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COUNTRY PARTNERSHIP STRATEGY

FOR

THE PEOPLE'S REPUBLIC OF CHINA

FOR THE PERIOD FY2013 - FY2016

October 11, 2012

**International Bank for Reconstruction and Development
China, Mongolia, and Korea Country Management Unit
East Asia and Pacific Region**

**International Finance Corporation
East Asia and Pacific Region**

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities	IEG	Independent Evaluation Group
ADB	Asian Development Bank	IFC	International Finance Corporation
ASEAN	Association of Southeast Asian Nations	IMF	International Monetary Fund
CBRC	China Banking Regulatory Commission	M&E	Monitoring and Evaluation
CDB	China Development Bank	MDGs	Millennium Development Goals
CDM	Clean Development Mechanism	MIC	Middle-Income Country
CHEEF	China Energy Efficiency Financing Program (IBRD)	MIGA	Multilateral Investment Guarantee Agency
CHUEE	China Utility-Based Energy Efficiency Finance Program (IFC)	MOF	Ministry of Finance
CNAO	China National Audit Office	MP	Montreal Protocol
CO ₂	Carbon Dioxide	MSE	Micro and Small Enterprise
CPS	Country Partnership Strategy	MSME	Micro, Small, and Medium Enterprise
DRC	Development Research Center of the State Council	NCDs	Non-Communicable Diseases
EE	Energy Efficiency	NDRC	National Development Reform Commission
E&S	Environmental and Social	NGO	Non-Governmental Organization
ESCO	Energy Service Company	NPS	Non-Point Source (Pollution)
ESW	Economic and Sector Work	NRM	Natural Resource Management
EU	European Union	ODS	Ozone-Depleting Substances
FDI	Foreign Direct Investment	PFI	Participating Financial Institution
FM	Financial Management	PMO	Project Management Office
FSAP	Financial Sector Assessment Program	POPs	Persistent Organic Pollutants
FY	Fiscal Year	PPP	Purchasing Power Parity
FYP	Five-Year Plan	PPP	Public-Private Partnership
GDP	Gross Domestic Product	R&D	Research and Development
GEF	Global Environmental Facility	RMB	Renminbi (China's currency)
GHG	Greenhouse Gas	SME	Small- and Medium-sized Enterprise
GNI	Gross National Income	SO ₂	Sulfur Dioxide
HCFC	Hydrochlorofluorocarbons	SOE	State-Owned Enterprise
IBRD	International Bank for Reconstruction and Development	SSKE	South-South Knowledge Exchange
ICR	Implementation Completion Report	TA	Technical Assistance
IDA	International Development Association	UN	United Nations
IDF	Institutional Development Fund	UNICEF	United Nations Children's Fund
		US	United States
		WBI	World Bank Institute
		WHO	World Health Organization

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**COUNTRY PARTNERSHIP STRATEGY
FOR THE PEOPLE’S REPUBLIC OF CHINA**

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Executive Summary

China's economic and social development over the past three decades has been remarkable. GDP growth averaging about 10 percent a year has lifted more than 600 million people out of poverty. All Millennium Development Goals have been reached or are within reach. With a population of 1.3 billion, China recently became the second largest economy.

Yet China remains a developing country and its market reforms are incomplete. In 2011, China's gross national income per capita of \$4,930 ranked 114th in the world; and over 170 million people live below the \$1.25-a-day international poverty line. China is home to the second largest number of poor in the world.

As recognized by China's 11th Five-Year Plan (FYP, 2005-2010), the country's pattern of growth, which has relied on industry and investment, has led to growing economic, environmental, and social imbalances. Moreover, the country's traditional sources of growth are likely to weaken. China's main challenge in the medium term is to navigate the uncertain global economic environment while putting the economy on a more sustainable growth path. This involves reinvigorating the underlying drivers of growth, shifting to a more consumer-based economy, addressing pollution and natural resource depletion, and reversing inequalities of income and opportunity.

China's 12th FYP (2011-2015) forcefully addresses these issues. It highlights the development of services and measures to address environmental and social imbalances, setting targets to reduce pollution, to increase energy efficiency, to improve access to education and healthcare, and to expand social protection. Its annual growth target of 7 percent signals the intention to focus on quality of life, rather than pace of growth.

The World Bank Group's Country Partnership Strategy (CPS) for FY13-FY16 is aligned with China's 12th FYP. It is also informed by the joint study, *China 2030*, prepared by the World Bank and the Development Research Center of the State Council. To support China's goal of a harmonious society, the Bank Group will focus on three main areas of engagement:

- ***Supporting greener growth***, by helping China shift to a more sustainable energy path; enhancing urban environmental services; promoting low-carbon urban transport; promoting sustainable agriculture practices; piloting sustainable natural resource management approaches; demonstrating pollution management; and strengthening mechanisms for managing climate change.
- ***Promoting more inclusive development***, by increasing access to quality health services and social protection; strengthening skills development programs, including for migrant workers; enhancing opportunities in rural areas and small towns; and improving transport connectivity for more balanced regional development.
- ***Advancing mutually beneficial relations with the world***, by supporting China's South-South cooperation and China's role as a global stakeholder.

The Bank Group's most valuable contribution in China remains its role in bringing and applying ideas, innovation, and knowledge. The CPS emphasizes knowledge sharing and

cooperation through advice and analytical products and through public and private sector investments at the provincial level that introduce and demonstrate new approaches. Non-lending services are expected to grow in importance over the CPS period, building on *China 2030*. IBRD lending over the CPS period is expected to remain stable at about US\$1.5 billion for 10-13 projects per year. IFC's investments are expected to remain strong at US\$500-1,000 million for about 25 projects per year. MIGA retains significant room for further exposure in China and will use this available space to pursue projects aligned with its global strategy. The World Bank Group – IBRD, IFC, and MIGA – will continue to collaborate to maximize their impact.

Risks to the Bank Group's development effectiveness in China are deemed moderate, given China's good capacity, strong ownership of the Bank Group program, and track record of high performance.

COUNTRY PARTNERSHIP STRATEGY FOR THE PEOPLE'S REPUBLIC OF CHINA

1. **Over the past 32 years, China and the World Bank Group have forged a strong two-way and evolving partnership.** In the early years, the World Bank brought international experience to help design economic reforms, improve project management, and address key bottlenecks to growth. More recently, the Bank Group has helped address environmental challenges and other development priorities. The Bank Group strategy will continue to evolve as China faces new challenges in its transition from middle- to high-income status.

2. **This Country Partnership Strategy (CPS) for fiscal years (FYs) 2013-2016 is aligned with the challenges and priorities outlined in China's 12th Five-Year Plan.** The CPS is also informed by the recent joint study—*China 2030: Building a Modern, Harmonious, and Creative Society (China 2030)*—prepared by the World Bank and the Development Research Center of the State Council.¹ Consistent with China's priorities, the CPS focuses on three main themes: green growth; inclusive development; and mutually beneficial relations with the world. Bank Group support to China is designed to play a catalytic role through innovation and demonstration. In addition, the Bank's Group's engagement with China contributes to the Bank's global knowledge and helps China share its development experiences with the rest of the world.

I. COUNTRY CONTEXT AND CHALLENGES

A. Economic and Social Developments

Developments over Three Decades

3. **Since initiating market reforms in 1979, China's economic performance has been remarkable.** Gross domestic product (GDP) growth has averaged about 10 percent a year; and per capita gross national income (GNI) reached \$4,930 in 2011 (in current dollars), categorizing China as an upper-middle-income country.² Importantly, more than 600 million people were lifted out of poverty as China's poverty rate fell from 84 percent in 1981 to 13 percent in 2008.³ China's rapid growth has made it a significant presence on the global stage—it is the world's largest exporter and the second largest importer and it emerged in 2011 as the world's second largest economy.

4. **Two historic transformations—market reform and urbanization—have driven China's economic expansion.** In a gradual and experimental way, China has shifted from a closed, centralized, and command-based economy to a more open and market-based one. Rapid urbanization—the largest peacetime movement of people in history—has transformed China from a rural, agricultural economy into an increasingly urban and economically diversified one. Thirty years ago, 80 percent of China's population lived in rural areas and agriculture accounted for about one-third of GDP. Today, just over half the population lives in urban areas, while agriculture makes up around one-tenth of GDP.

¹ World Bank and Development Research Center of the State Council (2012): Conference version at www.worldbank.org/cn, final version forthcoming.

² World Development Indicators database. In 2005 purchasing power parity (PPP) terms, China's 2011 per capita GNI was \$8,430.

³ As measured by the percentage of people living on the equivalent of US\$1.25 or less per day in 2005 PPP terms.

5. **China’s social development has been equally impressive.** All Millennium Development Goals have been reached or are within reach. China has achieved nearly universal coverage and gender parity in basic education and has rapidly expanded enrollment in senior high school and tertiary education institutions. In addition, the state enterprise-based “iron rice bowl” social protection system has been transformed into a market-compatible system with rapidly expanding coverage. China has rebuilt its health delivery network, sharply reduced the burden of infectious disease, and expanded coverage of health insurance to almost all rural and urban citizens. From 1998 to 2007, maternal mortality declined from 110 to 38 per 100,000 live births.

6. **Its remarkable economic success notwithstanding, China remains a developing country.** It ranked 114th in the world in 2011 in terms of GNI per capita.⁴ Over 170 million Chinese continue to live below the \$1.25-a-day per capita international poverty line (in 2005 PPP terms)—the second largest number of poor in the world after India. Continuing to combat poverty and reducing income inequality remain important challenges in China (see Box 1).

Box 1: Poverty and Inequality in China

China’s remarkable growth has been accompanied by a parallel reduction in poverty and improvement in human development indicators. More than 600 million people have moved out of poverty over the past 30 years: the number of people living on the equivalent of US\$1.25 or less (in 2005 PPP terms) was reduced from 835 million in 1981 to 173 million in 2008—still a large number. Many more are “near poor”—just above the poverty line and vulnerable to shocks that could cause them to fall back into poverty. Extreme poverty, in the sense of not being able to meet the most elementary food and clothing needs, has been almost eliminated in China.

The Chinese government has accorded high priority to poverty reduction, implementing a series of clearly articulated rural poverty alleviation strategies. The most recent is the Outline for Development-Oriented Poverty Reduction for China’s Rural Areas (2011-2020). In November 2011, the government adjusted the official rural poverty line to be more in line with international standards, qualifying 100 million more people for a variety of benefits that will bring more resources to poor regions.

The characteristics of poverty have changed, making poverty reduction increasingly difficult. The remaining poor are more dispersed. Poverty is mainly a rural phenomenon and most severe in China’s western regions, in upland villages, among ethnic minorities, and in households with low levels of educational attainment. Relative to the general population, the elderly and children are more likely to be poor, reflecting the high numbers of children in poor households. There are growing concerns about social exclusion of migrant workers, who lack an urban resident status and have limited access to basic social services.

China has high inequality of income, consumption, assets, and opportunity. Disparities have increased between rural and urban areas and also within rural and urban areas. Although the rise in income inequality may have slowed or paused, thanks in part to increased transfers of public resources to poor rural areas, other dimensions of inequality—such as asset ownership, particularly housing—have continued to rise. Inequalities in incomes are mirrored and exacerbated by large disparities in opportunities to access quality social services and social protection.

Using income and poverty as a lens, China can be viewed as three distinct regions. The first is the eastern coastal region, home to 45 percent of the population, which has enjoyed rapid growth and poverty reduction owing to its geographical location and early introduction of reforms. By contrast, the central and western regions, home to 55 percent of the population, have lagged behind. If these two lagging regions formed a separate economy, its GNI per capita would be about half that of the coastal region.

⁴ World Development Indicators, The World Bank.

7. **There is growing recognition of the need to change the country's growth pattern.** While serving China well in many respects, rapid growth and accompanying structural change have contributed to economic, environmental, and social imbalances. Spurred by high savings, cheap finance, and export-oriented policies, China's growth has been capital intensive, industry led, energy and resource intensive, and environmentally damaging. The priority accorded to industry has stunted services development, while the emphasis on physical capital has constrained investment in the quality of human capital, increasing inequality. Notwithstanding massive internal migration from farms to cities, policies such as "hukou" (the household registration system) have constrained the welfare benefits of labor mobility.⁵ The share of wages in national income has fallen steadily; the share of capital has climbed.

Progress under the 11th Five-Year Plan (2006-2010) and Recent Developments

8. **Recognizing shortcomings in the pattern of growth, the 11th Five-Year Plan (FYP) emphasized environmental and social objectives.** It sought to make domestic demand the main driver of growth, with services as the leading sector. The 11th FYP's objective was to better balance economic growth with greater equality of opportunity and to improve basic services (especially health, education, and social protection), resource conservation, energy efficiency, and environmental protection. To meet these objectives, the 11th FYP set out 15 main tasks and strategic priorities supported by quantitative indicators (see selected targets and results in Table 1).

9. **Despite the global financial crisis, growth during the 11th FYP period remained strong.** It averaged 11.2 percent, far exceeding the target of 7.5 percent. Macroeconomic management was broadly effective, keeping inflation at an average of 2.9 percent, the budget (broadly) balanced, and public debt low. China implemented a large stimulus package in 2009-10 to cushion the effects of the global economic crisis, expand social infrastructure, and stimulate green investments. Although the stimulus would later contribute to overheating and heightened macroeconomic risks, including goods and asset price inflation, indicators suggest that the authorities have so far been successful in engineering a "soft landing" (see para. 11).

10. **Considerable progress was also made toward improving social protection and education and health services, particularly in rural areas.** The government demonstrated its intent to push ahead with structural reforms by increasing renminbi (RMB) exchange rate flexibility, introducing a fuel tax, collecting dividends from state-owned enterprises, expanding social security coverage, and increasing public investment in agriculture and rural areas. But the onset of the global financial crisis and the focus on maintaining rapid growth in the midst of a global slowdown meant that other reforms were given less priority. As a result, progress in rebalancing the economy was mixed. On the one hand, the external trade surplus declined and the rise in income inequality appears to have slowed. On the other, less progress was made in shifting the economic structure away from industry and toward services, increasing energy efficiency, and improving key environmental indicators.

11. **China's economy has slowed since 2010 due to the phasing out of the 2009-10 stimulus policies and a weaker global economic environment.** Growth slowed from 10.4 percent in 2010 to 9.3 percent in 2011. While consumption has remained strong due to rapidly rising wages and solid labor market fundamentals, weak external demand and slowing investment have exerted a drag on

⁵ Hukou is China's household registration system, which divides the population into rural (agricultural) and urban (non-agricultural) residents and is used to determine many social entitlements. The hukou status of parents is generally transferred to children.

growth. The previously booming property sector has also turned, with the majority of China's larger cities reporting modest price reductions and sharply lower sales volumes.

12. **2012 will likely see a further deceleration in growth to around 7.7 percent.** This is in part because global growth will remain anemic and the real effective exchange rate may continue to appreciate marginally; both factors will slow export growth and have an impact on investment. Risks mainly reflect external factors, such as uncertainties in the eurozone, as well as domestic risks associated with the residential property sector. Fortunately, China enjoys sufficient fiscal space to permit a vigorous fiscal response should the global economy slow suddenly. This time, more of the stimulus should be channeled through the fiscal rather than the monetary system and be directed at furthering structural reforms in support of sustainable and inclusive growth over the medium term.

Table 1: Key Targets in the 11th and 12th Five-Year Plans

	11 th FYP		12 th FYP	
	Target 2010	Actual 2010	Target 2015	Type of Target ^{1/}
<i>Economic Growth and Structure</i>				
GDP growth rate (%), yearly	7.5	11.2	7.0	A
Share of services in GDP (%)	43.5	43.2 ^{3/}	47.2 ^{3/}	A
Urbanization rate (%)	47.0	49.9 ^{3/}	53.9 ^{3/}	A
<i>Science and Education</i>				
Nine-year compulsory education retention rate (%)	--	89.7	93.0	O
Senior secondary school gross enrollment rate (%)	--	82.5	87.0	A
Ratio of research and development expenditures to GDP (%)	2.0	1.75	2.2	A
Innovation patents per 10,000 population		1.7	3.3	A
<i>Resources and Environment</i>				
Reduction of water use per unit of industrial value added (%) ^{2/}	--	36.7	30.0	O
Efficiency coefficient of irrigation water	0.50	0.50	0.53	A
Reduction in energy use per unit of GDP (%) ^{2/}	≈20.0	19.1	16.0	O
Share of non-fossil energy in total energy consumption (%)	--	8.3	11.4	O
Reduction in CO ₂ emissions per unit of GDP (%) ^{2/}	--	--	17.0	O
Reduction in emissions of major environmental pollutants:	--	--		
Sulphur dioxide - SO ₂ (%) ^{2/}	10.0	14.29	8.0	O
Chemical oxygen demand (%) ^{2/}	10.0	12.45	8.0	O
Ammonia nitrogen (%) ^{2/}	--	--	10	O
Nitrogen oxides - NO _x (%) ^{2/}	--	--	10	O
Total forest cover (%)	20.0	20.36	21.66	O
<i>Public Services and Quality of Life</i>				
Registered urban unemployment rate (%)	5.0	4.1	<5	A
Increase in urban employment in five years (million)	45.0	57.71	45.0	A
Urban residents covered by basic pension insurance (million)	223	257	357	O
Increase in population covered by basic health insurance (%)	--	--	3.0	O
Low-income housing units built (million)	--	--	36.0	O
Total population (billion)	<1.36	1.341	<1.39	O
Average life expectancy	--	73.5	74.5	A

Sources: China's authorities, National Bureau of Statistics, and staff estimates.

1/ A = Anticipated; O = Obligatory

2/ Accumulated reduction in five years.

3/ Updated to reflect the latest statistics; 2015 targets revised by applying growth targets to latest statistics.

B. China's Medium-Term Challenges and Strategy

Challenges

13. **The Chinese economy faces constraints to sustained growth.** First, China must navigate the next five years, which will be risky as the global economy enters a new and volatile phase and works its way through the after-effects of the global financial crisis. The policy challenge is to ensure that the economy slows in a gradual fashion. In the longer term, China's traditional sources of growth are likely to weaken. Most of the growth contribution from shifting resources from agriculture to industry has already occurred. Also, going forward, the continued accumulation of capital will inevitably contribute less to growth as the capital-labor ratio rises. Moreover, the labor force itself is expected to decline. The population will age rapidly and the dependency ratio will rise, reducing household savings. Aging will have profound economic and social implications that will affect growth and the pattern of domestic consumption. Finally, total factor productivity growth—a measure of improvements in economic efficiency and technological progress—has also declined over time, in part because the economy has exhausted the immediate gains from first-generation policy reforms and from absorbing imported technologies that were relatively easy to access and use.

14. **Given the anticipated structural slowdown, China needs to reinvigorate the underlying drivers of growth to sustain growth over the medium term.** China's private sector is playing an increasingly important role in the economy—in 2010, private enterprises contributed an estimated 73 percent of gross industrial output and employed about 81 percent of the industrial labor force.⁶ However, state-owned enterprises still dominate key sectors of the economy. Breaking up monopolies and pursuing policies that support competition and business development will be needed to build a more vibrant private sector capable of sustaining broad and inclusive growth. China will also need a flexible and dynamic labor market, a sound and more commercially oriented financial system, and land policies to support more efficient land use. Continuing and deepening China's fiscal reforms will be important for establishing a fiscal system capable of delivering increasing public goods and services, including meeting new environmental and social challenges.

15. **Addressing the country's environmental deficit is an ongoing challenge.** China is now the world's largest energy consumer and green house gas emitter. Rapid growth has also led to natural resource depletion and environmental pollution, the costs of which have approached 10 percent of GDP.⁷ Air pollution has had severe public health impacts, especially given the growing numbers of urban residents. More than half of China's water is polluted, over 300 million people use contaminated water supplies, a third of China's waterways are below the government's own safety standards, and about a fifth of China's farmland has been contaminated with heavy metals.⁸ China's future development and food security depends on reducing the environmental impact of its economy, improving the sustainability of its land and water use, and reducing its future impact on the global environment. The challenge going forward will be to convert these pressures into new sources of growth by adopting a green growth model that taps into new global markets in green technologies while it solves many of China's pressing environmental concerns.

16. **The risk of lower growth rates is exacerbated by China's high inequality in income, consumption, and access to high-quality public services.** Notwithstanding massive internal migration from farms to cities, barriers to labor mobility—the household registration (or “hukou”)

⁶ China Statistical Yearbook, 2011.

⁷ World Bank calculations, 2008 data.

⁸ Ministry of Environmental Protection, People's Republic of China. 2011 China State of the Environment Report.

system, the lack of portability of pension plans, weak labor market institutions, and inadequate job market information—have trapped tens of millions of farm families in low-paying, low-productivity work. This, combined with factor and resource price policies that favored enterprise profits and implicitly taxed household incomes, meant that the share of wages in national income fell steadily in the first decade of this century and the share of capital climbed. Furthermore, the emphasis on investment concentrated in urban areas has its counterpart in a lower share of investment in rural areas—especially in health and education. The “opportunity gap” between urban and rural areas has grown. Social tensions have ratcheted up, resulting in a growing number of public protests. Unresolved, this could pose a threat to growth and stability in coming decades.

17. **Strengthening economic and environmental governance and rule of law is a cross-cutting challenge.** According to surveys in China, the public’s trust in public services and the judicial system is low, creating the potential for social frustration and underscoring the importance of building an impartial and effective legal and justice system and improving equality of opportunity and accessibility to high-quality social services. An essential element of reforms in these areas will be greater consultation and participation of the public in decision making and oversight of service delivery (including by the justice system), increased transparency in the operations of these branches of government, and greater accountability to stakeholders and citizens.

China’s 12th Five-Year Plan

18. **China’s 12th FYP (2011-2015) seeks to address the medium-term challenges outlined above by continuing the thrust pioneered in the 11th FYP.** It highlights the development of services and measures to address social, environmental, and external imbalances. It focuses on improving the quality of life, rather than just the pace of growth, pays attention to balanced development, and gives greater prominence to urbanization in inland regions and smaller cities. Its growth target of 7 percent is set low on purpose to signal that the objective is the quality of growth—not growth alone. (Selected 12th FYP targets are shown in Table 1.)

19. **The 12th FYP stresses improvements in economic efficiency to underpin growth sustainability.** It calls for moving up the value chain in manufacturing while enhancing innovation and promoting the development of seven new strategic industries, three of which are related to the environment and energy efficiency—“energy efficiency and environment,” “new energy,” and “new energy vehicles.” It sets a target for research and development spending to reach 2.2 percent of GDP; emphasizes strengthening the creation, use, protection, and management of intellectual property rights; focuses on updating research funding and venture capital; and pushes for greater commercialization of research undertaken at government-sponsored universities and research institutions. The 12th FYP also stresses the need for higher education reform in science and technology, and aims to increase the high school enrollment rate to 87 percent by 2015.

20. **Like its predecessor, the 12th FYP emphasizes energy conservation and environmental protection.** It calls for non-fossil fuels to reach 11.4 percent of primary energy consumption (up from 8.3 percent), energy use per unit of GDP to decline by 16 percent, carbon dioxide emissions per unit of GDP to fall by 17 percent, major pollutants to decrease by between 8 and 10 percent, and forest cover to rise to 21.66 percent, in line with China’s Copenhagen commitment on forests. The 12th FYP emphasizes climate change and details China’s commitment to international cooperation and the UN-led climate negotiation process.

21. **The 12th FYP also urges inclusive and equitable development as core elements for promoting a “harmonious society.”** To make sure all people benefit from development, the government aims to improve access to high-quality public goods and services and expand the social

protection network to cover all people, urban and rural. The population covered by pension schemes is targeted to increase by 100 million, the coverage rate of health care insurance is to be increased by 3 percentage points from an already very high level, and the level of financial protection from health shocks is expected to be raised. These advances will be important as societal aging gathers pace during the FYP period. The government has set a target to provide 36 million urban public apartments by 2015. Some 45 million urban jobs are expected to be created, and the urban unemployment rate is expected to remain below 5 percent. The 12th FYP also anticipates that the disposable income of households will grow faster than GDP, thus raising the share of labor income in GDP after a period of decline and stagnation in the 2000s.

22. **The 12th FYP's focus on inclusive development emphasizes the protection of women's legal rights and the importance of ensuring women's access to basic services.** It further highlights the need to improve women's ability to contribute to economic development by promoting female employment and entrepreneurship. (See Annex 2 for additional information on gender and development in China.)

23. **The government also plans to deepen administrative reform and strengthen efforts to combat corruption.** To improve provision of basic public services, the 12th FYP seeks to strengthen accountability and public financial management and better define central and local government roles and responsibilities. In addition to administrative reforms, the government aims to increase the effectiveness of anti-corruption systems, including by improving transparency, reporting, and enforcement.

China 2030

24. **Building on the 12th FYP, a recent report written jointly by the World Bank and China's Development Research Center of the State Council (DRC) charts possible directions for China's reforms to 2030.** The report, *China 2030*, notes that China's successful development strategy over the past three decades has made it an upper-middle-income economy today. But it points out that the opportunities and challenges in the next two decades will be unlike those encountered in the past. As a result, the growth model that helped it succeed in the past is unlikely to work as successfully in the future.

25. **The joint team focused on how China could become a modern, harmonious, and creative society.** Anticipating global megatrends and examining China's opportunities, challenges, and capabilities over the coming 20 years, the team proposed six strategic directions (see Box 2). At its core, *China 2030* proposes changing the role of government and its relationship to markets, the private sector, and society at large. More importantly, it focuses on the "how," not just the "what," and provides a broader context within which to set the Bank's program in China.

Box 2: China 2030

In September 2010, China and the World Bank Group celebrated 30 years of close collaboration. Over the course of those 30 years, China transitioned from a low-income country to an upper-middle-income country. To commemorate this partnership, Chinese leaders endorsed a World Bank proposal to work jointly to identify and analyze the challenges facing China as it moves from middle- to high-income status over the next 20 years.

The report identifies six strategic directions:

- (i) **Strengthen the foundations for a market-based economy**—by redefining the role of government, developing the private sector, promoting competition in output markets, and deepening reforms in the land, labor, and financial markets. While providing relatively fewer “tangible” public goods and services directly, the government will need to provide more “intangible” public goods and services like systems, rules, and policies that increase production efficiency, promote competition, facilitate specialization, enhance the efficiency of resource allocation, protect the environment, and reduce risks and uncertainties.
- (ii) **Accelerate the pace of innovation**—by creating an open innovation system in which competitive pressures encourage Chinese firms to engage in product and process innovation not only through their own research and development (R&D) but also by participating in global research and development networks. Although China’s R&D investment as a share of GDP is high by international standards for a country at its per capita income level, much needs to be done to ensure that this investment yields commercially viable innovations that will help Chinese firms move up the value chain and compete effectively in the same product space as advanced economies. The emphasis will need to be on: increasing the technical and cognitive skills of university graduates and building a few world-class research universities with strong links to industry; fostering “innovative cities” that bring together high-quality talent, knowledge networks, dynamic firms, and learning institutions, and allow them to interact without restriction; and increasing the availability of patient risk capital for private start-up firms.
- (iii) **“Go green”**—greener development and increasing efficiency of resource use will not only improve the level of well-being, it could potentially drive rapid, sustained growth as well. China does not want to replicate the experience of advanced countries that became rich first and cleaned up later. Instead, China intends to grow green by following a pattern of economic growth that boosts environmental protection and technological progress, a strategy that could become an example to other developing countries and perhaps even advanced economies. Achieving this will require a combination of incentives, regulations, standards, public investments – all of which together will encourage new investments in low-pollution, and energy- and resource-efficient industries and build international competitiveness in a global sunrise industry.
- (iv) **Expand opportunities for all**—to access decent jobs, finance, social services, and portable social security to reverse inequality, help households manage employment- and age-related risks, and enhance the household welfare benefits of labor mobility. To achieve this will require: more and better quality public services to underserved rural and migrant populations—from early childhood to tertiary education, from primary health care to health for the aged; improving the efficiency and quality of core health and education services to strengthen their contribution to economic transformation, ensure their sustainability, and enhance equality of opportunity; restructuring the social security system to improve portability of social security instruments; and participation by all segments of society—public and private, government and non-government, households and enterprises—to share responsibilities in financing, delivering, and monitoring social services. Reforms in social services and social security will need to be facilitated by phased reforms of the hukou system to reduce disparities in social entitlements for migrants.
- (v) **Strengthen the fiscal system**—by increasing the efficiency of the tax structure, improving government financial management, and ensuring that local governments have adequate financing to meet heavy and rising expenditure responsibilities. A key element of future fiscal strategy will be to keep the expenditure envelope under control while reorienting expenditure composition toward new social and environmental challenges.
- (vi) **Seek mutually beneficial relations with the world**—by becoming a proactive stakeholder in the global economy, actively using multilateral frameworks, and shaping the global governance agenda of international trade, global financial stability, climate change, food security, and the international aid architecture, among others.

II. THE WORLD BANK GROUP TRACK RECORD AND LESSONS LEARNED

26. **The 2006 CPS, coterminous with the 11th FYP, aimed to support China's efforts to shift its growth pattern.** It emphasized the World Bank Group's role as a knowledge institution—many Bank Group-financed projects introduced innovations or piloted new approaches, and the Bank Group facilitated China's South-South cooperation (see Box 3: Highlights of World Bank Group Assistance to China).

27. **The CPS Completion Report rated World Bank Group program performance as satisfactory.** The 2006 CPS organized World Bank Group (WBG) assistance around five thematic pillars: (i) Integrating China into the world economy; (ii) Reducing poverty, inequality, and social exclusion; (iii) Managing resource scarcity and environmental challenges; (iv) Financing sustained and efficient growth; and (v) Improving public and market institutions. Out of 35 outcomes in the 2006 CPS results framework, 33 were partially or fully achieved. (See Annex 3 for the full CPS Completion Report.)

28. **Portfolio performance is among the best of large IBRD borrowers.** China is among the top three countries in terms of number of active IBRD projects and net IBRD commitments: as of September 2012, there were 74 IBRD-financed operations with a net commitment amount of US\$10 billion. IBRD investment from FY07 to FY12 amounted to US\$9.9 billion for 75 investment operations, averaging about \$1.65 billion per year; and about 96 percent of FY07-FY12 projects were rated satisfactory or above. (See Annex 5 for selected indicators of portfolio performance.) In addition to delivering results at the provincial and local levels, many IBRD-financed projects have demonstrated approaches that can be scaled up elsewhere. According to a recent client survey, piloting innovations is viewed as one of the Bank's greatest values to China (see Box 4).

29. **Trust fund resources have played an important role in leveraging IBRD impact, especially for environmental objectives.** As of the end of FY12, the trust fund portfolio comprised 94 grants with total commitments of US\$1.8 billion. Carbon finance operations accounted for more than 64 percent of commitments, and a large ozone depleting substance project (under the Montreal Protocol) and 18 GEF-financed projects accounted for another 33 percent of commitments.

