



# Country Partnership Strategy

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February 2021

## People's Republic of China, 2021–2025 —Toward High-Quality, Green Development

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 10 February 2021)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1554
\$1.00	=	CNY6.4353

## ABBREVIATIONS

ADB	–	Asian Development Bank
CKP	–	country knowledge plan
COVID-19	–	coronavirus disease
CPS	–	country partnership strategy
DMC	–	developing member country
DRR	–	disaster risk reduction
EARD	–	East Asia Department
GDI		Graduation Discussion Income
GDP	–	gross domestic product
IED	–	Independent Evaluation Department
NDC	–	nationally determined contribution
PPP	–	public–private partnership
PRC	–	People’s Republic of China
RKSI	–	Regional Knowledge Sharing Initiative
SMEs	–	small and medium-sized enterprises
SOE	–	state-owned enterprise
TA	–	technical assistance
UMIC	–	upper middle-income country

## NOTE

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

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## COUNTRY AT A GLANCE

<b>Economic</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
GDP (\$ billion, current)	11,237.0	12,323.2	13,891.9	14,363.5	14,724.4
GDP per capita (\$, current)	8,150.6	8,888.6	9,974.6	10,276.4	...
GNI per capita (\$, Atlas method)	8,270.0	8,740.0	9,620.0	10,410.0	...
GDP growth (% , in constant prices)	6.8	6.9	6.7	6.1	2.3
Agriculture	3.3	4.0	3.5	3.1	...
Industry	6.0	5.9	5.8	5.7	...
Services	8.1	8.3	8.0	6.9	...
Gross domestic investment (% of GDP)	42.6	43.0	43.8	43.3	...
Gross domestic saving (% of GDP)	45.0	45.1	44.9	44.3	...
Consumer price index (annual % change)	2.0	1.6	2.1	2.9	2.5
Liquidity (M2) (annual % change)	11.3	9.0	8.1	8.7	10.1
Overall fiscal surplus (deficit) (% of GDP)	(3.8)	(3.7)	(4.1)	(4.9)	...
Merchandise trade balance (% of GDP)	4.4	3.9	2.8	3.0	...
Current account balance (% of GDP)	1.8	1.6	0.2	1.0	1.5 <sup>a</sup>
External debt service (% of exports of goods and services)	6.1	5.5	5.5	6.7	...
External debt (% of GDP)	12.6	14.3	14.3	14.3	...

<b>Poverty and Social</b>	<b>2000</b>	<b>Latest</b>	<b>2019</b>
Population (million)	1,267.4	1,400.1	
Population growth (annual % change)	0.7	0.3	
Maternal mortality ratio (per 100,000 live births)	59.0	29.0	[2017]
Infant mortality rate (below 1 year/per 1,000 live births)	30.1	6.8	
Life expectancy at birth (years)	71.4	76.7	
Adult literacy (% ,15 years and above)	90.9	96.8	[2018]
Primary school gross enrollment (%)	...	101.9	
Child malnutrition <sup>b</sup> (% below 5 years old)	10.0	20.0	[2018]
Population below poverty line (% , less than \$3.20 a day)	...	5.4	[2016]
Population with access to safe water (%)	80.4	92.8	[2017]
Population with access to sanitation (%)	56.3	84.8	[2017]

<b>Environment</b>	<b>2010</b>	<b>Latest</b>	
Carbon dioxide emissions (million tons)	8,776.0	9,893.0	[2016]
Carbon dioxide emissions per capita (tons)	6.6	7.2	[2016]
Forest area (million hectares)	...	220.4	[2018]
Urban population (% of total population)	49.2	60.3	[2018]

### **ADB Portfolio (active loans)<sup>c</sup>**

**As of 30 September 2020**

Total number of loans	
Sovereign	79
Nonsovereign	28
Total loan amount (\$ million) <sup>d</sup>	
Sovereign	12,304.4
Nonsovereign	1,721.0
Disbursements	
Sovereign	
Disbursed amount (\$ million)	426.7
Disbursement ratio (%)	6.3
Nonsovereign	
Disbursed amount (\$ million)	70.8
Disbursement ratio (%)	40.5

... = not available, ( ) = negative, [ ] = latest year for which data are available, ADB = Asian Development Bank, GDP = gross domestic product, GNI = gross national income, M2 = broad money, OCR = ordinary capital resources.

<sup>a</sup> Projection.

<sup>b</sup> The United Nations Children's Fund (UNICEF) defines undernutrition to include wasting (low weight for height), stunting (low height for age), and being moderately to severely overweight. UNICEF. 2019. [The State of the World's Children 2019. Children, Food and Nutrition: Growing Well in a Changing World](#). New York (Table 8).

<sup>c</sup> Covers OCR financing for projects and programs, including policy-based lending.

<sup>d</sup> Net of droppages and cancellation.

Sources: Asian Development Outlook, national statistics, ADB estimates.

## I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Key development challenges.** After four decades of economic progress, the People's Republic of China (PRC) is shifting its growth focus away from quantity and toward quality and sustainability. The country is adopting a new approach that will place it on a low-carbon development path, strengthen climate resilience, and address the environmental degradation that has been a consequence of its current growth model. High-quality development also requires strengthening social inclusion, responding to health security threats, such as the ongoing global pandemic, and addressing issues posed by the rapid aging of society. The PRC, the region and the world all have a shared interest in ensuring that the country successfully transitions to a new and more sustainable model of development.

2. **The Asian Development Bank's strategic objectives and priorities.** The overarching goal of the Asian Development Bank's (ADB) country partnership strategy (CPS), 2021–2025 for the PRC is to support government efforts to achieve high-quality, green development. Given the crosscutting nature of the PRC's development challenges, ADB's strategy and operations must transcend a sector focus and address key impediments to high-quality development. Investments and knowledge solutions will focus on the three inter-related strategic priorities of environmentally sustainable development, climate change adaptation and mitigation, and an aging society and health security. Specific areas of engagement will be determined by ADB's ability to strengthen policies and institutions, support the generation of regional and global public goods, and create and disseminate knowledge. These themes cut across the three strategic priorities of the CPS.

3. **Alignment with government development plans and ADB's corporate strategy.** The CPS is aligned with key government priorities under the upcoming 14th Five-Year Plan. These include emphasis on natural resource management to combat climate change, biodiversity loss, and ecosystem damage; low-carbon development; social inclusion in the context of population aging; and regional health security. In line with ADB's Strategy 2030<sup>1</sup> and its approach to upper middle-income countries (UMICs), the CPS will seek to address development constraints that impede the PRC's transition to high-income status as defined by ADB's graduation policy and criteria.<sup>2</sup> The CPS also reflects the lessons from the final review of the CPS, 2016–2020<sup>3</sup> and its validation by the Independent Evaluation Department (IED).<sup>4</sup>

4. **ADB's implementation approach.** ADB's overall level of support is necessarily modest relative to the scale of the PRC's development challenges, and interventions will therefore be carefully selected for high catalytic impact. ADB will focus on areas where it can add value through innovative demonstration projects that generate regional public goods, knowledge, and best practices for replication. Close cooperation between sovereign and nonsovereign operations will be at the core of this approach, and synergies between ADB's operational and knowledge departments will be used to help develop solutions to complex issues.

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<sup>1</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>2</sup> ADB. 1998. *A Graduation Policy for ADB's DMCs*. Manila; and ADB. 2008. *Review of the 1998 Graduation Policy of the Asian Development Bank*. Manila.

<sup>3</sup> ADB. 2019. *Country Partnership Strategy Final Review: People's Republic of China (2016–2020)*. Manila.

