy or strategic nature. One of the tasks of PRCM will be to address this issue, PRCM's attendance in the informal luncheon meetings among donor agencies will also contribute to aid coordination.

VI. Cofinancing and Catalyzing External Resources

97. 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 was financed through cofinancing. Total cofinancing for past PRC projects amounted to \$2.8 billion, of which 85 percent was from commercial sources. Of the total cofinancing, 54 percent (18 projects) was from domestic sources. While private sector projects will involve significant amounts of commercial cofinancing from international sources, the public sector program does not involve large amounts of foreign cofinancing. Cofinancing from external sources has been secured for commercially viable projects, especially in the power sector. However, domestic cofinancing is preferred by most executing agencies to avoid foreign exchange risks and because PRC interest rates are relatively low. Cofinancing from domestic sources, particularly the commercial banks and CDB, is growing in the PRC operations. Cofinancing will be substantial for the projects in the CAP. During 2001-2003, the total amount of cofinancing is estimated at \$4.2 billion, representing about 87 percent of estimated total ADB lending during same period.

98. Most of the road and energy sector projects in the program will involve cofinancing from domestic sources. Much of this cofinancing will come from CDB. 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.

99. 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 Non-Bank Financial Institutions (NBFIs) and land defaults and some systematic weakness of PRC's financial system; (ii) the credit worthiness of certain provincial level undertakings associated with BOTs and bond issues; and (iii) weakness in the legal framework for BOTs. Because of these concerns, and the reduction in the number of international banks competing for business in PRC, the banks are requiring higher margins, shorter repayment periods and a greater degree of comfort or support from the Government. However, international banks still want to, and can, effectively price cofinancing for ADB's public and private sector projects in PRC, but only if they can get support or credit enhancement from organizations like 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 continues to be explored. In 2000 ADB briefed Government officials at MOF and the SDPC and domestic and international banks 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 propose larger commercially viable projects for ADB assistance so that more cofinancing can be arranged with the help of ADB.

VII. ADB's Operational Program

100. ADB lending, which was \$1.259 billion in 1999¹⁵, is expected to decline about \$870 million in 2000. The main reasons for the decrease in 2000 were the deferment of several projects because of factors related to project quality or administrative processing issues: (e.g. the Hebei Zhanghewan Pumped Storage Plant Project; Yellow River Flood Management Project; Mudanjiang Water Supply). The proposed 2001 lending (including overprogramming) is estimated at \$1.4 billion to support the Government's high priority initiatives for social security reform by providing a policy based program loan. For the remaining period (2002 and 2003), the lending program will be about \$1.3 billion. The lending program will be supported by a TA program for about \$15 million annually during 2001-2003 period, including a 10 percent overprogramming.

Table 1: Lending and Technical Assistance Program, 2000-2003

A. Public Sector Lending Program

	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a	7	1,232.0	6	872.3	10	1,420.0	9	1,325.0	10	1,260.0
ADF	-	-	-	-	-	-	-	-	-	-
OCR	7	1,232.0	6	872.3	10	1,420.0	9	1,325.0	10	1,260.0

B. Technical Assistance Program

	1999		2000		2001		2002		2003	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
Technical Assistance Program	28	19,877	27	16,090	25	15,700	22	14,500	24	15,200

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

101. The 2001-2003 lending and TA programs are summarized in Table 1. The TFYP is likely to focus on the development of the poorer central and western regions to alleviate poverty and reduce disparities between these regions and the wealthier coastal region. In line with the Government's priority to stimulate the development of these poorer regions and ADB's focus on poverty reduction, the 2001-2003 lending program will result in more investment in these regions. Support for projects addressing environment protection and urban poverty reduction in the coastal region will be continued. The lending program mix will reflect the recommendations made in the ADB's Poverty Reduction Strategy which calls for increasing public sector lending to poverty interventions. Poverty intervention projects, including one "core poverty intervention" project, account for 52 percent in number and 55 percent in amount of the 2001-2003 lending program. The TA program has been restructured by giving priority to PPTAs and ADTAs which maximize ADB's strategic impact.¹⁶ Three key themes in the TA program are governance, improved environmental management, and poverty reduction. A listing of the projects in the pipeline for 2001-2003 is summarized in Appendix 4; and a breakdown by poverty classification, cross cutting operational priority and sector in Appendix 5. Appendix 6 contains 2001 Project profiles.

¹⁵ Including private sector lending.

¹⁶ Although the TA program has been generally agreed upon by Management, ADB financing may be subject to further reprioritization to fit in with the ADB-wide annual resource envelope.

VIII. Economic and Sector Work Program

Table 2 : Technical Assistance Economic Sector Work

	Ongoing (as of 30 September 2000)				Program (2000-2003)			
	No.	%	Amount	%	No.	%	Amount	%
Governance ¹	37	71.2	27,687	68.2	40	63.5	23,615	60.2
Environment Protection	11	21.2	10,487	25.8	12	19.0	8,414	21.4
Poverty reduction	3	5.8	1,825	4.5	6	9.5	3,050	7.8
Others ²	1	1.9	600	1.5	5	7.9	4,181	10.6
Total	52	100.0	40,599	100.0	63	100.0	39,260	100.0

¹ includes policy support, fiscal and financial sector reform, capacity building and private sector.

² includes human development, gender issues, preparation of master plans, and regional cooperation.

102. To enhance operational efficiency, a comprehensive Home Page residing on ADB's intraweb system has been developed for PRC. Work will continue to upgrade the Home Page. 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 people's counties. Both systems will be set up at the PRCM to facilitate the exchange of information with Headquarters.

103. The Economic and Sector Work (ESW) has three major themes: (i) governance: the program builds on past successful work in areas such as law and policy reform; (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"; and (iii) poverty: the program has been structured to address some poverty issues within the constraint posed by PRC's lack of access to ADF. The summary of ESW for PRC is shown in Table 2: Technical Assistance Economic Sector Work. The program includes more ESW related to poverty reduction reflecting ADB's overarching objective of poverty reduction and cross-cutting concerns other than governance and environment. 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. The program includes new ADTAs for Pro-poor Urban Heating Reform, NGO Partnership for Poverty Reduction and Shanxi Poverty Reduction Strategy. Environmental and governance profiles will be developed for PRC during the program period. A new theme that was added to ADB's economic and sector work relates to WTO and globalization. ADB will help to assess the impact of global free trade on SOE reform, the implications on WTO membership for legal reform and environmental compliance (ISO 14000).

104. ADB has been playing a lead role in helping the Government to formulate strategies to address key long-term development issues through the Policy Support for the PRC 2020 Project Studies which outline the Government's policies to guide development in all sectors of the economy for the next 20 years. Supporting development in the western regions will be a key theme of the economic and sector work. A follow-on third phase of the 2020 study will focus more on the development of the western region with special reference to ADB's overarching objective of poverty reduction and future lending operations in the western region. The results of this work will be reflected in the TFYP and will provide inputs for revising PRC COS. The TA program includes additional TAs to support development in the western region (e.g. Study on Foreign Capital Utilization in the Western Region; Environmental Management in the Western Region; Strategic Study in Urban Infrastructure).

IX. Local Cost Financing

105. ADB operational experience in the PRC, a Group B2 country, shows that domestic resources have consistently been used to meet a large portion of the financing requirements of ADB-assisted projects. ADB loans, on the average, have accounted for about one third of the total project cost requirements. This is far below the maximum percentage that ADB policies allow. The use of the proceeds of ADB loans for local cost financing (LCF) has been limited. As of 31 December 1999, of the slightly less than \$10 billion total ADB lending to PRC, only \$398 million (4 percent) was used for LCF including local cost financing of \$158 million under the Northeast Flood Damage Rehabilitation Project. 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 central and western regions to address social development and environmental concerns.

**PEOPLE'S REPUBLIC OF CHINA
COUNTRY PERFORMANCE INDICATORS**

Item	1995	1996	1997	1998	1999	2000 (Estimate)
ECONOMIC INDICATORS						
A. Income and Growth						
1. GDP per Capita (dollars, current) ^a	520.0	620.0	710.0	750.0	800.0	850.0
2. GDP Growth (% in constant prices)	10.5	9.6	8.8	7.8	7.1	8.0
Agriculture	5.0	5.1	3.5	3.5	2.8	1.5
Industry	13.9	12.1	10.5	8.9	8.1	10.0
Services	8.4	7.9	9.2	8.3	7.5	8.0
B. Saving and Investment (current market prices)						
	(percent of GDP)					
1. Gross Domestic Investment	40.8	39.6	38.2	38.8	38.3	38.5
2. Gross Domestic Saving	41.1	40.5	42.3	41.9	39.9	40.0
C. Money and Inflation						
	(annual percent change)					
1. Consumer Prices (annual average)	17.1	8.3	2.8	(0.8)	(1.4)	0.5
2. Broad Money (M2)	29.5	25.3	19.6	14.8	14.7	15.0
D. Government Finance						
	(percent of GDP)					
1. Total Revenue	11.1	11.3	12.1	13.0	14.2	14.7
2. Total Expenditure and Net Lending	13.2	12.9	13.9	16.1	18.3	18.0
3. Overall Surplus/Deficit (-)	(2.1)	(1.6)	(1.8)	(3.1)	(4.1)	(3.3)
E. Balance of Payments						
1. Merchandise Trade Balance (% of GDP)	2.6	2.4	5.1	4.9	3.7	2.9
2. Current Account Balance (% of GDP)	0.2	0.9	4.1	3.1	1.6	...
3. Export (\$) growth (annual percent change)	24.9	17.9	20.9	0.5	6.1	28.0
4. Import (\$) growth (annual percent change)	15.5	19.5	3.7	0.3	15.8	36.0
F. External Payments Indicators						
1. International Reserves (billion dollars, end of period) ^b	73.6	105.0	139.9	145.0	154.7	160.0
- months of imports	8.3	9.6	12.3	9.5	11.5	9.5
2. External Debt Service (% of exports)	7.6	6.0	7.3	10.9	11.5	...
3. External Debt (% of GDP)	15.2	14.2	14.6	15.4	15.3	...
Memorandum Items						
GDP (current prices, billion yuan)	5,847.8	6,788.4	7,446.3	7,834.5	8,205.4	8,902.9
GNP (current prices, billion yuan)	5,749.5	6,685.1	7,314.3	7,696.7	8,073.0	...
Exchange Rate (yuan per dollar, annual average)	8.3	8.3	8.3	8.3	8.3	8.3
Population (end-period, million)	1,211.2	1,223.9	1,236.3	1,248.1	1,259.1	...