30. **The Bank's analytical and advisory activities (AAA) have responded to client needs, underpinned investments, and set the course for the Bank's future engagement.** Provincial-level AAA, such as on rural-urban integration in Chongqing and Guangdong, generated high interest at both provincial and national levels and influenced the lending pipeline. Policy dialogue and analytical work at the national level influenced renewable energy policy, national recycling legislation, and strategies for education, health, water resource management, and adapting agriculture to climate change. The Bank supported China's South-South cooperation, especially with Africa, through workshops and training. The Bank helped evaluate progress under the 11th FYP and provided inputs to the 12th FYP; and the Bank's Economic Updates have international readership. *China 2030*, undertaken from 2010 to 2012, lays the framework for analytical engagement over the coming years.

31. **The IFC focused on climate change, balanced and inclusive rural-urban growth, and sustainable South-South development.** IFC's work on climate change aimed to demonstrate market-based approaches to reduce the economy's energy intensity and increase efficient use of water resources. To help balance rural-urban growth and reduce the gap between urban and frontier/rural areas, IFC undertook investments and advisory work in micro, small, and medium enterprise (MSME) finance, agribusiness, infrastructure, and food safety. IFC's support for South-South cooperation included helping Chinese companies contribute sustainably to global economic development, particularly in Africa, through enhancing the social, environmental and economic

impact of Chinese engagement and helping to mobilize Chinese resources. In the last six years, from FY07 through FY12, IFC's investment commitments in China totaled US\$3.6 billion (including over US\$850 in mobilization) in 116 projects. In FY12 alone, IFC committed 19 projects worth US\$637 million, of which US\$577 million for IFC's own account. Around two-thirds of FY12 investments were in frontier regions of China, while almost half were supporting MSMEs and over one-third had a positive impact on climate change. As of June 30, 2012, IFC's committed exposure in China had reached US\$2.4 billion, comprising over 100 client companies, with outstanding exposure at US\$1.8 billion.

Box 3: Highlights of World Bank Group Assistance to China, 2005-2012

Piloting policies that address the causes of inequality: Analytical work and innovative pilots at the provincial level have helped improve access to high-quality and affordable healthcare, and have also supported the roll-out and integration of two new national health insurance programs. Analytical work and policy dialogue have informed medium- and long-term strategies for educational reform, and projects have improved the quality of education in western China and the quality of technical and vocational training, including for migrant workers.

Strengthening safety nets and social security: The Bank has continued its support for China's ongoing pension reforms through a major report on the long-run pension system and complementary AAA on rural elderly welfare. Engagement on the national dibao (minimum living allowance) social assistance system has also supported China's efforts to support its most vulnerable citizens. AAA on labor markets and migration has increased the understanding of labor market dynamics and informed policies to enhance the efficiency and equity of labor policies.

Catalyzing an integrated approach to water and environmental management. IBRD/GEF-financed investment operations helped demonstrate integrated water and environmental management approaches that are being scaled up within China and incorporated into national policy. These approaches are of global significance and have attracted the attention of other water-scarce countries, creating opportunities for South-South learning. IFC has committed several water sector projects, and MIGA has supported innovative public-private partnership arrangements for urban water, wastewater, and solid waste management.

Increasing energy efficiency and renewable energy: The Bank financed China's first three energy service companies (ESCOs), which help industries reduce energy consumption and improve efficiency. China now has one of the largest ESCO markets in the world. IFC's China Utility-Based Energy Efficiency Finance Program facilitated \$1.4 billion in loans, eliminating 17.8 million tons of greenhouse gas emissions annually. GEF-supported projects have also demonstrated model urban heat supply systems and consumption-based billing policies and piloted green building developments. The China Renewable Energy Scale up Program Phase I financed studies whose recommendations were adopted into policy and law, enabling China's impressive scale-up of renewable energy.

Supporting China's international environmental commitments: The Bank has helped advance China's global environmental agenda, including phasing out persistent organic pollutants. Bank analytic work has helped underpin China's greenhouse gas mitigation efforts and 12th FYP climate change objectives. The Bank helped establish the Clean Development Mechanism (CDM) in China and has been an important intermediary as the market has grown; IFC is exploring a co-investment partnership with the CDM.

Deepening financial markets: Bank Group support has helped introduce commercially sustainable micro and small business financing, promoted further rural financial reforms through policy dialogue and TA, and assisted in the continued strengthening of financial infrastructure (e.g., credit information and reporting). IFC helped introduce a nation-wide credit reporting system. IFC's Secured Transactions Reform Program in China has helped farmers and small businesses access more than US\$3 trillion in financing by supporting the use of movable assets as collateral. IBRD and IFC have also played a catalytic role in opening up the capital market and promoting local currency financing through issuing Panda Bonds and Dim Sum Bonds.

Facilitating South-South knowledge exchange: The Bank Group organized events to share China's development experience with other countries, especially in Africa, on a range of topics—special economic zones, agriculture and poverty reduction, health, vocational training, watershed and land management, carbon finance, and transportation.

Responding to an emergency: Both IBRD and IFC responded quickly following the devastating May 2008 8.0 magnitude earthquake in Sichuan province, which left about 100,000 people dead or missing and over 10 million people homeless.

32. **MIGA guarantees and technical assistance focused on infrastructure, national and regional investment promotion, and South-South investment.** MIGA supported foreign direct investment (FDI) into China principally in the urban water, wastewater, and solid waste treatment sector, including projects in the western part of China. Its current portfolio consists of five projects totaling US\$96 million in guarantee coverage. Given the improving investment climate, MIGA has had three recent contract cancellations. MIGA has undertaken joint initiatives with IFC Advisory Services to help the Ministry of Commerce and Sichuan province through its investment promotion programs and benchmarking studies. MIGA has been active in cooperating with its partners and with Chinese banks and companies to support Chinese outward investment.

Lessons Learned

33. The FY13-16 CPS takes into consideration lessons identified in the CPS Completion Report and during CPS consultations (see Annex 4). Key lessons include:

- (i) **Focusing on innovation and pilots at provincial and subprovincial levels is a good way to leverage World Bank financing given China's development model.** Since the 1980s, China had deployed a pragmatic, learning-by-doing approach to development—reforms are tested at the village or provincial level and then scaled up. Provincial authorities are encouraged to experiment.

Box 4: FY 2012 China Country Survey

From December 2011 through March 2012, about 500 stakeholders of the World Bank Group throughout China were invited to provide their opinions on the Bank Group's support to the country. About 200 stakeholders (40 percent) responded to the survey, which is about the same response rate as the previous country survey in FY 2006. The largest number of respondents came from local government and local project management offices (36 percent), followed by ministries (19 percent). Other respondents included academia and representatives of media, NGOs, and financial institutions.

Survey Results

- **Priorities for Bank Resources.** Respondents across most stakeholder groups and geographic locations indicated that the Bank should focus most of its resources on environmental improvement and poverty reduction. Approximately a third of respondents reported that it would be most valuable for the Bank to focus its research and knowledge on environmental and natural resource management issues, with 20 percent identifying social protection.
- **Perceived Value of the Bank's Work.** Respondents indicated that the Bank's greatest value to China was in bringing new concepts and innovation, transferring international best practices, and piloting innovations to be scaled up. In contrast, FY 2006 respondents rated financial resources as the most highly valued attribute of the Bank.
- **Effectiveness of the Bank.** Views on the Bank's overall effectiveness remain high (7.8 on a 10 point scale with 1 being not very effective and 10 being very effective). Respondents from provinces outside of Beijing gave higher ratings for the Bank's overall effectiveness in China than respondents from Beijing. Since the FY 2006 survey, ratings have increased in a number of areas, including alignment of the Bank's work with country priorities, staff accessibility, the way the Bank promotes inclusion with non-governmental groups, capacity building, and sharing knowledge about international best practices (identified as one of the Bank's greatest values). More than half of respondents identified slow and complex processes as the Bank's greatest weakness.
- **The Future Role of the World Bank in China.** Respondents indicated that the Bank should play a significant role in China's development in the next five years (8.2 on a 10-point scale, with 1 being not a significant role and 10 being very significant role). When asked how the Bank should make itself of greater value in the future, nearly 40 percent of respondents said the Bank must improve the quality of its experts as related to China's specific challenges. About 30 percent of respondents said the Bank must offer innovative knowledge products.

- (ii) **Given the increasing importance of knowledge cooperation, strengthen planning and coordination of non-lending activities.** AAA is too fragmented. Agreement with the government on a multi-year AAA program that builds on *China 2030* could increase partnership and impact, provided there is flexibility to meet just-in-time requests.
- (iii) **Strengthen dissemination.** Given the Bank’s focus on pilots and demonstrations, documenting results and disseminating lessons are key to successful replication and scale up. Most projects include monitoring and evaluation components and impact assessments. However, there is room for improvement to better disseminate the results and maximize the policy impact of innovative and demonstration projects and AAA findings. Recent efforts to strengthen dissemination—such as the use of China’s extensive distance learning network and the development of “knowledge platforms” (see para. 41)—should be continued.
- (iv) **Continue efforts to improve efficiency and streamline processes.** Counterparts continue to identify cumbersome and lengthy processes as the Bank’s main weakness (see Box 4 and Annex 4). Although project preparation times have decreased, the Bank should continue to seek ways to further shorten and facilitate project preparation and implementation.
- (v) **Strengthen efforts to mainstream gender in the lending and analytical work program.** Although the composition of the portfolio, which is dominated by infrastructure projects, makes gender inclusion more difficult, recent efforts to gender-inform projects should be sustained and applied more systematically (see Box 5).
- (vi) **Simplify the results framework and ensure realism.** As typical of earlier results-based country strategies, the 2006 CPS results framework was overly complex and ambitious, with 35 outcomes. Going forward, the new CPS should present a selective results framework linked more realistically to what the Bank Group can influence.

Box 5: Good Practices for a Gender-Sensitive Portfolio in China

A 2010 review of gender-mainstreaming in the IBRD-financed portfolio found that the level of gender-informed IBRD-financed projects in China is relatively low, reflecting the dominance of infrastructure in the portfolio. However, the review identified several good practices that have potential to be scaled up:

- **Consult with both men and women during project preparation to strengthen project design and improve outcomes.** Consultations with women during preparation of the Rural Health Project helped ensure that the project design addressed barriers faced by women in accessing health services. Consultations with men and women during preparation of several transport projects—the Liaoning Medium Cities Project, the Hubei Yiba Highway Project, the Taiyun Urban Transport Project, and the Wuhan Urban Transport Project—resulted in an increased focus on public lighting and road safety.
- **Undertake social analysis to identify gender imbalances that emerge during implementation.** When social analysis found that women were disproportionately affected by involuntary resettlement during construction financed by the Hubei Yiba Highway Project, the Ningxia Highway Project, and the Wuhan Urban Transport Project, new project activities were added targeting employment and livelihood opportunities for women. Similarly, a new component was added to the Agriculture Technology Transfer Project when a social assessment revealed a need to better support female farmers.
- **Use gender-sensitive beneficiary participation during project implementation to increase benefits for both men and women.** Several rural development projects, including the Poor Rural Communities Development Project, the Sustainable Development in Poor Rural Areas Project, the Pro-Poor Water Reform Project, and the Western Provinces Rural Water Supply, Sanitation and Hygiene Promotion Project, used a variety of tools to ensure that community planning processes captured both men’s and women’s priorities, which often differed. The projects also set targets for women’s participation in decision-making bodies, such as project implementation committees or water user associations.

III. THE WORLD BANK GROUP STRATEGY

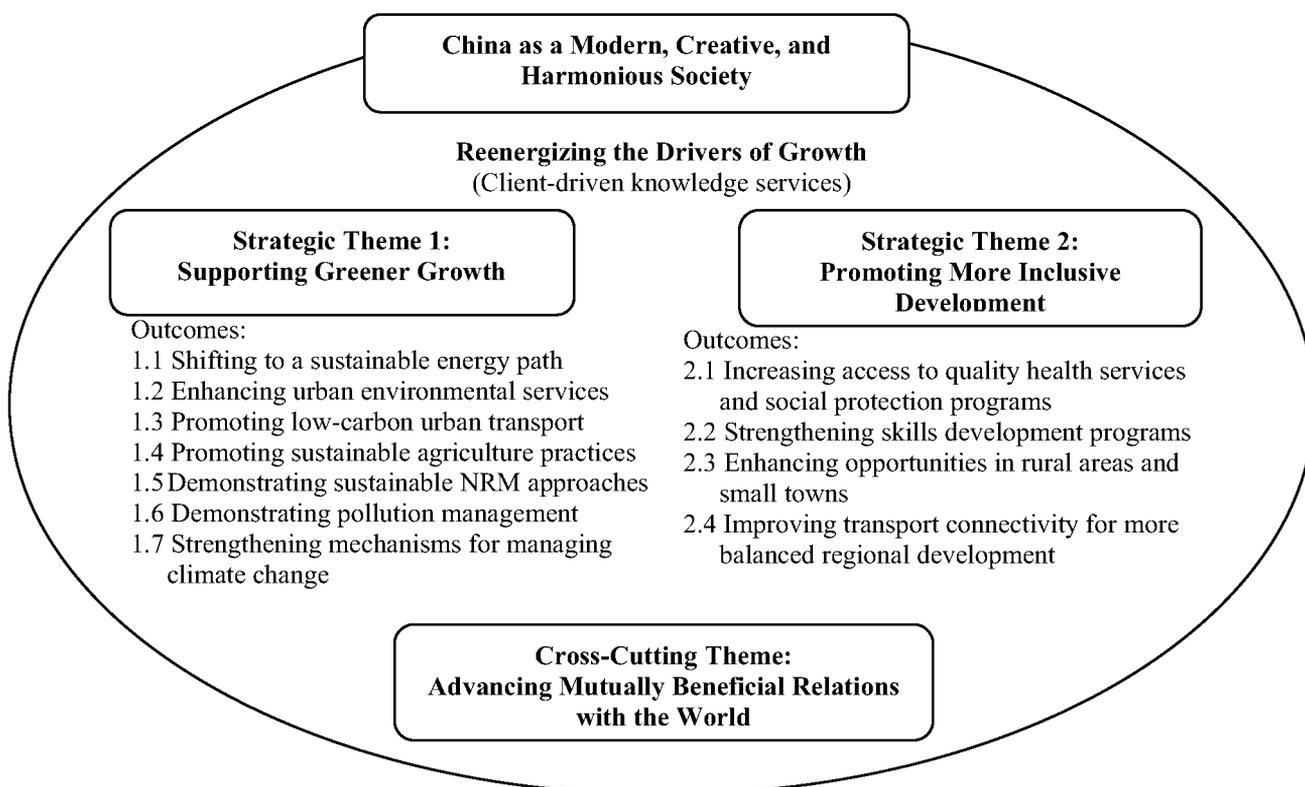
34. **The Bank Group’s FY2013-2016 CPS is aligned with the priorities of China’s 12th-Five Year Plan (2011-2015), which emphasizes quality of growth.** It is also informed by the findings of *China 2030*.

A. Framework for World Bank Group Engagement in China

35. **Knowledge sharing and cooperation are at the core of the Bank Group’s strategy.** The Bank will transfer knowledge through investments at the provincial level that introduce new approaches and through AAA at both provincial and national levels, while exploiting synergies between investments and AAA. IFC will support advisory services and investments at provincial and national levels. Given China’s emerging needs as an upper-middle-income country and building on *China 2030*, knowledge cooperation between China and the World Bank Group is expected to strengthen during the CPS period.

36. **CPS areas of engagement align with the main themes of the 12th FYP.** To support China’s goal of a harmonious society, the Bank Group will focus its financial resources, complemented by AAA, on two strategic themes: **supporting greener growth** and **promoting more inclusive development**. The Bank Group will also support the cross-cutting theme: **advancing mutually beneficial relations with the world**. In addition, the Bank will provide client-driven knowledge services that help underpin reforms needed to **reenergize the drivers of growth**. CPS areas of engagement are shown in Figure 1.

Figure 1: China CPS Themes and Outcomes



37. **The Bank Group will have an impact through demonstration projects, stand-alone knowledge services, and the synergies between them.** The Bank Group’s program will focus on 11 outcomes, as shown in Figure 1. Given that Bank support is modest in comparison to China’s own resources, the Bank Group’s program is designed to have an impact beyond its size by introducing innovations and demonstrating new approaches that can be scaled up and through policy dialogue and analytical inputs. The CPS Results Matrix (Annex 1) lays out the logical relationship between Bank Group interventions (ongoing and planned), outputs, and outcomes, including milestones and indicators to measure progress.

38. **Government counterparts have stressed the importance of several principles of engagement:**

- **Emphasize knowledge and innovation through both lending and non-lending activities.** The Bank Group’s most valuable contribution in China remains its role in bringing and applying ideas, innovation, and knowledge. In addition to stand-alone knowledge products, China continues to value knowledge services embedded in lending, using projects as platforms for innovation and knowledge sharing (see Box 6). Lending will be complemented and leveraged with policy dialogue and analytical work. Joint or client-driven AAA will be undertaken in areas where the Bank does not lend or where lending is limited.

Box 6: How IBRD Lending Works in China: Projects as Platforms for Knowledge Sharing

The Bank’s program in China has several special characteristics:

- **IBRD lending is demand driven from the provincial level and vetted against national priorities.** Each year, China’s Ministry of Finance (MOF) and the National Development and Reform Commission (NDRC) solicit project proposals from China’s provinces. MOF and NDRC then vet the proposals, taking into consideration quality, sectors, location, timing, and especially potential for innovation and demonstration. Each spring, MOF, NDRC, and the World Bank agree on a three-year rolling lending program. This process results in a stable lending program aligned with the country’s development priorities.
- **The Bank works directly with China’s subnational governments.** With a few exceptions, such as railway projects, IBRD-financed projects are implemented by provinces and municipalities, which are responsible for loan repayment. The demand from subnational governments for IBRD lending exceeds the lending envelope.
- **The Chinese government values projects for the knowhow they bring.** As emphasized during CPS consultations, Chinese counterparts appreciate the technical innovation and hands-on learning from working with Bank teams during project design and implementation. Small and medium-sized cities, which do not have much international exposure, benefit in particular from good project management practices--procurement, financial management, and social and environmental safeguard standards supported by Bank-financed projects.
- **The Bank, in partnership with MOF and NDRC, organizes an annual Innovation Workshop to share international experiences relevant to China.** Government officials from agencies and provinces throughout China participate in the two-day event, which provides a forum to discuss new ideas that influence the lending pipeline. The June 2012 Innovation Workshop focused on small towns development and social development.
- **In addition, Chinese officials appreciate Bank-financed projects for fostering inter-agency cooperation.** Solving increasingly complex development challenges at the provincial and municipal levels requires cooperation among multiple agencies that typically work in silos. Bank-financed projects provide a framework for inter-agency cooperation that would not exist otherwise.
- **There is synergy between projects and AAA.** In some cases, AAA has led to lending—such as the analytical work on inequality in Guangdong, which led to the Guangdong Urban-Rural Social Security Integration and Migrant Training Project (FY13). In other cases, lending has led to AAA; for example, the Bank’s engagement in the railway and urban transport sectors has led to analytical work on railway governance (Transport Paper Series) and sustainable low-carbon city development. Lending helps establish trust and credibility conducive to effective AAA.

- **Shift investments to interior and western provinces.** IBRD, IFC, and MIGA programs will continue to shift to lagging central and western regions and the northeast, the former industrial base, a trend that will continue under the FY13-16 CPS. Some projects and AAA will continue to take place in coastal regions because they are best suited for piloting particularly innovative or complex reforms and investments.
- **Maintain flexibility given China's quickly evolving needs.** The Bank Group's support for China has evolved extensively over time as China's needs have changed. It will be important for the Bank Group to remain nimble as China's needs continue to evolve.

Knowledge Services

39. **The Bank Group will continue to provide substantial non-lending support.** AAA will comprise standard due diligence work to inform the Bank's work program, IFC advisory services (AS), WBI activities, support for South-South knowledge exchange (SSKE), and demand-driven knowledge services, including just-in-time policy notes.

- **The Bank's standard due diligence** will include economic and social monitoring (including the flagship China Economic Update), biannual updates of the country gender action plan, and analytical work that generates the sector knowledge required for innovative investment projects.
- **IFC advisory services** will focus on access to finance, climate change, and water management, as well as on promoting better standards and sharing of experiences in South-South cooperation between China and developing countries. In addition, IFC's appraisal of potential investments will continue to assess the economic, financial, environmental, and social sustainability of projects and look for opportunities to enhance inclusion and development impact.
- **WBI activities** will complement the two strategic themes of the CPS through capacity development and learning activities as well as supporting mutual experience and knowledge sharing between China and the rest of the world. Key thematic areas of focus will include capacity development around health, climate change, and urban planning and development.
- **Bank support for SSKE is expected to increase.** The Bank will leverage its sectoral knowledge from operations and analytical work to help facilitate SSKE.
- **Demand-driven knowledge services** will be carried out with Chinese partners or at their request. Analytical work will be grouped into broader thematic engagement areas defined jointly with clients. The Bank and DRC are developing a joint research program, building on *China 2030* and deploying the same model of joint collaboration.

Indicative AAA themes are shown in Table 2. (See Annex 5 for a list of recently completed AAA, ongoing AAA, and AAA planned for FY14.)

40. **Given the increasing importance of knowledge services, the Bank and the government are establishing a system to better plan and coordinate AAA.** The Bank and the government will agree annually on a multi-year AAA program designed to maximize relevance and impact while leaving room for flexibility and just-in-time requests. IFC will also hold an annual consultation process with the government to agree on advisory priorities for China.

41. **The Bank will strengthen dissemination of AAA and project findings.** A new transport sector knowledge platform provides a model for disseminating project experiences. In addition, the Bank and government will work together to develop workshops and brochures on key topics to enhance dissemination of innovative approaches. The Bank will continue to use China’s distance learning network, with more than 50 sites, to deliver distance learning courses based on AAA.

Table 2: Indicative Themes of Analytical and Advisory Activities

CPS Area of Engagement	AAA Themes
Reenergizing the Drivers of Growth	<ul style="list-style-type: none"> • Macro-fiscal policy, institutions, and management (national and subnational) • Structural reforms, including financial sector, labor and product market, and enterprise reforms • Product and process innovation
Strategic Theme 1: Supporting Greener Growth	<ul style="list-style-type: none"> • Energy security through renewable energy and energy efficiency • Urban design in transport, construction, and water supply and sanitation with strong potential environmental benefits • Economics of climate change adaptation in water and agriculture • Eco-compensation schemes for natural resource management • Land policy dialogue on tenure, markets, registration and municipal development • Public-private partnerships for remediation and redevelopment of urban brownfields • Pollution control standards, non point source water pollution, and air quality • Climate change - CDM experiences and development of national carbon markets; climate risk management and adaptation
Strategic Theme 2: Promoting More Inclusive Development	<ul style="list-style-type: none"> • Poverty monitoring and analysis • Health reform, with a focus on hospital reform and coordination of care across delivery tiers • Social protection and labor market, including policies and delivery systems to promote rural-urban integration • Skills and early child development, with a focus on service quality, labor-market relevance and equity of access • Aging and development of aged care services • Transport: railway reform
Cross-Cutting Theme: Advancing Mutually Beneficial Relations with the World	<ul style="list-style-type: none"> • South-South knowledge exchange • Global economic governance

Financial Resources – Knowledge through Investments

42. **IBRD.** Over the CPS period, IBRD lending is expected to remain stable at about US\$1.5 billion for 10-13 projects per year.⁹ A three-year rolling lending pipeline is agreed to and updated annually between the World Bank, the Ministry of Finance (MOF), and the National Development and Reform Commission (NDRC). During the most recent lending program discussion in April 2012, the World Bank, MOF, and NDRC agreed on a lending pipeline of US\$5.495 billion for 44 operations during FY13-15, including stand-by operations (see Annex 5). The lending program will be adjusted as needed and formally reviewed on an annual basis. In 2014 or earlier if needed, the Bank will prepare a CPS Progress Report, which will include the agreed-upon lending program for FY15-16.

43. **IFC and MIGA.** IFC's strategic priority areas in China—climate change, balanced and inclusive rural and urban growth, and sustainable South-South development—are well aligned with the CPS themes. IFC investments are expected to remain strong at US\$500-1,000 million for about 25 projects per year for its own account; and IFC expects to mobilize an additional US\$200-300 million per year. An estimated US\$100-200 million per year will support South-South development. MIGA retains significant room for further exposure in China and will use this available space to pursue projects aligned with its global strategy, including complex infrastructure projects and South-South transactions.

44. **Trust funds and carbon finance.** Trust funds and carbon finance remain significant in size (US\$1.8 billion in commitments as of end-June 2012) and integral to the Bank's operations in China, especially in the environmental sector, although cofinancing trust funds from bilateral donors have declined over the last five years. More than 90 percent of China's trust fund portfolio comprises the Global Environmental Facility (GEF), the Montreal Protocol (MP) (for ozone-depleting substances), and carbon finance. Although China is developing few new climate finance projects under the Clean Development Mechanism due to a lack of international buyers, the Bank will continue to support carbon finance through the development of domestic markets (see Outcome 1.7). During the FY13-16 CPS, the Bank will continue to support China under the GEF and MP:

- **Global Environmental Facility.** GEF engagement in China covers all thematic areas of GEF—climate change, biodiversity, persistent organic pollutants (POPs), and international waters. About two-thirds of GEF commitments in China address climate change, reflecting its importance for China and the world. The Bank helped China secure about \$115 million under GEF-IV (FY07-10), and commitments under GEF-V (FY11-FY14) are expected to total about US\$125-135 million with an increasing share going to climate change and POPs projects. GEF will also continue to support IFC's China Utility-Based Energy Efficiency Finance Program. (See Annex 5 for ongoing and pipeline GEF projects.)
- **Montreal Protocol program.** China has by far the largest MP program in the world, reflecting China's status as the largest producer, consumer, and exporter of ozone depleting substances. Under the previous CPS, the first phase of MP funding (about US\$440 million) phased out hydrofluorocarbons (HFCs) in China in 2010. During the FY13-16 CPS, MP

⁹ The proposed lending envelope of about US\$1.5 billion per year is sustainable in the medium term, keeping the IBRD exposure below the US\$16.5 billion limit for China set within the context of the Single Borrower Limit Framework, assuming modest (+/- 10%) fluctuations in disbursements and exchange rates. Given the sensitivity of exposure projections to these assumptions, IBRD continues to monitor exposure developments.

program funds, which may total about \$225 million, will focus on phasing-out the next generation of hydrochlorofluorocarbons (HCFCs).

B. Reenergizing the Drivers of Growth—Demand Driven Knowledge Services

45. **As the growth benefits of urbanization and industrialization wane, China’s longer-term challenge is to reenergize and reorient the drivers of growth.** These efforts will require a focus on sustaining productivity growth by recognizing the ongoing shift from low-cost production to higher value products based on innovation. In turn, this will require reforms that exert competitive pressure on firms to enhance the pace of innovation both through their own research and development as well as by engaging in global networks. Such competition will come from completing reforms in product markets as well as in land, labor, and financial markets. These reforms will need to be complemented by changes in the fiscal system at the national and sub-national levels. The World Bank Group can support this structural reform agenda in several ways including by:

- **Supporting fiscal reforms** through advisory and analytical work on reforming sub-national inter-governmental fiscal relations, building up a mid-term fiscal framework at both national and sub-national levels, improving fiscal transparency and debt management, and introducing accrual based public finance accounting and performance budgeting.
- **Assisting with reforms of the state-owned enterprise sector** through a mix of advisory services and technical assistance.
- **Helping to broaden land, labor and financial market reforms** through advisory and analytical work in selected areas. Building on its knowledge accumulated through previous engagement, the Bank will continue to support financial sector reform, ranging from financial stability and crisis preparedness, financial inclusion, and reforming and developing non-bank financial institutions.
- **Advising on ways to increase the pace of innovation** both at the firm level as well as on the enabling environment.

C. Strategic Theme One: Supporting Greener Growth

46. **China faces some of the world’s most difficult environmental challenges due to its energy-intensive and resource-intensive growth pattern and binding natural resource constraints.** China has 22 percent of the world’s population, but only 6.4 percent of the world’s land area, 7.2 percent of the world’s farmland, and 5.8 percent of the world’s annual water resources. The value of environmental depletion and degradation (i.e., environmental externalities) in China’s economy are among the highest of any country. Given the magnitude of China’s environmental impacts, global environmental problems cannot be solved without China’s engagement.

47. **Green development can address China’s environmental degradation and resource depletion and also become a new driver for growth.** As shown in *China 2030*, the reforms underlying green growth can reverse current environmental trends that are both domestically and globally unsustainable. Green growth combines removing future threats to growth in the form of resource and pollution constraints with raising the overall rate of growth by increasing efficiency and accelerating the shift of capital and labor towards sectors with higher total factor productivity growth.

48. **The Bank Group has steadily expanded its focus on environmental sustainability across its work program.** Over 70 percent of the IBRD/GEF portfolio in China has environmental objectives; and IFC and MIGA continue to help clients identify and address environmental considerations in their operations and primary supply chains. Over 30 percent of IFC’s investment commitments in China are climate positive, while all IFC investment operations require clients to

adhere to environmental standards, including resource efficiency and pollution abatement. The WBG’s “green growth” portfolio can be mapped to seven different CPS outcomes spanning six different sectors—energy, urban, transport, agriculture, natural resources, and environment—as well as climate change.

Outcome 1.1: Shifting to a Sustainable Energy Path

49. **China’s energy sector faces three main challenges: energy security, environmental sustainability, and sector efficiency.** China is dependent on fossil fuels, with coal accounting for about 70 percent of primary energy consumption. As a result, 85 percent of CO₂ emissions come from energy. Although China has the world’s largest renewable energy capacity, only 8.8 percent of energy comes from renewable sources. Shifting to a greener energy supply will benefit China and the world. To do so, China needs to scale up renewable energy in a cost effective manner, and leapfrog to the next generation of green energy technologies. The 11th FYP set a target to reduce energy intensity by 20 percent, which was nearly attained (19.1 percent reduction). The 12th FYP aims to reduce energy intensity by a further 16 percent. It sets a target, for the first time, to reduce carbon intensity by 17 percent, intended to contribute to an overarching goal of reducing carbon intensity in the economy by 40 to 45 percent from 2005 to 2020. Since the late 1990s, the World Bank Group has focused on renewable energy and on energy efficiency, where IBRD and IFC programs are complementary (see Box 7). The Bank Group will continue to support China’s efforts to build a secure, sustainable, and cost-efficient energy sector by:

- **Enabling efficient and sustainable scale-up of commercial renewable energy development** through investments and advisory services that address how to reduce incremental costs, improve efficiency, and promote smooth grid integration into the power systems.
- **Accelerating energy conservation and investment in energy efficiency** through investment and advisory services at national and local levels that enhance the quality of administrative measures and encourage greater reliance on the market to deliver energy efficiency.
- **Piloting innovative investments and policies supporting sustainable energy solutions for low carbon city development** and promoting adoption of cleaner and more efficient household energy solutions, including in rural areas where solid fuels are widely used.
- **Helping China extend its Green Building Policy** through complementary support from both IBRD and IFC. Buildings are a large and growing contributor to emissions; and 50 percent of the world’s new buildings are expected to be built in China by 2030.
- **Supporting development and implementation of clean energy policies** that encourage development and deployment of innovative technologies, such as carbon capture and sequestration and smart grids, and encourage greater use of gas.
- **Using IFC investment and advisory services to demonstrate market-based approaches to reducing energy intensity and environmental impact** through use of renewable energy, energy efficient equipment, and natural gas by commercial and industrial users.