<sup>4</sup> IED. 2020. *People's Republic of China: Validation of the Country Partnership Strategy Final Review, 2016–2020*. Manila: ADB.

## II. COUNTRY DEVELOPMENT CONTEXT

5. **Rapid growth and transformation.** The PRC has made tremendous progress in reducing poverty and developing modern physical and economic infrastructure. Following many years of high growth, the PRC has achieved UMIC status and emerged as the world's second-largest economy. Its per capita gross domestic product (GDP) reached \$10,070 in 2019.<sup>5</sup> The increased importance of domestic consumption as a source of growth (55.3% of GDP in 2019) has begun to reduce reliance on capital investment and external demand. While industry remains important, services are now the largest sector of the economy, accounting for 53.3% of GDP in 2019.

6. The PRC has achieved a “high” human development ranking on the Human Development Index.<sup>6</sup> Approximately 850 million people have emerged out of poverty in the last four decades, and the country announced that it had eradicated extreme poverty in November 2020. But rapid growth has also given rise to new concerns, including social inequality, severe environmental degradation and pollution, a rapidly aging society and health security threats. These and other challenges, described in paras. 7–20, will need to be addressed and supported by strengthened social and economic institutions if the country is to firmly establish itself on a high-quality development trajectory.

### A. Social Development

7. **Closing the inequality gap.** Gains from rapid growth have not been shared evenly, resulting in income inequality as reflected in the PRC's relatively high Gini coefficient of 0.46. The coronavirus disease (COVID-19) has exacerbated income inequality and could undermine prospects for development progress in lagging regions. Tackling inequality of income and opportunity requires policy actions to reduce environmental, social, and economic disparities between regions, and between rural and urban areas. Income redistribution policies strengthened social protection, institutional reforms, and private sector solutions are all needed to ensure continued and inclusive growth.

8. **Strengthening gender equality.** Although significant progress has been achieved greater efforts are needed to promote equality of opportunity. The PRC is ranked 106th out of 153 countries in the World Economic Forum's Global Gender Gap Index 2020.<sup>7</sup> Gender gaps in primary and secondary education have largely closed, and tertiary education enrollment rates for women (56%) surpass those for men (46%). However, female workforce participation declined over the past decade to about 58%, compared with 76% for men.<sup>8</sup> Women in the PRC continue to bear a disproportionate responsibility for unpaid care work within the home and remain underrepresented in scientific research and high-technology industries and services. Gender stereotypes, wage gaps, and the political underrepresentation of women at all levels contribute to the challenge of achieving greater gender equality.

9. **Adapting to an aging society.** The PRC's population is aging rapidly,<sup>9</sup> and demographics pose a significant threat to growth prospects. The challenge of aging is greatest in

<sup>5</sup> Data in paras. 5–26 are based on national statistics unless otherwise noted.

<sup>6</sup> United Nations Development Programme. <http://hdr.undp.org/en/countries/profiles/CHN>.

<sup>7</sup> World Economic Forum. 2019. *Global Gender Gap Report 2020*. Geneva.

<sup>8</sup> X. Dong and V. Mendizabal Joffre. 2019. Inclusive Growth in the People's Republic of China: A Deep Look at Men's and Women's Work amid Demographic, Technological, and Structural Transformations. *ADB East Asia Working Paper Series*. No. 23. Manila: ADB.

<sup>9</sup> The proportion of people aged 60 years and above is expected to reach 30% by 2050, resulting in the PRC having the oldest population in the world.

rural areas, where the old-age dependency ratio is higher, pension coverage is lower, elderly care facilities are insufficient, and local governments face budget constraints. Developing long-term elderly care requires a strong financial and quality framework, with adequate skilled human resources and elderly care services to meet both health and social needs. To that end, elderly care needs to be coordinated with health care planning, policies, and institutions, and supported by improved coordination at all levels of government.

10. **Increasing health security.** The current CPS is being prepared during a global pandemic, and against a background of more frequent infectious disease outbreaks across the world. Health security will only become more critical for a country that has a mobile and highly dense urban population, and that has historically depended on globalization to drive growth. The PRC's health systems need to be strengthened to support prevention and rapid response during health emergencies. Institutional reforms to improve disease detection, surveillance, containment, and mitigation measures should be prioritized. As authorities from the PRC have recognized, improved institutional coordination and policy reforms are key to more efficient and effective public health services.<sup>10</sup>

## B. Environmentally Sustainable Development

11. **Managing natural resources and conserving biodiversity.** Effective management of natural resources is critical both for human health and to ensure an environmentally sustainable future for the PRC and the world. The PRC has spent decades maximizing output without full regard for the natural environment through, for example, energy-intensive production, the conversion of arable land to nonagricultural uses, and over-utilization of soil and water. The impacts of environmental degradation fall disproportionately on the poor and vulnerable, especially in rural areas, where residents depend on forests, water, wetlands, fields, and pastures for their livelihoods. Biodiversity conservation and ecosystem preservation efforts are therefore vital for sustainable development and poverty reduction.

12. **Reducing air and water pollution.** Almost half of the PRC's cities do not meet the national standard for particulate matter less than 2.5 micrometers in diameter (PM<sub>2.5</sub>). Rural air pollution from stalk burning, fertilizer application, and livestock farming remains high.<sup>11</sup> Freshwater resources are scarce and unevenly distributed. Water quality has improved in minor river basins, but greater efforts are required to reduce pollution of groundwater, lakes, and reservoirs caused by untreated wastewater from households, industry, and agriculture. Institutional reforms, capacity development, and private sector participation are needed to develop long-term solutions to these problems.

13. **Managing solid waste.** Solid waste management poses a growing challenge in the PRC. A lack of adequate landfill sites and effective waste-to-energy programs has prompted municipalities to resort to solid waste incineration intensifying air and soil pollution and threatening public health. This has been aggravated by the surge in medical waste generated by the fight against COVID-19, which has triggered the need for greater regional coordination and standardization of waste treatment. Plastic pollution is widespread in rural areas, and its management is undermined by farmers' financial constraints and the limited production capacity

<sup>10</sup> P. Chen, F. Li, and P. Harmer. 2019. Healthy China: Moving from Blueprint to Action with a New focus on Public Health. *Lancet Public Health*. 4 (9). p. e447.

<sup>11</sup> Government of the PRC, Ministry of Ecology and Environment. 2019. *Work Report on Progress Towards Environmental Protection Targets in 2018*. Beijing.

for biodegradable plastic materials. The resulting discharge of plastic in large rivers leading to the Pacific Ocean damages ecosystems and erodes biodiversity and livelihoods.

### C. Climate Change Adaptation and Mitigation

14. **Reducing climate change vulnerabilities.** Climate change is negatively impacting the PRC. Rising sea levels are affecting its densely populated coastline. Rising temperatures are damaging agriculture, forests, water resources, human health, and infrastructure. The economic consequences are potentially wide ranging, including reductions in agricultural production, infrastructure damage from frequent natural disasters, and lost income. Climate change threatens to set back achievements in poverty reduction and to increase the disparities between regions. Efforts are needed to increase the resilience of agricultural production and rural development by promoting climate-smart technologies, climate-resilient infrastructure, and clean energy.

15. **Strengthening disaster resilience.** The PRC recognizes the risks posed by natural disasters and has engaged in several disaster risk reduction (DRR) reforms. The PRC has also enhanced its engagement in international cooperation in DRR under the Sendai Framework.<sup>12</sup> However, the increased frequency and severity of disasters requires strengthened institutional capacity, improved interagency coordination, and new policies and regulations. Against this background, it is critical to develop an integrated approach to disaster risk assessment, prevention, and management, supported by increased disaster risk financing. DRR that is sustainable over the long-term also requires greater private sector engagement and the development of catastrophe risk insurance.