... Not available; GDP = gross domestic product; GNP = gross national product.

^a Based on World Bank Atlas Method except for 1999 (staff estimate).

^b Beginning July 1992, foreign exchange holdings of the Bank of China are excluded.

Sources: PRC 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	1259.1	(1999)
Annual Population Growth Rate (% change)	1.4	2.3	0.9	(1999)
SOCIAL INDICATORS				
Total Fertility Rate (births per woman)	2.4	2.1	1.8	(1995-2000)
Maternal Mortality Rate (per hundred thousand live births)	...	88.9	65.0	(1998)
Infant Mortality Rate (below 1 year; per '000 live births)	37.0	32.9	38.0	(1998)
Life Expectancy at Birth (years)	68.3	68.9	70.1	(1998)
Female	70.0	72.0	72.3	(1998)
Male	68.0	69.0	68.1	(1998)
Adult Literacy (%)	...	77.8	82.8	(1998)
Primary School Enrollment (% of school age population)	123.0	127.0	99.9	(1997)
Female	114.0	121.0	99.9	(1997)
Secondary School Enrollment (% of school age population)	40.0	49.0	70.0	(1997)
Female	33.0	42.0	65.1	(1997)
Child Malnutrition (% of under age 5)	21.0	17 (1987)	16.0	(1992-97)
Rural Population Below Poverty Line (%) ¹	...	31.3	11.5	(1998)
Income Ratio of Highest 20% to Lowest 20%	6.6	5.5	7.9	(1987-98)
Population with Access to Safe Water (%)	...	75.5	67.0	(1990-98)
Population with Access to Sanitation (%)	...	...	24.0	(1990-98)
Public Education Expenditure as % of GNP	2.6	2.3	2.3	(1995-97)
Public Health Expenditure as % of GDP	...	1.2	0.7	(1996-98)
Human Development Index	0.584	0.619	0.706	(1998)
Human Development Ranking	66	101	99	(1998)
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 ² (microgram per cu. M)	...	...	377	(1995)
SO ₂ ² (microgram per cu. M)	...	...	90	(1995)
Global Environmental Problems				
Total CO ₂ emissions (million metric tons)	1,476.8 (1980)	...	3,369.0	(1996)
Per Capita CO ₂ emissions (million metric tons)	1.5 (1980)	...	2.8	(1996)

¹ Based on the international standard of \$1 a day poverty line income.

² Refer to Beijing only.

... Not available.

Sources: PRC Poverty Profile, ADB; Agrostat, FAO; World Development Indicators 1999, World Bank; Human Development Report 2000, UNDP.

People's Republic of China
COUNTRY PERFORMANCE INDICATORS

ENVIRONMENTAL INDICATORS	1980		Latest	
Energy Efficiency of Emissions				
GDP per unit of energy use (1995 \$ per kg oil equivalent)	0.3		0.7 (1996)	
Traditional fuel use (% of total energy use)	8		5.6 (1996)	
Carbon dioxide emissions (total metric tons)	1,476.8		3,363.5 (1996)	
Carbon dioxide emissions (per capita metric tons)	1.5		2.8 (1996)	
Water Pollution				
Emissions of organic water pollutants (kg/day)	3,377,105		8,863,225	
Industry share of emissions of organic water pollutants				
Wood (%)			1.1 (1996) ^a	
Primary Metals (%)			19.0 (1996) ^a	
Paper and Pulp (%)			13.2 (1996) ^a	
Chemical (%)			11.8 (1996) ^a	
Food and Beverages (%)			28.9 (1996) ^a	
Textiles (%)			16.1 (1996) ^a	
Water and Sanitation				
Urban percent of population with access to safe water	87.0 (1989-94)		93 (1997)	
Rural percent of population with access to safe water	67.7 (1989-94)			
Access to sanitation in urban areas (%)			58.0 (1997)	
Land Use and Deforestation				
Forest area (sq km '000)			1,333 (1995)	
Average annual deforestation (sq km)			866 (1990-95)	
Average annual deforestation (% change)			0.1 (1990-95)	
Rural population density (people per sq km of arable land)			675 (1996)	
Arable land (% of land area)	10.4		13 (1996)	
Permanent cropland (% of land area)	0.4		1.2 (1996)	
Biodiversity and Protected Areas				
Nationally protected areas (sq km '000)			598.1 (1996) ^a	
Percent of total land area			6.4 (1996) ^a	
Mammals (number of threatened species)			75 (1996) ^a	
Birds (number of threatened species)			90 (1996) ^a	
Higher plants (number of threatened species)			312 (1996) ^a	
Reptiles (number of threatened species)			15 (1996) ^a	
Amphibians (number of threatened species)			1.0 (1996) ^a	
Urban				
Urban population (millions)	192.3		390.7 (1997)	
Percentage urban	20		32 (1997)	
Per capita water use				
Wastewater treated (percent)	17.0 (1994)		25.8 (1997)	
Per capita solid waste generation (kg/day)				
Air Pollution				
City population ('000)	Shanghai	Beijing	Tianjin	
	13,584	11,299	9,415 (1995) ^a	
Total Suspended particulates (micrograms per cubic meter)	246	377	306 (1995) ^a	
Sulfur dioxide (micrograms per cubic meter)	53	90	82 (1995) ^a	
Nitrogen dioxide (micrograms per cubic meter)	73	122	50 (1995) ^a	

^a May refer to earlier years.

**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 ^{bi}	Net Loan Amount \$ million %		Rating (No.) ^{d/}									
			Total No. %		Implementation Progress				Development Objectives			
					HS	S	PS	U	HS	S	PS	U
Agriculture and Natural Resources	625.0	9.2	7	14.0	1	5	1	0	0	6	1	0
Energy	1,485.0	21.9	11	22.0	5	6	0	0	1	10	0	0
Finance and Industry	555.0	8.2	4	8.0	1	2	1	0	2	2	0	0
Social Infrastructure	530.0	7.8	4	8.0	0	3	1	0	0	4	0	0
Transport and Communications	3,042.0	44.8	20	40.0	5	15	0	0	0	19	1	0
Others/Multisector	556.0	8.2	4	8.0	0	2	2	0	1	1	2	0
Total	6,793.0	100.0	50	100.0	12	33	5	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)	792.4	-	792.4
(5) Disbursement ratio (%) ^{ci}	19.3	-	19.3

C. Net Transfer of Resources ^{d/} (\$ million)	OCR	ADF	Total
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 (as of 31 December 1999)										
Rated Generally Successful (GS)					4	66.7	4	66.7		
Rated Partly Successful (PS)					-	-	-	-		
Rated Unsuccessful (US)					2	33.3	2	33.3		
No Rating					-	-	-	-		
Total					6	100.0	6	100.0		
2. Postevaluation Rating by Sector 1968-99 (as of 31 December 1999)	GS		PS		US		NR		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	1	16.7			1	16.7			2	33.3
Energy	1	16.7			-	-			1	16.7
Finance and Industry	1	16.7			-	-			1	16.7
Social Infrastructure	-	-			-	-			-	-
Transport and Communications	1	25.0			1	16.7			2	33.3
Others/Multisector	-	-			-	-			-	-
Total	4	75.0			2	33.3			6	100.0

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

^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 during the year.

"Net loan amount at the beginning of the year" includes all effective loans at the beginning of the year.

"Loan 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.