Box 7: World Bank Group Support for Increasing Energy Efficiency in China

Achieving China's ambitious goal of reducing energy intensity requires significant investments as well as TA and capacity building for both the public and private sector. To optimize support, IBRD and IFC work together to leverage and complement each other's programs and instruments.

Complementary TA. IBRD's TA focuses on strengthening government policies and building capacity at national and provincial levels. For example, the IBRD-financed China Energy Efficiency Financing (CHEEF) program included a component to help develop NDRC's energy efficiency program. Also, the GEF-financed China Provincial Energy Efficiency Scale-Up Project provides TA for provincial energy efficiency programs. IFC focuses its TA on market players. For example, IFC's China Energy Efficiency Finance (CHUEE) program conducted market studies and provided training and marketing support to its energy efficiency partners, such as commercial banks, energy service companies, and energy efficiency equipment suppliers.

Complementary activities to help scale up energy efficiency (EE) lending in the banking sector. Under IBRD's CHEEF program, the government lends to participating financial institutions, who on-lend to industrial enterprises and energy service companies for EE investments. This credit line arrangement allows banks to familiarize themselves with and eventually mainstream EE lending. IFC's CHUEE program provides credit risk guarantees to partner banks for EE project lending. By lowering the risk of lending, the program encourages banks to develop new EE financing products. IBRD's CHEEF program focuses on medium- and large-sized industrial enterprises, while IFC's CHUEE program focuses on the SME market.

IBRD and IFC are working together to address new challenges. IBRD and IFC are designing a Green Buildings program that will exploit each institution's comparative advantage. IBRD can help improve the regulatory environment and support local governments in developing pilot projects; while IFC can provide private sector-based tools to examine the business opportunities and share in the project risks.

Outcome 1.2: Enhancing Urban Environmental Services

50. **China's cities are growing at a rate and scale never seen before in human history.** About 380 million people have moved from rural to urban areas over the last two decades; and more than 200 million people more are expected to migrate by 2025. While urbanization will drive growth and raise living standards, it also brings tremendous environmental and service delivery challenges. Smaller cities in particular are struggling to keep pace with demand, especially for sewerage and waste disposal services. China's city governments are interested in drawing on the experience of other countries and adopting innovative service delivery technologies that mitigate pollution and conserve energy and natural resources. The World Bank's urban portfolio provides models of good urban practices throughout China. Going forward, a key challenge for the World Bank will be to increasingly work with smaller cities, which have lower capacity and fewer resources, but which are important for inducing a more equitable and balanced growth process. The World Bank can continue to help during the CPS period by:

- **Expanding safe water supply in more than 50 small towns and cities**, while improving quality and efficiency.
- **Improving sanitation, solid waste and other basic urban services in selected second-tier cities**, while reducing pollution. WBI will help develop related urban-specific capacity development and knowledge sharing platforms.
- **Supporting private-sector investments in water and sanitation projects**, through IFC investments and MIGA guarantees. IFC is focusing on improving municipal and industrial water efficiency and water quality, working with water-intensive sectors and firms, especially in water-scarce areas of the country.
- **Addressing environmental management**, including piloting the cutting edge technologies to address environmental challenges in large cities and helping to establish "eco cities" that will be models for cities in China and the world.

- **Demonstrating ways to integrate cultural heritage conservation and sustainable local economic development**, emphasizing that “conserving the past is a foundation for the future.”
- **Helping cities build resilience to natural disasters**, especially floods; and “building back better” in the wake of the devastating Wenchuan earthquake in May 2008.

Outcome 1.3 Promoting Low-Carbon Urban Transport

51. **Rapid motorization of China’s cities is creating challenges from the local to global levels.** These include: traffic congestion, road accidents, air pollution, farmland conversion, high fuel consumption, and greenhouse gas emissions. Recognizing the need to improve urban transport sustainability in order to address these challenges and reach the national CO₂ target, the 12th FYP gives priority to urban public transport development. The World Bank is supporting urban transport improvements in about 30 of China’s 700 cities, creating a critical mass of model projects. In large cities, there is demand for innovations and best international practice to meet their unprecedented urban transport problems. In many smaller cities, where there is weak institutional capacity, the Bank can help strengthen urban transport planning, financing, and management to set the stage for sustainable, low-carbon urban transport development. The World Bank Group can continue to support China in promoting low-carbon urban transport by:

- **Accelerating the shift to public transport and improving transport efficiency through city-specific transport investments**, giving priority to large cities in the central and western regions. Projects will be complemented by TA in critical areas, such as integrated transport and land use planning.
- **Piloting institutional and technological innovations that have potential for scale up in cities throughout China**, such as public transport integration, transit-oriented development, travel demand management, and sustainable municipal financing mechanisms.
- **Helping to establish a national policy framework that promotes efficient and low-carbon urban transport**, drawing on the experience of demonstration projects in pilot cities.
- **Helping to promote urban transport safety**, by demonstrating road safety and traffic management measures.
- **Establishing a knowledge platform to disseminate best practices**, including an e-learning module, through AAA and WBI support.

Outcome 1.4: Promoting Sustainable Agriculture Practices

52. **China’s agricultural reforms have been successful in producing an inexpensive and abundant food supply, but the country faces new supply constraints and demand dynamics.** Supply is struggling to keep up with demand, as evidenced by two bouts of double digit food price inflation over the past three years. Supply constraints include water scarcity, longstanding and intensifying competition for land, and environmental pressures from livestock waste and overuse of chemical pesticides and fertilizers. These are compounded by rising rural wages and climate variability. On the demand side, a dietary shift to a more protein rich diet (meat, dairy) is increasing demand for feed cereals. Together, these supply and demand dynamics have resulted in a steady increase of feed cereal imports, challenging China’s ambitions of 95 percent grain self sufficiency. Concerns about food safety further hamper potential for expanding production of high value crops both for domestic and international markets. As articulated in the 12th FYP, maintaining sustainable food self-sufficiency, raising farmers’ incomes, and constructing the “New Socialist Countryside” are top government priorities. The World Bank Group can help by:

- **Demonstrating sustainable agricultural and livestock practices that improve farm productivity and generate local and global environmental benefits**, including better ways to integrate biogas in farming and cooking, improved livestock waste management, and piloting a carbon credit trading process for household-based greenhouse gas emissions.
- **Helping to expand agricultural production by improving the productivity of water** through support to water conserving technologies, irrigation systems, water user associations and water markets. These integrated interventions being piloted in China have been recognized as globally innovative and are being scaled up.
- **Developing and testing innovative models for agriculture technology transfer and application**, in order to increase farm income, especially for poor farmers, in high-value agriculture markets, with a potential for scaling up.
- **Testing new approaches to ensuring agricultural product quality and safety** by piloting a certification process at the provincial level, with the potential to transfer lessons to other regions and segments of the food supply chain.
- **Expanding China's ability to adapt to climate change in the agricultural sector** through research and demonstration of sustainable and climate-resilient agricultural production and risk management systems.
- **Using IFC investments in agribusiness to improve productivity through better environmental practices**, such as biomass treatment of animal waste, more efficient use of land and water resources, and improved waste water treatment.

Outcome 1.5: Demonstrating Sustainable Natural Resource Management Approaches

53. **China's rapid economic growth has put pressure on its scarce natural resources.** Water scarcity is worsening due to overexploitation and water pollution. Chinese policy makers and society are now giving sustainable natural resource management high priority; and income and living standards have reached a level where China can afford and is also willing to shift some of its policies. The shift to sustainable natural resource management began in the 10th FYP, was clearly articulated in the 11th FYP, and is emphasized further in the 12th FYP. While China's policies have changed from traditional natural resource management to ecological management, implementation of ecological management is lagging. The World Bank Group can support China in this area by:

- **Demonstrating ways to better manage ecosystems and conserve biodiversity.** Given China's widely degraded ecosystems, improved management includes promoting ecological forestry approaches that maximize ecosystem health, soil and water conservation, carbon sequestration, and climate resilience; exploring market-based schemes to promote conservation investments in fragile ecosystems such as grasslands and watersheds; and using concessional funding to promote globally important biodiversity.
- **Implementing approaches of integrated water resources management at the river basin level, addressing multiple uses:** water scarcity, flooding, pollution, water demands, economic instruments, and institutional aspects; and building on the recent China Country Water Resources Partnership Strategy prepared jointly by the World Bank and the Chinese government.
- **Demonstrating innovative ways to manage wetlands and lakes**, including through the increased use of wetlands to filter urban and industrial run-off before excess nutrients cause eutrophication in lakes, rivers, and bays (including the Bohai and South China Seas).
- **Supporting natural resource property rights and markets in ways that encourage sustainable use**, such as clarifying land use rights in rural and peri-urban land use markets, forest tenure rights, and water rights.

- **Demonstrating, including through support from IFC and MIGA, that resource efficiency makes good business sense**, by supporting innovative investment projects, developing demonstration case studies and knowledge products, and raising awareness among banks and industrial users.

Outcome 1.6: Demonstrating Pollution Management Measures

54. **China has severe pollution problems that have high economic and public health impacts.** The cost of air pollution is estimated at 6.5 percent of GDP, the cost of water pollution at 2.1 percent of GDP, and soil degradation at 1.1 percent.¹⁰ According to World Health Organization (WHO) estimates, in 2008 there were 470,000 premature deaths due to ambient air pollution and an even higher number, 549,000 deaths, due to indoor air pollution. Although air pollution levels have been improving in recent years, the cost of illnesses from pollution has climbed as the population ages and the urban populations grows. China has made great strides in controlling urban and industrial water pollution. Non-point source pollution—from small towns, SMEs, and the rural sector—is now China’s greatest water pollution challenge. The government is committed to reverse these trends. The World Bank Group can support China in a range of areas, including:

- **Supporting efforts to reduce urban air pollution**, working at both the national level (providing TA related to standards, monitoring, and regional strategies) and the municipal level (supporting detailed action plans and investments designed to reduce pollution from the worst sources).
- **Supporting efforts to reduce hazardous waste**, by continuing to support the reduction of persistent organic pollutants (POPs)—the byproducts of industrial production and the world’s most toxic chemicals—from the regulatory level to emissions control and urban site cleanup.
- **Accelerating the phase-out of ozone-depleting substances (ODS)**, by remaining a strong partner in achieving the accelerated phase-out of the HCFC family of chemicals (China is the world’s largest producer, consumer, and exporter of chemicals associated with ODS).
- **Supporting the reduction of non-point source (NPS) pollution across rural China.** In addition to the strategies related to water pollution addressed in Outcomes 1.2 (urban), 1.4 (agriculture), and 1.5 (wetlands and lakes), the Bank can support efforts to minimize NPS pollution through regulatory and technical approaches.
- **Continuing to support China’s efforts to improve environmental governance**, including through public disclosure of environmental information.
- **Working with IFC’s private sector clients on pollution abatement** by assessing the risk and potential impacts of their operations, recommending actions to mitigate them, and tracking performance through regular Performance Standards monitoring. IFC will continue to support clean technologies and companies engaged in pollution measurement and management.

Outcome 1.7: Strengthening Institutional and Financial Mechanisms for Climate Change

55. **Climate change is a cross-cutting issue embedded in much of Bank Group support to China.** About half of the World Bank project pipeline will have climate benefits, including in the energy, urban, transport, waste management, agriculture, and forestry sectors (see Box 8). In addition, the Bank Group will provide targeted support to help China strengthen institutional, policy, and financial mechanisms to address the climate challenge, including:

¹⁰ World Bank calculations (2008 data).

Box 8: Climate Change Mitigation and Adaptation in China

Climate change mitigation in China is urgent for both China and the world. China's rapidly growing coal-dependent economy has made it the world's largest emitter of CO₂.

Climate change adaptation is also an important issue for China. With its long coastline and vast expanses of arid and semi-arid land, China is vulnerable to the adverse impact of climate change, which could intensify water shortages in northern China, increase the incidence of extreme temperature events and consequent flooding and droughts, and reduce the yields of major crops.

The Chinese government is taking steps to address climate change. China is embarking on an ambitious national climate change action plan, which includes national and provincial caps on energy and carbon intensity and piloting of domestic emissions trading systems for CO₂ in several provinces and large cities. China is likely to adopt absolute caps on coal use and/or carbon emissions in the next few years. In addition, it is increasingly serious about both low carbon ("green") development at the policy and investment levels, and climate adaptation, primarily in the water and agricultural sectors. Finally, China is highly motivated to raise its profile as a proactive and innovative partner to developing countries in achieving carbon mitigation, and is increasingly doing so through demonstration projects and expanded South-South cooperation.

China has the World Bank's largest climate change investment program. It provides cross-cutting support for climate change mitigation and adaptation, and the portfolio's emphasis on climate change continues to strengthen. About half of IBRD/GEF projects financed during this CPS are expected to have positive climate change aspects.

World Bank Group support includes:

- **IBRD:** The IBRD portfolio supports climate change mitigation in energy, transport, agriculture, and forestry—the Bank's largest IBRD-financed climate change portfolio.
- **Carbon Finance:** Under the Clean Development Mechanism (CDM), carbon finance commitments in China over the past five years totaled \$1.25 billion, by far the largest CDM program in the Bank. CDM projects are distributed across a range of carbon emission reducing sectors—renewable energy (32 percent), energy efficiency (32 percent), landfill and coalbed methane (16 percent); industrial gases (10 percent), and reforestation (10 percent). Although international purchases of China's certified emissions reductions have declined, the World Bank will continue to support China in developing new carbon finance mechanisms for possible future projects, including in the energy and agriculture sectors.
- **GEF:** GEF provides a successful platform to test innovations at both the national and sub-national levels. Over 60 percent of the Bank's GEF commitments in China address climate change. These operations are fully blended with IBRD loans, helping to promote innovation, policy dialogue, and capacity building.
- **Analytical support:** The World Bank is providing TA in several areas. The Bank is helping to model a major rebalancing of the economy towards green growth, including a fiscally neutral introduction of carbon taxes generating 5 percent or more of all public revenues. Also, through the Program for Market Readiness, the Bank is supporting the creation of domestic trading platforms, including standards, registration, and "MRV" (measurable, reportable, and verifiable) protocols. The Bank is supporting the multi-billion dollar "China CDM Fund" in developing its early investments in climate finance in China. The Bank supported the NDRC's Climate Change Department in presenting "China Day" at the November-December 2011 Climate Change Conference (COP 17) in Durban, South Africa.
- **IFC** is supporting energy efficiency, renewable energy, clean technology, green buildings, and forestry activities, all contributing to carbon emission reductions. IFC also supports climate adaptation, such as water use efficiency. IFC and MIGA are supporting green finance and the Equator Principles in the banking sector (see Box 9).

- **Supporting the establishment of carbon trading pilot schemes across China**, through the Partnership for Market Readiness and related trust funds. China has ambitious plans to implement seven carbon pilot trading schemes by 2013, to be merged into a national scheme by 2016. The World Bank will function as both a provider of TA and convener of interested partners and stakeholders.
- **Exploring innovative climate finance instruments**, through TA, investments, and knowledge exchange supported by WBI's Climate Change Unit. The Bank Group, including

IFC and the carbon finance unit, is an active partner in exploring new ways to use concessional and market-rate, public sector and private sector, and international and domestic sources of finance for climate-related investments.

- **Improving knowledge on the economics of climate change**, through TA and analytical work, including analyzing the costs and benefits of strategies to adapt to projected climate impacts; promoting access to new technologies to address both mitigation and adaptation challenges; and mainstreaming low-cost adaptation measures in sectoral investments across the rural, urban, transport, and energy sectors.
- **Assisting IFC's private sector clients enhance their environmental and social sustainability** by identifying potential opportunities and delivering approaches that are good for both the company and the environment as part of IFC's due diligence and by applying the revised IFC Performance Standards in place since January 2012. IFC will also continue to help drive sustainability through financial markets using standards such as the Equator Principles and the Green Credit Guidelines, which show banks how to incorporate sustainability, including climate change dimensions, into both domestic and overseas lending.

D. Strategic Theme Two: Promoting More Inclusive Development

56. **Addressing the inequalities that have emerged during the reform period is a key social challenge as China seeks to build a harmonious society.** The 11th and 12th FYPs recognize the emerging limitations of the current growth model and place greater emphasis on addressing inequality and enhancing the basic security of the population. The disparities are both spatial (between urban and rural areas; between coastal and inland provinces), and between different social groups (most notably migrants and local urban residents). Some inequalities are unintended consequences of market reforms and past failures to deal appropriately with the public goods nature of investments in human development and with inter-regional disparities. Others, however, are direct products of policies that institutionalize inequality of opportunity (such as the hukou system) or do not provide an effective framework for addressing disparities (such as the inter-governmental fiscal system). The government seeks to overcome such disparities with a stronger emphasis on integration between urban and rural areas, both in terms of facilitating physical mobility of people and economic activity, and in terms of policies that harmonize social entitlements and build a deeper and more equal human capital base and social protection system.

57. **Reforms to enhance equality of opportunity in China are also likely to facilitate its shifting growth model.** In addition to enhancing equity, investments in human capital and a healthier and more secure population will enhance consumption and contribute to rebalancing. They will also ensure that China has the quality of workers to navigate the decline in the labor force and move up the value chain in production. However, in order to translate increased investments in people into improved social and economic outcomes, there will also need to be ongoing structural reforms of its health, education and social security systems to increase efficiency of public spending.

58. **The Bank Group will help promote more inclusive development by geographically focusing on lagging regions and small towns and by supporting policies and demonstration projects that address inequalities.** In the human development sectors—health care, social protection, and skills development—the Bank will continue to emphasize subnational engagement, focusing on implementation challenges at the local level, with mutual leveraging of lending and AAA activities, as seen in Yunnan and Guangdong provinces. Also, the Bank will continue to provide cross-sectoral support for rural and small town development and engage in transport projects that help balance development. These activities can be mapped to the four outcomes below.

Outcome 2.1: Increasing Access to Quality Health Services and Social Protection Programs

59. **Deepening health sector reform is one of China's biggest social challenges.** In China, the urgency of health reform is exacerbated by rapid aging of the population and the increase in non-communicable diseases (NCDs), which already account for over 80 percent of the disease burden and will rise as urbanization progresses. Yet, the health care delivery system remains oriented towards curative care and its payment and incentive systems do not promote cost-effective or health-promoting practices. A critical challenge is reorienting China's health delivery system away from reliance on hospital care and building a revitalized primary health care system well coordinated with higher levels of care. China has initiated a health system reform that seeks to address a number of the efficiency and equity challenges of the system, and the Bank will continue to play a role through both lending and AAA in supporting health system innovations to drive structural change. IFC will continue to work with the private sector to expand quality health service, especially to middle- and lower-income families.

60. **As China deepens its social protection reforms, integrating policies and program administration will become more pressing needs.** While the building blocks of a modern social protection system are largely in place, they remain fragmented in policy and administration terms. The Bank has had a long-term engagement on pension and social protection reforms in China and will continue to support second-generation reforms of system integration and the government's development of aged care services. In health and social protection, the Bank Group will support:

- **Piloting and evaluating health care innovations that will further the government's ongoing health system reform agenda,** including helping poor rural residents improve access to health services and reduce their financial risk, improving the quality, efficiency and coordination of service delivery, and increasing the focus on preventive and primary care. Investments will continue to be monitored for their gender impacts. Demonstration projects will be complemented by analytical and policy work drawing on lessons of good practice in China and globally.
- **Piloting reforms in pension and health insurance administration to promote social equity and labor mobility,** through integrated management of social insurance programs and portability of entitlements across jurisdictions.
- **Sustaining policy advisory and evaluation work on social protection.** The Bank will also support the authorities in evaluating the outcomes of new pension programs for the rural and urban informal sectors, and continue its work on social assistance to support the government's efforts to strengthen the safety net for the poorest and most vulnerable citizens.
- **Helping China face the challenge of an aging population.** China will face growing needs for aged care services, and exploring international good practice and its own emerging experiences with public-private-community partnerships can help develop new policy and practices. More broadly, AAA on the impacts of aging on China's economy and society can support government as it elaborates the policy framework for managing rapid aging.
- **Through IFC interventions, enhancing private sector provision of quality and comprehensive healthcare** through networks of local and regional hospitals and through outpatient clinics accessible to the underserved.
- **Increasing availability of affordable quality medicines** through IFC support for private sector investments in the pharmaceutical sector.

Outcome 2.2: Strengthening Skills Development Programs—Including for Migrants

61. **To move up the value chain and become a high-income country, China is seeking to develop a workforce with the competencies needed for a more complex and dynamic economy.** As enrollment rates at all levels of education rise, it will be important to ensure quality and provide the core competencies that employers demand. China's National Plan for Medium- and Long-Term Education and Development lays out a vision for China's education system, including promoting equality of access at all levels of the system, enhancing educational quality, and promoting innovation and greater diversity in the education system. The World Bank can provide assistance by:

- **Piloting reforms and investments that improve the quality and relevance of technical and vocational education** (including modular, competency-based curricula, deepening ties with industry, and promoting life-long learning) and supporting systems to evaluate quality and guide future reforms. The policy lessons emerging from project engagements will be supplemented through ongoing analytical work on technical and vocational training, and exploration of the wider skills challenges in higher education.
- **Piloting activities that help rural workers transition to urban areas and improve their incomes and working conditions**, including through strengthened worker protections, better access to skills development and employment services, and reforms to the hukou system to further remove barriers to labor mobility. Project support will continue to be informed by analytical work on labor markets and hukou, building on ongoing AAA and *China 2030*.
- **Supporting the government's planned expansion and quality enhancement of early child education** and related early child development programs such as nutritional interventions by piloting and evaluating different models of provision and supporting financing reforms to ensure that rural, migrant, and poor children have the same early start as others.
- **Supporting, through IFC, quality private education institutions and technical and vocational education and training institutions** that have the potential to reach underserved markets.

Outcome 2.3: Enhancing Opportunities in Rural Areas and Small Towns

62. **Although rural development has been a long standing priority in China, continuing efforts are needed to address obstacles to rural economic growth and rural income generation.** Many of China's remaining poor live in the upland areas of western and central provinces, where they face low agricultural productivity and limited access to higher value markets. Improving access to roads, water supply, and electricity will help increase rural incomes and spur overall rural development. Promoting non-farm economic activities is an effective means to increase rural incomes. Small towns can become economic hubs that help people transition out of agriculture and boost the rural economy. In addition, rural finance reform should be advanced to improve access to financial services in rural areas, and strengthened land acquisition and compensation policies will improve land tenure security. The World Bank Group can help by:

- **Piloting new ways to boost rural incomes and reduce poverty** under the umbrella of the Development-Oriented Poverty Reduction for China's Rural Areas Strategy (2011-2020), building on 20 years of collaboration between the government and the Bank in poverty reduction.
- **Enhancing secondary town development** by helping local governments design integrated rural-urban development plans, financing small town infrastructure, including water supply

and sanitation, and undertaking analysis on the financial viability of small towns in light of existing intergovernmental fiscal arrangements.

- **Providing analytical support to help the government strengthen land tenure security for rural households** and advance land policy reforms to reduce involuntary land transactions and improve compensation procedures and standards and appeals mechanisms.
- **Promoting greater financial inclusion.** The Bank, building on its experience of promoting commercially sustainable micro and small enterprise (MSE) lending, will explore ways to help establish a platform for microfinance knowledge sharing. IFC will continue to promote MSE lending through investment in financial institutions and support to improve financial infrastructure, such as credit reporting institutions and secured transactions.
- **Promoting “inclusive innovation” (innovation that addresses the needs of the poor) as a tool to help increase productivity and reduce disparities.**
- **Assisting in building capacity to implement China’s rural roads program,** connecting villages to urban centers.
- **Catalyzing private sector investment in lagging regions** through support from IFC and MIGA.

Outcome 2.4: Improving Transport Connectivity for More Balanced Regional Development

63. **Improving inter-urban transport connectivity remains a high priority for sustainable economic development and for reducing rural-urban and regional disparities.** The growth in freight and passenger flows, in excess of 8.6 percent per annum over the past three decades, is expected to continue. For passengers, it is coupled with growing needs for differentiated levels of services as demonstrated by the rapid growth in air transport, road transport, and, more recently, high speed rail transport. For freight, it is coupled with a need to realign the transport system to support the economic shift towards domestic consumption and services, as well as the regional rebalancing towards western and interior provinces. Meeting mobility needs will require additional infrastructure capacity, broadened service diversity, as well as targeted interventions to ensure vulnerable populations are provided with suitable access. Meeting such needs sustainably will call for a strong emphasis on transport modes with lower resource footprint like rail or river transport, as well as effective multimodal integration and a close integration between the urban and inter-urban networks. The rapid development of the expressway, highway, airports, and high speed rail system will create a step change in connectivity. It will support wider economic opportunities for China's citizens, by shortening economic distance between Chinese cities, leading to greater concentration of economic activity, with better access to job opportunities and trading centers. These networks will also be crucial to spreading the opportunities for and benefits from development from the richer coastal areas of China to poorer inland regions and to giving those areas efficient access to the eastern cities and ports and widening the pool of firms, labor, service and products within their reach. The World Bank can help by:

- **Supporting the development and operation of sustainable and safe intercity transport solutions meeting future mobility needs,** by participating in projects connecting urban centers, particularly in western and central provinces, with an emphasis on integration and lower carbon options.
- **Demonstrating the application of intermodal integration concepts through selected projects,** leading to an optimal use of each mode.
- **Increasing the development impact of expressways on local communities,** by strengthening planning that ensures effective interface between expressways and the local road network, and improving safety and asset management of the expressway system.

- **Piloting innovations that reduce the environmental impact of roads and expressways**, such as an environmental compliance framework for contractors and a safeguards compliance monitoring system.

E. Cross-Cutting Theme: Advancing Mutually Beneficial Relations with the World

64. **China is playing an increasingly important role in the world economy, and is expanding its role in international cooperation.** Over the last five years, China has added US\$4.6 trillion to global nominal GDP. It is the world's largest exporter and second largest manufacturer. Moreover, China is increasing its role and influence in international organizations and institutions. It will be the third largest shareholder in the World Bank upon completion of the capital increase approved in 2010, and is becoming an active member and shareholder of other multilateral development institutions, as well as an active and influential member of international and regional groupings such as the G-20 and ASEAN+3. Although China's official aid flows to other countries are relatively small, China is a significant source for concessional lending, export credits, and FDI to countries in Africa, Asia, and Latin America and is becoming the most important source of financing in sectors such as infrastructure. China started contributing to IDA in IDA15 (2007) and increased its contribution and engagement in IDA16. Other countries increasingly look to China as a source of knowledge and experience given its record of growth and poverty reduction.

65. **While China's growing role creates numerous opportunities and benefits, it also creates new challenges and responsibilities.** These include calls for China to assume greater responsibility in addressing global challenges such as climate change. Some have expressed concerns about China's exchange rate policy, capital account restrictions, and foreign exchange reserves. Consistent with China's economic importance, the government is facilitating a gradual increase in the international use of the RMB and taking measures to relax capital controls. In the field of international development assistance, China is being called upon to harmonize its economic cooperation programs and approaches with those of traditional partners, and to increase its contributions to multilateral assistance funds and channels.

66. **Supporting China's growing global role is an increasingly important aspect of the Bank Group's engagement and strategy, drawing from knowledge and relationships built through lending and AAA.** The Bank Group's engagement in development issues throughout China positions the Bank Group to facilitate China's South-South cooperation and to support China as a global stakeholder. Given that China is now a contributor to IDA, the IDA replenishment process also offers China an opportunity to deepen its engagement in the global development policy dialogue.

Supporting China's South-South Cooperation

67. **China is increasingly engaging in South-South knowledge exchange (SSKE)**, both as a key dimension of its own development cooperation policy and in response to requests from other developing countries. Chinese ministries, specialized agencies, think tanks, and other institutions in virtually all sectors are being called upon to provide technical assistance or training to other developing countries. As a result, there is a growing need for Chinese institutions to effectively and objectively document China's own experiences (both successes and failures) and to develop capacity to share these experiences and help adapt them to the needs of other countries. The Bank Group can help by:

- **Working together with Chinese knowledge institutions to analyze and document key policies, programs, and institutions** that are of greatest interest to other countries; and to disseminate China's experience through SSKE.

- **Enhancing the capacity of Chinese institutions engaged in SSKE**, including the International Poverty Reduction Center and Asia Pacific Finance and Development Center; and help Chinese researchers and academic institutions foster linkages with counterparts in other countries.
- **Facilitating links between networks of Chinese practitioners and related practitioner networks in other countries** in fields such as urban planning, climate change, health, agricultural research, environmental protection, accounting, auditing and financial reporting, and assisting China in sharing its experience in global public goods areas such as alternative energy and carbon finance.
- **Helping to ensure that China's SSKE activities involve "mutual learning."**
- **Facilitating China's own access to international knowledge and experience**, both through project assistance and through practitioner exchange, particularly with other middle-income countries (MICs).