16. **Promoting low-carbon development and livable cities.** Urban areas account for the largest share of emissions in the PRC, and cities will need to pivot towards a low-carbon development path if the country is to achieve its nationally determined contribution (NDC) and carbon neutrality.<sup>13</sup> Cities can be a source of green growth, but this requires planning and institutional coordination to develop green spaces, climate-smart buildings, green and smart public transport, and digital public services. Such features improve the well-being of urban citizens. Low-carbon cities can also reduce emissions by implementing green development policies and power sector reforms, thereby enhancing the national emission-trading system.

### D. Institutional Gaps

17. **Fostering private sector participation.** The PRC's reliance on public investment as a source of growth has meant that the private sector plays a sub-optimal role in the economy. The largest share of GDP and jobs growth is generated by privately owned firms, especially small and medium-sized enterprises (SMEs) many of which are also fast growing. Such firms are critical sources of productivity enhancing innovations and tend to be more dynamic in generating jobs. Nevertheless, private firms have difficulties financing themselves. Banks and domestic credit markets favor lending to state-owned enterprises (SOEs) and crowd out capacity for such firms, which also confront higher credit pricing because of weak rating mechanisms. Financial liberalization and the availability of a more diverse range of financial instruments and collateral will facilitate access to financing for private companies. This, together with increased competition

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<sup>12</sup> United Nations Office for Disaster Risk Reduction. 2015. *Sendai Framework for Disaster Risk Reduction, 2015–2030*. Geneva.

<sup>13</sup> The PRC's NDC caps carbon dioxide emissions by 2030, lowers carbon dioxide per unit of GDP by 60%–65% from the 2005 level, increases the share of nonfossil fuels in primary energy consumption to 20%, and expands the forest stock volume by about 4.5 billion cubic meters from the 2005 level.

and an improved business climate to foster entrepreneurship, will contribute to deepen market-oriented reforms.

18. **Strengthening institutions and their capacity to support reforms.** The PRC has made important progress in developing its institutional framework over the last four decades. Nevertheless, as detailed further in paras. 24–25, progress on institutional development has lagged improvements in other arenas. The PRC’s transition to a high-quality development model will not be possible without strengthened institutional capacity, particularly at the local level and in the lagging regions, where most public investments and services to support high-quality development will be delivered.

19. For instance, stronger institutions and improved inter-governmental coordination are necessary if the PRC aims to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. Similarly, institutional development is also vital to tackle rapid population aging and the increasing risk of communicable diseases. Technical guidelines to launch a circular (zero waste) economy and reduce greenhouse gas emissions are needed at the local level. Trans-provincial eco-compensation mechanisms along the largest rivers, which are hubs of biodiversity must be developed. Institutional arrangements and the capacity to develop sustainable public–private partnerships (PPPs) that incorporate environmental, social, and governance standards need to be strengthened, especially in local governments. Reforms are also needed to increase the resilience of the health system to effectively respond to infectious disease outbreaks and to develop financially sustainable models for rural elderly care services.

20. Stronger institutions could yield dramatic advances in the quality and sustainability of development in the PRC. Given the country’s size, carbon footprint, and growing regional and global role, strengthening institutions and policies to advance the PRC’s ambitious climate change agenda will resonate across the region and the world.

## **E. ADB’s Engagement**

21. This CPS will play a critical role in fostering a more focused and multi-faceted partnership to enable the PRC to mature beyond its status as an important ADB client and increasingly assume the responsibilities of a high-quality development partner. The PRC is, for example, already an active participant in ADB’s flagship regional cooperation initiatives and a financial contributor to ADB’s development platforms, including the Asian Development Fund and the PRC Poverty Reduction and Regional Cooperation Fund.

22. The parameters of this relationship will continue evolving as the PRC approaches graduation from ADB assistance. Levels of financial assistance from ADB can be expected to decline as other forms of engagement become more prominent, including sharing of the PRC’s development experiences, best practices, and innovations. This CPS will be central in reorienting ADB’s engagement in the PRC to support the country’s transition to high-income status based on the graduation assessment process.

23. **Graduation assessment.** ADB measures country performance against three criteria to assess a developing member country’s (DMC) readiness to graduate from assistance.<sup>14</sup> The first of these compares gross national income per capita using the Atlas method to the International

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<sup>14</sup> The criteria to graduate from regular ADB assistance are (i) gross national income (GNI) per capita, (ii) availability of commercial capital flows on reasonable terms, and (iii) attainment of a certain level of development by key economic and social institutions.

Bank of Reconstruction and Development's Graduation Discussion Income (GDI). The PRC has exceeded the GDI since 2015. The PRC also satisfies the second graduation criterion, as it has favorable access to capital markets and can borrow at reasonable terms based on its creditworthiness. However, progress lags on the third criterion—the development of key economic and social institutions—which is critical for inclusive and sustainable growth. Some institutional gaps in connection with the strategic thrusts of the CPS are summarized in paras. 24–25.

24. The PRC has developed a comprehensive policy and institutional framework to address the environment, natural resource management, and climate change impacts. However, the expanding nature of environmental and climate issues demands frequent revisions to policies and institutions, which challenges the policy framework's function, structure, and coverage. While the government's response in terms of new laws and regulations has been rapid, human and financial resource shortages (which are most acute at the local level) have limited the government's success in ensuring compliance and monitoring. There has been some progress in strengthening interagency cooperation, but increased coordination at all government levels is needed to manage the growing complexity of the environmental and climate change agendas.

25. Institutional reforms are also essential to strengthen social inclusion. Past health and social development gains are challenged by emerging institutional needs associated with a rapidly aging population and the increasing risk of infectious disease outbreaks. Aging is progressing rapidly, even as the PRC is developing the infrastructure to respond. Financial arrangements to fund long-term elderly care are still being developed and require new delivery models. Reforms of social protection systems, including pensions and their sustainable financing, are needed. Developing a comprehensive legal framework, improving interagency coordination, and enforcing stricter standards for food and health products are essential to effectively manage cross-border public health risks.

26. Given this context, ADB will provide targeted support for key institutional reforms in accordance with the findings of the graduation assessment. Operations will focus on areas where ADB can add value by addressing complex inter-sectoral challenges, with an emphasis on environmental management, climate change, population aging, and health security. The generation of regional public goods will be a central, cross-cutting theme. Within these priorities, ADB will support the implementation of large national reform programs and initiatives by local institutions through capacity building, policy support and regulatory advice, and will facilitate coordination mechanisms across sectors, jurisdictions, and agencies.

27. **Graduation readiness.** The graduation assessment will be reviewed at mid-term of CPS implementation to evaluate the PRC's progress against key indices and other performance metrics at the sector and thematic level. The mid-term review and updated analysis will serve as the basis for discussions with the PRC authorities on the development partnership and graduation readiness.

### III. COUNTRY STRATEGY FRAMEWORK

#### A. Lessons from Previous Strategy

28. **Country partnership strategy final review validation.** The previous CPS, 2016–2020 was guided by three strategic priorities: the environment and climate change, regional

cooperation, and inclusive and sustainable growth.<sup>15</sup> Sovereign loan commitments averaged \$1.8 billion per year from ordinary capital resources. Nonsovereign operations were consistent with the CPS themes, with annual commitments averaging \$450 million per year, excluding B loans. The CPS final review (footnote 3) and its validation by IED (footnote 4) assessed the country program *successful* and provided useful recommendations for the new CPS.<sup>16</sup> The validation argued that ADB should continue to engage in the PRC, and that the program should have sufficient financial size to be impactful.