**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	Loan Number	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)
AGR	Yunnan-Simao Forestation & Sustain	1304	77.00	-	Jun-94	Jun-95	Dec-99	Dec-00	73	63.84	75.62	PS	PS
AGR	Second ABC	1347	100.00	-	Jan-95	Jul-95	Jul-99	Jan-00	96	100.04	99.82	S	S
AGR	Hainan Agriculture & Nat. Resources	1372	53.00	-	Sep-95	Dec-96	Jun-00	Jun-04	20	2.09	4.63	S	S
AGR	Fujian Soil Conservation	1386	65.00	-	Sep-95	Feb-96	Jun-02	-	88	39.27	44.05	HS	S
AGR	North Flood Damage & Rehab: Inner	1685	110.00	-	Apr-99	Aug-99	Apr-02	-	10	9.85	11.42	S	S
AGR	North Flood Damage & Rehab: Heilong	1686	110.00	-	Apr-99	Aug-99	Apr-02	-	10	15.08	18.12	S	S
AGR	North Flood Damage & Rehab: Jilin	1687	110.00	-	Apr-99	Aug-99	Apr-02	-	10	0.78	3.35	S	S
ENE	Guangzhou Pumped Storage Stage	1242	200.00	-	Aug-93	Apr-94	Dec-99	Jun-00	90	135.85	159.07	HS	HS
ENE	Hunan Lingjintan Hydropower	1318	116.00	-	Sep-94	May-95	Apr-01	-	82	80.35	55.69	S	S
ENE	Qitaihe Thermal Energy & Envtl Imp	1328	165.00	-	Oct-94	Jul-95	Jun-00	-	60	100.19	76.70	S	S
ENE	Henan Power	1400	200.00	-	Nov-95	Nov-96	Jun-01	-	18	169.17	72.63	S	S
ENE	Fujian Mianhuatan Hydropower	1417	170.00	-	Dec-95	Apr-97	Dec-01	-	40	45.05	11.52	S	S
ENE	Ping Hu Oil & Gas	1419	130.00	-	Dec-95	Dec-96	Jun-01	-	90	84.00	88.39	HS	S
ENE	2nd Industrial Energy Efficiency	1436	149.98	-	May-96	Jan-97	Jun-01	-	70	125.34	122.82	S	S
ENE	Anhui Fuyang Engg Tech Assistance	1463	2.00	-	Sep-96	Apr-97	Dec-98	Dec-99	80	1.37	0.95	HS	S
ENE	Northeast Power Transmission	1582	150.00	-	Nov-97	May-98	Mar-01	-	15	43.59	21.89	HS	S
ENE	Yunnan Dachoashan Power Transm	1644	100.00	-	Nov-98	Aug-99	Jun-03	-	1	10.21	0.26	HS	S
I&F	Laiwu Iron & Steel Mill	1162	133.00	-	Mar-92	Jul-92	Sep-96	Dec-99	100	113.57	131.78	PS	HS
I&F	Fertilizer Industry Restructuring	1248	250.00	-	Aug-93	Jul-94	Jun-98	Jun-00	85	226.61	239.02	S	S
I&F	Everbright Bank of China	1477	60.00	-	Nov-96	Feb-97	Feb-01	-	96	60.00	57.45	HS	HS
I&F	(AEI) Industrial Pollution Abatement	1491	112.00	-	Nov-96	Oct-97	Jun-01	-	28	59.12	18.50	S	S
SOC	(AEI) Municipal Wastewater Treatme	1490	28.00	-	Nov-96	Oct-97	Jun-02	-	30	12.95	8.03	PS	S
SOC	Zhejiang-Shanxi Water Supply	1544	100.00	-	Sep-97	Feb-99	Jun-02	-	42	31.08	9.81	S	S
SOC	Fuzhou W/S & Wastewater Treatme	1636	102.00	-	Sep-98	Nov-99	Jun-03	-	8	-	0.07	S	S
SOC	Suzhou Creek Rehabilitation	1692	300.00	-	Jun-99	-	Mar-05	-	5	-	-	S	S

^a Sector:

AGR: Agriculture and Natural Resources

SOC: Social Infrastructure

I&F : Industry and Finance

T&C : Transport and Communications

OTH : Others/Multisector

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; 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	Loan Number	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	1261	74.00	-	Nov-93	Apr-94	Dec-98	Dec-99	98	62.15	74.00	S	S
T&C	Yunnan Expressway	1325	150.00	-	Sep-94	May-95	Jan-99	Jun-00	95	124.59	143.29	S	S
T&C	Second Telecommunications	1382	73.00	-	Sep-95	Oct-96	Dec-99	-	100	59.56	65.46	S	S
T&C	Hebei Expressway	1387	220.00	-	Sep-95	Jul-96	Dec-00	-	85	163.59	147.13	HS	S
T&C	Liaoning Expressway	1388	100.00	-	Sep-95	May-96	Jan-00	-	99	88.35	96.93	HS	S
T&C	Yantai Port	1411	63.00	-	Dec-95	Mar-97	Jun-00	-	50	14.09	11.60	S	S
T&C	Fangcheng Port	1427	52.00	-	Jan-96	Jun-97	Dec-99	Jun-01	65	30.35	22.19	S	PS
T&C	Daxian-Wanxian Railway	1439	100.00	-	Jun-96	Dec-97	Dec-00	-	35	52.97	29.51	S	S
T&C	Chongqing Expressway	1470	150.00	-	Sep-96	Jul-97	Jan-02	-	40	76.39	52.70	S	S
T&C	Shenyang-Jinzhou Expressway	1483	200.00	-	Nov-96	Jul-97	Apr-01	-	75	173.41	158.05	HS	S
T&C	Jiangxi Expressway	1484	150.00	-	Nov-96	Mar-97	Jun-02	-	55	81.44	42.69	S	S
T&C	Shenmu-Yanan Railway	1553	200.00	-	Sep-97	Mar-99	Jun-03	-	28	87.28	45.45	HS	S
T&C	Xianmen Port	1584	50.00	-	Nov-97	May-98	Sep-02	-	40	20.52	10.77	S	S
T&C	Hebei Roads	1617	180.00	-	Jun-98	Feb-99	Dec-02	-	48	79.70	29.85	S	S
T&C	Guizhou-Shuibai Railway	1626	140.00	-	Aug-98	May-99	Jun-03	-	30	55.35	24.28	HS	S
T&C	Chengdu-Nanchong Expressway	1638	250.00	-	Nov-98	Aug-99	Dec-03	-	0	168.46	16.98	S	S
T&C	Changchun-Harbin: Hashuang Express	1641	170.00	-	Nov-98	Aug-99	Dec-02	-	0	60.77	16.37	S	S
T&C	Changchun-Harbin: Changyu Express	1642	220.00	-	Nov-98	Aug-99	Dec-02	-	0	-	0.17	S	S
T&C	Southern Yunnan Road Development	1691	250.00	-	Jun-99	-	Mar-04	-	0	-	-	S	S
T&C	Shanxi Road Development	1701	250.00	-	Sep-99	-	Jun-04	-	0	-	-	S	S
OTH	Qingdao Envtl Improvement	1205	103.00	-	Dec-92	Aug-93	Jun-98	Jun-00	100	76.54	89.36	S	PS
OTH	Tangshan & Chengde Envtl Improvement	1270	140.00	-	Nov-93	Jun-94	Jun-99	Jun-00	92	105.08	115.18	S	HS
OTH	Beijing Envtl Improvement	1336	157.00	-	Nov-94	May-96	Jun-02	-	25	49.42	48.19	PS	PS
OTH	Xian-Xianyang-Tongchuan Envtl Improvement	1543	156.00	-	Sep-97	Mar-98	Dec-01	-	22	26.84	5.74	PS	S
OTH	Shanxi Envt Improvement	1715	102.00	-	Dec-99	-	Dec-03	-	0	-	-	S	S
	Total		3,700.00	-						1,656.82	1,245.87		

^a Sector:

AGR: Agriculture and Natural Resources

SOC: Social Infrastructure

I&F : Industry and Finance

T&C : Transport and Communications

OTH : Others/Multisector

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

PEOPLE'S REPUBLIC OF CHINA
OVERALL EXTERNAL ASSISTANCE
(US\$ million)

External Source	Period	Ordinary Loan	Soft Loan	Mixed Credit/ Export Credit	Grant Assistance
Multilateral Assistance					
ADB	1999	1,258.50			19.90
UNDP	1996-2000				194.08
World Bank	2000	2,127.00	25.00		
Bilateral Assistance					
Australia	FY2000-01				32.86
Canada	1998				47.37
France	1997		50.80		
Germany	1998		601.80 ¹	12.80	76.16
Italy	1996-1998		235.80 ²		14.00
Japan	FY1998	791.46 ³	3,714.30 ⁴		140.00
Spain	1997		600.00 ⁵		NA
United Kingdom	2000/01		16 ⁶	NA	30 ⁷
United States	1997			700.00	

¹ Including \$304 million of market funds.

² Includes export credits.

³ Untied loans from ex-Japan Export-Import Bank.

⁴ FY1999/FY2000

⁵ Includes some mixed credits and export credit.