68. **The Bank Group can play a role in enhancing the development impact of China's international economic engagement and cooperation.** China, like a number of other MICs, is both a provider and recipient of aid. Moreover, Chinese firms—both private and state-owned—are rapidly increasing the level and scope of their activities in other developing countries, both through trade and outward FDI. A good deal of this engagement takes place in the context of China's economic cooperation, involving an integrated package of aid, trade, and investment. As Chinese firms become increasingly active in international markets, particularly in developing countries, they are beginning to encounter challenges and difficulties in areas such as environmental and labor standards and understanding of local business practices. The Bank Group can help by:

- **Sharing global experience in adopting and implementing standards for outward investment**, such as the Equator principles, through policy dialogue and AAA in the context of IFC support for South-South investment (see Box 9 on China's Green Credit Policy).¹¹
- **Through IFC and MIGA, assisting Chinese enterprises to invest sustainably in developing countries**, and to establish links with local supply chains in order to increase opportunities for local value added and technology transfer.
- **Continuing exchanges on international development cooperation** to facilitate China's participation in international development partnership networks, and jointly organizing workshops on international development cooperation.
- **Providing Chinese financial institutions, through IFC, the opportunity to participate in financing projects outside China**, such as China Development Bank's and China EXIM Bank's participation in the financing of the Vodafone project in Ghana.
- **Exploring opportunities for project-level cooperation in third countries** under various tripartite/trilateral and multipartite frameworks¹² and based on specific demand from recipient countries. Bank Group instruments include Bank lending for joint or complementary projects, and IFC/MIGA support for enterprise investments.
- **Developing innovative RMB-denominated trade assets financing schemes** that will help accelerate trade finance, stimulate the development of an RMB trade risk sharing market, and mobilize South-South trade financing from Chinese banks, such as China's EXIM Bank.

¹¹ The Equator Principles, launched by private banks in June 2003 and based on IFC Performance Standards, are voluntary standards for determining, assessing, and managing environmental and social risk in project financing.

¹² China's White Papers on *Economic Cooperation with Africa* (December 2010) and *Foreign Aid* (April 2011) both signal the Government's interest in increasing its collaboration with multilateral institutions within the context of its international cooperation.

- **Facilitating deeper Chinese engagement on IDA policies and global development priorities** through the IDA replenishment process.

Supporting China as a Global Stakeholder

69. **As China's global role increases, so does the importance of China's positions within global economic governance institutions and China's policies influencing global public goods.** China has benefitted tremendously from globalization and from the rules and norms of institutions of global economic governance, most notably the multilateral trading system. China has been a strong advocate for greater voice by developing countries within institutions like the World Bank, and for an enhanced role for the G-20. Other countries will now be looking to China to use its increased influence in ways that promote common interests. In addition, China's policies and behavior are important in influencing a number of global public goods, most notably climate change. Given the size of China's population and of its economy, reducing global carbon emissions requires China's active engagement. China's people and economy stand to benefit from positive action to preserve global public goods. The Bank can support China in its role as a global stakeholder by:

- **Continuing to engage in dialogue on China's global economic governance role** and undertaking analytical work that helps China assess policy options for further liberalization, such as in the services sector.
- **Undertaking analysis that encourages China to play a productive role in proposing solutions and developing consensus on climate change and other global public goods.** The Bank will also continue to help China identify and implement initiatives to reduce carbon emissions and to promote environmental sustainability.

Box 9: China's Green Credit Policy

Since 2007, when China launched its Green Credit Policy, IFC has advised Chinese banks on the Equator Principles and has supported Chinese government agencies in adapting international environmental and social (E&S) standards to China's context.

In 2008, the China Industrial Bank, an IFC investee bank, adopted the Equator Principles, becoming the first Equator Bank in China and in emerging markets in Asia. IFC supported the Industrial Bank in this endeavor by providing TA and training and sharing knowledge through IFC's network of Equator Principles Financial Institutions.

IFC has also promoted international E&S standards through joint deals with China Development Bank (CDB) and the China EXIM Bank. In May 2011, IFC facilitated participation of the CDB and China EXIM Bank in an IFC syndication in Ghana. Similarly, in May 2011, IFC invested in the China-ASEAN Investment Cooperation Fund (sponsored by China EXIM Bank), which applies E&S policies similar to IFC's Performance Standards.

In February 2012, the China Banking Regulatory Commission (CBRC) launched Green Credit Guidelines with IFC support. These guidelines require banks to develop and implement strategies for E&S risk management and E&S friendly investment and to reduce their own environmental footprint. They also encourage banks to adopt international E&S standards in their overseas investment engagements.

China's experience in developing green credit policies is being shared with other countries through South-South exchanges facilitated by IFC. Vietnam, for example, is now replicating China's experience

IFC will continue to support Chinese agencies and banks in sharing their experience and further building their capacity to implement Equator Principles and Green Credit Guidelines, including in their overseas engagements. In related work, the World Bank is supporting South-South exchanges with China's Ministry of Environmental Protection on investment-related environmental assessment and social safeguard policies.

F. Delivering the World Bank Group Program

70. **The Bank Group will maintain a decentralized and high-capacity Beijing Country Office.** The Bank office currently comprises about 120 staff. WBI's Regional Coordinator is based in Beijing. Since 1992, IFC has maintained an office in Beijing co-located with the Bank office. In July 2000, a joint IFC/World Bank regional office for private sector development was established in Hong Kong SAR, China. In 2002, IFC opened an office in Chengdu, Sichuan Province, to provide advisory and investment services primarily to SMEs in the western region of China. MIGA has established an Asia hub office in Singapore as well as a presence in Beijing, co-located with IFC.

71. **The Bank Group will continue to work closely with national partners and, where possible and relevant, with international partners.** The Bank Group places great importance on partnering with local agencies, research institutes, and universities. Bilateral donors have shifted their focus mainly to global public goods and South-South cooperation, providing opportunities for collaboration in those areas. The Bank will collaborate with UN agencies where possible, such as with WHO on NCDs and UNICEF on early childhood development and education. Like the World Bank, the Asian Development Bank (ADB) lends about US\$1.44 billion per year to China, mainly for infrastructure and the environment. The World Bank and ADB collaborate and exchange information at the program level. The ADB's country partnership strategy for 2012-2015 focuses on three pillars: inclusive growth; environmentally sustainable growth; and regional cooperation and integration.

72. **The CPS Results Framework presents the results chain for the Bank Group's program of support (see Annex 1).** CPS outcome indicators will be monitored over the CPS period. Most milestones are expected to be completed by the CPS Progress Report in 2014. Results during this CPS period will come from existing operations and quicker-disbursing operations included in this CPS; many of the new operations to be undertaken during this CPS will not be completed by the end of the CPS (FY16).

73. **The Government of China and the Bank will meet regularly to review project preparation and implementation and address weaknesses.** For example, during their most recent lending program discussions, MOF, NDRC, and the World Bank agreed to work together to strengthen project monitoring and evaluation and planning of AAA. MOF also requested increased project management training, especially procurement and financial management, and better communication between task teams and local authorities.

74. **Trust funds are fully integrated in the CPS and will be managed accordingly.** Trust fund-financed activities are implemented in accordance with the same fiduciary requirements as IBRD-financed operations; and analytical work and policy notes funded by trust funds undergo the same rigorous review as Bank budget-funded analytical work.

75. **Continued strong support will be provided to ensure compliance with Bank fiduciary and safeguard policies.** This will be challenging given the large geographic span of the portfolio and given that many new projects are being implemented in secondary and smaller cities unfamiliar with World Bank procedures. The Bank's procurement team will continue to provide procurement training to project management office (PMO) staff, implementing agencies, and tendering companies. The Bank's financial management team will continue to conduct training for counterparts, including PMOs, auditors, and finance bureaus.

76. **The Bank will also continue to support greater use of country systems.** The World Bank and the ADB are working together to help harmonize procurement legislation and prepare model

bidding documents. Financial management is already harmonized with some of the government's own systems: project financial management is undertaken in accordance with Circular 13 issued by the Ministry of Finance for all donor funds; and the China National Audit Office (CNAO) Foreign Funds Application Audit Department conducts audits of projects. CNAO is also increasing its focus on performance audits and assessment of sustainable development. The results of the project financial and performance audits are now made available to the public. Additionally, the Bank is facilitating South-South cooperation in accounting, auditing, and financial reporting to benefit other countries in the region.

77. **The Bank Group will further strengthen gender's integration into its work**, building on good practices and lessons learned from the previous CPS period (see para. 33(v) and Box 5). During project preparation, the Bank's social development team will review project design to analyze opportunities to mainstream good practices. Particular attention will be paid to ensuring that operations in the areas where the Bank will be most strongly engaged—environment, energy, transport, and urban development—are gender informed.¹³ A China Country Gender Action Plan will be updated every two years to assess the gender dimensions of the portfolio and make recommendations. In addition to gender mainstreaming, participatory design elements and use of enhanced complaints handling mechanisms will be considered and discussed with government counterparts. IFC will continue to deepen its work on gender in both its investment and advisory work, with a focus on supporting women-owned businesses and facilitating better targeting of women clients in the banking sector.

78. **The Bank Group will prepare a CPS Progress Report in 2014, or earlier if needed, to evaluate progress toward CPS outcomes and adjust the strategy and program.**

¹³ An operation is defined as “gender informed” if: (i) The project documents explicitly refer to *analysis* and/or consultation on gender related issues, and/or; (ii) The project include *action(s)* that is expected to narrow gender disparities, including through specific actions to address the distinct needs of women/girl (men/boys) and/or to have positive impact(s) on gender equality, and/or; (iii) the project documents explicitly refer to mechanisms for *monitoring and evaluating* gender impacts, and facilitate gender disaggregated analysis.

IV. MANAGING RISKS

79. **Risks to the Bank Group’s development effectiveness in China are moderate** given China’s good capacity, strong ownership of the Bank Group program, and track record of high performance.

80. **As any open economy, China faces risk related to the global economy, which is likely to remain uncertain and volatile for some time.** Unlike many countries, however, China’s fiscal and debt position allows it the space to respond with stimulus measures that could substitute domestic demand for external demand. There is a risk that stimulus measures would postpone tackling, or even exacerbate, long-term structural weaknesses that will affect growth down the line. Short-term stimulus measures should be designed to support medium- and long-term structural reforms by increasing expenditures for health, education, pensions, and the environment and decreasing them for infrastructure and enterprises. In the medium-term, policies to rebalance growth from investment and exports towards consumption will enable the economy to better withstand external demand shocks.

81. **Domestic economic policy risks need to be managed.** The uncertain trajectory of the ongoing (and necessary) adjustment in China’s property sector constitutes a significant near-term risk given the sector’s importance for the overall economy. Risks associated with the recent extensive off-budget borrowing by China’s local governments could also spill over into fiscal and financial pressures, and need to be managed. However, public debt sustainability is not a major issue of concern, because total debt stocks remain well below those in many other countries and the economy continues to grow relatively rapidly. Also, the authorities have launched a “local financing platform” audit system to increase transparency and control of fiscal debt.

82. **Several trends may increase social tensions, which, if unresolved, present risks to growth and stability.** One source is China’s relatively wide economic and social disparities, exacerbated by barriers to labor mobility and policies that favor enterprise profits and implicitly tax household incomes. Social risks are also expected to grow as the rising ranks of the middle class and higher education levels increase the demand for better social governance and greater opportunities for participation in public policy debate and implementation. This can already be seen in the increasing public discussion about the quality of growth. The government is taking measures to address income disparities and shift the focus from quantity to quality of growth.

83. **Vested interests could thwart the efforts of China’s government in implementing structural reforms.** Unlike in 1978, significant vested interests have accumulated behind the industry-led, export-oriented, energy- and resource-intensive pattern of production. Not only do they impose costs on downstream production, they have also become lobbies opposing reforms.

84. **At the project level, risks are moderate, but more attention to capacity building will be needed.** The shift to central and western provinces and smaller cities means that counterparts will be less experienced and may require more support during preparation and implementation.

85. **The CPS is also subject to Bank-related risks.** Going forward, the Bank may need to be even quicker to adjust to the fast pace and scope of China’s development and needs. The main risk to the Bank Group’s development effectiveness is its own ability to nimbly deliver innovation and cutting-edge knowledge.

ANNEXES

Annex 1: China Country Partnership Strategy Results Matrix

China CPS Results Matrix

Indicators	Milestones	Bank Group Interventions (indicative)
STRATEGIC THEME 1. SUPPORTING GREENER GROWTH		
1.1 SHIFTING TO A SUSTAINABLE ENERGY PATH		
<i>China 12th FYP Targets: Non-fossil fuel energy accounts for 11.4% of primary energy consumption; energy consumption per unit of GDP drops by 16%; and CO2 emissions per unit of GDP declines by 17%.</i>		
<p>1.1.1 Associated annual energy savings from energy efficiency investments (million tons of coal equivalent) Baseline: 2.22 (2011) Target: 8.94 (2015)</p> <p>1.1.2 GHG emissions expected to be avoided (metric tons/year) Baseline: 0 Target: 20 million (IFC)</p>	<p>Renewable Energy (RE)</p> <ul style="list-style-type: none"> - Policies promoting smoother grid integration developed by mid 2014 - Renewable energy quota system established by mid 2014 - Distributed generation piloted by mid 2014 <p>Energy Efficiency (EE)</p> <ul style="list-style-type: none"> - Innovative pilots for promoting adoption of energy efficiency in at least three provinces promoted by 2015 - Energy savings verification system developed by 2015 - EE standards and guidelines for green field investments developed by mid 2014 - 6 FIs and 3 Hangzhou banks have stronger capacities to offer EE/RE products by 2015 (WB/IFC) - Green Building Codes for commercial and residential buildings developed by 2015 (IFC) <p>Low Carbon Cities</p> <ul style="list-style-type: none"> - Innovative pilots for promoting renewable and cleaner energy and energy efficiency including in Shanghai and Tianjin launched by 2013 <p>New Technologies</p> <ul style="list-style-type: none"> - Gas utilization applications demonstrated by 2015 - Schemes to promote access to clean household energy developed by 2015 - Knowledge on feasibility of CCS deployment gained - Technology needs assessment completed 	<p>On-going: IBRD: Energy Efficiency (EE) Financing 1+2, Shandong EE, Urumqi District Heating, Shanxi Coal Bed Methane Development, Liaoning Medium Cities Infra. III GEF: Heat Reform & Bldg EE, Sino-Singapore Tianjin Eco-City, Provincial EE, EE Promotion in Ind, Thermal Power Efficiency, EE Financing (EE Phase III with Exim Bank), Technology Needs Assessment, Green Freight Demonstration CF: Xiaogushan Hydropower, Nanjing Steel Factory Gas Recovery, Inner Mongolia Huitengxile Wind Farm, Hubei Guangrun Hydropower, Shandong Manure Biogas, Baotou Iron & Steel EE Proj, Yingkou Economic Dev Zone Heating, Dashiqiao Central Heating IFC: China Wind Power, Zhongda Hydro, Yanjin, CHUEE SME IB, Nature Elements Renewable Energy and Clean Tech Fund; C&G Environmental Protection Holdings; CHUEE I IB, CHUEE SME IB, CHUEE I BOB, CHUEE II SPDB, CHUEE II IB, Sunpreme Silicon; Microvast, Shuoren, CHUEE SME BRCB</p> <p>Pipeline: IBRD: Beijing EE and Emission Reduction Demon (FY13), Shandong RE (FY13), Shanghai Building EE and Low Carbon District (FY13), Concentrated Solar Power (FY14), Shanxi Coal-bed Methane Utilization (FY15), Hebei New Energy Development in Rural Areas (FY15) GEF: China RE Scale up II, Urban Scale Building EE and RE, Green Energy Schemes for Low-Carbon City in Shanghai, IFC IS : CHUEE SME SPDB, Sino Green Fund, EAP ALOE III Fund</p> <p>AAA: Carbon Capture & Sequestration, Tech – Economic Evaluation of Incentives for Wind, Green Energy Schemes for Low Carbon City in Shanghai, Smart Grid Development, EE in Public Institutions, Provincial Energy Conservation Practitioner’s Forum, Defining and</p>

China CPS Results Matrix

Indicators	Milestones	Bank Group Interventions (indicative)
		Measuring Low Carbon Cities, Clean Stove Initiative; ; Heat Regulation Phase II; Electricity Regulation to Integrate Climate Change Considerations; Issues and Options in Monitoring, Verification and Reporting in Energy Efficiency; IFC: CHUEE I IB AS, CHUEE SME IB AS, CHUEE I BOB AS, CHUEE II SPDB AS, CHUEE II IB AS, Performance Standards for the Banking Sector

1.2 ENHANCING URBAN ENVIRONMENTAL SERVICES

China 12th FYP Targets: The urbanization rate increases by 4 percentage points, and the coordination of urban, rural and regional development is further strengthened.

<p>1.2.1 People with access to improved water supply in more than 50 targeted small towns and cities: <i>Baseline: 2.6 million (2011) Target: 6.8 million (2015) (WB)</i> <i>Baseline: 4.6 million (2010) Target 5.0 million (2014) (IFC)</i></p> <p>1.2.2 Targeted towns and cities with at least 70% of municipal wastewater treated annually <i>Baseline: 0 Target: 25 (2015)</i></p> <p>1.2.3 People with access to improved wastewater management services (number) <i>Baseline: 586,000 (2011) Target: 2.2 million (2015)</i></p> <p>1.2.4 Solid waste collected and transferred to sanitary landfills in eight targeted cities (%) <i>Baseline: 0% Target: 80% (2015)</i></p>	<p>Water supply</p> <ul style="list-style-type: none"> - Increased water production capacity, rehabilitation and expansion of distribution networks in 38 Henan and 68 Jiangsu towns by 2014 - Bengbu Municipality (population 3.5 million) has increased water reliability (90 days of emergency water supply) by mid 2014 - 3 banks improve lending process for water efficiency and water quality improvement projects and lend \$100 million by mid 2014 (IFC) - 20 industrial facilities or 3 industrial zones reduce 20% of water consumption, or increase the alternatives of fresh water by 20%, or decrease 20% of total pollutants from wastewater discharge by mid 2014 (IFC) - Increased water supply capacities by 25 million m3 per year (IFC) <p>Wastewater collection, disposal and treatment</p> <ul style="list-style-type: none"> - Five new wastewater treatment plants in seven second-tier cities in Hubei by 2014 - Wastewater treatment plan with installed capacity of 100,000 m3 day in Tianjin meeting class 1B discharge standards by mid 2014 - 200,000 m3/day additional WWTP capacity in four cities in Liaoning by mid 2014 - 240,000 m3/day additional WWTP capacity in Jiangnan WWTP in Nanning by 2015 <p>Solid waste collection and disposal</p> <ul style="list-style-type: none"> - Land fill capacity constructed : Liaoning 2,170 tons/day by 2012; Yunnan 470 tons/day by mid 2014 - 446 mu dump sites closed (Hubei seven cities) - New program piloting household-based waste source separation launched in Ningbo by 2015 <p>Earthquake restoration in Sichuan and Gansu</p> <ul style="list-style-type: none"> - Reconstruction and appropriate expansion of infrastructure services in 16 counties in Sichuan and 7 counties in Gansu with 100% of facilities 	<p>On-going: IBRD: Liuzhou Environment Management II, Nanning Urban Environment, Sichuan Small Towns Development, Bengbu Integrated Environment Improvement, Chongqing Small Cities, Chongqing Urban-Rural Integration, Guangdong/PRD Urban Environment 1+ 2, Yunnan Urban Environment, Han River Urban Environment, Henan Towns Water, Hunan Urban Development, Jiangsu Water and Wastewater Project, Liaoning Med Cities Infrastructure 1+2+3, Shandong Environment 2, Shanghai Urban APL 2+3, Tianjin Urban Development 2, Sichuan Urban Development, Fuzhou Nantai Island Peri-Urban Development, Xining Flood and Watershed Mgmt, Wenchuan Earthquake Recovery Project, Guizhou Cultural and Natural Heritage, Gansu Cultural & Natural Heritage, Shandong Confucius & Mencius Culture, Gansu Qingyang Urban Infrastructure Improvement</p> <p>IFC: Epure BOT/Sound Global Ltd; Asia Environment</p> <p>Pipeline: IBRD: Ningbo Domestic Waste Collection & Recycling Demonstration (FY13), Jiangxi Small Towns Infrastructure Development Demonstration (FY13), Shaanxi Yan'an Water Supply (FY13), Liaoning Coastal Economic Belt Infrastructure and Environment (FY13), Guangxi Laibin Water and Environment Management (FY14) Chongqing Small Towns Water Resources Integrated Management (FY15) Shaanxi Small Towns Infrastructure (FY15) Qinghai Xining Integrated Environment Management (FY15), Guilin Integrated Environment Management (FY15) IFC: United Water, Aqualyng, CHUEE Water, CEI Water</p> <p>AAA: IFC AS on Water efficiency finance; CHUEE Water</p>
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China CPS Results Matrix

Indicators	Milestones	Bank Group Interventions (indicative)
	built to applicable government standards for flood and seismic hazards	AS
1.3 PROMOTING LOW-CARBON URBAN TRANSPORT <i>China 12th FYP Targets: Energy consumption per unit of GDP drops by 16%; and CO2 emissions per unit of GDP declines by 17%.</i>		
1.3.1 Demonstration corridors successfully meeting public transport ridership, peak hour travel time and road safety targets <i>Baseline: 0</i> <i>Target: 26 corridors in 22 cities (2015)</i>	<p>Public Transport</p> <ul style="list-style-type: none"> - National sustainable urban transport framework and associated technical guidelines developed and issued by mid 2014 (GEF) - 30 cities use updated technical guidelines in designing 5 year master plan updates by 2015 (GEF) - Improved service on thirteen demonstration bus routes in Xian and five high demand demonstration corridors in Wuhan by 2014 - Bus terminals, bus depots and stops, maintenance facilities constructed in four cities in Anhui by 2015 - Demonstration bus priority scheme developed and bus infrastructure constructed in Taiyuan by 2014 <p>Urban Transport Efficiency</p> <ul style="list-style-type: none"> - Road improvements on major urban traffic routes (>100 kms) in six cities in Liaoning, four cities in Anhui, Xian, Wuhan and Taiyuan by mid 2014 - Roads constructed (36.6 km) and rehabilitated (7.6 km) in 6 small Model Development Towns demonstrating sustainable infrastructure service provision in Sichuan by 2014 - Creation of a Ming Walled City bicycle route in Xian by mid 2014 <p>Urban Transport Safety</p> <ul style="list-style-type: none"> - Road safety measures implemented on targeted corridors in Wuhan by mid 2014 - Traffic management measures including Area Traffic control system and road safety program implemented in Xi'an - Traffic safety and management program implemented on main transport corridors in Taiyuan city by 2014 	<p>On-going: IBRD: Wuhan Second Urban Transport, Xi'an Sustainable Urban Transport, Anhui Medium Cities Urban Transport, Liaoning Medium Cities Guiyang Transport, Kunming Urban Rail, Taiyuan Urban Transport, Fuzhou Nantai Island Peri-Urban Development, Second Tianjin Urban Development and Environment, Sichuan Small Towns Development, Hubei Xiangyang Urban Transport, Shanxi Changzhi Sustainable Urban Transport, Xinjiang Yining Urban Transport GEF: Urban Transport Partnership, City Cluster Eco-Transport, Green Freight Demonstration</p> <p>Pipeline: IBRD: Zhengzhou Urban Rail (FY14), Yunnan Honghe Prefecture Urban Transport (FY14), Qinghai Xining Urban Transport (FY14), Jiangxi NanChang Urban Rail (FY14), Jiaozuo Safe and Green Transport Development in Transforming Economy (FY15) GEF: Large-City Congestion and Carbon Reduction</p> <p>AAA: China Urban Transport Knowledge Management Platform TA Program (FY12-14); Rail Financial Futures Analysis; Support Chinese Participation in 2011 WB-Singapore Infrastructure Finance Summit; Transport System Safety; Low-carbon Eco-city Financing Models and Low-carbon Industry Development; Urban Transport Programmatic Knowledge Management Platform;</p>
1.4 PROMOTING SUSTAINABLE AGRICULTURE PRACTICES <i>China 12th FYP Targets: Efficient use co-efficient of water used in agricultural irrigation rises to 0.53.</i>		
1.4.1 Households and farms adopting targeted innovative sustainable practices (number) <i>Baseline: 0 (2011)</i> <i>Target: 450,000 (2015)</i>	<p>Agriculture Technology</p> <ul style="list-style-type: none"> - Pilot the establishment of 30,000 biogas digesters leading to an estimated annual reduction in CO2 emissions of 60,000 tons (EFP) - 30,000 farm technician training days in proved livestock production and waste management methods by mid 2014 (HELP) - Effective livestock waste management technologies demonstrated on large and medium scale farms in Shanghai rural areas by 2014 	<p>Ongoing: IBRD: Eco-Farming, Henan Ecological Livestock, Jilin Food Safety, Xinjiang Turpan Water Conservation, Changjiang/Pearl River Watershed Rehabilitation, Sichuan Wudu Irrigation GEF: Shanghai Agricultural and Non-point Pollution Reduction, Mainstreaming Climate Change Adaptation in Agriculture, Huai River Basin Marine Pollution</p>

China CPS Results Matrix

Indicators	Milestones	Bank Group Interventions (indicative)
<p>1.4.2 Area where innovative sustainable practices have been demonstrated (ha) Baseline: 0 (2011) Target: 100,000 ha (2015)</p>	<ul style="list-style-type: none"> - Use of organic fertilizer and scientific application of agricultural chemicals demonstrated in Shanghai rural areas by 2014 <p>Irrigation</p> <ul style="list-style-type: none"> - 24 kms of irrigation canals rehabilitated in the Turpan Basin (XTWCP) and area with improved irrigation technologies increase in target areas from 0 to 8,000 ha by mid 2014 (CPRWRP) - 12 Farmer Drainage and Irrigation Associations functioning as per requirements by 2013 and appropriate incentives for water saving technologies and behaviors piloted (HRBFMR) - Female membership for Water User's Associations and Producer Groups in targeted areas in Sichuan Wudu increases from 0 in 2012 to 40 by mid 2014 <p>Food Safety</p> <ul style="list-style-type: none"> - 30 technical standards for safe agricultural practice developed and adapted to local conditions in Jilin by mid 2014 (JFSP) 	<p>Reduction, Liaoning Bohai Sea Pollution, Shandong Environment II CF: Shandong Poultry Manure Biogas, Hubei eco-farming biogas, IFC: Deqingyuan Egg; Muyuan Pig, North Andre Juice, JY Organic, Hwagain, Xiwang Sugar, Jiuda Salt, Koyo Fertilizer</p> <p>Pipeline: IBRD: Integrated Modern Agriculture Development (FY13), Guangdong Non-Point Pollution Control (-FY14), GEF: Climate Smart Agriculture, Guangdong Non-Point Pollution Control CF: Hebei large-farm biogas program, Shandong Household biogas program IFC: Nature Forestry, Muyuan Pig</p> <p>AAA: Mainstreaming Water User Associations (IDF), Economics of Adaptation to Climate Change in Water and Agriculture Sectors; Food Safety Engagement; Risk Assessment of China's Agriculture Product Quality and Safety;</p>
<p>1.5 DEMONSTRATING SUSTAINABLE NATURAL RESOURCE MANAGEMENT APPROACHES</p> <p><i>China 12th FYP Targets: Water usage per unit of industrial value added declines by 30%, and the efficient use co-efficient of water used in agricultural irrigation rises to 0.53. Forest cover rising to 21.66%, and the volume of standing forest adding 600 million m³.</i></p>		
<p>1.5.1 Targeted forest and range-land area rehabilitated and restored through successful demonstration of sustainable forest management models (ha) Baseline: 0 (2011) Target: 400,000 ha (2015)</p>	<p>Ecosystem Management and Restoration</p> <ul style="list-style-type: none"> - Mixed forest structures built with at least three tree species in IFDP project sites by 2013 and 38 different types of local tree and shrubs species in the Shandong project area by mid 2014 (SEAFP) - 27 different planting models introduced in five provinces to establish new multi-function forest plantations by mid 2014 (IFD) - 8 different afforestation models for degraded mountainous area introduced in Shandong province by mid 2014 (SEAP) - Guangxi provincial forest strategy formulated by 2012 (GIFD) - Technical and methodological approaches related to credible carbon sequestration piloted in Guangxi by mid 2014 - Shelter Belt Plantation contracts in place to protect farmland and infrastructure in Ningxia by mid 2014 (NDCP) - Management Effectiveness Score in Lake Aibi National Wetland Reserve increased by 10% and in five targeted nature reserves in Guangxi from score 43 (2006) to 70 by mid 2014 <p>Water Resources Management</p> <ul style="list-style-type: none"> - Waterways strengthened for improved flood protection and reduced soil erosion (85 km - Xining area; 61.4 km - Xiang River; 757 kms -Huai River basin) by 2014 	<p>On-going: IBRD: Guangxi Integrated Forestry Dvlpmnt, Integrated Forestry Dvlpmnt, Shandong Ecological Afforestation, Changjiang/Pearl River Watershed Rehab, Sustainable Development in Poor Rural Areas, Guangxi Watershed Mngment, Xinjiang Turpan Water Conservation, Huai River Basin Flood Mgmt, Xining Flood and Watershed Mgmt, Bayannaer Water Reclamation & Environment, Changjiang/Pearl River Watershed Rehab Zhejiang Qiantang River Basin Small T, Jiangxi Shihutang Navigation and Hydropower, Hunan Urban Development, Ningxia Desertification Control, Second Water Conservation GEF: Sustainable Management and Biodiversity Cons. Lake Aibi Basin, Guangxi Integrated Forestry Dev and Conservation CF: Reforestation on Degraded Land in Guangxi, Facilitating Reforestation IFC: Hwagain Paper, Nature flooring</p> <p>Pipeline: IBRD: Hunan Forest Restoration and Development (FY13), Shaanxi Yan'an Water Supply (FY13), Jiangxi Jingdezhen Wuxikou Integrated Water</p>
<p>1.5.2 Targeted watershed area treated to reduce soil erosion Baseline (2010): 0 Target (2015): 1,800 km²</p>		

China CPS Results Matrix

Indicators	Milestones	Bank Group Interventions (indicative)
<p>1.5.3 Groundwater overdraft reduced in Turpan basin (million m³) Baseline: 0 (2011) Target: 3.75 (2015)</p> <p>1.5.4 People protected from flooding (number) Baseline: 0 (2011) Target: 10 million (2015)</p>	<ul style="list-style-type: none"> - Three dams constructed in Turpan Basin (17 out of 29 contracts completed by mid 2014) (XTWCP) - 4389 Ha of crop fields protected against 10 year flood in the Jiangxi Gan river area by mid 2014 	<p>Scheme (FY14), Anhui Ma'anshan Cihu River Basin Environment (FY13), Guangxi Laibin Water & Environment Management (FY14), Huainan Coal Mining Subsidence Area Rehabilitation (FY15), Chongqing Small Towns Water Resources Integrated Management (FY15)</p> <p>GEF: Landscape Approach to Wildlife Conservation in Northeast China IFC: Nature Flooring II, Stora Enso II</p> <p>AAA: NE Forest Reform, Land policy dialogue, Transboundary rivers; Trial Conservation of Cultural Heritage Assets in Shandong Province; State Forest Reform;</p>
<h3>1.6 DEMONSTRATING POLLUTION MANAGEMENT MEASURES</h3> <p>China 12th FYP Targets: 8% reduction of SO₂ emissions; 10% reduction in NO_x emissions</p>		
<p>1.6.1 Successful demonstration of clean up/pollution reduction measures (e.g. adoption of BAT in municipal incinerators and pulp and paper mills)</p> <p>Baseline: 0 Target: 7 (2015)</p>	<p>Air / Water</p> <ul style="list-style-type: none"> - Action plans for addressing air pollution issues completed for at least 4 of the most polluted cities by mid 2014 - Motor Vehicle Emission Control Plan for Xian by mid 2014 (XUTP) - Demonstration of wetland for pollution reduction (66.5 ha) in Shanghai rural areas by 2014 <p>POPs</p> <ul style="list-style-type: none"> - All temporary PCB storage sites in Zhejiang identified, the low contaminated waste cleaned up and the highly contaminated waste disposed of by mid 2014 (PCB management project) - Best available techniques (BAT)/best environmental practices adopted in three selected municipal solid waste incinerators (GEF MSWP) and in four selected non-wood pulp mills by 2015 (GEF Pulp) <p>ODS</p> <ul style="list-style-type: none"> - Completion of the ODS phaseout plan for the pharmaceutical aerosol sector by mid 2014 - Demonstration projects to phase out HCFCs completed by mid 2014 - Production and consumption of HCFCs in the PU Foam Sector freeze at the baseline level by 2013 as per the Montreal Protocol 	<p>On-going: IBRD: Shandong Flue Gas Desulfurization, Bayannaer Water Reclamation & Environment Improvement Xian Sustainable Urban Transport, Urumqi District Heating, Liaoning Third Medium Cities</p> <p>CF: HFC-23 Destruction co-purchase, GEF: PCB Management & Disposal, Dioxins Reduction from the Pulp and Paper Industry, Shanghai Agricultural and Non-point pollution reduction, Green Freight Demonstration, MP: ODS IV Phaseout, IFC: Universtar</p> <p>Pipeline: IBRD: Ningbo Domestic Waste Collection & Recycling Demonstration (FY13), Guangdong Non-point Source Agricultural Pollution Clean-up (FY14), Huainan Coal Mining Subsidence Area Rehabilitation (FY15) GEF: Municipal Solid Waste POPs, POPs Contaminated Sites MP: HCFC Phaseout Project</p> <p>AAA: Brownfields/Land remediation, Air Quality Action Planning, Non-Point Source Water Pollution</p>

1.7 STRENGTHENING INSTITUTIONAL AND FINANCIAL MECHANISMS FOR CLIMATE CHANGE

China 12th FYP Targets: CO2 emissions per unit of GDP declines by 17%.