29. **Strategic recommendations.** The validation also recommended that the subsequent CPS (i) strongly support the PRC's contribution to global public goods, notably in climate change mitigation, ocean health, and public health; (ii) support the PRC's contribution to regional integration in areas of institutional comparative advantage, such as through ADB's Central Asia Regional Economic Cooperation and Greater Mekong Subregion Economic Cooperation programs; (iii) strengthen support for institutional development, fair competition, and equal market treatment and private sector development, including corporate standards in SOEs; (iv) support innovative projects with high demonstration and replication value inside and outside the PRC, and systematize and transfer the learning from this experience; (v) apply a programmatic approach to the technical assistance (TA) program, focusing on selected priority areas, and make this program increasingly value added and reimbursable; and (vi) examine the use of instruments, such as the price diversification policy, to create strong and effective self-selection incentives for the PRC and other UMICs to use ADB's financial resources according to their preferences. These recommendations have helped shape the scope and direction of the CPS.

## B. National Development Strategy

30. The 19th National Congress of the Communist Party launched the new era development agenda in 2017, including reforms to accelerate the PRC's transition to high-quality development and improve the broader well-being of the population. The 14th plan, covering 2021–2025, will be instrumental in achieving this vision.<sup>17</sup>

31. Key objectives of the 14th plan include: (i) achieving sustainable growth based on significant improvements in quality and efficiency; (ii) emphasizing innovation as the core of modern development; (iii) focusing on developing and leveraging the PRC's large domestic markets—a reference to the importance of the domestic market in line with the newly launched dual circulation paradigm;<sup>18</sup> (iv) continuing reforms and opening-up, including developing a functioning market economy and the promotion of trade and investment liberalization; (v) reducing carbon intensity and formulating an action plan for carbon emissions to peak before 2030; and (vi) gradually closing the rural–urban income gap.

<sup>15</sup> ADB. 2016. *Country Partnership Strategy: Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila.

<sup>16</sup> Sovereign operations were assessed *relevant, effective, efficient, most likely sustainable, and satisfactory* in development impacts. Nonsovereign operations were assessed *relevant, effective, efficient, likely sustainable, and satisfactory* in development impacts.

<sup>17</sup> In 2019, ADB delivered recommendations to the National Development and Reform Commission to support the preparation of the 14th plan through position papers on (i) inclusive development in the new era of the PRC; (ii) climate change and air pollution; (iii) investments in natural capital and ecosystem services; (iv) livable and green city clusters, cities, towns, and villages; (v) rural vitalization; (vi) support for local governments in driving the high-quality growth agenda; and (vii) modernization indicators for the PRC.

<sup>18</sup> The dual circulation paradigm refers to a development model with greater focus on the domestic market (internal circulation), and less reliance on the past export-oriented development strategy (external circulation), without abandoning it altogether. Indigenous innovation and technological upgrading are at the core of the internal circulation.

32. The key objectives of the 14th plan will be operationalized in part through national large-scale flagship development programs, which will play a key role in transitioning to higher-quality development. These include the Beijing–Tianjin–Hebei Region Air Pollution Control program, the Yangtze River Economic Belt Ecological Restoration program, and the Rural Vitalization Strategy, which ADB has supported under the previous CPS. ADB will continue its involvement in these programs and expand its support to include the forthcoming Yellow River Basin Ecological Protection and High-Quality Development Initiative.

### **C. Role of Development Partners**

33. **Stronger collaboration.** The ADB has significantly improved collaboration with development partners during the previous CPS. Under the Beijing–Tianjin–Hebei Region Air Pollution Control and the Yangtze River Economic Belt Ecological Restoration programs, selected projects were cofinanced with the World Bank, German development cooperation through KfW, and local commercial banks. The enhanced collaboration has increased cofinancing opportunities. ADB will continue this approach under this CPS to maximize sovereign and nonsovereign cofinancing opportunities with development partners and build knowledge partnerships to support the PRC's reform agenda. The strategic priorities of the PRC's development partners are detailed in the development coordination matrix.<sup>19</sup>

### **D. ADB's Strategic Objectives and Operational Priorities**

34. The PRC's development challenges are unique in scale, scope, and complexity, and have regional and global implications. ADB interventions under the CPS need to be selective and catalytic, focusing on development challenges where ADB can add value through innovative demonstration projects that generate regional public goods and disseminate knowledge. Areas of previous assistance, which the PRC has subsequently replicated and scaled up, will be phased out. ADB will continue supporting regional cooperation and integration initiatives within ADB's flagship programs (i.e., the Central Asia Regional Economic Cooperation and Greater Mekong Subregion Economic Cooperation programs), with emphasis on policy dialogue, knowledge sharing and regional public goods.

35. **High-quality, green development.** The CPS overarching goal is to support government efforts to achieve high-quality, green development through investments and knowledge solutions focused on the three strategic priorities of: (i) environmentally sustainable development, (ii) climate change adaptation and mitigation, and (iii) aging society and health security. The first two priorities are mutually reinforcing, allowing for greater development impact, and are critical for the PRC to achieve its NDC.<sup>20</sup> The CPS strategic priorities align with and contribute to six operational priorities of ADB's Strategy 2030 (Figure). CPS strategic objectives will be achieved through public and private sector operations, knowledge solutions, and a focus on institutional strengthening. Innovative PPPs to support private sector participation will be pursued across the strategic priorities.

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<sup>19</sup> Development Coordination Matrix (accessible from the list of linked documents in Appendix 3).

<sup>20</sup> For instance, natural resource management and biodiversity conservation can generate strong adaptation and mitigation benefits, and pollution reduction can enhance climate change mitigation strategies.

## Summary of Country Partnership Strategy, 2021–2025 for the People’s Republic of China



OP1 = addressing remaining poverty and reducing inequalities; OP2 = accelerating progress in gender equality; OP3 = tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4 = making cities more livable; OP5 = promoting rural development and food security; OP6 = strengthening governance and institutional capacity; S2030 = Strategy 2030.

Source: Asian Development Bank.

36. **Strategic priority 1: Environmentally sustainable development.** ADB will support government initiatives to strengthen natural resource management and biodiversity conservation, reduce pollution, and promote environmentally sustainable infrastructure investments. This priority aligns with ADB’s Strategy 2030 operational priorities 1, 3, 5, and 6 and contributes to operational priorities 2 and 4.<sup>21</sup>

<sup>21</sup> ADB’s Strategy 2030 operational priorities are: OP1 = addressing remaining poverty and reducing inequalities; OP2 = accelerating progress in gender equality; OP3 = tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4 = making cities more livable; OP5 = promoting rural development and food security; and OP6 = strengthening governance.

- (i) **Managing natural resources and conserving biodiversity.** ADB operations will adopt an integrated approach to natural resource management to conserve, protect, and restore natural capital assets and balance the economy, ecology, and people's needs and well-being. This will contribute to the improved management of natural resources, including land, water, wetland, forests, and urban–rural open spaces. ADB will also support biodiversity conservation and ecosystem restoration efforts to sustain natural resources in key biodiversity hubs, including the Yangtze and Yellow rivers. ADB efforts to develop a national eco-compensation mechanism to promote environmental protection and restoration will continue through support of institutional reform and policy strengthening.
- (ii) **Reducing pollution (air, water, soil, and marine).** ADB operations will support a long-term integrated approach to managing pollution from all sources. This will be pursued across urban and rural areas and at national, provincial, and local levels to increase capacity and strengthen institutional settings and coordination mechanisms. To reduce pollution, ADB will continue to support the development of multimodal low-carbon transport and SMEs engagement in green production and processes. Under its Healthy Oceans and Sustainable Blue Economies Initiative, ADB will explore inclusive livelihoods and business opportunities in ecotourism; protect and restore coastal and marine ecosystems and rivers through integrated water resource, flood control, and drought management; and reduce land-based sources of marine pollution, including plastic.<sup>22</sup>
- (iii) **Mainstreaming environmental infrastructure through private sector solutions.** ADB will expand nonsovereign operations with advanced technology and innovative business models that promote greater resilience and help improve access to finance, resource efficiency, and quality standards. Additional areas that may be targeted include last-mile connectivity,<sup>23</sup> a switch to clean fuels, sustainable logistics, and irrigation systems.