⁶ Planned assistance in ATP (Aid and Trade Provision)

⁷ Non-ATP (Aid and Trade Provision)

**PEOPLE'S REPUBLIC OF CHINA
BILATERAL ASSISTANCE BY SECTOR**

Bilateral Source	Education	Health	Social Development	Natural Resources	Agriculture	Industry	Energy	Transportation	Development Assistance	Rural Development	Governance	Poverty	Environment	Gender in Development	Economic Reform
Australia	X	X		X					X	X	X	X	X		
Canada	X	X	X	X	X	X	X	X	X			X	X	X	X
France		X	X		X	X	X	X							
Germany	X		X	X	X	X	X	X				X	X		X
Italy	X	X	X			X	X						X		
Japan	X	X	X	X	X	X	X	X	X			X	X		
Spain	X	X	X	X	X	X	X	X	X						
United Kingdom	X	X	X									X	X		X
United States													X		

PEOPLE'S REPUBLIC OF CHINA
SECTORAL OPERATIONS OF THE SELECTED DONORS
Multilateral Donors

Sector/Donor Agency	Asian Development Bank	World Bank Group
1. Financial Sector	Smaller commercial banks, nonbank financial institutions (NBFI) and capital market development	Large commercial banks, NBFIs, Central Bank and bankers' training. IFC TA for cooperative banks and capital market development.
2. Railways	Smaller-scale provincial and local railways with potential to open up interior regions to economic opportunities.	System-wide modernization projects of the National Railroad Network System.
3. Roads and Highways	Central and Southwest corridors of the National Trunk Highway System (NTHS) and strategic provincial highways that improve the access of less developed communities to regional market centers.	Sections of the NTHS located in the western, central and eastern regions. Integrated urban transport management projects.
4. Ports and Inland Waterways	No future involvement anticipated.	Development of inland waterways, establishing inland container depots and improving the distribution of containers in the hinterland. IFC is helping to restructure and mobilize financing for private sector ports, particularly container and other specialized terminals.
5. Power and Energy	Necessary expansion of power generation and transmission capacity especially in the inland provinces using environment-ally friendly technologies. Development of required natural gas infrastructure.	Power generation and transmission to support economic growth and reduce capacity constraints in environmentally sound manner, including energy conservation. Power sector reform is major focus.
6. Agriculture and Rural Development	Projects that are financially viable with economic efficiency and improvement as primary objective. Projects will include soil and water conservation in poverty areas. Financial institutions will be used as channeling mechanisms.	Large-scale multi-purpose water resource development projects, financially viable agro-industrial projects and projects which directly address poverty alleviation and natural resource management.
7. Environment	Integrated urban development projects (especially focused on air and water quality improvement) and industrial energy conservation and pollution abatement projects.	Integrated urban environment and biodiversity conservation. New initiatives to include river basin pollution control, and integrated air quality management. IFC is focusing on financially viable private sector waste disposal projects.
8. Industry	Policy support for enterprise reform and financial assistance for non-State sector development through DFIs.	Policy support and financial assistance for enterprise reform and restructuring (SOEs and non-SOEs), with focus on municipalities. IFC is financing joint ventures.
9. Telecommunications	No future involvement anticipated.	No future involvement anticipated.
10. Water Resource Management	Financially viable water supply and sewerage projects in major cities. Flood management and basin management for major river basins.	Financially viable urban water supply and sewerage projects. IFC is focusing on financially viable private sector urban water supply and sewerage projects.

Sector/Donor Agency	Asian Development Bank	World Bank Group
11. Civil Aviation	No involvement	No involvement
12. Education	No involvement	Basic education services in poor provinces and training for labor redeployment.
13. Health	No involvement	Rural health services in poor provinces.
15. Private Sector	BOT or joint venture infrastructure projects, capital market debt or equity funds development and industrial and financial sector projects that promote enterprise reform.	Financial support through competitive lines of credit. Policy for private sector participation in infrastructure development, promotion of BOT infrastructure projects, IFC's equity and loan instruments and MIGA's insurance against political risks. Foreign Investment Advisory Service (FIAS) for policy support of FDI.
16. Poverty Reduction	No direct involvement. Indirect involvement through location of infrastructure projects in poor areas and inclusion of project components aimed at extending project benefits to the poor.	Direct assistance to poor areas to relieve poverty.

PEOPLE'S REPUBLIC OF CHINA
SECTORAL OPERATIONS OF THE SELECTED DONORS
Bilateral Donors

Sector/Donor Agency	Japan Bank of International Cooperation (JBIC) ¹	KFW/GTZ Germany	Department for International Department ²	Australian Agency for International Development ³	Canadian International Development Assistance ²
1. Financial Sector			Financial sector training programs	Assist policymakers with their reform agenda on issues, social security and welfare policy	
2. Railways					
3. Roads and Highways	Cooperation priority on the inland regions. <ul style="list-style-type: none"> • Chongqing Monorail • Suoxian-Huanghua Port Railway • Civil Navigation System Improvement • Hainan Highway Expansion • Chongqing Highway • Xinxiang-Zhenzhou Highway 	Infrastructure, roads, and power (GTZ)			
4. Ports and Inland Waterways					
5. Power and Energy	<ul style="list-style-type: none"> • Power Transmission and Distribution Improvement • Shadong Taian Pump-Storage Power 				<ul style="list-style-type: none"> • Policy and regulatory framework • Technology transfer • Public consultation mechanism
6. Agriculture and Rural Development	<ul style="list-style-type: none"> • Yellow River Delta Agricultural Development • Sichuan Zipingpu Multipurpose Dam • Gansu and Xinjiang Irrigation (Xinjiang) 				

Sector/Donor Agency	Japan Bank of International Cooperation (JBIC) ¹	KFW/GTZ Germany	Department for International Development ²	Australian Agency for International Development ³	Canadian International Development Assistance ²
	<ul style="list-style-type: none"> Mid-Western Area Small and Medium Hydropower 				
7. Environment	<p><i>Environment Control</i></p> <ul style="list-style-type: none"> Guiyang Environment Dalian Environment Chongqing Environment <p><i>Anti-Air Pollution</i></p> <ul style="list-style-type: none"> Shenyang Anti-Air pollution <p><i>Afforestation</i></p> <ul style="list-style-type: none"> Afforestation Program in Yellow River Mid Area <p><i>Disaster Prevention</i></p> <ul style="list-style-type: none"> Hunan Dongting Lake Anti-Flood and Environment 	<ul style="list-style-type: none"> Environmentally sound infrastructure construction Environmental protection Protection and improvement of ecology, clean coal (GTZ) <p>Technology, renewable energy, energy conservation, water and soil conservation, institutional strengthening.</p>	<ul style="list-style-type: none"> Yunnan Environment Development Program. Sustainable development planning and piloting of poverty focused, environmentally sustainable development projects. To start October (£6.7 million) 		<ul style="list-style-type: none"> Policy and regulatory framework Technology transfer Public consultation mechanism
8. Telecommunications					
9. Water Resource Management	<p><i>Sewage</i></p> <ul style="list-style-type: none"> Suzhou Water Treatment Tianjin Water Treatment Zhejiang Water Treatment <p><i>Water Supply</i></p> <ul style="list-style-type: none"> Hunan Chansha No.8. Waterworks Guanxi Waterworks Kunming Water Supply Chendu No.6 Waterworks 		<p>Pipeline project to support the Ministry of Water Resources in developing sustainable and equitable water resources management policies and rural water supply and sanitation (£69 million)</p>		<ul style="list-style-type: none"> Policy and regulatory framework Technology transfer Public consultation mechanism

Sector/Donor Agency	Japan Bank of International Cooperation (JBIC) ¹	KFW/GTZ Germany	Department for International Department ²	Australian Agency for International Development ³	Canadian International Development Assistance ²
	<ul style="list-style-type: none"> • Chongqing Fengshouba Waterworks • Jiangxi Rural Waterworks • Liaoning Rural Waterworks (Yingkou) 				
10. Civil Aviation					
11. Education		Vocational training and education: planning, research, welding, boring, marketing, system restructuring (GTZ)	<p>Program to support access and completion of quality basic education for the poorest (£11.5 million of financial aid) and technical assistance to four poverty counties in Gansu province.</p> <p>Potential program of support to China's National Compulsory Education Project jointly by the World Bank.</p>	Vocational education, training in Chongqing	
12. Health			<p>Three programs to support the access of to China's National Compulsory Education Project jointly financed by the World Bank</p> <p>(i) £15 million being spent in 72 rural counties as parallel financing to World Bank Health VII loan</p> <p>(ii) £13 million for HIV/AIDS care and prevention</p> <p>(iii) £7 million for community health services in urban areas</p> <p>Potential program for TB control jointly financed with World Bank</p>	<p>Implementing a new five-year health strategy focusing on rural health, community health development, health sector reform, and disease prevention</p> <p>Reducing iodine deficiency in Tibet.</p>	

Sector/Donor Agency	Japan Bank of International Cooperation (JBIC) ¹	KFW/GTZ Germany	Department for International Department ²	Australian Agency for International Development ³	Canadian International Development Assistance ²
13. Poverty Reduction		Poverty alleviation and food security: drinking water, water-saving irrigation, small river watershed management, rural infrastructure (roads and power) (GTZ)			<ul style="list-style-type: none"> • capacity building • institutional changes • interventions, in research into small-scale agricultural targeting poor farmers techniques
14. Economic Reform		Economic and Structural reform: legal advisory services, institutional reform and strengthening, training.	<ul style="list-style-type: none"> • SOERED Project-SOE restructuring and SME development project. • Promoting economic growth and poverty reduction in China through socially responsible SOE reform and new enterprise development (£19 million) • Social Security Project-Pending approval 	Building skills in international economics and foreign trade policy implementation to help PRC prepare for accession to the WTO.	<ul style="list-style-type: none"> • Development of the banking system and capital markets • Legal and regulatory frameworks • SOE reform • Pricing structures • Social welfare net • Gender/income disparities • Provision of managerial/technical training • Foreign trade system reform • Taxation structure and reform

¹ JBIC Yen Loan Package for 1999-2000, the fourth round of loans will place emphasis on the environmental and agricultural sectors in addition to the existing economic infrastructure project, with priority on cooperation to the inland regions.