1.7.1 Assessments of key technologies in identified mitigation and adaptation sectors completed

Baseline: 0 Target: 20 (2015)

- Overview of climate technologies in the selected sectors/provinces and identification of a shortlist of key climate technologies for ten sectors/provinces by 2014
- New concepts for market instruments, both for domestic schemes and new international off-setting mechanisms piloted in 6 schemes by 2013
- Improved knowledge on the costs and benefits of early adaptation to climate change
- New methodology for Integrated Gasification Combined Cycle (IGCC) technology developed and approved by the Clean Development Mechanism (CDM) Executive Board and one investor-ready programmatic completed
- Pilot indicators for sustainable land management, climate change vulnerability and adaptation formulated for consideration in national poverty monitoring by 2013 (SDPRAP)
- 40% of pilot villages in Henan, Shaanxi and Chongqing have successfully completed village assessments and resource mapping and identified adaptation needs by 2013 (SDPRAP)

On-going : IBRD: Sustainable Development in Poor Rural Areas, Carbon Asset Development Fund

Pipeline: GEF: Climate Technology Needs Assessment, Monitoring, Verification and Reporting in Energy Efficiency

AAA: Partnership for Market Readiness, China's CDM Experience and Lessons Learned

STRATEGIC THEME 2. PROMOTING MORE INCLUSIVE DEVELOPMENT

2.1 INCREASING ACCESS TO QUALITY HEALTH SERVICES AND SOCIAL PROTECTION PROGRAMS

China 12th FYP Targets: The new rural social pension insurance regime provides full coverage, with the number of urban participants in the basic pension insurance scheme reaching 357 million, and the rate of participation in the three basic urban and rural medical insurance schemes rising by three percentage points.

2.1.1 Additional population with access to primary health care services at community level in targeted service areas

Baseline: 0 (2010) Target: 280,000 (2015)

2.1.2 Inpatients in project hospitals referred to upper level hospitals, disaggregated by gender

Baseline: 8% Target: 6% (2016)

2.1.3 Public Health System scorecard rating for targeted counties

Baseline: 61.78 (2008) Target: >80 (2013)

2.1.4 Share of prefectures in Guangdong exchanging social insurance beneficiary data through integrated provincial MIS

Baseline: 0% (2013) Target: 60% (2016)

- At least 50% of targeted counties implementing the healthy village standards by mid 2014 (RHP)
- At least 8 counties have implemented the successful models on comprehensive county hospital reform by mid 2014 (RHP)
- At least half of project hospitals have standard cost accounting system producing quarterly departmental unit cost data by 2016 (CURIP II)
- 320 standardized community-level health care facilities put into operation in targeted service areas in Chongqing by mid 2014 (CURIP)
- Provincial approval by Guangdong of MIS architecture and technical specifications by 2014

On-going: IBRD: Rural Health, Chongqing Urban-Rural Integration, Chongqing Rural-Urban Integration II (county health services) **TF:** Avian Influenza **IFC:** Aier Medical, BUFH, Chindex, Healthway, Wanjie Hospital, Fosun Pharma Intl, Weigao, BioChina, Q&M, APMG

Pipeline: IBRD: Guangdong Urban-Rural Social Security Integration and Migrant Workers' Training (FY13) **IFC:** Asia Pacific Medical Group (APMG)

AAA: Health Programmatic AAA; Social Protection and Labor Market Programmatic AAA; HMIS IDF; Demand Analysis of Old Age Health Services in Both Demand and Supply Sides; Developing and Improving China's Pension System; Early Child Development; Health and Medicine System Reform; Improving China's Social Assistance System;

2.2 STRENGTHENING SKILLS DEVELOPMENT PROGRAMS, INCLUDING FOR MIGRANTS

China 12th FYP Targets: Senior secondary education retention rate increase from 82.5% to 87%.

2.2.1 Graduates who pass skill certification exams in targeted institutions (%)
Baseline: LN: 90%; SD:93.5%; GD: 70%; YN: 84% (2010)

Target: LN: 96%; SD:98%; GD: 85%; YN: 93% (2015)

2.2.2 Graduates finding initial employment within 6 months of graduation (%)

Baseline: LN:72%; SD 73.4%; GD: 34%; YN: 58% (2010)

Target: LN: 82%; SD:88.2%; GD: 56%; YN: 75% (2015)

2.2.3 Migrant trainees successfully completing targeted vocational training programs in project schools (%)

Baseline: 84% (2011) Target: 96% (2014)

- Strengthened linkages between targeted institutes and industry through advisory boards, partnerships and contract arrangements by 2015
- Curricula and training materials in targeted training institutions in Chongqing, Liaoning, Shandong, Guangdong and Yunnan upgraded to increase the quality and relevance by 2015
- More than 50% of students in targeted institutions in Guangdong, Shandong, Liaoning, Yunnan enrolled in modular, competency-based curriculum by 2015
- At least 60% of students in targeted institutions in Guangdong, Shandong, Liaoning, Yunnan assessed with outcomes-based systems by 2015
- Migrant Worker Service Centers established in Chongqing by mid 2014 (SDPRAP)

On-going: IBRD: Guangdong Tech & Vocational Education and Training, Rural Migrant Skills Dev. and Employment, Chongqing Urban-Rural Integration, Liaoning and Shandong Technical and Vocational Education, Sustainable Development in Poor Rural Areas, Yunnan Technical and Vocational Education and Training **IFC:** Ambow Education Holding Ltd

Pipeline: IBRD: Guangdong Urban-Rural Social Security Integration and Migrant Workers' Training (FY13), Industry based Poverty Alleviation (FY15), Economic Reform Promotion and Capacity Strengthening (FY15)

AAA: Programmatic Skills TVET AAA, Korean TF, Social Protection and Labor Market Programmatic AAA; Skills Development in Four Economic Sectors in Yunnan Province

2.3 ENHANCING OPPORTUNITIES IN RURAL AREAS AND SMALL TOWNS

2.3.1 People with access to safe water supply and sanitation in targeted rural areas

Baseline: 40,392 Anhui, Chongqing, Guangxi (2011); 378,000 (Shaanxi, Sichuan) (2011)

Target: (i) Anhui, Chongqing, Guangxi – 150,000 (2014), (ii) Shaanxi – 326,716 (2012), Sichuan – 258,000 (2012)

2.3.2 People in targeted rural areas with access to an all season road

Baseline: 950,000 (Ningxia, Fujian, Guiyang) (2010)

Target: (i) Ningxia - 240,000 (ii) Fujian - 1,250,000 (iii) Guiyang 110,000 (2015)

2.3.3 Increase access to financial services for Micro Finance Clients (IFC)

Baseline: 0 Target: 7 million (2016)

Rural Water and Sanitation

- 100 villages in Ningbo with wastewater treatment infrastructure by mid 2014 (NNCDP)
- 80% of people in targeted communities and schools have adopted safe hygiene and sanitation behaviors by mid 2014 (RRWSP)
- All financed water supply schemes operating sustainably after one year

Rural Transport

- Rehabilitation of about 5000 km of rural roads under Fujian's Rural Roads Improvement Program by 2015
- 500 kms of new village roads or paths connecting households to village roads and 315 km of village roads connecting natural villages to each other in Anhui, Chongqing, Guangxi by 2014 (EFP)
- 241 villages connected by project roads and 348 villages serviced by project rural bus stations in Guiyang
- 9 local roads (about 100 km) in the poorest counties in Ningxia improved by mid 2014

Financial Inclusion (IFC)

- PRGC is developed into a competitive rural guarantee company serving micro, small, and rural clients by 2014
- Successfully transformed CFPA into a professionally managed

On-going: IBRD: Ningbo New Countryside Development, Chongqing Urban-Rural Integration, Sustainable Development in Poor Rural Areas, W. Region Rural Water & Sanitation, Fujian Highway Sector Investment, Guiyang Transport, Ningxia Highway project, Integrated Rural Economic Development of Demonstration Towns and Counties, **IFC:** Xiwang Sugar; North Andre Juice, Epure BOT II--Water, CEF IV--FM, Nature Elements—CC Fund in frontier, CGCCD—Earthquake restoration; Fullerton Credit, Beichuan VTB, CHUEE SME IB, CHUEE SME SPDB, ZhongAn Credit, Shenzen VTB., MC China, CFPA MFI,

Pipeline: IBRD: Guiyang Rural Road (FY14), Anhui Yellow Mountain New Countryside Demonstration Project (FY14), Anhui Xuancheng Infrastructure for Industrial Relocation from Coastal Area (FY14), Zhejiang Rural Area Wastewater Management (FY15), Industry based Poverty Alleviation (FY15), Economic Reform Promotion and Capacity Strengthening (FY15), Guizhou Rural Development (FY15) **IFC:** Chifeng MFI, Renzhou VTB, Harbin Bank VTB, CYCCB, CGCCD Rsf; Puhui Guarantee; Xinjiang MCC

<p>2.3.4 <i>People benefitting from improved access to services and income generating activities by 2015</i> <i>Baseline: 0 Target: 715,298 people in 25 counties in Henan, Chongqing and Shaanxi</i></p>	<p>microfinance institution by 2014</p> <ul style="list-style-type: none"> - A full range of financial services developed for small and micro enterprises in rural areas for client MFIs by 2014 <p>Poverty Alleviation Approaches</p> <ul style="list-style-type: none"> - More innovative ways of providing poverty reduction assistance to the poorest communities and households in Henan, Shaanxi and Chongqing piloted through CDD and participatory approaches (with 60% of the 770 participating villages completing multiyear development plans by mid 2014) (SDPRAP) - Women participating in village committees in targeted areas increase from 0 % in 2011 to 25% by mid 2014 (SDPRAP) 	<p>AAA: Improving Public Expenditure in Rural China (IDF), Sustainable Financing Mechanism for Small Town Infrastructure Development, The Mortgage of the Right to Contract for Management in Rural Areas, Housing Policies, Urban Planning and Integration in China; Inclusive Finance Academy in China (IFA); Innovation Model of Affordable Housing Investment and Financing; Promoting Inclusive Innovation in China; Financial Consumer protection and Financial Literacy in China; Sub-national Public Finance and Debt Management; IFC: Harbin Bank VTB AS, Network China Foundation for Poverty Alleviation Microfinance Transformation, Beichuan VTB AS, Renzhou VTB AS Accion AS Binhai Rural Commercial Bank (BRCB) , Sichuan CCB, CHUEE AS.</p>
<p>2.4 IMPROVING TRANSPORT CONNECTIVITY FOR MORE BALANCED REGIONAL DEVELOPMENT</p>		
<p>2.4.1 <i>Reduction in transit times on railway sections connecting less developed regions with more developed (% , min)</i> <i>(i) Tumen – Jilin: 68% (315 min) (2015)</i> <i>(ii) Sanyanqiao – Litang West: 72% (450 min)(2015)</i> <i>(iii) Guiyang – Guangzhou: 78% (1170 min) (2016)</i> <i>(iv) Guizhou – Yunnan: 47% (105 min) (2012)</i> <i>(v) Shijiazhuang – Zhengzhou: 61% (120 min) (2013)</i></p> <p>2.4.2 <i>Increase in railway capacity (train pairs/day)</i> <i>(i) Tumen – Jilin: 162% (2015)</i> <i>(ii) Sanyanqiao – Litang West: 185% (2015)</i> <i>(iii) Guiyang – Guangzhou: 400% (2016)</i> <i>(iv) Guizhou – Yunnan: 61% (2012)</i></p> <p>2.4.3 <i>Annual volume of cargo along targeted waterways</i> <i>(i) Gan River</i> <i>Baseline: 85 million ton (2007)</i> <i>Target: 131.6 million ton (2013)</i> <i>(ii) Shaying river (passing Yingshang Lock)</i> <i>Baseline: 0.17 million ton (2009)</i> <i>Target: 3.07 million ton (2015)</i></p>	<p>Railways</p> <ul style="list-style-type: none"> - 355 km high-speed passenger rail line between Shijiazhuang (Hebei) and Zhengzhou (Henan) completed by 2015 - 254 km Liupanshui-Zhanyi section of the Guiyang-Kunming railway line upgraded to increase capacity and reduce travel times by 2012 - 400 km high-speed passenger and freight line between Sanyanqiao – Litang West completed by 2014 - 75% of civil works on new shorter and more direct railway line linking northwestern China (Guiyang) with the Pearl River Delta completed by mid 2014 - 40% of civil works on new 360 km passenger-dedicated rail line between Tumen and Jilin completed by mid 2014 <p>Waterways</p> <ul style="list-style-type: none"> - Navigable time per year for 1000 ton vessels on 38 km channel on Nanchang- Ganzhou corridor increase from 27% in 2007 to 95% by mid 2014 - 205.6 kms of Class IV channel are upgraded along Anhui Shaying River by 2015 <p>Roads</p> <ul style="list-style-type: none"> - Green Freight Technology Rebates and Performance Based Incentive schemes to improve energy and economic efficiency of fleet in Guangdong demonstrated by mid 2014 - Expressway connecting the two major industrial areas that are the backbone of Ningxia’s economy constructed by 2015 - 195.2 km Yong’an- Wuping Expressway (Fujian province) completed by mid 2014 - Pilot provincial road contract maintenance approaches in Fujian and 	<p>On-going: IBRD: 3rd National Railway, Guizhou-Guangzhou Railway, ShiZheng Railway ,Jilin-Hunchun Railway, NanGuang Railway, Anhui Highway Rehab & Improvement, Hubei Yiba Highway, Fujian Highway Sector Investment, Ningxia Highway, Anhui Shaying River Channel Improvement, Jiangxi Shihutang Navi & Hydropower, Zhangjiakou-Hohhot High Speed Railway GEF: Guangdong Green Freight Demonstration IFC: Minsheng</p> <p>Pipeline: IBRD: Harbin-Jiamusi Railway (FY13), Yinchuan-Xi’an Railway (FY14), Fujian Meizhou Bay Waterways (FY13), Jiangxi Shangrao Sanqingshan Airport Development (FY13), Fujian Fishing Ports Demonstration Project (FY14), Yunnan Highway Assets Management (FY15), Henan JiaoZuo Green Transportation and Road Safety Improvement (FY15), Gansu Rural-Urban Integration Infrastructure (FY15), Hubei Xiaogan Logistic Infrastructure (FY15), Heilongjiang Cold Weather Smart Public Transportation System (FY15)</p> <p>AAA: Modeling Regional Economic Benefits of Railway Projects;</p>

<p>2.4.4 Travel time reduction on targeted road corridors</p> <p>(i) Yongan (Fujian) – Wuping (Guangdong border): 67% (2013)</p> <p>(ii) Qingtongxia –Guyaozi (Ningxia):60% (2015)</p> <p>(iii) Yichang – Badong (Hubei):42% (2015)</p>	<p>Anhui by mid 2014</p> <ul style="list-style-type: none"> - 890 km key national and provincial roads rehabilitated and maintained and 320 km improved in Anhui by mid 2014 - Innovative environmental compliance framework with incentive system developed and implemented in the Yiba Highway project (Hubei) 	
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Annex 2: Gender and Development in China

1. To inform the FY13-FY16 Country Partnership Strategy (CPS), the World Bank conducted two pieces of background analysis: a literature review of gender in key sub-sectors; and a review of good practices in mainstreaming gender in the lending portfolio during the previous CPS period. The Bank also drew upon analysis in the East Asia and Pacific (EAP) Companion to the 2012 World Development Report on Gender Equality and Development.

2. **Over the last two decades, China has made remarkable progress in reducing gender disparities.** An appropriate legal and organizational framework is in place for protecting women and implementing China's strategy—the Program for the Development of Chinese Women (2011-2020).¹⁴ The 12th Five Year Plan includes a significant gender dimension to its focus on inclusive development, focusing on ensuring that women are able to benefit from development gains. It emphasizes the protection of women's legal rights and the importance of ensuring women's access to basic services. It further highlights the need to improve women's ability to contribute to economic development by promoting female employment and entrepreneurship.

3. **China has improved women's access to health and education.** From 1990 to 2008, there was a dramatic decline in maternal mortality from 110 to 38 (per 100,000 live births). On the other hand, non-communicable diseases have increased. This is partly linked to the incidence of tobacco use among men at 59.5 percent in 2008 (compared to 3.7 percent among women). Gender parity has been achieved in education at primary and secondary levels, with the share of female students now slightly higher than that of male students.

4. **Rates of female labor force participation have remained high in China at 75 percent in 2008.** Economic reforms in recent decades have increased the range of opportunities for men and women in paid employment. However, rates of female employment have stagnated behind those of men over the last 10 years. Once in the labor force, women earn approximately 70 percent of men's wages for similar work and tend to have less secure employment and longer periods of unemployment. Access to child-care has become increasingly important for women's labor force participation (particularly for migrant women), following child-care reform. Large numbers of female migrants to urban areas, often migrating alone given the restrictive migrant registration system, face multiple disadvantages, such as segregated jobs, lower wages, and poor working conditions. The mandatory age of retirement for women at 55 (60 for men), means that men and women have significant differences in retirement prospects in urban areas. Few female migrant workers participate in pension, unemployment, or workplace injury insurance schemes, or receive maternity insurance.

5. **Women from ethnic minority communities and remote rural areas remain particularly vulnerable, and lag behind in terms of access to basic services and economic opportunities.** Women remain less likely to own land in spite of an enabling legal framework. Values and norms regarding the transmission of rights to land to women (in the case of inheritance for example) can

¹⁴ The legal framework includes: the Law of the People's Republic of China on the Protection of Rights and Interests of Women; the recently revised Marriage Law, providing protection against domestic violence; and recent amendments to land laws to confer women equal rights to land titling. Organizations include: the National Working Committee on Women and Children and All China Women's Federation.

create difficulties in enforcing legislation. The amount of land per capita for female headed households was 70 percent that in male headed households (2008). In the six regions where minorities are concentrated the school enrollment rate is largely lower than the national average. The average dropout rate in these same provinces is about three times the national average. In addition, urban labor force participation also fell faster among minority women than among Han women between 1990 and 2000, which is consistent with a widening gap in income and occupational attainment between Han and ethnic minorities.

6. China has a high proportion of women parliamentarians (21 percent) compared to other countries in the East Asia and Pacific Region. The proportion of women in local government in urban areas is double that at 48 percent. The promotion of the village self-government system has helped expand opportunities for women in village governance. In critical areas such as environmental policy, energy, and transport, which are central to the current World Bank Group portfolio in China, national programs are not systematically informed by an understanding of the different needs and use of resources by both women and men. The significant gender gaps in employment in these areas and women's weaker voice in the governance of these sectors may also hinder their ability to help determine options and sector priorities.

Annex 3: Country Partnership Strategy Completion Report

CHINA: CPS (2006-2010) COMPLETION REPORT

Date of CPS: May 23, 2006 (Report No. 35435- CN)

Date of Progress Report: Board discussion January 22, 2009 - Report No. 46896-CN

Period Covered by the CPS Completion Report: July 2006 to December 2011

Summary of Evaluation Ratings

Program Performance

China has made significant progress in the areas of the 11th Five Year Plan identified as Country Partnership Strategy (CPS) engagement pillars, and the World Bank Group (WBG) has supported these advancements. Based on WBG's country team assessments and consultations with the authorities and stakeholders, WBG program performance is rated in the aggregate as *satisfactory*.¹⁵ All 35 outcomes identified in the CPS have been achieved or partially achieved. Bank support has made a significant impact on the lending side through innovation, demonstration, and scale-up, and on the AAA front through intensified knowledge engagements, many of which leveraged and complemented operations. IFC's China program was focused on relevant CPS outcomes and is rated *satisfactory*. IFC contributed to relevant CPS outcome areas where it has a comparative advantage. The development outcomes of IFC investment services operations improved consistently during the CPS period, surpassing IFC average in FY11 while advisory services engagements were marked by far reaching operations in access to finance and climate change initiatives. Of IFC advisory services engagements completed during the reporting period, 74 percent led to significant results, including more than US\$4.9 trillion in financing facilitated through credit reporting and secured transactions systems, and 17.8 million tons of GHG emissions avoided annually.¹⁶

WBG Performance

The Bank's performance in strategy design and program implementation is rated as *satisfactory*. The CPS strategy was appropriate to country priorities and goals, as evidenced by close alignment with the 11th Five Year Plan and strong country ownership. The program proposed in the 2006-2010 CPS was realized as envisaged with only minor shifts to meet exceptional circumstances (e.g., post-earthquake reconstruction support) and shifting emphasis within the program (e.g., intensification of support for China's global engagement). IBRD portfolio performance compares favorably with other large Bank borrowers. The portfolio was well managed and performance was solid. Trust funds have been used effectively, especially in the areas of environment, climate change, and global engagement. IFC's performance is also rated as *satisfactory*. The program sought to align investment and advisory services to deliver greater reach and development results. IFC quickly responded to changes in the country context and has started to streamline its focus towards high impact initiatives in frontier regions/rural growth, climate change, and South-South investments. Steady improvement

¹⁵ This completion report also covers program activities in 2011. The new CPS will provide a framework for WBG engagement from FY13-FY16.

¹⁶ About 17.8 million tons of avoided GHG emissions achieved directly through the CHUEE guarantee program and an additional 41 million tons avoided indirectly through partner financial institutions.

in development outcome tracking system (DOTS) indicators can be linked partly to the quality of project supervision during the period, which was satisfactory in 96 percent of projects evaluated between 2006 and 2010. For those operations reporting on additionality, over 90 percent achieved or partially achieved the expected additionality. From FY06 to end-2011, IFC's China program reached historical highs with more than US\$3 billion in over 100 projects, representing 60% of total investment volume since its first investments in 1985.

On the basis of the rating of the Bank and IFC, the overall performance of the World Bank Group is rated as *satisfactory*.

I. Introduction

This Country Partnership Strategy Completion Report (CPSCR) assesses the effectiveness of the 2006–2010 CPS for China. The CPS was aligned with the Government of China's 11th Five Year Plan (FYP). The CPSCR also evaluates program activities in 2011, because the new CPS covers WBG engagement from FY13-FY16. This evaluation draws on findings of the mid-term CPS Progress Report as well as consultations with clients and stakeholders in the capital and the provinces.

II. Progress on China's Long-Term Development Goals

In 2006, when the CPS was prepared, China had been achieving impressive growth for three decades (annual GDP growth of about 9 percent since 1978 when reforms started). The number of poor had declined significantly with over 500 million people coming out of poverty. The country had shifted from a centrally planned to a market model, and China had become the world's fourth largest economy and the third largest trading nation. Yet, it remained a developing country with per capita GDP of about US\$1,740 and about 135 million people living on less than US\$1/day. Maintaining the pace of rapid growth was a key challenge along with resource demands, environmental impacts, and rebalancing the pattern of development to avert or mitigate emerging inequalities. China's 11th FYP (2006-2010) aimed to address these and other challenges to build an inclusive harmonious society with higher living standards for its citizens, and it made significant progress in implementing the Plan.

III. WBG Program Performance

With WBG financial investments accounting for less than 0.02 percent of China's overall Gross Domestic Investment (GDI) over the CPS period, any attribution of the country's achievements to WBG interventions needs to be approached with modesty. The WBG strategy revolved around innovative interventions that leveraged its international expertise and cross-country experience. Lending operations were built around cutting-edge knowledge-based pilots that could be replicated on a national scale. They tested reforms to support institutional development, the transition to a market economy, and sustainable resource management practices. The WBG's convening power supported China's integration in the global economy, and its expertise facilitated two-way knowledge transfer and a growing program of South-South exchange that allowed China to share its development experiences with other countries. IFC's and MIGA's investments, guarantees, and advisory services helped facilitate both domestic and Foreign Direct Investment (FDI), fostered innovative transactions, and supported projects which utilize best practices to create demonstration effects, with a particular focus on frontier and lagging regions

WBG assistance was organized around five thematic pillars (see below, and Attachment 1). The CPS results framework offered a good starting point, but in retrospect the specific goals and anticipated outcomes could have been better differentiated and fewer in number. Also, it would have been helpful to focus more on milestones to gauge progress towards outcomes rather than outputs.

The mid-term review undertaken for the 2009 CPS Progress Report (CPSPR) found that the original strategic priorities and objectives remained valid. It noted that progress was on track and in line with China's advancements under its 11th FYP goals. As mid-course adjustments, the review noted intensified engagement in supporting China's integration into the global economy, greater emphasis on energy efficiency objectives and climate change issues, and accelerated implementation of integrated rural-urban development, particularly through the Guangdong and Chongqing pilot initiatives. It formalized Bank support for disaster risk management, and for earthquake reconstruction in the wake of the tragic May 2008 Wenchuan earthquake.

Since the 2009 Progress Report, progress under the CPS pillars has continued to be strong. The preparation by the World Bank and the Development Research Center (DRC) of the State Council of the joint *China 2030: Building a Modern, Harmonious, and Creative, High-Income Society*, was a particularly important collaboration initiated in September 2010 and launched at a conference in February 2012.

Pillar 1: Integrating China into the world economy

Outcome Status: China has emerged as an increasingly influential player in the global economy with a growing role in international economic institutions and South-South exchange. It has increased its engagement with regional development banks and has shifted its role in IDA to that of a contributor. There is high and growing demand from other countries for investment, trade, and knowledge-sharing with China and the country has become a significant source of financing and investment in infrastructure, particularly in Africa.

WBG Support: The WBG has facilitated engagement through a number of activities, particularly experience-sharing with other developing countries, most notably in Africa. It has contributed to institutional strengthening through its advisory support (e.g., on trade, debt management, South-South), while MIGA and IFC have provided support for enhancing the quality of China's investments and related knowledge sharing, especially in financial and non-financial risk mitigation and standard setting (e.g., environment and social, and corporate governance). The WBG maintained a productive dialogue with relevant Chinese institutions on issues of development cooperation and aid effectiveness both directly and through the China-DAC Study Group. Moreover, Chinese ministries and agencies have been assisted in documenting and sharing development experience on issues such as industrial zones, health, water, and poverty reduction. WBI has been particularly active in supporting experience sharing and in building the capacity of key Chinese South-South cooperation institutions, most notably the International Poverty Reduction Center in China (IPRCC) and the Asia Pacific Finance and Development Center (AFDC). The Bank has worked well as a trusted partner and facilitator in disseminating knowledge about China's development experience with the world, as well as supporting China's integration with the global economy. A Department for International Development (DFID)-financed trust fund provided support for a number of important studies and activities aimed at improving information exchange and knowledge sharing.

Bank reports (such as the Quarterly Economic Reports and the book *China: New Trade Issues in the Post-WTO Accession Era*) have helped generate accurate information on China's economic and social

development, its impacts on the world economy, and how it is managing a resource-scarce economy. The Bank collaborated more closely with Chinese research partners to gain from their local knowledge and to build their analytical capacity. The Bank also worked with China on regional initiatives including the Greater Mekong Sub-region, the Central Asia Regional Economic Cooperation (CAREC) program, and management of the avian flu threat. Following IFC's advisory services, knowledge sharing and exchanges between the Chinese and Vietnamese governments and financial sectors have resulted in plans by the State Bank of Vietnam to develop environment and social (E&S) risk management guidelines similar to China's Green Credit Policy. IFC is also assisting the Chinese private sector in investing profitably and sustainably in other parts of the world. In 2010, IFC made its first investment in a Chinese company operating in Sub-Saharan Africa – CREJ Estates in Tanzania. In 2011, IFC co-invested with China EXIM Bank, China Investment Corporation, BOCI and CCCC, to support infrastructure projects in ASEAN countries. China Development Bank and China EXIM Bank became the first Chinese banks to participate in an IFC-syndicated parallel loan for a project in Africa: Ghana Vodafone.

Pillar 2: Reducing poverty, inequality, social exclusion

Outcome Status: China has continued to make progress in reducing poverty, building on the dramatic reductions after 1980. Policy changes aiming to enhance equity and quality have been introduced, including the abolition of the agricultural land tax, the nationwide introduction in 2008 of free compulsory education, the expansion of student financial assistance to tertiary education, and the adoption of ambitious 12th FYP targets for universal early childhood education coverage. China's health reforms represent a major achievement in health equity by providing basic near-universal coverage through insurance mechanisms and a public health package. A means-tested cash transfer program (Social Safety Net) was rolled out across rural China (*dibao*), and a major national initiative to achieve comprehensive coverage of rural pensions is rapidly expanding, as well as a more recent pension program for the urban informal sector. To improve the conditions of work for Chinese workers and strengthen worker protection, the Labor Contract Law was enacted, and integrated rural-urban development models of social security and other entitlement programs are being piloted. In November 2011, the government adjusted the official rural poverty line to be more in line with international standards (a step strongly supported by the Bank), qualifying 100 million more people for a variety of benefits that will bring more resources to poor regions. Despite progress during the period of the 11th FYP in reducing poverty (average rural per capita incomes exceeded 11th FYP targets) and slowing the rise of inequality, continuing to reduce poverty and reversing inequality remain important challenges in China.