37. **Strategic priority 2: Climate change adaptation and mitigation.** ADB will partner with the PRC to expand efforts to tackle climate change vulnerabilities in rural and urban areas by mainstreaming adaptation with nature-based climate and disaster risk management solutions. Innovative mitigation solutions will be pursued by pilot-testing low-carbon cities and the circular economy. The integration of adaptation and mitigation measures to generate co-benefits will also be supported. This priority aligns with ADB's Strategy 2030 operational priorities 1–6.

- (i) **Strengthening climate resilience.** ADB will support the development of climate-resilient infrastructure in vulnerable areas and introduce climate-smart agriculture and forestry, by enhancing agricultural resilience and productivity, optimizing carbon sink functions to absorb carbon, and adopting green technology. A stronger sustainable risk management framework for water, floods, drought, and extreme weather will be developed. Operations will support climate resilience, disaster monitoring, and early warning systems. Efforts will continue to mainstream climate change considerations with the environment, human health, and economic development.

<sup>22</sup> ADB. 2019. *Action Plan for Healthy Oceans and Sustainable Blue Economies*. Manila.

<sup>23</sup> Last-mile connectivity is defined as the connectivity between the main network and the users.

- (ii) **Promoting low-carbon development.** ADB will support the PRC's efforts to achieve its NDC by promoting low-carbon urban and rural development, green and smart infrastructure, energy efficiency, waste-to-energy, and advanced clean energy interventions. New approaches, such as carbon capture use and storage, and hydrogen technology will be explored. Operations will target the development of a circular economy, near zero-carbon livable cities and rural development, sustainable low-carbon transport systems, green finance, and private sector investments. ADB will support institutions at various government levels to mainstream urban and urban–rural climate change adaptation action plans.
- (iii) **Finding new approaches for climate change and disaster risk reduction financing.** ADB will work to strengthen disaster risk management processes with a focus on containing flood risk. ADB will support the expansion of disaster early warning systems and strengthen the government's management and planning capacity. Development of climate finance policies and implementation guidelines will be a key contribution of ADB operations. Efforts to finance DRR through greater private sector involvement, green finance, risk insurance, and catastrophe bonds will also be supported.
- (iv) **Promoting private sector solutions for climate change mitigation and adaptation.** ADB will continue financing climate-related nonsovereign projects, including support for innovative renewable energy technologies and investments that generate regional public goods. ADB will explore potential investments in high development impact technologies, including climate-smart agriculture, new generation renewable energy, mini-grid networks, energy storage, and energy-efficient solutions.

38. **Strategic priority 3: Aging society and health security.** ADB will work with the PRC to address key challenges in adapting to an aging society, increasing national and regional health security, promoting food safety and security, and delivering quality social services through private sector solutions. ADB will focus these operations on the PRC's lesser-developed regions. This priority aligns with ADB's Strategy 2030 operational priorities 1, 2, and 6, and supports operational priorities 4 and 5.

- (i) **Preparing for an aging society.** ADB will help the PRC respond to the needs of an aging society with targeted investments to support the development of a three-tiered elderly care system (home, community, and residential-based) and the development of related health strategies, policy plans and human resources. These operations, underpinned by private sector investments and PPPs, will help improve the financing mechanisms for long-term care and strengthen coordination between the elderly care and health care systems.
- (ii) **Increasing national and regional health security.** ADB will support government efforts to strengthen national and regional health security standards by building institutional capacity and coordination mechanisms to manage cross-border public health risks and improve health emergency preparedness and response. This will be pursued by promoting the "One Health" approach, which recognizes the interconnection between people, animals, and the environment. Support to improve capacity for governance and transparency and higher standards for food and health products will be provided.

- (iii) **Supporting access to finance and social services through private sector solutions.** ADB will, through both sovereign and non-sovereign operations, seek to provide targeted support to inclusive businesses and private sector projects designed to enhance financial inclusion and improve access to affordable and higher-quality social services in underserved areas. Support will be provided through banks and microcredit companies and through village and township banks in rural areas. Support will leverage innovative financial technology where possible, and ADB will make efforts to promote the development of insurance markets.

39. **Nonsovereign operations.** Consistent with ADB's Operational Plan for Private Sector Operations, 2019–2024 ADB will focus on creating model projects that can be replicated across other DMCs and catalyzing commercial cofinancing through B loans, parallel loans, guarantees, and risk transfers.<sup>24</sup> In addition to direct loans and equity, ADB will support the CPS strategic priorities through funding and investment in financial institutions, including private equity funds; local banks; and nonbank financial institutions, such as leasing, microcredit companies, and insurance. ADB will facilitate international trade with developing Asia through the Trade Finance Program and enhance support for SMEs by expanding activities under the Supply Chain Finance Program. ADB will generally accord priority to private sector borrowers and investees but will not preclude selective engagement with SOEs that operate on a commercial and nonmarket-distorting basis, accept ADB policies, and are aligned with ADB's development agenda.<sup>25</sup>

## E. Priorities for Knowledge Support

40. The PRC has become an important collaborator in knowledge creation, including policy research, capacity development, innovation, and development approaches. Since 2012, ADB and the PRC have worked to support knowledge cooperation among DMCs through the Regional Knowledge Sharing Initiative (RKSI). Knowledge work will be closely aligned with the strategic priorities of the CPS, with a focus on enhancing institutional capacity to strengthen service delivery responsibilities across the different tiers of government in connection with inclusive and environmentally sustainable development.

41. Knowledge will be central to ADB's operations under the CPS. The country knowledge plan provides a strategic framework for meeting the PRC's knowledge needs and sharing its development lessons with other DMCs.<sup>26</sup> Specifically, ADB will (i) further strengthen its One ADB approach through regional and knowledge department partnerships; (ii) place knowledge at the center of lending operations, with nonlending operations producing and disseminating knowledge as public goods; (iii) launch an annual flagship event to showcase ADB's programs and knowledge work in the PRC; and (iv) transform the RKSI website into an East Asia knowledge repository to systematically disseminate knowledge from the PRC development experience.<sup>27</sup>

<sup>24</sup> ADB. 2019. *Operational Plan for Private Sector Operations, 2019–2024*. Manila.

<sup>25</sup> ADB's focus will continue to be on legally and financially autonomous SOEs that operate in economic areas where private sector enterprises have equal opportunities to compete, where there is no market distortion, and that offer compelling value and development advantages.

<sup>26</sup> The country knowledge plan is in Appendix 2.

<sup>27</sup> The RKSI was established in 2012 by ADB and the PRC and, drawing primarily on the PRC's successful development experience, it facilitates the exchange of development knowledge among ADB's DMCs and promotes networking among knowledge institutions in Asia and the Pacific in support of regional cooperation and integration.

## IV. STRATEGY IMPLEMENTATION

### A. Indicative Resource Parameters

42. The PRC, a group C DMC, is eligible only for ADB's regular market-based ordinary capital resources lending. ADB proposes lending commitments of \$7.0 billion to \$7.5 billion for 2021–2025 for sovereign operations, compared with \$9.0 billion in 2016–2020, with an expected declining trend toward the end of the CPS. Lending levels may fluctuate up and down from year to year, subject to resource availability and project readiness.<sup>28</sup> While private sector financing is inherently more volatile given changing market conditions, ADB expects that its nonsovereign lending volume will remain stable at about \$450 million per year.<sup>29</sup> ADB TAs will support the preparation of the lending program, capacity development, strategic studies, and other knowledge programs. ADB plans to pilot the use of reimbursable TA for project preparation and capacity building.