² Provides soft loans, mixed credits and untied loans.

³ Provides grants.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Poverty Classification ^a	Crosscutting Operational Priority ^b	Responsible Division	Year of PPTA	PROJECT COST (\$ million)			
					TOTAL	OCR	Gov't	Cofinancing (Others)
2001 FIRM LOANS								
Agriculture and Natural Resources								
1. Efficient Utilization of Agricultural Wastes for Sustainable Rural Development (MOA)	PI	ENV	AEAR	1999	60.0	30.0 ^c	20.0	10.0
2. Ningxia Shapoutou Water Resources and Irrigation Development	PI		AEFN	2000	250.0	50.0	200.0	
3. Yellow River Flood Management	ODI	ENV	AEFN	1999	300.0	150.0	150.0	
4. Songhua River Flood, Wetlands and Biodiversity Management	ODI	ENV	AEFN	1999	330.0	150.0	150.0	30.0
Subtotal					940.0	380.0	520.0	40.0
Finance								
1. Social Security Reform Program	PI	HD	IEFI		5,500.0	300.0	5,000.0	200.0
Subtotal					5,500.0	300.0	5,000.0	200.0
Energy								
1. Shen-Da Power Transmission and Grid Rehabilitation	ODI		IEEN	1999	300.0	100.0	75.0	125.0
3. Acid Rain Control and Environment Improvement	ODI	ENV	IEEN	2000	340.0	150.0	85.0	105.0
Subtotal					640.0	250.0	160.0	230.0
Transport and Communications								
1. Guangxi Road Development	PI		IETC	1999	600.0	200.0	220.0	180.0
2. Shaanxi Roads Development	PI		IETC	1999	700.0	200.0	300.0	200.0
Subtotal					1,300.0	400.0	520.0	380.0
Social Infrastructure								
1. Mudanjiang Water Supply	ODI	HD	AEWU	1999	185.0	90.0	56.0	39.0
Subtotal					185.0	90.0	56.0	39.0
Total					8,565.0	1,420.0	6,256.0	889.0
Standby 2001								
Agriculture and Natural Resources								
1. Yunnan Comprehensive Agriculture Development and Biodiversity Conservation	CPI	ENV	AEAR	1999	162.0	65.0	85.0	12.0
Subtotal					162.0	65.0	85.0	12.0
Transport and Communications								
1. Ganzhou-Longyan Railway (Jiangxi-Fujian)	ODI		IETC	2000	800.0	200.0	300.0	300.0
Subtotal					800.0	200.0	300.0	300.0
Total					962.0	265.0	385.0	312.0
2002 PIPELINE								
Agriculture and Natural Resources								
1. Yunnan Comprehensive Agriculture Development and Biodiversity Conservation	CPI	ENV	AEAR	1999	162.0	65.0	85.0	12.0
2. Fujian Soil Conservation and Rural Development II	PI		AEAR	2000	200.0	80.0	120.0	
3. Integrated Ecosystem Management Project in Northern Areas	ODI	ENV	AEFN		215.0	100.0	100.0	15.0
Subtotal					577.0	245.0	305.0	27.0
Energy								
1. Western Region Small Hydropower and Rural Electrification I	PI		IEEN	2000	288.0	140.0	87.0	61.0
2. Hebei Zhanghewan Pumped-Storage Plant	ODI		IEEN	1995/99	940.0	210.0 ^c	235.0	495.0
Subtotal					1,228.0	350.0	322.0	556.0
Transport and Communications								
1. Xichang-Panzhuhua Roads Development	PI		IETC	2000	800.0	250.0	380.0	170.0
2. Ganzhou-Longyan Railway (Jiangxi-Fujian)	ODI		IETC	2000	800.0	200.0	300.0	300.0
Subtotal					1,600.0	450.0	680.0	470.0
Social Infrastructure								
1. Hebei Hai and Luan River Development	ODI	ENV	AEWU	2000	223.0	100.0	67.0	56.0
2. Harbin Water Supply	ODI	HD	AEWU	2000	530.0	180.0	159.0	191.0
Subtotal					753.0	280.0	226.0	247.0
Total					4,158.0	1,325.0	1,533.0	1,300.0

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation.

^c Scope and amount may be expanded.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Poverty Classification ^a	Crosscutting Operational Priority ^b	Responsible Division	Year of PPTA	PROJECT COST (\$ million)			
					TOTAL	OCR	Gov't	Cofinancing (Others)
2003 PIPELINE								
Agriculture and Natural Resources								
1. Agriculture and Water Conservation	ODI	ENV	AEFN	2002	200.0	100.0	100.0	
2. Agriculture Development	PI		AEAR	2002	200.0	100.0	100.0	
Subtotal					400.0	200.0	200.0	-
Energy								
1. Inter-regional System Improvement	ODI		IEEN	2002	210.0	100.0	52.5	57.5
2. Urban Environment Improvement	ODI	ENV	IEEN	2001	400.0	200.0	100.0	100.0
Subtotal					610.0	300.0	152.50	157.5
Finance								
1. Financial Sector Strengthening	ODI	PSD	IEFI	2002	200.0	60.0	40.0	100.0
Subtotal					200.0	60.0	40.0	100.0
Transport and Communications								
1. Shanxi Roads Development ^c	ODI		IETC	1999	450.0	150.0	200.0	100.0
2. Yunnan Highway III ^c	PI		IETC	2000	800.0	250.0	550.0	
Subtotal					1,250.0	400.0	750.0	100.0
Social Infrastructure								
1. Hohhot & Baotou Urban Development & Waste Management	ODI	HD	AEWU	2001	200.0	100.0	60.0	40.0
2. Urban Infrastructure Development in Medium Cities	PI	HD	AEWU	2002	300.0	100.0	90.0	110.0
3. Henan Hai River Wastewater Treatment Project	ODI	ENV	AEWU	2002	200.0	100.0	60.0	40.0
Subtotal					700.0	300.0	210.00	190.0
Total					3,160.0	1,260.0	1,352.5	547.50

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation.

^c May be forwarded to 2002 if circumstances allow. In that case, Guizhou Highway which is not included in the 2003 pipeline may be advanced in 2003.

^d Processing subject to SDPC's confirmation.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Responsible Division	EA for ADTAs	Type of TA	Amount (\$ 000)
2001 TECHNICAL ASSISTANCE PROGRAM				
Agriculture and Natural Resources				
1 . Agriculture Development ^a	AEAR		PP	600
2 . Yunnan-Simao Forestation and Sustainable Wood Utilization ^b	AEAR	Yunnan Provl Govt	AD	500
3 . Livestock and Feed Economy: Emerging Markets and Policies	AEAR	MOA	AD	400
4 . Strategic Planning for the Yellow River Basin	AEFN	MWR	AD	900
5 . Development of GEF/PRC Partnership on Land Degradation ^a	AEFN	MOF	AD	800
Subtotal				3,200
Energy				
1 . Western Region Small Hydropower and Rural Electrification I	IEEN		PP	950
2 . Xinjiang and Gansu Energy Master Plan	IEEN	Provl Govts	AD	900
3 . Pro-poor Urban Heating Tariff Reform	IEEN	MOC	AD	850
Subtotal				2,700
Finance				
1 . Financial Sector Strengthening	IEFI		PP	500
2 . Social Security Reform	IEFI	MOF, CDB, MOLSS	AD	1,050
3 . China Life Insurance Corporate Governance	IEFI	China Life	AD	150
4 . Banking Law and Regulation	IEFI	PBC	AD	400
Subtotal				2,100
Transport and Communications				
1 . Zhongwei-Taiyuan Railway	IETC		PP	700
2 . Yunnan Highway III	IETC		PP	700
Subtotal				1,400
Social Infrastructure				
1 . Hohhot & Baotou Urban Development and Waste Management	AEWU		PP	600
2 . Wuhan Wastewater Treatment Project ^a	AEWU		PP	600
3 . National Guidelines for Urban Wastewater Management (MOC)	AEWU	MOC	AD	700
Subtotal				1,900
Others				
1 . TA Cluster for Trans-Jurisdiction Environmental Management ^c	ENVD	SEPA	AD	600
2 . Strengthening Industry Compliance with Environmental Standards (ISO14000)	ENVD	SEPA	AD	600
3 . Study on Foreign Capital Utilization for Western Region	PE1	SDPC	AD	600
4 . Strengthening MIS and Project Administration of MOF	RM	MOF	AD	500
5 . Strengthening Capacity of Public Financing	RM	MOF	AD	600
6 . WTO Membership and Law Reform ^d	OGC	MOFTEC	AD	600
7 . Strengthening Accounting Profession	EDEV/CTL	CICPA	AD	600
8 . NGO Partnerships for Poverty Reduction	tbd	MCA	AD	300
Subtotal				4,400
Total				15,700

^a Processing subject to SDPC's confirmation.