WBG Support: The Bank Group supported government efforts to improve social safety nets for the rural and urban poor, including through key analytical and diagnostic pieces on the *dibao* program. The *From Poor Areas to Poor People* study, the result of a multi-year analytical effort, provided a comprehensive overview of poverty reduction progress, as well as recommendations to address key challenges. In the education sector, policy notes (*Education Sector Review* and *Early Childhood Development and Education*) were helpful in informing the medium- and long-term strategy for educational reform and development, with the Government now emphasizing Early Childhood Development and Education (ECDE) under the 12th FYP, and policymakers increasingly focused on the importance of addressing inequity in higher education. The Bank's ECDE AAA has also led to requests for further collaboration on impact evaluation by the China Development and Reform Foundation.

Bank assistance was welcomed in formulating the Human Development System reform strategy for national and sub-national governments, including the health system reform master plan. AAA on non-communicable diseases (NCD) prepared in coordination with the Chinese Ministry of Health and the World Health Organization presented evidence on the economic and social consequences of explosive increases in NCDs in China and proposed a range of policies and strategies to confront and prevent them. Bank-supported AAA and the Rural Health Project contributed significantly to building impact evaluation capacity for health system reform, for example, by mobilizing trust fund resources to hold impact evaluation training workshops in partnership with the National Development and Reform Commission (NDRC). The WBG also supported the formulation of a monitoring and evaluation indicator framework, as well as data collection for the health system reform mid-term evaluation. In addition, analytical and advisory work on the pension and elderly care systems were sustained, with a major policy report on directions of pension reform, diagnostic work on the situation of rural elderly, and initial work on aged care under social protection programmatic AAA.

WBG financing (investments, TA, TFs) supported pilots of new mechanisms as well as capacity building with social sector projects on poverty reduction, rural health, migrant training and employment, and Technical and Vocational Education and Training (TVET). These activities helped support continued poverty innovations by connecting small farmers to higher value chains through bottom-up and top down approaches in agriculture. The WBG and provincial authorities have also been developing models for integrated rural-urban development in both Chongqing and Guangdong. The participatory approach and Community Driven Development (CDD) models have been advanced through Bank-financed activities, including the Poor Rural Communities Development Project, supported by the Bank and DFID, which extended the participatory approach to poor villages in 18 counties in western China and piloted the CDD model in 4 other counties in which village committees approved and evaluated subprojects, allowing for community control of funds. The follow-on Sustainable Development in Poor Rural Areas project continues to advance CDD approaches in Henan Province, Shaanxi Province, and Chongqing Municipality, and incorporates GEF co-financing to address potential climate-change risks and land degradation issues closely linked with rural poverty. Poverty reduction efforts have also included a strong gender focus, with projects identifying entry points for women's participation in community-based activities and creating space for women's voices to be heard in community-based planning processes.

Bank-supported projects also financed upgrades of transport infrastructure and improved network management and traffic safety. Rural roads were a particular focus of this effort, which also included expressways, railroads, and waterways linking inland provinces to the dynamic coast so that transportation benefits accrue to the poor. IFC was involved in supporting private enterprise growth in both cities and rural areas all over China as the main source of sustainable job creation.

Overall WBG support has increasingly shifted to poorer lagging regions. As of end-FY11, about 86 percent of projects in terms of loan/grant amount are in the interior and western provinces. IFC has also mobilized more and more resources to support the development of the frontier regions. In FY06-09, only 30% of IFC's new projects were located in frontier regions, while the percentage rose to more than 60% from FY10 to end-2011.

Pillar 3: Managing resource scarcity and environmental challenges

Outcome Status: CPS Pillar 3 aimed to support China in creating a resource-efficient society (including meeting the Government's goal of reducing energy intensity by 20 percent from 2005 to

2010), improving natural resource management to reduce degradation and depletion, and meeting international environmental commitments. During the 11th FYP, there has been a reversal of the negative trends in energy intensity, air pollution (though only in some cities and some parameters), water pollution (some waterways), as well as substantial progress on wastewater treatment, water savings (in some basins), and better management of lands and forests. There are major government efforts underway to enhance energy efficiency, develop renewable energy sources, and address climate change issues. In 2008, the Industrial Bank of China, an IFC client, adopted the Equator Principles (EPs), a voluntary environmental and social risk-management framework based on IFC performance standards, becoming the first EP bank in China and the Asian emerging markets. In addition, the Industrial and Commercial Bank of China, one of the world's largest banks by market value, runs a 12 category environmental and social risks system and applies the standards in its overseas investment activities. China EXIM Bank is also using a performance standards-based internal environmental and social risks review process. Despite China's achievements in these areas, significant challenges remain. China is the largest emitter of Greenhouse Gas (GHG), and GDP remains energy-intensive.

WBG Support: WBG activities with environment objectives have expanded steadily and comprise more than 76 percent of new IBRD lending (81 percent including GEF) as of December 2011. There is a growing pipeline of climate change mitigation actions. WBG support to climate mitigation through its energy, transport, urban, forestry and agriculture sector interventions exceeds envisaged CPS levels. In IFC, 100% of its investment operations are required to adhere to applicable environmental and social performance standards, including resource efficiency and pollution abatement. In addition, mitigating climate change is a key focus area for IFC, and IFC has successfully partnered with three selected Chinese banks to introduce new energy efficiency financing. IFC has also introduced market-based waste-to-energy, wind and hydropower, and water treatment models.

WBG's support for the energy sector has focused on renewables, energy efficiency and low carbon cities. One highlight of the WBG's support has been the China Renewable Energy Scale-Up Program (CRESP). The first phase of the program contributed to scaling-up renewable energy by supporting effective policy studies and the rapid growth and quality improvement of the domestic wind manufacturing industry. IFC's China Utility-Based Energy Efficiency (CHUEE) Finance Program also contributed by facilitating US\$680 million in bank loans for US\$1.4 billion in investments to finance over 160 energy efficiency and renewable energy projects in steel, cement, glass, and other key sectors, resulting in 17.8 million tons¹⁷ of GHG emissions avoided annually.

The WBG has been involved with the scaling up of water supply, wastewater management, irrigation, and metropolitan service delivery, supported by AAA, GEF projects, and lending resources. The WBG has assisted sustainable cultural and environmental heritage initiatives. Environmental technical assistance has focused on developing the circular (recycling) economy, green accounting, water conservation, forestry and related land tenure issues, as well as the urban brown agenda. The Circular Economy study helped to shape the China Circular Economy Promotion Law. It contributed to the formation and implementation of the 12th FYP objectives in pollution reduction and resource-saving, and has encouraged a new generation of waste management projects. AAA on improving water resource management in the context of worsening scarcity and on adapting

¹⁷ About 17 million tons of avoided GHG emissions achieved directly through the guarantee program and an additional 41 million tons avoided indirectly through partner financial institutions.

agricultural production systems to climate change has provided the analytic basis for current and upcoming lending in water resource conservation, irrigation, and agriculture. The *Adapting Agricultural Production System to Climate Change* study used cutting-edge modeling to improve understanding about the impact of climate change on China's northern plains, its historic breadbasket. The study, together with a successful GEF-financed pilot project in agricultural adaptation to climate change, is shaping upcoming Bank lending to help Chinese farmers adapt to climate change.

The WBG has also analyzed and provided recommendations on land policy and the economic cost of pollution. The Green National Accounting Study contributed significantly to the Government's efforts to value pollution costs by introducing an economic valuation methodology and establishing green accounting systems. The Bank also supported the promotion of strategic environmental assessment (SEA), shared international best practices, and promoted EIA in Bank operations. WBI's support for enhancing urban planning capacity led to improvements in training course content and delivery methods, and a better understanding of urban environmental issues (including the publication of the *China Urban Development Quarterly*).

To support China in meeting its international environmental commitments, the WBG has engaged through AAA, lending, carbon financing, new instruments (Carbon Investment Fund), climate partnership strategies, global funds, demonstration projects, TA, and conferences. WBG support has succeeded in forwarding China's global environmental agenda including stabilizing GHG emissions and phasing out of persistent organic pollutants (POPs). The World Bank supported the National Climate Change Program study adopted by the Government in 2007, which guides the direction of China's GHG mitigation efforts and forms the basis for China's 12th FYP climate change objectives. Bank AAA work on the CDM under the previous CPS coupled with further policy dialogue and major carbon investments, including the US\$1.2 billion HFC23 emission reduction project, helped confirm the viability of, and liquidity in, CDM markets worldwide. Further, the China CDM Fund was established, a major innovation funded by a tax on CDM revenues that is now poised to invest in climate mitigation investments across China. China now comprises 77 percent of the Bank's substantial CDM portfolio. China is also one of a handful of countries implementing the first generation of projects under the Carbon Partnership Facility (CPF), which aims to scale up investment in clean technology. Separately, the Bank is the largest implementing agency of GEF funds in China, comprising about US\$200 million in commitments during the CPS period. IFC advisory products were undertaken to better understand the quality and sustainable performance of private enterprise, carbon finance aggregation through financial institutions, and environmental and social standards in specific industries, such as ICT.

The WBG has had limited success in piloting integrated urban planning, bulk water markets, and liberalizing energy and water markets. The CPS could also have been more proactive in incorporating greater WBG involvement for disaster preparedness and disaster risk management, although the response to the 2008 Wenchuan earthquake was swift and appropriate. (This response included two projects: one large IBRD-financed earthquake recovery loan, and a second quick-response GEF-financed project that assessed the public health risk associated with potential earthquake damage to hazardous waste facilities.) IFC focused its attention on the broad theme of "private sector recovery," implementing several investment and advisory services projects over the

past three years.¹⁸ Total investments amounted to US\$120 million with significant advisory service components.

Pillar 4: Financing sustained and efficient growth

Outcome Status: China continues to make strides in transforming its financial sector to a modern, market-based system. Considerable progress was made during the CPS period in strengthening the financial regulatory agencies and institutions, and restructuring the financial markets. The series of policy reform measures, including capital injections by the Government, partnerships with strategic investors, and initial public offerings, as well as enforcement of prudential regulations by the China Banking Regulatory Commission (CBRC) have served to introduce modern corporate governance, risk management and internal controls to the second-tier commercial banks. The rural financial system has become more diverse and competitive, as the Rural Credit Cooperatives (RCCs) were restructured and recapitalized and new rural financial institutions entered the market. However, the financial sector reform agenda remains unfinished. According to the FSAP of 2011, the sector remains depressed, unbalanced and costly to maintain, and the financial system is exposed to potential risks of instability and inefficiency in resource allocation.

WBG Support: WBG engagements include lending and AAA for developing competitive rural financial markets and housing finance (including the pilot for mortgage backed securitization), assisting RCC reforms, promoting sustainable commercial micro and small lending, strengthening corporate governance in state-owned banks, and studying options to improve the effectiveness of state-ownership function in the financial sector. The WBG has also assisted in streamlining regulations for corporate pension schemes and has facilitated the development of a strategic vision for the capital markets. WBG analytic services have been delivered to macro-prudential authorities, sub-national governments, and financial institutions. Engagement with the policy banks, notably China Development Bank and Eximbank, has had a significant impact on knowledge and capacity building, though international project-level collaboration has been less concrete. IFC investments in national and local joint-stock banks, commercial banks (both city and rural), microfinance companies, and TA on corporate governance, risk management, information management and strategy development, and green energy financing have significantly contributed to the improved development of the Chinese financial sector. The IBRD and IFC coordinated their efforts in the financial sector within their respective mandates.

IFC is among the first foreign investors in supporting China's city commercial banks and rural finance institutions. IFC partnered with them and with industry associations to improve corporate governance, risk management, and commitment to expanding financing to SMEs, farmers, manufacturers, and shop owners. IFC's work with Chinese banks included offering market-based climate change financing solutions. Under the innovative China Utility-based Energy Efficiency Finance program (CHUEE), IFC shoulders some of the financial risk by guaranteeing commercial bank loans for energy efficiency projects and assisting in assessing and implementing energy efficiency projects. IFC is now expanding the successful model of China-IFC cooperation across East Asia, entering into similar partnerships with Vietnam, the Philippines, and Bangladesh and facilitating South-to-South cooperation to build on China's expertise and experience.

¹⁸ IFC projects included: Koyo Fertilizer, Chengdu Small Enterprises Credit Guarantee Company (Chengdu CGC), Beichuan Village and Township Bank (VTB), Renshou VTB, and Deyang City Commercial Bank.

IFC has been a key player in strengthening the financial sector with innovative investments and TA. Some examples include: (i) helping to set up a nation-wide credit reporting system that covers 792 million individuals and 17.9 million legal entities, with cumulative number of inquiries reaching 812 million by end-2010 and the system supporting lending of about US\$1.4 trillion per year; (ii) becoming one of China's largest rural finance investors with around 10 investments including the first foreign-invested rural commercial bank, the first foreign-invested micro-credit company, the first Sino-foreign joint venture village bank, and the first NGO transformation company; (iii) helping to establish the movable-asset secured-financing industry in China, benefiting SMEs with cumulative loans worth US\$3.5 trillion secured by accounts receivable (one of the most important movable assets) over a period of nearly four years; over US\$1 trillion in these loans were specifically for SMEs; and (iv) supporting the opening up of the capital market through issuing Panda Bond, Dim Sum Bond, and signing RMB SWAP agreement with China Development Bank and China EXIM Bank.

Going forward, partnership with key agencies at both the central and local government levels as well as with key financial and non-financial institutions should continue. Synergies with the objectives of Pillar 1 could have been stronger and this should be considered in the new CPS. To this end, given the vast and growing demand for services such as MSME finance, innovative models such as the proposed China Academy of Inclusive Finance, might play a key role in scaling up commercially sustainable access to finance.

Pillar 5: Strengthening public and market institutions

Outcome Status: China continued to make good progress towards a market-based, sustainable economy. The Government was committed to helping the private sector succeed and undertook administrative reforms to advance the transition. The process of diversifying and corporatizing State-Owned Enterprises (SOE) through the State-Owned Assets Supervision and Administration Commission (SASAC) is contributing to market-enhancing reforms. Competitive cultures are further strengthened through Economic Value-Added (EVA)-based performance evaluations, and the reform of SOE dividend policy. There are widespread initiatives to improve the investment climate.

WBG Support: The WBG's AAA and policy dialogue supported ongoing SOE reform efforts, including reform of EVA performance evaluation; policy notes on disclosure and dividend policies; the creation of SASAC; and a 120-city Investment Climate Assessment. Efforts by central and local officials to strengthen the climate for investment and private sector activities also benefitted from support by the Foreign Investment Advisory Service (FIAS) and MIGA, with a focus on the Central and Western regions. The WBG contributed to the development of the Independent Power Provider (IPP) strategy tested in the Western provinces and rolled out in the North-East. A Bank IDF grant supports the Ministry of Finance Treasury Department's efforts to enhance the transparency, efficiency, and effectiveness of budget execution for special purpose transfer payments. WBI's training programs supported enhanced capacity and understanding in key areas of public finance (budget and expenditure management, accountability, and fiscal decentralization). IFC Advisory Services provided capacity building and best practices advice to officials at the Credit Information System Bureau (CISB). IFC advised the government to draft and pass a new section of the Property Law which paved the way for millions of SMEs to get banks loans by using movable assets as collateral. IFC's work informed the development of the regulatory framework for China's credit reporting system which has provided financial institutions in China with a fast and cost effective way to search for the creditworthiness of credit applicants. IFC also supported the SOE

reorganization/privatization by investing at the project level as well as in asset management companies.

IV. WBG Performance

Lending: The CPS envisaged IBRD lending of about US\$1.0-1.5 billion and 10-12 new projects per year over the CPS period. The actual lending program realized CPS plans consistently (Attachment 2). The program also responded to urgent client needs (e.g., US\$700 million emergency reconstruction loan approved in the wake of the 2008 Wenchuan earthquake). Support to the poorer/lagging regions was emphasized. Many projects piloted new models. Towards the end of the CPS period, there was an increase in the use of additional financing.

Analytical and Advisory Activities (AAA): AAA was identified throughout the CPS period based on emerging needs and priorities (Attachment 3). The Quarterly Economic Reports have international readership. A number of Bank staff and managers have added blogging and other web-based knowledge dissemination to the China AAA menu, and Bank sectoral teams and WBI have collaborated on design and delivery of distance learning courses based on China-specific and regional analytical work. Provincial level work on rural-urban integration in Chongqing and Guangdong provinces has generated interest among central and local authorities and stakeholders. Education AAA had a significant impact on shaping the government's longer term strategy. Studies on water resource management and adapting agricultural production to climate change (combined with experience gained from GEF pilot programs) are shaping upcoming lending projects, while Bank AAA helped shape the 2008 national recycling law. The WBG has also provided analytical and advisory services in renewable energy for China, including reports on large-scale wind power, biomass power generation, and policy notes on future directions in renewable energy and energy efficiency for China's 12th Five-Year-Plan (2011-2015). The non-communicable disease study has identified priority areas for health sector engagement going forward. The WBG and the Chinese authorities have also jointly undertaken a forward-looking analytical effort that looks at China's development and growth path over the medium to longer term – *China 2030: Building a Modern, Harmonious, and Creative High Income Society*. This compendium of work lays the framework for the WBG-China analytical engagement over the coming years. While WBG non-lending services and research findings have been valued, there is room for improvement in the dissemination process to broaden impact, and strengthened partnerships with Chinese institutions, counterparts, academics, and researchers can be also encouraged. A lesson for the WBG is to ensure better outreach and dissemination for pilot initiatives (as was done in the case of rural and national pension policy).

IFC: IFC's program in China supported the WBG's five thematic pillars in the 2006-2010 CPS with a focus on (i) climate change, (ii) balanced rural-urban growth, and (iii) sustainable South-South development. IFC contributed to 14 of the 35 relevant CPS outcome areas identified in the CPSPR and in five other CPS outcome areas with no expected IFC interventions at the outset. Development outcomes of IFC investment operations consistently improved during the period, surpassing IFC's average in FY11. Steady improvement in DOTS indicators can be linked to the quality of project supervision during the period, which was satisfactory in 96 percent of projects evaluated between 2006 and 2010.

IFC's work on climate change aimed to demonstrate market-based approaches to reduce the economy's energy intensity and increase efficient use of water resources, with a focus on energy efficiency, renewable energy, water management, and green finance. IFC also focused on balanced

rural-urban growth by, among others, helping reduce the gap between living standards in urban and frontier/rural areas, principally through investments and advisory work in micro and SME finance, rural finance agribusiness, infrastructure, food safety, manufacturing, and healthcare. IFC's South-South interventions included working with Chinese companies and banks to see that Chinese investments abroad are done in accordance with international best practice in environmental and social standards, which will make Chinese projects more sustainable and in the long run more profitable. These initiatives mobilized Chinese resources and helped Chinese companies contribute sustainably to global economic development.

IFC Advisory services operations were marked by success in access to finance initiatives, including the multi-year Secured Transactions advisory. IFC has been deeply involved in providing Advisory Services starting from 2002 and has undertaken up to 54 projects, 30 of which support enhancing access to finance. IFC quickly responded to changes in the country context. Areas of financing have shifted over time in line with country priorities and IFC has started to streamline its focus towards high impact initiatives in rural growth, climate change, and China's global engagement.

MIGA: The CPS projected that MIGA guarantee coverage would remain at about US\$50 million per year. MIGA has been active in supporting FDI into China and its current portfolio consists of 10 projects totaling US\$242 million in guarantee coverage. The vast majority of projects supported are in the infrastructure sector (96 percent), with the remaining 4 percent in services and manufacturing. MIGA (along with FIAS) cooperates with the Ministry of Finance and Ministry of Commerce in focusing on outward investments, (especially in Africa), and with Sinosure and Eximbank and other partners in marketing co-insurance of Chinese outward investments. MIGA also provided TA in supporting investment promotion and benchmarking studies.

Trust Funds: The WBG mobilized US\$1.4 billion in trust funds during the period in support of the five CPS pillars. These complementary resources helped maximize the impact of WBG operations across China. Concessional grant financing available for China has declined over time and bilateral TFs are being phased out; however, the WBG continues to administer a significant portfolio of trust funded activities, many from global funds. Partnerships included DFID co-financing of the Poor Rural Communities Development Project and support for studies and knowledge sharing as well as TF financing from Italy, the European Commission, and Netherlands. However, in the course of the CPS period, the donor landscape changed concurrently with China's economic growth and these partners decreased their development assistance to the country. By end-FY11, the China trust fund portfolio comprised 96 projects with total commitments of US\$2.1 billion, with Carbon Finance, GEF, Montreal Protocol, IDF and bilateral TFs as the major funding sources. China is a key player in delivering on the global environmental agenda and is increasingly accessing available funds. Completed and ongoing GEF and Montreal Protocol projects, many with IBRD co-financing, include projects in areas such as Ozone Depleting Substances Phase-out, Persistent Organic Pollutants (POPs), global climate change (including GHG, energy conservation, renewable energy development, and energy efficiency), biodiversity (e.g., natural reserve management, sustainable forestry, water resource management), and land degradation. China has also received US\$6.15 million from the Global Facility for Avian and Human Influenza Facility for the China HPAI and Human Influenza Prevention and Control Capacity Building Project from 2007 to 2011. IDF grants are important knowledge cooperation instruments which play a key role in improving capacity in management, procurement, and monitoring and evaluation.

CPS Implementation: The CPS results framework was used to track implementation progress; gauge outputs, outcomes, and results; and address emerging issues and needed adjustments. In retrospect, while this framework offered a good starting point, it proved overly complex with too many goals, outputs, and outcomes. Measureable indicators were not developed, and assessment of achievements are based on self evaluations. Going forward, there should be more selectivity and specificity, with outcomes and indicators well linked to the portfolio. Supporting the CPS strategic objectives, the WBG program emphasized demonstration projects. Analytical work linked well with the development of new project approaches. Innovative funding instruments were used to support China in meeting its international environmental commitments, as well as blended project financing mixing global funds with IBRD lending. During the CPS period, the WBG made strong efforts to simplify and streamline processes, resulting in a substantial reduction in project preparation costs as well as a modest increase in the numbers of repeater projects, APLs, and additional financing. Portfolio performance is one of the strongest among the large IBRD borrowers. About 97 percent of projects were rated satisfactory or above; only 3 percent of projects evaluated by IEG in the last five years were rated unsatisfactory/highly unsatisfactory.

V. Key Lessons and Recommendations

- ***First, the Bank Group has supported China's efforts to reduce poverty among citizens living below the poverty line.*** Despite unparalleled success in moving 600 million people out of poverty over 30 years, poverty reduction remains a fundamental challenge in China. The WBG has supported China in introducing economic reforms that have helped to bring sustained growth and poverty reduction, and in developing approaches to reduce inequality. Particular attention was paid to the Western and Central provinces. Of 70 active IBRD-financed projects (February 2012), more than 80 percent are in the poorer interior and western provinces. More than 60% of IFC's new projects were located in frontier regions from 2009 to 2011.¹⁹
- ***Second, the majority of the WBG-supported activities feature environmental objectives, many with global implications, including a cross-cutting focus on climate change.*** China is essential to global efforts to improve environmental management and address global warming. Over 80 percent of ongoing and planned Bank-financed projects include environmental objectives.
- ***Third, the developing world can benefit from WBG engagement with China.*** China is increasingly playing an important and influential role in the world economy and its policy decisions have a global impact. China has a strong interest in learning more about international experiences and best practices, a role which the WBG, as knowledge broker, is well suited to play. There is also a growing demand from other nations to learn from China's experiences. China is an increasingly important source of knowledge and is at the forefront of innovation in key areas (for example, urbanization) that can help inform and motivate the development process in other countries. WBG financing represents only a small share of China's financing and investment needs; however, as a preeminent provider of knowledge products, best practice experience and innovation expertise, WBG support has played a much larger role in China than lending figures might indicate.

¹⁹ Excluding transactions with repeat clients on Trade Finance, Rights Issue, CHUEE, and with investment funds.

General lessons from the CPS implementation include:

- **Build on the strength of the WBG by ensuring that engagements maximize the entities' respective strengths.** The greatest impact and results were achieved when the WBG entities (IBRD, IFC, MIGA, and WBI) coordinated on common objectives and each unit emphasized its complementary strengths.
- **Augment the Bank's role as knowledge broker and provider.** Impacts have been greatest when WBG financed operations were grounded on solid, high quality, and client-owned AAA, and involved intensive engagement with local counterparts. Going forward, the WBG should continue to maximize the impact of AAA findings by strengthening dissemination.
- **Continue WBG support for South-South exchanges but define goals and roles of the respective partners more clearly.** (WBG, the Government of China, Chinese institutions (Eximbank, CDB, IPRCC) and third country partners and stakeholders).
- **Emphasize innovation through replicable pilots.** China is at the forefront of many emerging issues (e.g., rapid urbanization) that will offer lessons for other MICs. Future WBG-supported programs should continue to be innovative, cutting-edge, bold experimental initiatives.
- **Calibrate WBG engagement in the social sectors to support China in addressing emerging issues.** These not only involve social equity, but are critical to achieving a more productive economy and a sustainable growth strategy.
- **Continue to reduce the transaction costs of operational engagements.** The WBG has intensified training for counterparts, and enhanced its field presence in safeguards, procurement and financial management. Several recent additional financing operations are proving an effective vehicle to reduce transaction costs.
- **Integrating different financing sources can increase the magnitude and speed of the shift to a sustainable energy path.** Good examples of the value of integrated financing include the CRESP program and Energy Conservation I & II which fully blended IBRD and GEF resources. Under the programs grants from GEF and other donors are used to set up an enabling environment, introduce international experience, provide technical assistance, and build capacity, while IBRD funds are used to demonstrate innovative energy efficiency and renewable energy investments.

CPS Completion Report Attachment 1: Summary of China CPS (2006-2011) Programs Self Evaluation [04/16/2012]

CPS Outcome	CPS Outputs	Status and Output Evaluation Summary	Major Lending and Non-lending Activities that Contributed to the Outcome ²⁰	Key Lessons and Suggestions for the New CPS
Pillar 1: Integrating China into the World Economy				
Outcome 1.1: Enhanced Chinese engagement in global and regional economic institutions	<ul style="list-style-type: none"> Strengthened partner-agency research and analytical capacity supporting China's participation in global and regional economic institutions, incl. WTO 	<p>Achieved.</p> <ul style="list-style-type: none"> The Bank provided support to China on regional initiatives including the Greater Mekong Sub-region, the Central Asia Regional Economic Cooperation (CAREC) program, and management of the avian flu threat. The Bank worked closely with Chinese research partners to gain from their local knowledge and to build their analytical capacity. The Bank's engagement with the Development Research Center of the State Council to co-produce the <i>China 2030</i> report was especially significant. WBI has helped build the capacity of key Chinese South-South cooperation institutions, most notably the International Poverty Reduction Center in China (IPRCC) and the Asia Pacific Finance and Development Center (AFDC). 	<p>Non-lending: China's Development Priorities (FY07); Competition Provisions in Regional Trade Agreements: Lessons for China (FY09); Economic Quarterly (various issues); China 2030 Study, Supporting Volume 5: Reaching "Win-Win" Solutions with the Rest of the World (FY12); China Partnership with Africa (cont.); WBI Programs; Support to IPRCC and AFDC</p>	<ul style="list-style-type: none"> Country consultations indicate that the Bank's cross-country knowledge and innovation capacities are highly valued by Chinese counterparts and clients at the central and provincial levels. Such demand-driven engagements should continue. The WBG plays a valuable role as an engagement facilitator, and in presenting China's development story in publications and reports.
Outcome 1.2: China meets WTO commitments and participates fully in Doha Round	<ul style="list-style-type: none"> Continued analysis of implications of Doha and other trade negotiations on economy, including services, agricultural subsidies 	<p>Achieved.</p> <ul style="list-style-type: none"> The Bank has supported Chinese policy makers and scholars through roundtables, policy notes, and studies on the Doha Round, Free Trade Agreements (FTAs), the services sector, and the impact of liberalization on income distribution and poverty. China and Vietnam have engaged on post-WTO accession issues and challenges. 	<p>Non-lending: Trade and Poverty Program (FY08); WBI Programs</p>	<ul style="list-style-type: none"> WBG knowledge and capacity-building services have been valuable in supporting the government on trade policy.

²⁰ For the list of lending and non-lending activities under the CPS program, see Attachments 2 and 3, respectively. For projects, years in parentheses refer to FY of approval, and if closed, also FY of completion. For AAA, the year in parentheses refers to the FY of completion. Implementation Completion and Results (ICR) and Independent Evaluation Group (IEG) ratings are provided where available. HS: Highly Satisfactory; S: Satisfactory; MS: Moderately Satisfactory; MU: Moderately Unsatisfactory. The most recent Implementation Status and Results (ISR) ratings of Development Outcome (DO) and Implementation Progress (IP) for ongoing projects in the portfolio are provided in CAS Standard Annex B8, which also lists IFC operations in China.