43. **Cofinancing.** Cofinancing increased significantly under the previous CPS, substantially supplementing ADB's resources.<sup>30</sup> ADB will continue efforts to expand the volume of cofinancing for both sovereign and nonsovereign operations in conjunction with international development partners and especially with domestic sources, such as commercial banks, particularly when large investment needs are identified.

44. **Cost-sharing arrangements.** Under the cost-sharing arrangements for the PRC, ADB's sovereign financing share for individual projects is expected to remain below the approved 65% level. ADB's financing share for individual sovereign projects will continue declining from the 37% average share of financing of the previous CPS.

### B. Implementation Priorities

45. Institutional development remains the outstanding criterion to be met for graduation. Consequently, emphasis will be placed on building capacity, strengthening institutions, and demonstrating the application of innovation and knowledge to operations. In this context the following implementation priorities have been identified.

46. **Selective, country-focused approach.** Consistent with ADB's graduation policy and its established approach to UMICs, the CPS will address the key institutional and operational challenges of transitioning to higher-quality development in the PRC by (i) supporting institutional reform efforts to improve policy-making, public service delivery, and accountability; (ii) increasing regional public goods by defining knowledge as a core externality to be achieved through ADB operations, alongside others, such as climate change and biodiversity; and (iii) promoting knowledge-based solutions, recognizing that ADB's value addition derives from translating innovative ideas into transformative projects and harvesting operational knowledge for replication

<sup>28</sup> Details on the pipeline for the first 3 years of the CPS are in the Indicative Country Operations Business Plan (accessible from the list of linked documents in Appendix 3).

<sup>29</sup> Nonsovereign financing is particularly sensitive to the availability of commercially viable opportunities that are consistent with ADB and CPS priorities, favorable economic and financial market conditions, and the extent of market gaps that ADB can fill. Actual results may differ from anticipated or projected results.

<sup>30</sup> Cofinancing of sovereign operations under the CPS, 2016–2020 for the PRC reached \$2.0 billion by the end of 2020 from \$0.3 billion under the CPS, 2011–2015. Cofinancing of nonsovereign operations reached \$1.9 billion by the end of 2020 from \$0.7 billion during 2011–2015.

in the PRC and other DMCs.<sup>31</sup> Successful achievement of these objectives would help ADB advance its strategic goal of maturing beyond its traditional primary role as a development financier. Through these efforts, ADB seeks to achieve greater development impact through the promotion of catalytic innovation, development of knowledge, and mobilization of new external sources of development finance.

47. **Innovation and value addition.** ADB operations will seek to drive development impact through technology and innovation. To this end, innovative international best practices in policy, management, and planning, and innovative and sustainable financing instruments will be introduced. ADB operations will add value in the PRC by (i) translating innovative ideas into actual projects and programs for implementation; (ii) prioritizing transformative demonstration projects and programs, which can be replicated within and outside the PRC; (iii) supporting institutional reform efforts; (iv) fostering private sector participation through nonsovereign operations and PPPs; and (v) promoting innovative financing operations to leverage private and public resources.

48. **Advancing gender equality.** ADB will work with stakeholders, including the private sector, to continue advancing gender outcomes under its operations. While the three-year average (2017–2020) in the PRC’s operations categorized as gender mainstreaming is high at about 85%, new projects will strive to further promote gender equality. Efforts will focus on reducing time poverty of women and gender actions that increase benefits for women and accelerate gender equality. All operations will contribute to ADB’s Strategy 2030 operational priority 2 through embedded action plans to support women’s participation in quality jobs in clean and green industries, and train women in new technologies and green practices. For instance, forthcoming operations on pollution reduction, clean energy investments, climate resilience, elderly care, and health security will aim to reduce women’s unpaid household and care work and provide employment opportunities free of discrimination. Other priorities include entrepreneurship and financial inclusion for women in rural areas, and advocating for women’s participation in decision-making, particularly for the management of natural resources, climate actions, population aging, and health security.

49. **One ADB solutions.** The CPS will be emblematic of the One ADB approach. Close cooperation between sovereign and nonsovereign operations will be at the core of CPS implementation, underpinned by synergies with knowledge departments to foster best-in-class approaches and innovation-based solutions. Private investments, enhanced by an improved enabling environment and bolstered by public sector investments and PPPs, will help deliver maximum development impact.

### C. Monitoring of Results

50. The CPS results framework will be used to track progress toward the targeted results (Appendix 1), with ADB’s contributions monitored and evaluated in project review and completion reports. ADB will analyze sector outcome data with the government during the annual country portfolio review missions and through updates of individual project design and monitoring frameworks. Progress reports on the 14th plan will be used to track country development results.

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<sup>31</sup> Replication of demonstration projects can serve to multiply ADB’s development impact, as identified by ADB. 2019. *Replication in ADB Operations: A Case in the People’s Republic of China*. Manila, which confirmed 16 cases of successful replication by non-ADB actors in the PRC from 5 ADB projects and 1 case of replication in another DMC.

## **D. Risks**

51. The ongoing global health pandemic and the associated global economic slowdown could challenge program delivery. The PRC is a key actor in the global economy and the main driver of growth in the Asia Pacific region. The impact of the global economic recession and the global economy's protracted recovery could undermine hard-won progress in meeting the Sustainable Development Goals and hamper the PRC's ability to transition to an inclusive, green, and sustainable development model. To mitigate these risks, ADB will provide targeted knowledge solutions and policy advice, and demonstrate flexibility and responsiveness to adjust the program based on evolving country needs.

52. Moving toward high-quality development requires strengthening institutional capacity and policies, particularly at the local level and in the PRC's less developed regions, where capacity gaps are larger and where most ADB operations will be focused. Progress has been achieved in recent years through the provision of targeted capacity development programs, but risks remain because an increasing number of operations are implemented by municipalities and county governments with limited institutional capacity and experience with ADB procedures. To mitigate these risks, ADB will mainstream institutional strengthening in project design and implementation, and continue efforts to increase capacity of executing and implementing agencies involved in ADB projects and programs, through project implementation support.

## COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

### Alignment with Government Objectives

<b>Country Goals<sup>a</sup></b>	
1.	Cumulative rate of decline in carbon intensity <sup>b</sup> (2019: 48.1% from 2005 baseline; 2025 target: reduced) (SDG 9**)
2.	Average disposable income of rural population (2019: CNY16,021, i.e., 38% of the urban disposable income; 2025 target: increased) (SDG 1 and 10***)
3.	Share of GDP of expenditure on research and development (2019: 2.23%; 2025 target: increased) (SDG 9*)
<b>National Development Impacts<sup>c</sup></b>	
1.	Areal extent of protected areas (i.e., wetland, forest, marine sanctuaries, national parks) increased (SDG 14 and 15)
2.	Emissions of pollutants (COD, ammonia, SO <sub>2</sub> , and NO <sub>x</sub> ) reduced (SDG 3)
3.	More balanced rural–urban and regional development achieved (SDG 11)
4.	Social inclusion of rural population and elderly people increased (SDG 10)