^b Subject to submission of Comprehensive Plan by the Yunnan Provincial Government and endorsed by MOF.

^c For Urban Pollution Control Component.

^d Requested to be forwarded from 2002.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Responsible Division	EA for ADTAs	Type of TA	Amount (\$ 000)
2002 TECHNICAL ASSISTANCE PROGRAM				
Agriculture and Natural Resources				
1 . Gansu High-Value Added Products ^a	AEAR		PP	600
2 . Agriculture and Water Conservation ^a	AEFN		PP	850
3 . Rural Finance	AEAR	tbd	AD	250
4 . National Water Sector Framework	AEFN	MWR	AD	800
Subtotal				2,500
Energy				
1 . Urban Environment Improvement Project ^a	IEEN		PP	900
2 . Renewable Energy Project (Wind and Solar)	IEEN		PP	500
3 . Interregional System Improvement	IEEN		PP	700
4 . Power Distribution Study	IEEN	SP	AD	500
Subtotal				2,600
Finance				
1 . Debt Securities Market Development	IEFI	PBC	AD	800
2 . Evaluation of Methods and Standards for Efficient Corporate Management	IEFI	MOF	AD	700
3 . SOE Reform in the Background of Global Free Trade	IEFI	MOF	AD	700
Subtotal				2,200
Transport and Communications				
1 . Xi'an Urban Transport	IETC		PP	800
2 . Guizhou Highway II (Southwest Roads III)	IETC		PP	700
3 . Road Maintenance Study	IETC	MOC	AD	600
Subtotal				2,100
Social Infrastructure				
1 . Henan Hai River Wastewater Treatment	AEWU		PP	600
2 . Urban Infrastructure Development in Medium Cities	AEWU		PP	600
3 . Strategic Study on Urban Infrastructure (Western Region)	AEWU	MOC (Provl Govts)	AD	600
Subtotal				1,800
Others				
1 . TA Cluster for Trans-Jurisdiction Environmental Management ^b	ENVD	SEPA	AD	1,200
2 . Environment Management in Western Region	AEFN/ENVD	SEPA	AD	600
3 . Shaanxi Poverty Reduction Strategy	RM	Provl Govt	AD	500
4 . Governance Reform	OGC	tbd	AD	500
5 . Strengthening the Key Project Inspectorate	tbd	SDPC	AD	500
Subtotal				3,300
Total				14,500

^a Processing subject to SDPC's confirmation.

^b For Strengthening Environmental Monitoring and Enforcement, and Capacity Building for Environmental Management.

PEOPLE'S REPUBLIC OF CHINA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Responsible Division	EA for ADTAs	Type of TA	Amount (\$ 000)
2003 TECHNICAL ASSISTANCE PROGRAM				
Agriculture and Natural Resources				
1 . Rainfed Agriculture	AEAR	MOA	AD	600
2 . Biodiversity Conservation	AEFN	tbd	AD	600
3 . Planning and Management of Geological Hazards	AEFN	tbd	AD	800
Subtotal				2,000
Energy				
1 . Western Region Small Hydropower and Rural Electrification (Xinjiang) ^a	IEEN		PP	700
2 . Guizhou and Yunnan Rural Electrification ^a	IEEN		PP	800
3 . Western Region Natural Gas Utilization Project ^a	IEEN		PP	900
4 . Power Pricing Strategy	IEEN	SP	AD	500
Subtotal				2,900
Finance				
1 . Study on Consolidation of Financial Supervisory Bodies (PBC)	IEFI	PBC	AD	600
2 . Social Security Reform	IEFI	MOF	AD	1,000
3 . Industrial Sector Readjustment	IEFI	MOF	AD	600
Subtotal				2,200
Transport and Communications				
1 . Southwest Roads I ^a	IETC		PP	700
2 . Southwest Roads II ^a	IETC		PP	700
3 . Road Development in Western PRC	IETC	MOC	AD	600
4 . Air Quality Enhancement	IETC/ENVD	SEPA	AD	700
Subtotal				2,700
Social Infrastructure				
1 . Urban Environment Improvement ^a	AEWU		PP	600
2 . Suzhou Creek Project II ^a	AEWU		PP	600
3 . Financial Strengthening of Water Utilities	AEWU	MOC	AD	600
4 . Socio-economic Assessment for Infrastructure Projects	SOCD	tbd	AD	700
Subtotal				2,500
Others				
1 . Support for Consulting Industry	COCS	tbd	AD	500
2 . Environment and Natural Resources Accounting	ENVD	SEPA	AD	600
3 . GDP Statistics	EDSD	NBS	AD	500
4 . Macroeconomic Policy Support	RM	tbd	AD	300
5 . Development of Legal Assistance System	OGC	MOJ	AD	500
6 . Governance Reform II	OGC	tbd	AD	500
Subtotal				2,900
Total				15,200

^a Processing subject to SDPC's confirmation.

PEOPLE'S REPUBLIC OF CHINA
LENDING PROGRAM, 2001-2003
BY POVERTY CLASSIFICATION, CROSSCUTTING OPERATIONAL PRIORITY AND SECTOR

Classification	2001 (Firm)		2002-2003	
	No.	%	No.	%
I. By Poverty Classification*				
A. Core Poverty Intervention	-	-	1	5.3
B. Poverty Intervention (non-core)	5	50.0	6	31.6
C. Other Development Interventions	5	50.0	12	63.1
Total	10	100.0	19	100.0
II. By Crosscutting Operational Priority*				
A. Environment	4	40.0	7	36.8
B. Gender and Development	-	-	-	-
C. Good Governance	-	-	-	-
D. Human Development	2	20.0	2	10.5
E. Private Sector Development	-	-	1	5.3
F. Regional Cooperation	-	-	-	-
Total	6	60.0	10	52.6
III. By Sector				
A. Agriculture and Natural Resources	4	40.0	5	26.3
B. Energy	2	20.0	4	21.1
C. Finance and Industry	1	10.0	1	5.2
D. Social Infrastructure	1	10.0	5	26.3
E. Transport and Communications	2	20.0	4	21.1
F. Others/Multisector	-	-	-	-
Total	10	100.0	19	100.0

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Efficient Utilization of Agricultural Wastes		2. Sector/Subsector: Agriculture & Agro-Industry / Agricultural Support Services		
3. Poverty Classification: ^{1*} PI		4. Crosscutting Operational Priority: ^{2*} ENV		
5. Rationale: To mitigate the shortage of energy resources, improve the environment, promote the growth of small cities, and develop and improve the local economy in rural areas. China's environment is degrading as a result of deforestation, communal grazing, excess solid and sanitary waste, and low-intensive farming that has lead to increased soil erosion and poverty in the rural areas. In these rural areas, farm households have limited access to modern energy sources due to lack of funds and therefore puts enormous pressure on the forests (for firewood) and excess use of coal for cooking. Appropriate options are required to help solve the energy shortages by utilizing agriculture waste products to produce biogas for farms and farming enterprises as well as improve overall agriculture production.		6. Beneficiary Participation/Consultation Needs: The PPTA would consult widely with rural communities, operators of large farming enterprises, and agro-processing enterprises to determine the key constraints in implementing renewable rural energy projects, determine beneficiaries ability and willingness to pay or provide in-kind services, and to explore the practicability of possible new technical solutions.		
7. Objectives and Scope: The Project will increase the energy supply in the project areas, decrease the consumption of biomass resources in order to protect the natural vegetation to avoid soil erosion, improve management and disposal of agricultural waste products, and assist to reverse continued deterioration of the environment.				
8. Estimated Cost and Financing Plan (\$)				Remarks:
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
ADB	30.0	0.0	30.0	
Cofinancing	0.0	0.0	0.0	
Borrower	0.0	30.0	30.0	
Total	30.0	30.0	60.0	
9. Estimated Benefits and Beneficiary Groups: Local governments, farmers, and small-medium enterprises and operators.				
10. Executing Agency: Ministry of Agriculture			11. Project Implementation Period: Start: 2002 End: 2006	
12. Environment Category: tbd			13. Processing Year: 2001	

¹ CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

² ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance;
HD = Human Development; PSD = Private Sector Development.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

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. Poverty Classification: ¹ * ODI		4. Crosscutting Operational Priority: ² * ENV		
5. 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. For 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.		6. 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.		
7. 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.				
8. 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	0.0	150.0	150.0	
Total	150.0	150.0	300.0	
9. 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).				
10. Executing Agency: Ministry of Water Resources and Yellow River Water Conservancy Commission		11. Project Implementation Period: Start: 2002 End: 2005		
12. Environment Category: B/A		13. Processing Year: 2001		