<p>Outcome 1.3: China implements free trade agreement with ASEAN countries</p>	<p>See Output 1.2</p>	<p>Achieved.</p> <ul style="list-style-type: none"> • WBG delivered knowledge services and capacity building support (Bank AAA on trade impact analysis; training on trade-in-services; development of WTO-compliant policies) in support of the outcome. • IFC supported the China ASEAN Infrastructure Fund (CAFIC), a fund that is expected to deliver strong developmental impact as its investment in key infrastructure sectors will (i) accelerate economic growth especially in the countries and regions where infrastructure development has been further slowed down due to the recent crisis, (ii) reduce inequality caused by inadequate infrastructure access and (iii) influence growth patterns to be more pro-poor. • China has signed 10 FTAs with 18 economies and more are under negotiation. 	<p>Lending: IFC: China ASEAN Infrastructure Fund (CAFIC) (FY11)</p> <p>Non-lending: Trade and Poverty Program (FY08); Regional Trade Agreements (FY09); Competition Provisions in Regional Trade Agreements: Lessons for China (FY09); Environment Provisions in Regional Trade Agreements: Lessons for China (FY09); Labor Mobility Provisions in Regional Trade Agreements: Lessons for China (FY09)</p>	
<p>Outcome 1.4: Higher volume and better quality of overseas investment</p>	<ul style="list-style-type: none"> • TA to help GoC understand and consider subscribing to OECD principles for overseas investment. 	<p>Achieved.</p> <ul style="list-style-type: none"> • WBG support has enhanced monitoring of debt and capital flows under the State Administration of Foreign Exchange (SAFE) Initiative. • IFC has provided financial and advisory support for China's outward investments. • MIGA and FIAS programs augmented Chinese investment, built capacity, and facilitated knowledge sharing. • China EXIM (Export Import Bank of China) and China Africa Development Fund (CADF) have received advisory support on construction, extractive industries, forest products, and infrastructure. • IFC supported Chinese companies in financing overseas investments. • IFC advised CBRC and Ministry of Environment Protection to develop detailed guidelines for the Green Credit Policy and to regulate outbound investment. 	<p>Lending: IFC: China ASEAN Infrastructure Fund (CAFIC) (FY11), Vodafone-Ghana (FY10), Commercial Building project—Tanzania (FY10)</p> <p>Non-lending: MIGA/FIAS Conference on Survey of Chinese Companies Investing Overseas; MOU between MIGA and SinoSure; Study on CSR attitudes and behavior of Chinese firms investing in Africa</p> <p>IFC: CPDF Corporate Governance Advisory (FY02-08); E&S Standards Advisory (FY11)</p>	<ul style="list-style-type: none"> • An integrated WBG (Bank, IFC, MIGA) approach has been key to effective support.
<p>Outcome 1.5: Higher and</p>	<ul style="list-style-type: none"> • Better correspondence 	<p>Achieved.</p> <ul style="list-style-type: none"> • China became a contributor to IDA. 	<p>Non-lending: Support to IPRCC, AFDC; WBI</p>	

<p>better quality China economic assistance</p>	<p>between China's economic assistance and other ODA providers</p> <ul style="list-style-type: none"> • Exim Bank co-finances with IBRD • GoC contributes to multilateral development agencies 	<ul style="list-style-type: none"> • The WBG has enhanced the dialogue on aid effectiveness through the China-DAC (Development Assistance Committee) Study Group and has initiated cooperation with China EXIM. 	<p>Programs; Joint workshop held with MOFCOM on international cooperation (2011)</p>	
<p>Pillar 2: Reducing Poverty, Inequality, and Social Exclusion</p>				
<p>Outcome 2.1: Greater community participation in poverty reduction programs</p>	<ul style="list-style-type: none"> • Community-level programming and implementation capacity-building piloted in selected villages 	<p>Achieved:</p> <ul style="list-style-type: none"> • Participatory approach and CDD models have been advanced through Bank-financed activities, including the Poor Rural Communities Development Project which developed and extended the participatory approach in 18 nationally designated poor counties. The Sustainable Development in Poor Rural Areas project continues to advance CDD approaches. • Bank TA delivered to improve efficiency and sustainability of water use associations, including increasing community participation in the formation of WUAs to ensure pro-poor focus and the inclusion of the poor, women and disadvantaged groups. 	<p>Lending: Guangxi Urban Environment (FY99-FY07, ICR=S; IEG=S); Poor Rural Communities Development (FY05-FY11, ICR=S); Sustainable Development in Poor Rural Areas (FY10)</p> <p>Non-lending: Pro-Poor Rural Water Reform Project Technical Assistance (FY04-FY09, ICR=HS); Poverty Assessment (FY09); From Poor Areas to Poor People: China's Evolving Poverty Reduction Agenda (FY09); Social Assistance in Rural China: Tracking Poverty Through Rural Dibao (FY10); CDD Conference (FY09)</p>	<ul style="list-style-type: none"> • Direct involvement of senior government staff in CDD programs has provided the essential element of ownership. • Limited ability for local governments and the communities to finance poverty-reduction projects makes downward flow of funds on a grant basis from the higher levels of government important. • Effective and early capacity building for project management is of major importance in CDD projects.
<p>Outcome 2.2: Strengthened social insurance programs (pension systems, urban and rural health insurance); reformed and expanded safety nets program (dibao)</p>	<ul style="list-style-type: none"> • Options articulated for national rural pension policy • Options clarified for expanding rural health insurance (NCMS) and Medical Assistance, with fairer NCMS financing • Options identified for national rural safety net policy framework 	<p>Achieved. China has exceeded CPS expectations.</p> <ul style="list-style-type: none"> • Bank work on social security programs at both national and sub-national levels (e.g., pensions, health insurance) has identified needs, provided valuable policy inputs, and highlighted issues with earlier pilots. This work has supported the government in initiating the national rural pension scheme and urban residents' pension scheme, the Social Insurance Law, incrementally reforming the urban pension system, and rolling out a national rural dibao program. • New Cooperative Medical Schemes (NCMS) and Medical Assistance (MA) scaled up with national coverage of NCMS at 95 percent. These national programs benefitted from pilots 	<p>Lending: Basic Health 8 (FY98-FY07; ICR=S; IEG=S); Rural Health (FY08)</p> <p>Non-lending: Health Reform in China at a Crossroads (FY07); Health Reform in Rural China: Where Next? (FY08); Reforming China's Rural Health System (FY08); China Health Policy Notes AAA (FY10); Reducing Inequality for Shared Growth in Guangdong Province (FY09); The Well-Being of China's Rural Elderly and Old Age Support (FY10); ; Health Policy Notes (FY10); Rural Health Reform (FY10); Social</p>	<ul style="list-style-type: none"> • Moving towards a graduated health insurance system will be key to increasing the equity of health service provision going forward. Piloting ways to strengthen protection for the "near-poor" – those not eligible for assistance under the Medical Assistance budget but struggling on very low incomes and often higher levels of medical need –

		under Bank-supported Basic Health VIII project. Innovative pilots under the Rural Health project are focused on integrating the MA and the NCMS.	Assistance in Rural China: Addressing Poverty Through Rural Dibao (FY10); Non-Communicable Diseases (FY12); SP and Labor Market Programmatic AAA (FY11-12); China 2030 Study, Supporting Volume 4: Equality of Opportunity and Security for All (FY12); also see Outcome 2.1.	would help address remaining equity challenges. <ul style="list-style-type: none"> Focusing increasingly on integration of social security and assistance systems across rural and urban areas and promoting portability of entitlements across regions.
Outcome 2.3: Education financing supports more equitable access and higher educational attainment	<ul style="list-style-type: none"> Financing plan options prepared for free compulsory 9-year education Options identified for higher education financial aid 	<p>Achieved.</p> <ul style="list-style-type: none"> Bank AAA contributed to the emphasis on issues such as equity of access in the 12th Five Year Plan. Support to developing technical and vocational education and training (TVET) programs. The Ministry of Education (MOE) has vastly expanded student loans and grants for higher education and provides a stipend of RMB1,500 to eligible general secondary students and all Technical and Vocational Education and Training (TVET) students. IFC activities expanded knowledge on how to increase access through vocational education, and to engage the private sector in its provision 11th FYP saw scaling up to national level of the government's "Two Exemptions (of miscellaneous fees and textbook frees) and One Subsidy (living subsidies for boarding students)" pilot program. Due to the household registration system, migrant children in urban areas still face formidable barriers due to their rural resident status and many still attend fee-charging, private schools. 	<p>Lending:</p> <p>Higher Education Reform (FY99 to FY06; ICR=S; IEG=S); Basic Education in Western Areas (FY04-FY10; ICR=S; IEG=MS); Technical and Vocational Education & Training (FY09)</p> <p>Non-lending:</p> <p>Compulsory Education Finance Reform Policy Notes (FY09); Education Sector Review (FY09); Compulsory Education for Migrant Children in Guangdong (FY10); Policy Notes on Higher Education (FY10); Rural Compulsory Education Reform (FY10); Early Childhood Development (FY11); TVET chapters of Chongqing and Guangdong regional economic reports (FY10); China 2030 Study, Supporting Volume 4: Equality of Opportunity and Security for All (FY12)</p> <p>IFC: Management Development Program (FY05); Market survey of the private higher education sector (FY07); Nursing Training (FY07); Development of VET program-role of private sector (FY06)</p>	<ul style="list-style-type: none"> Access to education for children of migrants in urban areas, as well as children of migrants left behind in rural areas, is a key issue. Demand-driven models of skills development are important to China's efforts for industrial upgrading. Strengthening education services for ethnic minorities and improving school infrastructure should be a focus of engagement in Western areas. Enhancing the focus on pre-primary education and early child development.
Outcome 2.4: Health care	<ul style="list-style-type: none"> Options identified for care-based payment 	<p>Achieved.</p> <ul style="list-style-type: none"> Bank provided policy guidance for the Human 	<p>Lending:</p> <p>Basic Health 8 (FY98-FY07; ICR=S;</p>	<ul style="list-style-type: none"> Where appropriate, coordinated healthcare

<p>financing structure encourages increased and more appropriate use of health service, especially among rural poor</p>	<p>system</p> <ul style="list-style-type: none"> • Options clarified for shifting from supply to demand subsidies • Options identified for financing and organizational reform of public health 	<p>Development System reform strategy for national and sub-national governments, including the health system reform master plan.</p> <ul style="list-style-type: none"> • Basic Health and Rural Health pilots, Bank AAA and policy recommendations, and impact evaluation capacity building, have supported progress in this outcome. • IFC-supported healthcare projects provide access and affordability to multi-specialty medical centers and clinics in multiple locations, including frontier regions, as well as affordable and quality medical products. • New Cooperative Medical Schemes (NCMS) and Medical Assistance Fund (MAF) scaled up with national coverage of NCMS at 95 percent. These national programs benefitted from pilots under Bank-supported Basic Health VIII project. Innovative pilots under the Rural Health project are focused on integrating the MAF and the NCMS. 	<p>IEG=S); Rural Health (FY08); Tuberculosis Control (FY02-FY10); ICR=S; IEG=S)</p> <p>Non-lending: Health Reform in China at a Crossroads (FY07); Health Reform in Rural China: Where Next? (FY08); Reforming China's Rural Health System (FY08); Health Policy Notes (FY10); Rural Pension & Social Protection (FY10); Rural Health Reform (FY10); Social Assistance in Rural China Tracking Poverty Through Rural Dibao (FY10); China 2030 Study, Supporting Volume 4: Equality of Opportunity and Security for All (FY12)</p> <p>IFC: Beijing United Family Hospital-UFH-1 (FY06); Aier Eye Hospital (FY07); Fosun Pharma (FY07); Weigo (FY07); Chindex UFH-2 (FY08); Healthway (FY10); Q&M Dental (FY11)</p>	<p>pilots integrating primary, secondary and tertiary health services should be considered - such approaches could be effective in the management of NCDs and other relevant conditions.</p> <ul style="list-style-type: none"> • Challenges to increasing the equity of rural health service provision include: (i) shifting the focus towards improving the health care quality of health and finding innovative ways of broadening access; (ii) moving away from a one-size-fits-all approach to benefits under NCMS • The WBG could play a role in presenting global experience as China faces the challenge of providing health services for an aging population and the children of migrant workers. • Enhancing focus on rural-urban integration of HI.
<p>Outcome 2.5: Improved agricultural productivity and incomes in project areas, with scale-up potential</p>	<ul style="list-style-type: none"> • Better crop, animal varieties introduced • New farmers cooperatives law drafted • Public-private partnership approaches to agricultural technology piloted 	<p>Achieved.</p> <ul style="list-style-type: none"> • Bank support has focused on livestock development and crop improvements, ecological management of agricultural and livestock production, supply chain development, agro-processing, rural infrastructure, food safety, farmers' organizations, and a growing emphasis on water productivity for agriculture. • IFC-supported investments improved livelihoods for 120,000 rural people in the rural provinces of Sichuan and Yunnan. • IFC supported agribusiness projects reached 	<p>Lending: Anning Valley Agricultural Development (FY99-FY07; ICR=S; IEG=S); Smallholder Cattle Development (FY00-FY06; ICR=S; IEG=S); Guangzhong Irrigation (FY00-FY06; ICR=HS; IEG=S); Water Conservation (FY01-FY06; ICR=HS; IEG=HS); Gansu and Xinjiang Pastoral Development Project (FY04-FY10); Jiangxi Integrated Agricultural Modernization (FY04 to FY10); Agricultural Technology Transfer</p>	<ul style="list-style-type: none"> • Piloting new ways to manage PPPs to encourage agricultural innovations, introducing competitive processes to funding innovative ideas, and having public services delivered by the private sector are important areas for follow-up activities. • Innovations encouraging the adoption of improved

		<p>1.45 million farmers in 2010.</p> <ul style="list-style-type: none"> • IFC AS assisted farming households in three nature reserves develop sustainable income generating activities as an alternative to logging and poaching. • Public-Private Partnerships (PPPs) for agricultural technology are being piloted. • There are still weaknesses in agricultural research, extension, and training of farmers. 	<p>(FY05); Changjiang and Pearl River Watershed Rehabilitation (FY06); Heilongjiang Dairy (FY06); Irrigated Agriculture Intensification Loan III (FY06)</p> <p>IFC: Muyuan Pig (FY11); Deqingyuan Egg (FY06); North Andre Juice (FY05), Century Sunshine (FY07), Xiwang Sugar (FY10); Koyo Fertilizer (FY09/11); Jiuda Salt (FY08)</p> <p>Non-lending: China's Compliance with Food Safety Requirements for Fruits and Vegetables (FY06); Farmer's Professional Associations (FY07); Addressing China's Water Scarcity: Recommendations for Selected Water Resource Management Issues (FY09); Food Safety in China (FY09); Chongqing Urban-Rural Linkages Study (FY09); Adapting Agriculture Production Systems to Climate Change (FY10);</p> <p>IFC: Minshan Reserve (FY05) Linkages for Sichuan and Yunnan Milk Farmers (FY06), North Andre Traceability and Farm Management (FY07); Changyu Grape Diseases Management Systems (FY08), Kiwi Sector Linkages (FY09)</p>	<p>technology in agriculture, as well as concern for environmental impacts, provide a good basis for future agricultural and irrigation system development.</p>
<p>Outcome 2.6: Reduced transport, utilities, and communications costs, improved access to relevant information for the poor in selected areas</p>	<ul style="list-style-type: none"> • Projects piloted in rural and small-town transportation and communications infrastructure, modeling new approaches 	<p>Achieved.</p> <ul style="list-style-type: none"> • WBG has supported rural road improvements, providing better access to main road networks, reducing travel time and increasing mobility. Better road networks have also relieved traffic pressure. • WBG has supported expansion of railway capacity, which has resulted in eliminating major bottlenecks and improved access to the markets of eastern China for the poorest provinces. • Bank projects supported institutional 	<p>Lending: Inland Waterway II-V (FY98-FY11); Wuhan Urban Transport I (FY04-FY10; ICR=S; IEG=MS) & II (FY10); National Railway Project (FY02-FY08; ICR=S; IEG=S); Hubei Shiman Highway (FY04-FY10; ICR=S; IEG=S); Third Jiangxi Highway (FY06-FY11; ICR=S) Fujian Highway Sector and AF (FY07 & FY11); Shaanxi Ankang Road Development (FY07); Anhui Highway Rehabilitation</p>	<ul style="list-style-type: none"> • Implementation of rural roads components requires close cooperation between provincial and local government authorities. • Ongoing work on rural information and communications focuses on ICT policy and regulations, as well as issues related to the

		<p>strengthening to help improve the management of transportation systems.</p> <ul style="list-style-type: none"> Projects were piloted in rural and small-town transportation and communications infrastructure, modeling new approaches. Bank-supported inland waterway projects lowered transport costs. 	<p>(FY08); Guiyang Transport (FY08); ShiZheng Railway (FY08); National Railway 3 (FY08); Ningxia Highway (FY11)</p> <p>Non-Lending: China's Information Revolution: Managing the Economic & Social Transformation (FY07); Sustainable Development of Inland Waterway Transport in China (FY09); Tracks from the Past, Transport for the Future: China's Railway Industry 1990-2008 (FY09); Urban Rail Development in China (FY09)</p>	<p>digital divide. This work should underpin any future lending operations.</p> <ul style="list-style-type: none"> Experience with highway projects show that they can generate important social benefits during implementation through well-designed and implemented social policies. The benefits of technical assistance can be enhanced through the conduct of seminars.
<p>Outcome 2.7: More equitable access to social services in urban areas</p>	<ul style="list-style-type: none"> Options identified for reforming urban social policies to reduce discrimination against migrants and improve access to information and services 	<p>Partially achieved.</p> <ul style="list-style-type: none"> WBG engagement on migrant worker skill development and employment, urban transport, and the housing market has contributed to the outcome. AAA at the provincial level has helped to integrate and prioritize government interventions to address inequality through equalization of basic public services. A series of Supreme Court (SC) and ministerial documents were issued to address the issues. The Labor Contract Law was enacted in January 2008 which provides a stronger legal framework for the protection of workers' rights, including those of migrants. Increased sub-national experimentation in integration of social security programs across rural and urban areas has special benefits for migrants. Experiments are underway with hukou reforms with the objective of leveling the playing field with respect to access to services for migrant workers. 	<p>Lending: Liaoning Medium Cities Infrastructure 2 (FY07); Rural Migrant Skills and Employment Development (FY08)</p> <p>Non-lending: China Urbanizes: Consequences, Strategies, and Policies (FY08); Chongqing-Guangdong Rural Urban Integration (FY09); From Poor Areas to Poor People: China's Evolving Poverty Reduction Agenda (FY09); Urban Expansion, Land Conservation & Affordable Housing (FY09); Reducing Inequality for Shared Growth in Guangdong Province (FY09); Compulsory Education for Migrant Children in Guangdong (FY10); Rural to Urban Migration Social Policies (FY10); ESMAP Urban Accessibility Planning Wuhan Case Study (FY12); SP and Labor Market Programmatic AAA (FY12).</p>	<ul style="list-style-type: none"> The unprecedented scale and pace of rural-urban migration poses opportunities and challenges, and the Bank can continue to play a role in supporting policies and innovative projects and pilots. Stronger emphasis on evaluating sub-national pilots in areas such as hukou reform would be desirable.
<p>Outcome 2.8: Better employment opportunities for migrants,</p>	<ul style="list-style-type: none"> Labor-market led skills training programs successfully piloted and scaled-up 	<p>Partially achieved.</p> <ul style="list-style-type: none"> Projects have supported capacity building for employment services for migrant workers, worker protection activities, and pilots of school-based reforms and innovations to 	<p>Lending: Rural Migrant Skills and Employment Development (FY08); Technical and Vocational Education & Training (FY09); Chongqing Urban-Rural</p>	<ul style="list-style-type: none"> Greater focus on technical assistance and capacity building to improve the quality of skills training programs is needed going

<p>and protection of their rights in selected areas</p>		<p>improve TVET quality and relevance. However, in some projects there has been a more limited engagement in technical activities to improve program quality or introduce new thinking and best practice.</p> <ul style="list-style-type: none"> • Increased attention to market demand with higher levels of employer-ordered training in some TVET programs • Systematic and rigorous review of impact is still lacking. While there is increasing awareness of migrant rights, the longer run approach will also require deepening reforms of the hukou system, and promotion of more integrated rural-urban social programs. 	<p>Integration (FY10); Liaoning and Shandong TVET (FY10)</p> <p>Non-lending: China Urbanizes: Consequences, Strategies, and Policies (FY08); China's Modernizing Labor Market (FY08); Chongqing-Guangdong Rural Urban Integration (FY09); Reducing Inequality for Shared Growth in Guangdong Province (FY09)</p>	<p>forward.</p> <ul style="list-style-type: none"> • The basis for the next CPS program should be formed from Bank-supported analytic work on migrant workers with overviews of trends and issues in social policies towards migrant workers, access to urban social security, education for migrant children, and the experience of hukou reform.
<p>Outcome 2.9: Strengthened urban planning and management in selected jurisdictions</p>	<ul style="list-style-type: none"> • Integrated development strategy/plan prepared for selected jurisdiction(s) 	<p>Partially achieved.</p> <ul style="list-style-type: none"> • Bank projects have helped to advance integrated urban/municipal planning approaches (Wuhan Urban Transport, Xian Urban Development, Cultural Heritage projects). • The Government has initiated pilot programs aggressively promoting integrated urban and rural development covering regional planning, infrastructure, transport, labor market and social protection, and social services including health, education and housing. • China is trying to build the capacity of infrastructure service providers in small towns to support rapid urbanization. 	<p>Lending: Fuzhou Nantai Island Peri-Urban Development (FY06); Liaoning Medium Cities I & II (FY06, FY07); Sichuan Urban Development (FY07); Xian Sustainable Urban Transport (FY08); Chongqing Urban-Rural Integrated Development (FY10); Wuhan Urban Transport I (FY01-FY10; ICR=S; IEG=MS); Anhui Medium Cities Urban Transport (FY10); Kunming Urban Rail Project (FY11); Cultural Heritage Projects (see Outcome 3.9)</p> <p>Non-lending: Building Institutions for Sustainable Urban Transport (FY06); China Urbanizes: Consequences, Strategies, and Policies (FY08); Improving the Market Borrowing Practices of Urban Development Investment Corporations (FY09); Urban Expansion, Land Conservation & Affordable Housing (FY09); Urban Rail Development in China (FY09); Urban Rail Development in China: Prospects, Issues and Options (FY10); WBI programs (partnership with China Urban Planning Society)</p>	<ul style="list-style-type: none"> • Lessons for engagement under the next CPS can be drawn from WBG-supported analytic work on household urban services, firm competitiveness surveys, and metropolitan management, as well as lending operation experience, including multi-sectoral programs to support pilot projects, municipal and metro projects, skills development, and urban transport. • Western provinces with weaker planning capacities will require particular attention going forward, including projects focused on multi-sector infrastructure interventions.

Pillar 3: Managing Resource Scarcity and Environmental Challenges				
<p>Outcome 3.1: Opportunities identified for metropolitan areas to benefit from planning, financing, managing investments on metro/regional scale</p>	<ul style="list-style-type: none"> • Examples piloted of integrated metropolitan area planning, financing, or managing through transaction or new institutional arrangements 	<p>Partially achieved.</p> <ul style="list-style-type: none"> • Under the Shanghai Urban Environment APL, the Bank has supported enhanced metro-area financial architecture through the District Financing Vehicle, a new infrastructure finance option introduced for suburban areas. • Changsha-Zhuzhou-Xiangtan triangle in Hunan Province is a main pilot for regional scale planning and investment approach. • Shared environmental infrastructure facilities designed, constructed and operated jointly by neighboring municipal districts are being piloted in the Pearl River Delta. • China has been relatively slow to formally implement metropolitan-based management systems. 	<p>Lending: Guangdong Pearl River Delta Urban Environment (FY04-FY10); Hunan Urban Development Project (FY05); Shanghai Urban Environment APL II (FY06) & III (FY09); Chongqing Urban-Rural Integration (FY10)</p> <p>Non-lending: Also see Outcome 2.9; Chongqing Urban-Rural Linkages Study (FY09); Chongqing-Guangdong Rural Urban Integration (FY09)</p>	<ul style="list-style-type: none"> • Continued support is needed to strengthen Urban Development Investment Corporations (UDIC) for better management and financing options. • WBG support to help small towns through global experience sharing is valued and should continue.
<p>Outcome 3.2: More efficient energy supply systems demonstrated</p>	<ul style="list-style-type: none"> • Clean energy and renewable energy technologies piloted and scaled-up • More efficient ways of supplying and using coal demonstrated 	<p>Achieved.</p> <ul style="list-style-type: none"> • Studies and TA strongly influenced policy development, RE laws and regulations. Among others, WBG supported domestic wind manufacturing (as well as biomass industry) and some of the first large scale on-grid wind power projects. Also helped introduce the market framework for PV sector commercialization. • IFC's CHUEE program facilitated \$1.4 billion investment for over 160 EE and RE projects resulting in 17.8 million tons²¹ of GHG emissions avoided annually in steel, cement, glass, and other key sectors. To date 14.4 mil MWH/year avoided. • IFC financed renewable energy development and the whole supply chain. • Demo projects supported by carbon financing have advanced cleaner energy supply options, including CCGT power plants and gas recovery and power generation systems. • Projects supported household solar systems to 	<p>Lending: Energy Conservation I (FY98-FY06; ICR=S; IEG=S) ; Renewable Energy Development (FY99-FY07; ICR=S; IEG=S); Renewable Energy Scale Up (FY05-FY11); Nanjing Steel Converter Gas Recovery Project (FY06); Guangdong Huizhou CCGT CDM project (FY08); GEF Thermal Power Efficiency (FY09); Shandong Energy Efficiency (FY11)</p> <p>IFC: Zhongda Hydro (FY06, 09, 10 & 11); Beijing Shenwu (FY11); CHUEE 1 BOB (FY07); Xinao CTC FY07 & 09); China Glass II (FY08); China Wind Power (FY10 & 11) EEC China CBM (FY08); Asia Environment Partners (FY08), Amkonzen Asia Water Fund (FY10); New Elements (FY11); Goldwind (FY10); Suntech Solar (FY09); China Environment Fund</p>	<ul style="list-style-type: none"> • This area will continue to be a key focus for China during the next CPS period. • Continued WBG support on renewables should focus on reduction of incremental costs, efficiency improvements, and smooth grid integration.

²¹ 17.3 million tons of GHG emissions achieved directly through the guarantee program and an additional 41 million tons avoided indirectly through partner financial institutions.

		<p>increase electricity access to poor areas of western China.</p> <ul style="list-style-type: none"> • Lending and AAA supported coal bed methane (CBM) and coal mine methane (CMM) as substitutes to coal. • IFC supported projects contributed to renewable energy (wind and hydro) supply and use of energy efficient technology for commercial and household applications. 	<p>(FY09&11)</p> <p>Non-lending: Sustainable Energy in China (FY07); Financing Energy Efficiency: Lessons from Brazil, China, India, and Beyond (FY08); Coal Bed Methane (CBM) and Coal Mine Methane (CMM) Development and Utilization (FY08); Strengthening Energy Efficiency (FY08); Economically, Socially, and Environmentally Sustainable Coal Mining Sector in China (FY09); Energy Intensity Strategy (FY10);</p> <p>IFC: FEEC China CBM; China Wind Advisory (06); China Utility Based EE Program (FY07-11); Yunnan Whitewater Hydro Power Study (FY06, FY07); CHUEE SME (FY11)</p>	
<p>Outcome 3.3: More efficient water supply systems piloted; water productivity increased in selected jurisdictions</p>	<ul style="list-style-type: none"> • Water savings concept piloted and scaled-up • Bulk water markets piloted • Model urban water supply and wastewater treatment facilities built 	<p>Partially Achieved</p> <ul style="list-style-type: none"> • China is continuously increasing its wastewater treatment capacity for urban areas, with Bank support in numerous projects. Recently, the focus has shifted to secondary cities and towns. • Projects have helped raise productivity of water use in low and medium yield farmland and introduced climate-change sensitive farming techniques to improve resilience to potential water supply impacts. GEF-supported project components have helped enhance adaptation to climate change in irrigation water management practices through awareness-raising, institutional and capacity strengthening, and demonstration activities. Climate Change adaptation recs have been integrated into agricultural policy. • IFC supported investment projects provided 3.7 million customers with access to clean and reliable water; 198 cubic meter of water has been treated in water treatment plants. • Activities have been scaled up by domestic programs under the ongoing National Irrigated Agricultural Water Savings Program. 	<p>Lending: Liao River Basin (FY01-FY09; ICR=S; IEG=S); Water Conservation (FY01-FY06; ICR=HS; IEG=HS); Guangdong Pearl River Delta I & II (FY04, FY07); Irrigated Agriculture Intensification Loan III (FY06-FY11); Shanghai Urban Environment APL II (FY06) & III (FY09); Western Provinces Rural Water Supply (FY07); Bengbu Integrated Environment Improvement Project (FY08); Shandong Environmental 2 (FY08); Han River Urban Environment Improvement Project (FY08); Xining Flood and Watershed Management (FY09).</p> <p>IFC: Asia Environment Hldgs (FY08), Beijing Sound (FY07); Epure BOT (FY10 & 11) ; Amkonzen Asia Water Fund (AWF) (FY10)</p> <p>Non-lending: MIGA Support (including Zhenjiang</p>	<ul style="list-style-type: none"> • Models for water services focusing on how to bring concessional finance to small towns to improve their financing are being developed.

		<ul style="list-style-type: none"> • Additional time is needed to pilot bulk water markets. • Strengthening of water rights is underway in preparation for market development. 	<p>Golden State Water Company, Deqing Darco Water Company, and Chongqing Water Company Guarantees); Pro-Poor Rural Water Reform Project Technical Assistance (FY04-FY09; ICR=HS); Water Quality Management (FY07); North China Water Quality Management Study (FY07); Addressing Water Scarcity (FY09); Water Supply Pricing in China (FY09); Water Pricing & Water User Associations Sustainability (FY12);</p> <p>IFC: Water program (FY11)</p>	
<p>Outcome 3.4: Viable policies and technologies identified to help reduce water and energy consumption per unit of GDP</p>	<ul style="list-style-type: none"> • Roadmap identified for liberalizing water and energy markets, so prices reflect total marginal cost • Appropriate resource-use standards articulated, with TA for improved enforcement • Approaches identified to reducing water use in agriculture • Transport, urbanization options identified to reduce transport-generated pollution, fuel use. 	<p>Achieved.</p> <ul style="list-style-type: none"> • EE lending program is one of the largest in the World Bank, with programs in direct investments, support to energy management companies, and financing mechanisms for energy efficiency investments. Bank-supported projects have played a key role in the successful development of the nascent Energy Management Company industry in China. • The World Bank has supported Chinese cities in developing eco-friendly transport systems and low-carbon growth strategies, and has helped local governments build knowledge on developing sustainable urban transport. • District heating investment programs focus on substantial EE improvements and air quality co-benefits. • Projects demonstrated sustainable participatory rural water resources management and agro-ecological environmental management, increasing the efficiency of on-farm irrigation systems and boosting water and agricultural productivity. County Groundwater Management Plans and water use associations have also been supported. • AAA on water resource management and adapting agricultural production to climate change (combined with experience gained from GEF pilot programs) are shaping upcoming lending projects. 	<p>Lending:</p> <p>Second Beijing Environment (FY00-FY09; ICR=S); Huai River Pollution Control (FY02-FY08; ICR=S; IEG=S); National Railway (FY02-FY08; ICR=S; IEG=S); Energy Conservation II (FY03-FY10; ICR=S); The Wuhan Urban Transport Project (FY04-FY10); GEF Heat Reform and Building Energy Efficiency (FY05-FY12); Liaoning Medium Cities Infrastructure Project (FY06); Mainstreaming Climate Change Adaptation in Irrigated Agriculture Project and Irrigated Agriculture Intensification Loan III (FY06-FY11); China-GEF-World Bank Urban Transport Partnership Program (FY08); Energy Efficiency Financing I (FY08); Xi'an Sustainable Urban Transport Project and GEF (FY08)</p> <p>[IFC: See IFC Lending in Outcome 3.2];</p> <p>Non-lending:</p> <p>See also Outcomes 3.2 and 3.3; Building Institutions for Sustainable Urban Transport (FY06); Addressing China's Water Scarcity: Recommendations for Selected Water</p>	<ul style="list-style-type: none"> • Bank support is shifting the focus from energy intensive, high impact road projects to lower energy usage systems, including public transport, railways, and inland waterways. • Complementary IBRD-IFC activities provide strong support for energy efficiency. • Work building on IFC's CHUEE program should: emphasize areas with high potential additionality (small enterprises); focus more on activities with greater emission reduction potential (energy efficiency for buildings); reorient subsidies to areas of market failure.