### ADB-Supported Program Results and Performance

<b>CPS Objective 1: Environmentally sustainable development</b>			
<b>Key Outcomes</b>	<b>Indicators</b> (2025 target: 80% achievement; 2019 baseline: established at project level <sup>d</sup> )		
1. Natural resource management strengthened, and biodiversity conserved	 People benefiting from strengthened environmental sustainability (expected: 391,482,049) (OP3.3)		
	 Solutions to conserve, restore, and/or enhance terrestrial, coastal, and marine areas implemented (expected: 66) (OP3.3.4)		
2. Pollution controlled (air, water, soil, and marine)	 Infrastructure assets to control pollution established or improved (expected: 154) (OP3.3.1)		
	 Solutions to enhance pollution control in urban and rural areas implemented (expected: 38) (OP3.3.2)		
<b>Resources</b>	Sovereign Operations	Nonsovereign Operations	Technical Assistance
Ongoing portfolio <sup>f</sup>	\$5,419 million (35 projects)	\$120 million (2 projects)	\$7.66 million (21 TA projects)
Indicative resources <sup>g</sup>	Sovereign Operations (OCR) (2021–2023)	Technical Assistance (2021–2023)	Knowledge Products and Events (2021)
	\$1,937 million (17 projects)	\$13.6 million (26 TA projects)	11

<b>CPS Objective 2: Climate change adaptation and mitigation</b>			
<b>Key Outcomes</b>	<b>Indicators</b> (2025 target: 80% achievement; 2019 baseline: established at project level)		
1. Climate change mitigation improved	 Total annual greenhouse gas emissions reduced (expected: 31,107,133 tCO <sub>2</sub> e/year) (OP3.1)		
	 Zones with improved urban environment (expected: 59) (OP4.3)		
	 Low-carbon infrastructure assets established or improved (expected: 54) (OP3.1.3)		
2. Climate and disaster resilience built	 People with strengthened climate and disaster resilience (expected: 1,275,866) (OP3.2)		
	 Women and girls with increased resilience to climate change, disasters, and other external shocks (expected: 56,600) (OP2.5)		
	 Zones with improved climate resilience and disaster risk management (expected: 41) (OP4.3)		
<b>Resources</b>	Sovereign Operations	Nonsovereign Operations	Technical Assistance
Ongoing portfolio	\$2,859 million (16 projects)	\$199 million (1 project)	\$15.25 million (22 TA projects)
Indicative resources	Sovereign Operations (OCR) (2021–2023)	Technical Assistance (2021–2023)	Knowledge Products and Events (2021)
	\$1,938 million (19 projects)	\$5.6 million (9 TA projects)	6

<b>CPS Objective 3: Strengthened institutions for an aging society and health security</b>			
<b>Key Outcomes</b>  1. Elderly care system and regional health security strengthened	<b>Indicators</b> (2025 target: 80% achievement; 2019 baseline: established at project level)		
		People benefiting from improved elderly care services (expected: 300,000) (OP1.1)	
		Entities with improved service delivery for health emergency preparedness and response, and higher standards for food and health products (expected: 302) (OP6.2)	
		Regional public goods initiatives reduce cross-border health risks (expected: 2) (OP7.3)	
2. Financial inclusion, food security, and access to affordable and higher-quality social services in underserved areas increased		People benefiting from improved social services (expected: 1,138,250) (OP1.1)	
		People benefiting from increased rural investment (expected: 13,673,689) (OP5.1)	
		Measures for increased inclusiveness supported in projects' implementation (expected: 2) (OP1.3.3)	
<b>Resources</b> Ongoing portfolio	Sovereign Operations	Nonsovereign Operations	Technical Assistance
	\$4,014 million (33 projects)	0	\$8.22 million (26 TA projects)
Indicative resources	Sovereign Operations (OCR) (2021–2023)	Technical Assistance (2021–2023)	Knowledge Products and Events (2021)
	\$883million (7 projects)	\$4.7 million (8 TA projects)	20

ADB = Asian Development Bank, CO<sub>2</sub> = carbon dioxide, COBP = country operations business plan, COD = chemical oxygen demand, CPS = country partnership strategy, GDP = gross domestic product, NO<sub>x</sub> = nitrogen oxide, OCR = ordinary capital resources, OP = operational priority, PRC = People's Republic of China, SMEs = small and medium-sized enterprises, SO<sub>2</sub> = sulfur dioxide, TA = technical assistance, TAIS = technical assistance information system, TASF = Technical Assistance Special Fund, tCO<sub>2</sub>e/year = ton of carbon dioxide equivalent per year, WPBF = work program and budget framework.

<sup>a</sup> Targets for country goals are based on the government's 13th Five-Year Plan. They will be updated in the first COBP prepared after CPS approval, to reflect the targets set in the forthcoming 14th plan (for approval in March 2021). \* Official SDG Indicator. \*\*SDG aligned indicator \*\*\* Proxy indicators for identified SDGs.

<sup>b</sup> Reduction rate of CO<sub>2</sub> emissions per CNY10,000 of GDP (also referred to as carbon intensity) as defined in the PRC government's 13th plan.

<sup>c</sup> Based on the PRC government's upcoming 14th plan. The impacts are related to national efforts to achieve the specified SDGs.

<sup>d</sup> All outcome indicators target an 80% achievement rate, meaning aggregate results achieved by relevant completed operations should be at or exceed 80% of aggregate expected results for these interventions as set out in advance in the project documents.

<sup>e</sup> Expected results are the aggregated results planned to be achieved by operations for which a project completion report is expected to be circulated during the CPS period. These are operations expected to financially close from 2019 to 2023. Expected results are indicative values only; the specific target values that will be used to evaluate the effectiveness of ADB country programming in the CPS final review will be established based on the project completion reports circulated during the CPS period.

<sup>f</sup> Resources for the ongoing portfolio refer to the net effective amount for sovereign operations and the committed amount for TAs as retrieved from the Project Processing and Portfolio Management (eOperations) System. Resources for TA projects financially completed in 2019 are taken from TAIS. Resources for an operation or TA are included under every CPS Objective the operation or TA is aligned with; therefore, the same resources may be included under more than one CPS Objective.

<sup>g</sup> Indicative resources are taken from WPBF, 2021–2023 for TAs (ADB. 2020. *Work Program and Budget Framework, 2021–2023*. Manila) and COBP, 2021–2023 for sovereign operations and knowledge products and events (ADB. 2021. *Country Operations Business Plan: People's Republic of China, 2021–2023*. Manila).

Source: Asian Development Bank.

## COUNTRY KNOWLEDGE PLAN

1. The country knowledge plan (CKP) is a high-level strategic document outlining the Asian Development Bank's (ADB) approach to establishing a knowledge++ partnership with the People's Republic of China (PRC).<sup>1</sup> The PRC and other ADB developing member countries (DMCs) increasingly ask that the ADB help them address their increasingly complex and diverse development challenges through the development of knowledge and identification of best practices. The CKP outlines how ADB plans to develop a strategic approach for a knowledge-based program to meet the PRC's knowledge needs and to help the PRC share its development lessons with other DMCs under ADB's country partnership strategy (CPS), 2021–2025.
2. ADB's development partnership with the PRC has increasingly focused on knowledge, and other DMCs have benefited from the sharing of experiences, lessons, and best practices. Over four decades, the PRC has achieved strong economic growth and a remarkable reduction in poverty while ADB's lending and nonlending support for large-scale, complex initiatives—such as the Yangtze River Economic Belt Ecological Restoration program, the Beijing–Tianjin–Hebei Air Pollution Reduction program, and regional cooperation and integration operations—have provided other DMCs with examples and knowhow to address similar challenges. ADB efforts to generate and share knowledge from its work with the PRC will increase during the CPS as explained in this CKP.