¹ CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

² ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Ningxia Shapoutou Water Resources		2. Sector/Subsector: Agriculture and Agro-Industry/ Irrigation and Rural Development		
3. Poverty Classification: ^{1*} PI		4. Crosscutting Operational Priority: ^{2*}		
5. Rationale: The proposed Project aims at improved management of land and water resources to increase farm income and reduce poverty in a disadvantaged region in the country. The Project will contribute to poverty reduction and economic development.		6. Beneficiary Participation/Consultation Needs: The Project will improve irrigation services on 67,000 ha existing farmlands, develop irrigated agriculture on 27,000 ha of reclaimed land, provide increased income opportunities to about 135,000 existing farm families and a large number of families to be relocated on new irrigation lands.		
7. Objectives and Scope: The project will improve the operational performance of existing irrigation systems by implementing a set of engineering and institutional measures which may include construction of a 37.6 m high storage dam, remodeling and rehabilitation of canal networks, development of groundwater improvement of drainage and strengthening of systems operation and maintenance. The Project will also reclaim about 27,000ha of grasslands presently covered by wind-blown sand from the nearby desert. Part of the reclaimed land will be allocated to poor families who would be relocated from uplands to the Project area.				
8. Estimated Cost and Financing Plan (\$)				Remarks:
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
ADB	50.0	0.0	50.0	
Cofinancing	0.0	0.0	0.0	
Borrower	0.0	184.0	184.0	
Total	50.0	184.0	234.0	
9. Estimated Benefits and Beneficiary Groups: The design of the ADB technical assistance provide for socioeconomic analysis in the Project area and development of strategies for involvement of prospective beneficiaries in the planning and implementation of the Project. Specific attention will be given to the needs of the communities who are to be relocated in the Project area, and will be reflected in the relocation plan to be prepared.				
10. Executing Agency: Ningxia Finance Bureau			11. Project Implementation Period: Start: 2002 End: 2007	
12. Environment Category: B/A			13. Processing Year: 2001	

¹ CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

² ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance;
HD = Human Development; PSD = Private Sector Development.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Songhua River Flood, Wetlands and Biodiversity Management		2. Sector/Subsector: Agriculture and Natural Resources/Agricultural Support Services		
3. Poverty Classification: ^{1*} ODI		4. Crosscutting Operational Priority: ^{2*} ENV		
5. Rationale In the wake of the catastrophic floods of 1998 in the Yangtze, Songhua, Nen, and Liao river basins, estimated to have caused direct economic losses in excess of \$23 billion, the Government has embarked on an ambitious nationwide program aimed at improving flood control and flood protection, with particular emphasis on environmentally sound management of river basin watersheds and water resources. As part of this program, the Bank has been asked to provide assistance to the Songhua river basin (including Nen, Second Songhua, and Songhua). (The Bank has also been asked to assist the Government's program for improvement of flood protection in Yellow River, and this is covered under a separate TA. The World Bank and other funding agencies, notably OECF, have been asked to assist the Government's program in the Yangtze and other river basins.)		6. Beneficiary Participation/Consultation Needs: An initial social assessment was carried out during TA fact-finding. Based on the findings, a comprehensive poverty analysis is to be conducted in each core subproject. A full resettlement plan will be prepared for at least one subproject. Under the TA and ensuing project, participatory workshops will be held. In the Sanjiang wetlands workshops will be used to identify and prioritize appropriate eco-friendly livelihood activities.		
7. Objective and Scope: The objectives of the Songhua River Flood Management Project (SRFMP) are to reduce flooding and flood hazards in the Songhua river basin through strengthening, improving, and bringing to a consistent standard the flood protection works in the river basin. The scope of the loan will be defined by a PPTA which commenced in April 1999. It is anticipated that the loan will finance (a) flood protection works on the main Songhua River and its tributaries, (b) non-structural measures such as flood plain mapping and zoning, (c) early warning facilities for flood protection. The sustainable management and development of biodiversity in Sanjiang Plain, which is an internationally important wetland for water birds and other wildlife, will be developed as one component of SRFMP.				
8. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m)			Remarks: It is anticipated that the incremental costs associated with biodiversity conservation in Sanjiang wetlands will be financed as a grant by the Global Environment Facility (GEF). This is tentatively estimated at \$30 million.	
Financing (Source)	FC	LC		Total
ADB	120.0	30.0		150.0
Cofinancing	10.0	20.0		30.0
Borrower	0.0	150.0		150.0
Beneficiaries	0.0	0.0		0.0
Total	130.0	200.0	330.0	
9. Estimated Benefits and Beneficiary Groups: Beneficiaries will include many of the families residing in the floodplains of Songhua River and its tributaries, including about 16 million persons who were affected by floods in 1998.				
10. Executing Agency: Heilongjiang, Jilin Province, Inner Mongolia Autonomous Region		11. Project Implementation Period: Start: July 2001 End: June 2006		
12. Environment Category: A/B		13. Processing Year: 2001		

¹ CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

² ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development.

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PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Shen-Da Power System Improvement & Electrification		2. Sector/Subsector: Energy/Electric Power		
3. Poverty Classification: ^{1*} ODI		4. Crosscutting Operational Priority: ^{2*}		
5. Rationale: To help meet electricity demand in a way that does not place additional stress on air quality in Dalian, the Project will evacuate the surplus power in Inner-Mongolia and transmit it to Dalian. The evacuation of the surplus power in Inner-Mongolia, a poor province in the western region, will have significant impact on the economic growth there. Although ADB does not fund the rural electrification component, the ADB financing of the Project will allow LEPC to allocate sufficient fund for rural electrification programs in Liaoning. The rural electrification component will have social benefits through expanded rural electrification in poverty areas and environmental benefits through reduced use of coal for domestic purposes. Closing selected old, inefficient and polluting coal-fired power plants would create a significant positive impact on air quality. Stronger provincial grids and regional networks will allow bulk power transfers to major load centers, and will result in reduced system losses, better use of energy resources, economies of scale, reduced generating reserve margins, and improved power supply reliability. The Project will facilitate the next phase of power sector reforms in Liaoning that would lead to the introduction of competitive power markets.		6. Beneficiary Participation/Consultation Needs: Liaoning Electric Power Company (LEPC), the project executing agency, will conduct consultation among key stakeholders, some of whom will be represented on the PPTA Project Leading Group. This group will meet regularly in order to advise on the coordination of the project progress.		
7. Objectives and Scope: The Project objectives are to support sector and enterprise reforms in the power sector of Liaoning Province and augment power transmission capacity and system improvement to support economic development in the province. Other objectives are expansion of electricity supply in rural areas, and improvement of the environment through the closure of polluting thermal power plants. The Project consists mainly of (i) establishing additional 500 kV transmission facilities, (ii) providing related 110 kV and 220 kV transmission facilities, (iii) modernizing the load dispatch and communications systems, (iv) connecting rural households in Liaoning, and (v) closing down old, inefficient and polluting coal-fired power plants.				
8. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m)				Remarks: Cofinancing is yet to be finalized.
Financing (Source)	FC	LC	Total	
ADB	100.0	0.0	100.0	
Co-financing	0.0	0.0	0.0	
Borrower	0.0	200.0	200.0	
Total	100.0	200.0	300.0	
9. Estimated Benefits and Beneficiary Groups: To be determined by the PPTA, the processing of which is ongoing.				
10. Executing Agency: Liaoning Electric Power Corporation			11. Project Implementation Period: Start: 2002 End: 2004	
12. Environment Category: A			13. Processing Year: 2001	

¹ CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

² ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development.

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PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Acid Rain Control and Environmental Improvement Project			2. Sector/Subsector: Energy/ Others	
3. Poverty Classification: ^{1*} ODI			4. Crosscutting Operational Priority: ^{2*} ENV	
5. Rationale: In Anhui Province, 22 counties have been designated as poverty counties. The acid rain control zone includes six prefectures with a total population of 13 million, of which 78 percent are rural. About 650,600 people living in the areas are considered absolutely poor and GDP per capita is 10 percent lower than the national average. Acid rain frequency in the cities along the Yangtze River reaches 25-65%, and the pH level is as low as 3.0 to 3.5 (lower pH refers to higher acidity). The damage caused by the acid rain to agricultural and forestry production, human health cost and material destruction are estimated at over \$100 million per year. Therefore acid rain reduction will have major positive impact on the poor in the province.			6. Beneficiary Participation/Consultation Needs: The Project will be formulated taking into account the findings of the ongoing PPTA.	
7. Objectives and Scope: The Project will help: (i) formulate measures for improving the policy framework for reduction of SO ₂ and other acid rain causing gas emissions; (ii) finance subprojects that promote cleaner production, reduce acid rain and air pollution, improve the environment; and (iii) strengthen institutions for environmental monitoring and enforcement including human resource development.				
8. Estimated Cost and Financing Plan (\$)				Remarks:
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
ADB	150.0	0.0	150.0	
Cofinancing	0.0	0.0	0.0	
Borrower	0.0	190.0	190.0	
Total	150.0	190.0	340.0	
9. Estimated Benefits and Beneficiary Groups: The Project will improve industrial, agricultural and forestry productivity, improve human health and protect natural environment. A large number of poor villages to be benefited due to reduced acid rain.				
10. Executing Agency: Anhui Provincial Government			11. Project Implementation Period: Start: 2002 End: 2006	
12. Environment Category: B			13. Processing Year: 2001	

¹ CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

² ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development.

