

In March 2000, the Asian Development Bank (ADB) adopted a Private Sector Development (PSD) Strategy to articulate in more detail how private sector development would be supported in providing the economic and employment growth needed to achieve ADB's overarching objective of poverty reduction in the Asia and Pacific region. To implement the PSD Strategy, private sector assessments (PSAs) are to be formulated for each developing member country of ADB.

The main objectives of the PSA are to provide a critical review of PSD, identify major constraints and priority areas for further development, and suggest actions to be incorporated into ADB's PSD Strategy as part of the overall country strategy and program. The People's Republic of China (PRC) was selected as one of the flagship countries for which a PSA will be conducted. In view of the size of the PRC's economy, the PSA is focused on addressing these objectives. Thus, sectors in which ADB has not been involved and/or does not envision a role in the near term are not discussed.

The methodology, analytical framework, and report structure for this PSA are as follows. The PSA begins by summarizing PSD based upon findings from studies sponsored under ADB technical assistance work that involved extensive consultations with the Government, private sector and international agencies—including a workshop to discuss the PSA held in Beijing in March 2003—other documentation, and additional research conducted by ADB. The macroeconomic environment is described, followed by a discussion of the policy, legal, and institutional framework. Impediments to PSD are identified, drawing on two ADB business climate surveys, one with domestic enterprises and another with foreign investors operating in the PRC. Findings from studies by other domestic and international agencies and interviews and consultations with key players influencing PSD are incorporated into the PSA. Separate sector assessments are followed by an examination of the impact of other funding agency activities in support of PSD to help identify areas for possible collaboration as well as ADB niches. The last sections build on an assessment of ADB's PSD assistance and outline ADB's PSD strategy for 2003–2006.

This report was prepared by ADB staff and a consultant, Mika Maramuto, under the overall direction of the East and Central Asia Department, with the support of ADB's PRC Resident Mission (PRCM). The work was led and supervised by Debra Kertzman, Financial Sector Specialist from the East and Central Asia Department, Governance, Finance and Trade Division (ECGF); and Edgar Cua, Principal Programs Officer from the PRCM. The report team received valuable support, insights, and guidance from Shamshad Akhtar, Deputy Director General of Southeast Asia Department; Noy Siackhachanh, Director of ECGF; and Bruce Murray, Country Director of the PRCM. Technical support was provided by Zhuang Jian, Wang Lan, Wu Aihua and Gan Mei of the PRCM. The perspectives and judgments expressed in this report do not necessarily reflect the views of ADB or its Board of Directors.

I would also like to acknowledge and express our appreciation for the support given by many ADB staff members who provided substantial guidance, comments, and advice.

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Director General
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Manila, November 2003

CURRENCY EQUIVALENTS

(as of 30 April 2003)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.1208
\$1.00	=	CNY8.2770

NOTE

In this report, “\$” refers to US dollars.

ABBREVIATIONS

ACFIC	All China Federation of Industry and Commerce
ADB	Asian Development Bank
AMC	asset management company
BOT	build-operate-transfer
CBRC	China Banking Regulatory Commission
CGC	credit guarantee company
CGS	credit guarantee scheme
CIRC	China Insurance Regulatory Commission
CPDF	China Project Development Facility
CSRC	China Securities Regulatory Commission
DFID	Department for International Development (of the United Kingdom)
DRC	Development Research Center (of the China State Council)
EU	European Union
FDI	foreign direct investment
FIE	foreign invested enterprise
GDP	gross domestic product
IFC	International Finance Corporation
IPO	initial public offering
IPR	intellectual property right
JV	joint venture
MOC	Ministry of Commerce
MOF	Ministry of Finance
MOFTEC	Ministry of Foreign Trade and Economic Cooperation
MOST	Ministry of Science and Technology
NGWT	National Guidelines on Water Tariffs
NPC	National People's Congress
NPL	nonperforming loan
OECD	Organisation for Economic Co-operation and Development
PBOC	People's Bank of China
PPA	power purchase agreement
PPI	private participation in infrastructure
PRC	People's Republic of China
PSA	private sector assessment
PSD	private sector development
PSRP	Power Sector Restructuring Plan
QFII	qualified foreign institutional investor
RCC	rural credit cooperative
SAIC	State Administration of Industry and Commerce
SASAC	State Asset Supervision and Administration Commission
SDPC	State Development Planning Commission
SETC	State Economic Trade Commission
SME	small and medium enterprise
SOCB	state-owned commercial bank
SOE	state-owned enterprise
SPC	Supreme People's Court
SPGC	State Power Grid Corporation
TA	technical assistance

TVE	town or village enterprise
UNDP	United Nations Development Programme
VC	venture capital
WTO	World Trade Organization