### A. Knowledge Needs

3. Knowledge remains at the core of ADB operations in the PRC. To support high-quality, green development, ADB will focus on providing policy advice and insights on best practices to the PRC under three CPS strategic priorities and focus areas: (i) environmentally sustainable development, including natural resource management, biodiversity conservation, and pollution reduction; (ii) climate change adaptation and mitigation, including climate resilience, low-carbon development, and disaster risk management and financing; and (iii) aging society and health security. The CPS includes knowledge sharing as a crosscutting theme, along with institutional reforms and regional public goods.
4. ADB policies, strategies, and projects to support the generation and dissemination of knowledge, both within the PRC and across the region, will be identified, designed, and delivered through technical assistance (TA) and partnerships with government counterparts, research institutions, and centers of excellence. ADB will harvest knowledge throughout the project cycle and produce and share knowledge products as public goods to help replicate successful operational practices in other DMCs. The focus will be on efforts to strengthen institutional capacity for service delivery across the different tiers of government in connection with inclusive, green, and environmentally sustainable development.

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<sup>1</sup> ADB's common engagement with its DMCs has been on a finance++ model, which uses ADB's own finance, leverages partnership resources, and provides knowledge to DMCs to maximize and accelerate development effectiveness. In a knowledge++ model, the engagement will pivot increasingly toward providing knowledge supported by finance and partnerships.

## B. Scope of ADB's Planned Operations

5. The CKP will be implemented under the One ADB approach.<sup>2</sup> All ADB resources, including the ADB Institute, will be used to respond to the country's knowledge needs. Close collaboration with other operational departments will enable knowledge gained from ADB's work with the PRC to benefit other DMCs. The forthcoming Knowledge Management Action Plan for 2021–2025, which operationalizes ADB's knowledge work under Strategy 2030,<sup>3</sup> will serve as a guide. All lending and nonlending programs will include staff from the knowledge departments, including the ADB Institute where applicable, as team members. This will serve to ensure the One ADB partnership is at the heart of ADB's engagement with the PRC.

6. To strengthen the lending program, all loan projects will have knowledge components that focus on (i) introducing innovative ideas through knowledge sharing among DMCs and between developed and developing economies, both for the demonstration value, and to enable replication in other DMCs; (ii) generating knowledge products as public goods that can be applied to other DMCs; and/or (iii) providing extensive institutional capacity development. Implementation of the knowledge activities will be closely monitored, with experiences systematically disseminated through a knowledge replication strategy developed by the projects. The replication of successful practices is facilitated by active knowledge exchanges, as well as strong government support, and value addition. Projects will promote two-way knowledge sharing through site visits between the PRC project implementers and officials and planners from other DMCs.

7. The nonlending program will produce and disseminate knowledge as a regional public good. In addition to standard knowledge products—such as policy and project briefs, technical studies, and working papers—more accessible information such as blogs, vlogs, videos, and infographics will be shared through various outlets. Formal dissemination will take place through the East Asia Department (EARD) seminar series, the Sustainable Development and Climate Change Department thematic forums, the ADB–PRC seminar series, and other forums organized by the Regional Knowledge Sharing Initiative (RKSI) or the PRC counterparts.

8. ADB will launch an annual flagship event on East Asia, which will be jointly organized with knowledge departments. It will tap regional platforms and feature a different theme each year. This flagship event represents an opportunity for ADB to showcase and share special features of PRC operations and knowledge work with a wider audience.

9. The RKSI website will become an East Asia knowledge repository. Knowledge from ADB operations in the PRC will be systematically disseminated under the new CPS. The RKSI website will become a dedicated dissemination platform to share ADB's knowledge work in the PRC. A live project knowledge page will be created to systematically disseminate operational knowledge, and will feature events, training, interviews, videos, knowledge products, and other knowledge materials and initiatives.

## C. Areas of Collaboration with Partners

10. RKSI remains EARD's main channel for knowledge dissemination, and leverages support from think tanks, universities, and other centers of excellence. Under the previous CPS, RKSI

<sup>2</sup> The One ADB approach encourages collaboration between ADB's sovereign and nonsovereign operations, synergy in knowledge activities between operations and non-operations departments, and integrated solutions through collaboration across sector and thematic groups.

<sup>3</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

had an important role in disseminating knowledge from the PRC development experience and ADB operations in the PRC. Examples include active partnerships with the International Poverty Reduction Center of China, the Association of Southeast Asian Nations village leaders to learn about the PRC's highly successful poverty reduction efforts, and with the Asia-Pacific Finance and Development Institute to provide training programs on economic development for other DMC officials.

11. ADB has entered a partnership with Alibaba to support the government's Rural Vitalization Strategy.<sup>4</sup> ADB and Alibaba will design and implement projects with innovative technologies, such as e-commerce and other digital platform services, big data, and cloud computing and will engage in a wider knowledge partnership to promote sharing of the latest internet-plus and agriculture technology applications to ADB's clients through events and meetings, consultations, training and capacity development for government personnel, publications, and joint analytical work.

12. ADB is committed to being responsive and meeting the demand for country- and institution-specific knowledge from other DMCs. Interventions that are most closely targeted and are likely to have the largest impact are those that are requested directly by an individual DMC. For example, in response to a request from India, EARD and the PRC's Ministry of Ecology and Environment will organize a study visit for Indian officials regarding innovative irrigation, wastewater treatment technologies, and nature-based solutions in use in the PRC, once the coronavirus disease (COVID-19) related travel restrictions are lifted. This will serve as a pilot for further and more systematic active knowledge sharing among DMCs.

#### **D. Resource Allocation**

13. **Resources to deliver the country knowledge plan.** The knowledge products under the CPS will be delivered using TA resources as well as inputs from staff and experts engaged as staff consultants. All loans will include and finance a knowledge component. Regional TA will be used in addition to the TA resources allocated to the PRC. Government and development partner cofinancing as well as knowledge partner cost-sharing will be leveraged to support the knowledge activities.

14. An EARD knowledge hub will be formalized to plan and coordinate activities under the ADB–PRC knowledge program. The EARD deputy director general will lead the hub with support from the PRC Resident Mission. The team will work closely with sector divisions, other knowledge departments, and other operation departments. Its main tasks include knowledge programming by consulting with government counterparts, exploring knowledge sharing activities across regional departments, and organizing the yearly EARD flagship event.

15. An ADB–PRC knowledge focal group will be established to facilitate interactions with government counterparts. The group will foster working relationships between partners and will comprise the EARD knowledge hub, relevant ADB technical staff, and PRC government knowledge counterparts. It will meet to discuss and confirm the PRC's current and future demand for and supply of knowledge and explore how knowledge activities can be planned and financed. This will enable ADB to receive feedback from the PRC on its knowledge work and to better gauge its impact. The group will ensure closer synergies between ADB lending and knowledge operations.

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<sup>4</sup> Government of the PRC. 2018. *National Strategic Plan for Rural Vitalization, 2018–2022*. Beijing.

16. One ADB collaboration will be strengthened through focused team discussions. The knowledge hub will explore new collaborations and lead communications with other operation and knowledge departments, with the goal of (i) further enhancing and formalizing staff efforts under the One ADB approach, and (ii) enabling EARD to better serve the needs of other DMCs. It will meet regularly to discuss ongoing and new knowledge work, requests from the PRC, and inquiries from other DMCs regarding the PRC.

17. Knowledge activities will be monitored for quality and impact. To measure results, the design and monitoring frameworks of lending and nonlending operations will specify the intended outcome of the knowledge outputs. Progress will be monitored and evaluated annually. All knowledge products are expected to be of high quality and effectively disseminated for impact. Staff and financial resources required for the production, dissemination, and evaluation of knowledge work will be reflected in work plans and project documents.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/CPS/?id=PRC-2021>

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix
3. Indicative Country Operations Business Plan