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PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Social Security Reform Program Loan (SSRPL)			2. Sector/Subsector: Finance	
3. Poverty Classification: ^{1*} PI			4. Crosscutting Operational Priority: ^{2*} HD	
5. Rationale: The PRC Government has undertaken a process of comprehensive social security reforms to facilitate SOE restructuring. By 2000, the number of laid-off workers will be in excess of 20 million while the under-employed are expected to increase to 30 million or half of the labor force. The Government is seeking to minimize urban poverty and long-term unemployment by improving social security coverage for the self-employed, private sector workers and the poor; remove the rigidities in the labor and capital markets, as well as reduce the fiscal burden on the provinces and the national government. The PRC Government has currently structured a Social Security Task Force within the State Council. The Task Force will develop the framework for social security reform to be included in the Tenth Five-Year Plan (2000-2004). The Government has requested the ADB's assistance in developing policy reforms that will assist the long-term sustainability of the social security system.			6. Beneficiary Participation/Consultation Needs: The Ministry of Finance (Executing Agency) together with the State Development Planning Commission as well as the Ministry of Labor and Social Security and the Ministry of Civil Affairs will work with the ADB to implement the social security reform measures developed in the SSRPL policy matrix. The implementation of the policy matrix will be undertaken in consultation with the State Council Task Force through the Ministry of Finance.	
7. Objectives and Scope: The Social Security Reform Program Loan will provide support in the following areas: (i) consolidate the social security system with broadened coverage and affordability, (ii) seek prudent resolution of the implicit pension debt program, (iii) enhance efficiency and improve accountability of the social security system administration, (iv) develop supplementary schemes, (v) strengthen the legal, supervisory and regulatory framework for the social security system, the insurance sector and capital markets. The two supporting TAs will also provide for policy support in the area of unemployment insurance, medical insurance and Minimum Living Standard.				
8. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m)				Remarks:
Financing (Source)	FC	LC	Total	
Bank	300.0	0.0	300.0	
Cofinancing	200.0	0.0	200.0	
Borrower	0.0	0.0	0.0	
Total	500.0	0.0	500.0	
9. Estimated Benefits and Beneficiary Groups: Based on discussions with the concerned government departments, the SSRPL will form an integral part of the PRC Government's objective to extend social security coverage to all urban employees by 2003 (200 million). The SSRPL will also form part of the support initiative for the urban poor and unemployed (over 20 million). To ensure the long-term sustainability of the social security system, the SSRPL will support the development of the legal and regulatory frameworks to ensure the development of supplementary commercial schemes.				
10. Executing Agency: Ministry of Finance			11. Project Implementation Period: Start: 2000 End: 2004	
12. Environment Category: not applicable			13. Processing Year: 2001	

¹ CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions.

² ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance;
HD = Human Development; PSD = Private Sector Development.

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PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Guangxi Road Development			2. Sector/Subsector: Roads and Road Transport/Road	
3. Poverty Classification: ^{1*} PI			4. Crosscutting Operational Priority: ^{2*}	
5. Rationale: The Bank's country operational strategy for the PRC emphasizes three broad objectives: (i) to improve economic efficiency; (ii) to promote economic growth and reduce poverty, and (iii) to enhance environmental protection and natural resources management. The Project will serve these objectives by substantially upgrading the transport capacity between Nanning and Youyiguan, at the border of PRC and Viet Nam.			6. Beneficiary Participation/Consultation Needs: To be determined by the PPTA.	
7. Objectives and Scope: The objective of the Project is to support the economic and social development in the southwest of Guangxi by removing a major transport bottleneck between Nanning and Youyiguan at the Viet Nam border, by improving the efficiency and safety of road transport, and by increasing the capacity of the road network in the project area. The Project will also support the Government's efforts in poverty reduction and minority development by upgrading an associated network of provincial and county roads. Also, the Project will facilitate regional cooperation between PRC and Viet Nam. The Project will include: (i) construction of a 180 km class I tolled highway from Nanning to Youyiguan; (ii) upgrading of provincial and county roads in the associated road network; (iii) procurement of equipment for traffic engineering and toll collection, (iv) acquisition of resettlement of affected people; and (v) consulting services for project management and supervision.				
8. Estimated Cost and Financing Plan (\$) Loan Project Cost (\$m)				Remarks: PPTA started on 17 April 2000.
Financing (Source)	FC	LC	Total	
ADB	200.0	0.0	200.0	
Cofinancing	0.0	0.0	0.0	
Borrower	0.0	200.0	200.0	
Total	200.0	200.0	400.0	
9. Estimated Benefits and Beneficiary Groups: To be determined by the PPTA.				
10. Executing Agency: Guangxi Communications Department			11. Project Implementation Period: Start: December 2001 End: December 2004	
12. Environment Category: A			13. Processing Year: 2001	

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PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Shaanxi Road Development		2. Sector/Subsector: Transport/Road and Road Transport		
3. Poverty Classification: ^{1*} PI		4. Crosscutting Operational Priority: ^{2*}		
5. Rationale: The improvement of provincial and county roads under the Project will improve access from the poverty counties to economic opportunities and markets, and to social services. This will promote economic growth and assist in poverty reduction.		6. Beneficiary Participation/Consultation Needs: To be confirmed by the PPTA.		
7. Objectives and Scope: The objective of the Project is to promote economic and social development in the central part of Shaanxi Province, and to support policy changes in such areas as corporatization of highway construction and operation entities, and improvement of road traffic safety and traffic management.				
8. Estimated Cost and Financing Plan (\$)				Remarks:
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
ADB	200.0	0.0	200.0	
Cofinancing	0.0	0.0	0.0	
Borrower	0.0	200.0	200.0	
Total	200.0	200.0	200.0	
9. Estimated Benefits and Beneficiary Groups: To be confirmed by the PPTA.				
10. Executing Agency: Shaanxi Provincial Communications Department			11. Project Implementation Period: Start: 2002 End: 2006	
12. Environment Category: A			13. Processing Year: 2001	

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PEOPLE'S REPUBLIC OF CHINA

PROJECT PROFILE				
1. Project Name: Mudanjiang Water Supply Project		2. Sector/Subsector: Social Infrastructure/Water Supply and Sanitation		
3. Poverty Classification: ¹ * ODI		4. Crosscutting Operational Priority: ² HD		
5. Rationale The existing source of raw water for the Mudanjiang and Hailin, namely, the Mudan River is severely polluted because of the discharge of untreated or partially treated wastewater from the agricultural, industrial and urban areas upstream in Jilin province. With increasing concentration of pollutants, the Mudan River water quality during the low flow winter period (November to May) becomes unsuitable for drinking purposes and poses a serious threat to public health resulting in a high incidence of cancer, gastroenteritis infections and parasitic diseases. Further, the raw water supply from the Mudan River is barely enough to meet the existing demand of 260,000 cubic meters per day, and less than the future projected demand.		6. Beneficiary Participation/Consultation Needs: There will be extensive beneficiary participation and consultation during project preparation and implementation regarding project design, demand for water, and construction.		
7. Objective and Scope: The main objectives of the Project are to (i) alleviate the current severe raw water quality problems in Mudanjiang and Hailin and meet future water demands; (ii) improve public health by providing clean raw water; (iii) provide installed capacity of 60 megawatts (MW) of renewable hydroelectricity to the Heilongjiang provincial electricity grid for peaking power, (iv) promote long-term urban development in Mudanjiang and Hailin cities; (v) assist in institutional strengthening of the Mudanjiang Linhai General Water Supply Company (MLGWSC) for the commercial operation and maintenance of the new system; and (vi) promote tariff reforms to achieve full cost recovery. The Project scope includes (i) a 65 meter (m) high storage dam with a 60-MW hydroelectric generating plant, related diversion tunnels, electrical transformer station, and transmission facilities; (ii) a 48.8 kilometers (km) of gravity flow water conveyor system including tunnels and pipes; and (iv) capacity-building of MLGWSC. As a result of the inundation in the areas behind the dam, about 2,270 persons (613 households) will be relocated, mostly to host villages within the same town as land-based farmers and forestry workers.				
8. Estimated Cost and Financing Plan (\$)				Remarks:
Loan Cost (\$million):				
Financing (Source)	FC	LC	Total	
ADB	90	0	90	
Cofinancing	0	39	39	
Borrower	10	46	56	
Total	100	85	185	
9. Estimated Benefits and Beneficiary Groups: The Project will directly benefit a population of over 900,000, of which 20 percent (176,000 persons) are below the international standard poverty line of \$2 per person per day. The Project will also create a minimum of about 850 permanent jobs, and 5000 temporary jobs during the construction and operation period. To provide more direct benefits to the poor, specific poverty reduction activities will be undertaken in association with the Project with support from the Japan Fund for Poverty Reduction [to be firmed up during loan appraisal following completion of an on-going study by ADB-financed poverty consultants]. Also, significant public health benefits will accrue in the service area through reduction in waterborne illnesses. It will also allow the extraction of groundwater to cease, thus protecting the aquifers. The reliable supply of potable water will reduce the burden on women who are responsible for domestic duties, fetching of water, and caring for the sick. The Project will also have immediate benefits for 250,000 persons who suffer from the effects of flooding every two to three years and farmers in the region who will have more irrigation water. Indirect benefits will accrue to the residents in the Project area through provision of 60 MW for peaking power.				
10. Executing Agency: Mudanjiang Municipal Government		11. Project Implementation Period: Start: 2001 End: 2005		
12. Environment Category: A		13. Processing Year: 2001		

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