		<ul style="list-style-type: none"> The Government has piloted a program for water trading in Gansu. 	<p>Resource Management Issues (FY09); Sustainable Development of Inland Waterway Transport in China (FY09); Tracks from the Past, Transport for the Future: China's Railway Industry 1990-2008 and its Future Plans (FY09); Policy Notes for Railway Sector (FY09); Accelerating Energy Conservation in China's Provinces (FY10); Energy Intensity Strategy (FY10); Social Analysis of Heat Reforms in Liaoning Province (FY10); Adapting Agriculture Production Systems to Climate Change (FY10)</p> <p>[IFC: See IFC non-Lending in Outcome 3.2]</p>	
<p>Outcome 3.5: Environmental concerns mainstreamed into development plans and activities, resource management systems</p>	<ul style="list-style-type: none"> Strategic environmental assessments piloted for selected sectors and regions Improved approaches to land, forest, groundwater, water basin, and river management piloted in selected projects 	<p>Achieved.</p> <ul style="list-style-type: none"> The Bank supported the development of pilot Strategic Environmental Assessments (SEA) and also training programs in the Ministry of Environment Protection to help promote the application of SEA in development plans and programs as required by the China EIA Law but no systematic improvement of SEA capacity at the local level yet. Hai Basin project was highly successfully in advancing integrated water and environment management approaches. Forestry projects demonstrated new approaches to natural forest resource management, emphasizing local community participation, providing models for wider replication. China's Industrial Bank adopted the Equator Principles (EP) in 2008; China EXIM Bank is using a PS-based internal environmental and social risks review process. The Circular Economy Promotion law, drafted through a Bank AAA support, was passed by the Congress in 2008 and became effective in 2009. However, further improvement in the existing legal and legislative system including amending existing laws and regulations and introducing new regulations and administrative 	<p>Lending:</p> <p>Liao River Basin (FY01-FY09; ICR=S; IEG=S); Sustainable Forestry Development (FY03-FY10; ICR=S); Hai Basin Integrated Water and Environment Management (FY04-FY11); Shanghai Urban Environment APL II (FY06-FY12), III (FY09); Shandong Environment II (FY07); Second Guangdong Pearl River Delta Urban Environment Project (FY07); Changjiang and Pearl River Watershed Rehabilitation (FY06); GEF Mainstreaming Climate Change Adaptation in Irrigated Agriculture Project (FY06-FY11); Guangxi Integrated Forestry Development (FY07)</p> <p>Non-lending:</p> <p>Pro-Poor Rural Water Reform Project Technical Assistance (FY04-FY09; ICR=HS); Water Quality Management (FY07); Coal Bed Methane (CBM) and Coal Mine Methane (CMM) Development and Utilization (FY08); Developing a Circular Economy in</p>	<ul style="list-style-type: none"> Future support can build on Bank analytic work, including Green Accounting (though there has been some reluctance to implement the system), and studies on building community-based systems for natural resource management and economic empowerment. Community participation is crucial to the effectiveness of protected area management and should continue to be stressed. Future support can also work to address conflicts between the Circular Economy Promotion Law and other existing laws or regulations.

		<p>rules for promoting a circular economy is yet to be done.</p> <ul style="list-style-type: none"> • Bank projects have supported County Groundwater Management Plans and there have been attempts to transfer major urban supplies from groundwater to alternative sources (e.g., in Jiangsu). The Bank continues to support the development of sustainable water use associations. • Climate change adaptation measures, techniques, and activities have been mainstreamed into agricultural development programs in project areas. • Capacity building for Environmental Protection Bureaus (Sichuan) and Private Sector (Guangzhou Development Industry Holdings) in cleaner production and environmental and social management. 	<p>China (FY09); Strengthening China's Environmental Protection Administrative System (FY09); Forest Policy - Deepening the Transition, Broadening the Relationship (FY09); Forestry Policy Dialogue (FY10); Water Pricing & Water User Associations Sustainability (FY12); China 2030 Study, Supporting Volume 3: Seizing the Opportunity of Green Development in China.</p> <p>IFC: Quality and Sustainability Performance of private enterprise (FY06); ES Standards in ICT (FY07); Carbon Finance Aggregation through FIs (FY08); China-Fenglin Inter Study to Define Business Practices in Wood Industry (FY06); Guangzhou Development Industry Holdings CSR (FY08); Sichuan Environmental Compliance Project (FY06)</p>	
<p>Outcome 3.6: Improved waste management in selected jurisdictions</p>	<ul style="list-style-type: none"> • Roadmap identified for increasing waste removal fees • Model urban solid and liquid waste removal systems implemented • Policies, mechanisms to address agriculture non-point pollution piloted and scaled-up 	<p>Achieved.</p> <ul style="list-style-type: none"> • The Government's 11th FYP identifies solid waste management as a key target activity. However, the limited institutional framework for this agenda complicates Bank engagement. • Projects have expanded wastewater treatment capacity, reducing pollution in key bodies of water. • Water supply, wastewater collection and treatment, and solid waste services investments, as well as river rehabilitation works have improved environmental conditions in project areas. • Bank TA has built capacity of national agencies, experts and officials, as well as local implementing agencies, to use integrated approaches for water management and pollution control in selected areas. • IFC supported investment projects provided 3.7 million customers with access to clean and reliable water; 198 cubic meter of water has 	<p>Lending:</p> <p>Liao River Basin (FY01-FY09; ICR=S; IEG=S); Guangxi Urban Environment (FY98-FY07; ICR=S; IEG=S); Zhejiang Urban Environment Project (FY04-FY11; ICR=S); Ningbo Water (FY05-FY11; ICR=S); Liuzhou Environment Management Project I (FY05-FY11); Shanghai Urban Environment APL II (FY06-FY12), III (FY09); Second Guangdong Pearl River Delta Urban Environment Project (FY07); Shandong Environmental II & GEF (FY07); Han River Urban Environment Improvement Project (FY08); GEF-Ningbo Water and Environment Project (FY08)</p> <p>IFC UEEV (FY08) [IFC: See also IFC lending interventions in water and waste water</p>	<ul style="list-style-type: none"> • Tackling the waste separation problem facing cities by building modern solid waste management systems and addressing inadequate waste collection and transportation infrastructure, and low public awareness and participation, should be a focus of WBG engagement going forward. • The experience from implementing the WBG-financed Eco-farming Project, solid waste components in urban projects, other urban water/sanitation projects,

		<p>been treated in water treatment plants.</p> <ul style="list-style-type: none"> • IFC investment supports the construction and operation of medical waste facilities. 	<p>in Outcome Area 3.3]</p> <p>Non-lending: MIGA Support; Integrated Village Poverty Reduction Planning and Ecological Environment Protection (FY06); Waste Management in China: Issues and Recommendations (FY06)</p> <p>[IFC: See IFC Non-lending interventions in water and waste water in Outcome Area 3.3]</p>	<p>and increasing government recognition of the severity of non-point source pollution will guide next steps.</p>
<p>Outcome 3.7: Model land administration and management systems developed</p>	<ul style="list-style-type: none"> • Integrated land administration and management system piloted • Options identified for revising property law to recognize land contracting rights, rural land as collateral • New land acquisition policy articulated 	<p>Achieved.</p> <ul style="list-style-type: none"> • Significant progress has been made towards this outcome, including the revision of the Property Law to designate property rights, and to differentiate between resettlement for public projects and others. • The Rural/Urban Planning Law has also been revised to control transfer of rural land to urban, to offer greater social protection, and to rationalize transfer of land. • Chongqing is being piloted as a city for urban/rural reform including land reform. • Land Acquisition regulations are implemented to strengthen control of conversion of basic farmland to other usage. • Other achievements include the piloting of pension schemes to recognize the collateral value of rural land, restructuring of the Ministry of Construction to cover both urban and rural construction, and land development. A policy announcement extends the rural 30-year lease rights to perpetual rights. The rural land registration pilot projects carried out in eight provinces will be expanded to include all provinces. 	<p>Non-lending: Chongqing Urban-Rural Linkages Study (FY09); Urban Expansion, Land Conservation & Affordable Housing (FY10)</p>	<ul style="list-style-type: none"> • Results of a pilot supporting rural land registration (Anhui) can be used to design future support. The Chongqing rural-urban linkages study has also looked at land issues.
<p>Outcome 3.8: China continues to make progress in meeting its commitments under</p>	<ul style="list-style-type: none"> • Options identified for stabilizing GHG emissions • Model projects undertaken for phasing out selected POPs (PCBs, 	<p>Achieved.</p> <ul style="list-style-type: none"> • AAA and lending has identified options and suggested future directions for stabilizing GHG, renewable energy, energy efficiency, and low carbon growth. • Bank AAA and policy dialogue supported opening of CDM market in China. China is 	<p>Lending: Third ODS Phase Out (FY95-FY09, ICR-S; IEG=S); Liaoning Medium Cities Infrastructure (FY06); PCB Management and Disposal Demonstration (FY06); Shandong Environment 2 (FY07); Shandong Flue</p>	<ul style="list-style-type: none"> • The WBG can continue to play a critical catalytic role by facilitating the exchange of global knowledge and experience, helping China to tap available resources

<p>environmental conventions</p>	<p>chlordan, mirex)</p> <ul style="list-style-type: none"> • Options for biodiversity protection strategy articulated • Model projects implemented for reducing land-based pollution in coastal areas 	<p>about 70% of Bank's CDM portfolio. GEF programs are piloting innovative low carbon and GHG abatement approaches.</p> <ul style="list-style-type: none"> • IFC's CHUEE guarantee program directly avoids 17.3 million tons of GHG emissions annually via implementation of multiple EE/RE projects and an additional 41 million tons indirectly through partner financial institutions. • The PCB program has been successful and is now moving on to the termite irradiation chemical program and other programs. SEPA (China's Environment Protection Agency) has developed the biodiversity strategy supported by UNDP. • ODS 3 phased out a total of 19 GT Ozone Depleting Potential through 87 subprojects. With the combined ODS I- IV projects, China met its 50% reduction target for CFCs and halons, and its 85% reduction target for CFCs – fully compliant with its international obligations under the Montreal Protocol. • There has been a major increase in land-based pollution control in coastal cities and full participation in regional cooperation efforts such as Partnerships in Environmental Management for the Seas of East Asia (PEMSEA). • China's Industrial Bank adopted the Equator Principles (EP) in 2008; China EXIM Bank is using a PS-based internal environmental and social risks review process; the ICBC is applying the EP in its overseas investment activities. 	<p>Gas Desulfurization (FY08); Shanxi Coal Bed Methane Development and Utilization Project (FY09); Eco-Farming Project (FY09); Thermal Power Efficiency (FY09); GEF programs and Carbon Finance projects;</p> <p>[See also IFC Lending in Outcome Area 3.2]</p> <p>Non-lending: National Climate Change Strategy and Program (on-going); Sustainable Energy in China (FY07); Shanghai: Developing a Green Electricity Scheme (FY07); Meeting the Challenges of Offshore and Large Scale Wind Power (FY09); Clean Development Mechanism in China: Five Years of Experience (FY09); China's Envisaged Renewable Energy Target (FY11)</p> <p>IFC: See also IFC non-lending interventions in Outcome Areas 3.2 and 3.5] Performance Standards for Banking Sector (FY11), China Utility-Based Energy Efficiency Finance Program (FY07)</p>	<p>and funds (e.g., Carbon Funds), and supporting lending and non-lending activities.</p> <ul style="list-style-type: none"> • Programs should build on the experience of Bank-supported work in the area of climate change issues, CDM transactions, the development of the Carbon Investment Fund, the Climate Partnership Fund, and programs for implementation support for biogas and IGCC.
<p>Outcome 3.9: Model heritage and tourism projects developed</p>	<ul style="list-style-type: none"> • Listed heritage sites piloted, with environmental protection in place 	<p>Achieved.</p> <ul style="list-style-type: none"> • Bank-supported projects integrated cultural heritage into urban development. These projects strengthened wastewater collection and urban infrastructure, and also upgraded historic residences. • China-World Bank partnership has focused on supporting conservation institutions and specialists through the development of such tools as provincial cultural heritage strategies and digital archives. The partnership has also 	<p>Lending: Zhejiang Urban Environment Project (FY04-FY11; ICR=S); Gansu Cultural and Natural Heritage Project (FY08); Guizhou Cultural and Natural Heritage Protection (FY09); Shandong Confucius and Mencius Culture Heritage Protection (FY11)</p>	<ul style="list-style-type: none"> • Strengthening the integration of cultural heritage conservation and tourism development is an area that can be improved on in future projects. • Helping local communities capture the economic benefits of cultural heritage projects should be a focus going

		focused on more sustainable financial planning, operation, and maintenance of heritage sites.		forward, as the quality of locally-provided tourism products and services are low and generate only small incomes.
Pillar 4: Financing Sustained and Efficient Growth				
Outcome 4.1: Access to selected financial services (rural credit, small-scale credit, housing finance) expanded in selected jurisdictions	<ul style="list-style-type: none"> • Barriers to commercial small-scale finance identified • Market-oriented rural finance scheme piloted • PSRB Financing to rural small businesses piloted • Secondary mortgage markets expanded in pilot jurisdictions • Pilot microfinance financing-only institutions • Pilot credit information systems established (incl. for consumer credit) 	<p>Achieved.</p> <ul style="list-style-type: none"> • The MSE Finance Project supported by the WBG demonstrated that MSE lending can be commercially sustainable in China and led to more MSE lending by banks. • WBG policy dialogues contributed to liberalization of lending interest rates and regulatory changes to promote MSE lending. Most lending interest rates were liberalized except those set by RCCs and UCCs (Rural and Urban Credit Cooperatives). • IFC supported establishment of nation-wide credit reporting system covering 792 million individuals and 17.9 million legal entities. The cumulative number of inquiries by the end of 2010 has reached 812 million. The system supports lending of about \$ 1.4 trillion per year • IFC has invested a total of \$18.7 million in 9 microfinance institutions in this period. Included the creation of the first foreign-invested micro-credit company, the first Sino-foreign joint venture village bank, and the first NGO transformation company. • \$900 million mobilized for Banks serving MSMEs while Advisory Service TA has reached hundreds of thousands of SMEs. • Developed the landmark Low-Income Housing Policy in 2008, allowing Central Government and Regional Governments to increase low-rental housing development by 5-10 times in 2010 compared to 2007. 	<p>Lending: Micro and Small Enterprise Finance (FY07)</p> <p>IFC: Zhong An Credit (FY08); MicroCred (FY08); IMMC (FY08); CFPA (FY10); Renshou VTB (FY09); Shenzhen VTB (FY10); Beichuan VTB (FY10); Chengdu Small Enterprise Credit Guarantee (FY09); Puhui Guarantee (FY11); Deyang Bank, Binhai Rural Commercial Bank (FY08); United Rural Commercial Bank (FY06)</p> <p>Non-lending: IFC: SME Access to Finance (FY06); China Microfinance Pilots (FY07); China Housing Finance Advisory (FY07); TA to NCCM for small business lending (FY07); China Microfinance advisory program I and II (FY09; FY10); TA to CFPA Microfinance Transformation (FY10); Credit Reporting System Development (FY07);TA (Beichuan (FY11), Accion (FY08), Renzhou (FY10), Harbin (FY10), Zhong An FY08), MC Nanchong (FY08)); Credit Reporting System Development (FY07);Chifeng MFI –Inner Mongolia (FY08); Shenzhen VTB (FY10)</p> <p>WBI programs including the Microfinance Training of Trainers course</p>	<ul style="list-style-type: none"> • Joint approach by the Bank and IFC has worked well and should be the preferred modality going forward. • Lack of capacity at all levels of banks, including management and credit officers, stands out as a major impediment, calling for a systematic approach to training and advisory services. • Vast and growing demand for MSE finance suggests the need for innovative approaches that take hold and spread faster. • Unraveling of subprime mortgages has revealed deep-rooted problems. Continued work should address standardization and regulation of primary housing finance instruments.

<p>Outcome 4.2: Enabling environment for capital markets and insurance industry improved</p>	<ul style="list-style-type: none"> • Options prudent investor protection scheme articulated with view to adoption by 2010 • Legal framework and appropriate regulatory institutions developed in areas such as (e.g.) securities law, secured Financing law, futures law, leasing law, securitization law 	<p>Achieved.</p> <ul style="list-style-type: none"> • IFC worked with the government and the People’s Bank of China (PBOC) to develop and roll-out a secured transactions system to enable and promote the use of movable assets as collateral. According to a recent independent evaluation, as of June 2011 more than \$3 trillion in credit had been distributed through more than 385,000 loans to businesses, including many small enterprises. • The successful reform of non-tradable shares paved the way for further deepening of stock markets and enhanced investor confidence. • The strategic vision of the capital market in the medium to long-term was formulated by China Securities Regulatory Commission (CSRC) and a securities investor protection scheme was created. • The legal framework is being strengthened (Securities Law was amended; the Real Rights Law was enacted, providing the foundation for modern secured transactions framework; a Leasing Law is in the legislation pipeline). 	<p>Lending: IFC: ANCHENG (Non-Life Ins) (FY11); New China Life 2 (FY11)</p> <p>Non-lending: IFC: Promoting Enterprise-Led Innovation in China; Secured Transactions Reform (FY04-06); Jiangsu Financial Leasing Co., Ltd. Advisory Services (FY09); China Personal Bankruptcy Law Phase I and II (FY08, FY11); Credit reporting system Development in China (FY07)</p>	<ul style="list-style-type: none"> • Going forward, a continued joint Bank-IFC approach is preferred. IFC investments and TA provided support to Non-Bank Financial Institutions (NBFI) and assisted in addressing distressed assets markets while the Bank provided TA support to selected regulatory bodies (CSRC, CIRC, PBoC).
<p>Outcome 4.3: More developed infrastructure finance</p>	<ul style="list-style-type: none"> • Municipal and enterprise bond markets developed in selected jurisdictions or lines of business 	<p>Achieved.</p> <ul style="list-style-type: none"> • Corporate bond market regulations were streamlined with CSRC given a more dominant role. However, municipal debt issuance still remains undeveloped. • In FY07, IFC issued its second Panda Bond in the Chinese domestic market for RMB 870 million (approximately \$110 million equivalent); the bonds were placed with institutional investors in the national interbank market. The transaction followed the RMB 1.13 billion first Panda Bond issue in FY06 and marked the first time a multilateral organization has issued a follow-up bond in China. It builds on the success of IFC’s first Panda bond by providing a model for future high-grade issuers, helping deepen the capital markets and supporting long-term local currency financing for a number of Chinese companies engaged in sectors including agribusiness, health care, and small and medium enterprise finance. 	<p>Non-lending: IFC Panda Bond (FY06 and FY07); IFC Dim Sum Bond (FY10)</p>	<ul style="list-style-type: none"> • IBRD projects should continue to support the development of municipal/enterprise infrastructure bond markets and securitization. • The IFC (“Panda Bonds”) has supported bond issues in local currency to enhance private companies’ access to financing.

<p>Outcome 4.4: Strengthened corporate governance, including improving transparency and accountability</p>	<ul style="list-style-type: none"> Steps taken to strengthen corporate governance framework in line with OECD principles 	<p>Partially achieved.</p> <ul style="list-style-type: none"> 49 project-trained professional institutions provided corporate governance consulting services to 148 client companies, reviewed 172 corporate governance procedures for improvement, and facilitated investments of \$50 million into companies with improved CG. All three financial regulators promulgated guidelines on corporate governance of financial institutions in their jurisdiction in line with OECD principles and best practice recommended by international regulatory bodies. Corporate governance in Financial Institutions (FI) has taken shape, even though effectiveness remains to be improved. 	<p>Lending: Accounting Reform & Development (FY99-FY10; ICR=HS; IEG=HS)</p> <p>Non-lending: Promoting Enterprise-Led Innovation in China (FY09); China ROSC Accounting and Auditing Review (FY10)</p> <p>IFC: Strengthening of Lotus Corporate Governance and Retail and SME Finance (FY06); Environmental and Corporate Governance Support Program (FY06); China Corporate Governance Project (FY09); IB - Corp Gov</p>	<ul style="list-style-type: none"> China will likely continue to look to its international partners, including the WBG, for support and expertise in strengthening private sector practices and regulatory oversight.
<p>Outcome 4.5: PBoC capacity to identify, assess and mitigate systemic risks strengthened</p>	<ul style="list-style-type: none"> Options identified for reforming ownership, governance structures of SCBs (incl. sale of strategic stakes) Options for bank failure resolution policies and associated institutional capacity identified PBoC financial stability functions improved to international standards 	<p>Achieved.</p> <ul style="list-style-type: none"> Three of the four state-owned banks completed recapitalization and ownership transformation and also made improvements in corporate governance. Consensus was reached on creating and installing a deposit insurance scheme. Financial stability function is still to be improved, with legislation and regulatory frameworks lagging behind rapidly increasing integration of financial services, especially mixed financial conglomerates led by industrial firms. IFC AS interventions supported the China Banking Association development of certification programs, which certified 632,000 professionals. IFC developed training modules in 14 banking areas, including loan risk pricing, credit analysis, SME banking diagnostics, and microfinance, sustainable banking, student loans, syndications, etc. 	<p>Lending: IFC: UBS Securities (FY06); Rongde Asset Management (FY06); Cinda (FY08); Orient Fortune (FY08)</p> <p>Non-lending: Bank TA</p> <p>IFC: Technical Assistance Programme for Leshan City Commercial Bank (FY06); Establishment of NCSSF Internal Risk Management System; SFMF CBA CHINA; City Commercial Bank (FY06)</p>	<ul style="list-style-type: none"> In the financial sector, the WBG can continue to be an effective partner in coordination with others by transferring knowledge and international best practice in areas such as depositor protection, bailout policies, bank ownership and governance, exchange rate risk, and financial vulnerability.
<p>Pillar 5: Strengthening Public and Market Institutions</p>				
<p>Outcome 5.1: China implements 1999 GoC</p>	<ul style="list-style-type: none"> Model SOE privatization transactions completed 	<p>Achieved.</p> <ul style="list-style-type: none"> IFC Advisory Services assisted in strengthening insolvency reforms with a joint CBRC workshop in on issues related to private 	<p>Lending: IFC: Changyu Group (FY06), Yaohua Glass (FY09)</p>	<ul style="list-style-type: none"> Supreme Court interpretations cleared way for enforcement of new Enterprise

<p>decision to ‘let go’ of small and medium-sized SOEs</p>	<ul style="list-style-type: none"> • Enterprise bankruptcy law options articulated 	<p>sector stakeholders. Studies have also addressed bankruptcy/exit of financial institutions, state asset management reform, and social protection.</p> <ul style="list-style-type: none"> • Central State-Owned Assets Supervision and Administration Commission (SASAC) strengthened regulations covering privatization transactions, largely in line with the 2002 Bank policy note. • IFC investments supported the privatization, restructuring and consolidation of three state-owned enterprises (Changyu Group, Yaohua Glass, and Beifang Glass). 	<p>Non-lending: SOE Dividends: How Much and to Whom (FY06); China 2030 study (FY12)</p> <p>IFC: China Personal Bankruptcy Law Phase I and II (Fy08, FY11); CBRC workshop</p>	<p>Bankruptcy Law, but further actions are still needed.</p>
<p>Outcome 5.2: Selected publicly listed SOEs and large private corporations adopt international best practice in corporate governance and corporate social responsibility</p>	<ul style="list-style-type: none"> • Actions taken to strengthen SOEs' focus on efficiency of using capital • Approaches identified for helping SOEs to establish boards with independent outside directors • Assistance provided to selected listed companies to implement CSR code 	<p>Achieved.</p> <ul style="list-style-type: none"> • WBG (IFC in particular) support helped companies improve standards in corporate governance and in social and environmental practices. TA was provided to SEPA, PBoC, CBRC, select corporate directors and to IFC clients to meet performance standards. • IFC projects have enhanced the financial sustainability of its partners. • The Bank was invited to advise the National Peoples' Congress (NPC) on performance issues of large SOEs. • SASAC is committed to implementing Economic Value-Added (EVA)-based performance evaluations, and information disclosure standards in all SOEs (consistent with 2002 Bank policy note). • Implementation underway of new (2008) SASAC and Ministry of Finance policies for SOE dividend collection. • Limited success in the central SASAC experiment in 19 SOEs, with difficulties in identifying qualified directors. 	<p>Lending: [All IFC Lending during the CPS period; All IFC investment services operations require compliance with IFC's Performance Standards on Environmental and Social Sustainability]</p> <p>Non-lending: SOE Dividend Policy (FY10); China 2030 study (FY12)</p> <p>IFC Operations, Advisory Services and TA: Strengthening of Lotus Corporate Governance and Retail and SME Finance (06); Environmental and Corporate Governance Support Program (FY06); China Corporate Governance Project (FY09); IB - Corp Gov</p> <p>SI_China Green Securities (Fy11) Quality and Sustainability Performance of private enterprise (FY06); ES Standards in ICT (FY07); Carbon Finance Aggregation through FIs (FY08); China-Fenglin Inter Study to Define Business Practices in Wood Industry (FY06) GDIH-AS-Corporate Social</p>	

			Responsibility Demonstration / Cumulative Risk Assessment	
<p>Outcome 5.3: Simplified business entry and regulation, particularly in the western and northeastern provinces</p>	<ul style="list-style-type: none"> Options identified for simplifying business entry (including licensing, access to land) Options identified for simplifying, revising selected business regulations to prohibit monopolization, restraints on trade, and practices that unreasonably limit competition Means to improving firm-level innovation identified 	<p>Achieved.</p> <ul style="list-style-type: none"> IFC's financing of local projects (covering 29 provinces) addressed constraints of starting businesses, with financing and supporting TA available for the poorer areas. Bank-supported firm surveys provide ratings, promote awareness of competitiveness, and support reforms to improve the investment climate. The 120-city Investment Climate Assessment (ICA) Report raised awareness nationally about improving the investment climate. The Anti-Monopoly Law was adopted (SOEs were not excluded). The Government appointed special task forces to review approval requirements and hundreds were abolished. 	<p>Lending: IFC investments in frontier regions (totaling 47) during the CPS period.</p> <p>Non-lending: Governance, Investment Climate, and Harmonious Society: Competitiveness in 120 Cities (FY07)</p> <p>IFC: China Subnatl DB (07); TA to NCCB Small Business Lending</p>	
<p>Outcome 5.4: Increased FDI inflows in west and northeast regions</p>	<ul style="list-style-type: none"> Investment promotion agencies strengthened in lagging provinces Approaches identified to realizing higher FDI inflows in west and northeastern provinces (as % of total FDI) 	<p>Achieved.</p> <ul style="list-style-type: none"> IFC has supported this objective with a growing share of investments going to frontier regions and an SME fund for equity investments in high growth private companies in the west. FIAS and MIGA are supporting the Ministry of Commerce to assist in the central and western regions to attract more investment, and at the provincial level, through Private Enterprise Partnership (PEP) - China collaboration for workshops for provincial and municipal investment promotion agencies in Sichuan. FIAS has undertaken IPP capacity diagnosis across 13 provinces. Ongoing program with Ministry of Commerce to develop Independent Power Producer (IPP) strategies for the central and western provinces with implementation aimed for the next phase of the Ministry of Commerce/China Investment Promotion Agency (CIPA) program, including in the North-East. 	<p>Lending: IFC: investments in frontier regions (totaling 42) during the CPS period</p> <p>Non-lending: FIAS/MIGA Programs; A Market-Oriented Approach to Northeast Revitalization(FY06); Revitalizing the Northeast Towards a Development Strategy (FY06); Foreign Capital Utilization in China (FY06); Capacity Building of Sichuan Investment Promotion Bureaus (FY04-FY08); MOFCOM Investment Promotion Support for lesser-developed regions (FY06)</p> <p>IFC: Study on Private Sector Financing and External Borrowing in China (FY07)</p>	<ul style="list-style-type: none"> Joint efforts provide a viable approach in support of this outcome.

		<ul style="list-style-type: none"> IFC established 2 pilot investor-focused institutions (Industry Transfer Center and Yinchuan Investment Promotion Office) and facilitated \$43 billion of new investment into central and western provinces in 2010. 		
Outcome 5.5: Improved accountability in model PSUs	<ul style="list-style-type: none"> Categorization of PSUs initiated, according to type/level of GoC involvement Policy actions to privatize PSUs articulated Reform options articulated for allowing not-for-profit private entities to be public service providers. 	Achieved. <ul style="list-style-type: none"> The Bank followed up on the 2005 PSU report to strengthen reforms. Other WBG activities included support for local e-government, and private health and education service providers. There was some success in local experiments (Wuxi, Chongqing) on demand-side financing and purchases of services from non-public providers. IFC-supported investments in health and education demonstrated efficient private sector participation in the provision of healthcare and education. 	Non-lending: Governance, Investment Climate, and Harmonious Society: Competitiveness in 120 Cities (FY07) IFC: UFH1 (FY06); UHF2(FY08); Aier Eye (FY07), Bioveda I and II (FY08); Healthway (FY10); Q&M (FY11)	
Outcome 5.6: Better alignment between fiscal responsibilities and revenue assignments at sub-national levels, including improved equity and efficiency in public funding	<ul style="list-style-type: none"> Expenditure assignments clarified across levels of government New local revenue sources (e.g., property, local personal income tax) identified, selected piloting Options for new transfer law identified; consolidating transfer programs with improved equalization impact 	Partially achieved. <ul style="list-style-type: none"> The Bank has supported a sub-provincial pilot on intergovernmental fiscal system, learning on fiscal management, and public sector performance (with WBI). Health policy notes were completed on health insurance flow-of-funds and a study on Rural Compulsory Education Reform assesses the initial effects of central fiscal transfer on county and school-level finance. The central government has taken some responsibility for specific spending assignments (e.g., compulsory education) but little progress or reforms in overall changes in revenue policy. Government transfers to poor provinces increased significantly during the five-year plan period, including progressive weighting of transfers for new Health Insurance and Social Protection (SP) initiatives on social insurance and assistance. 	Lending: Non-lending: Public Finance in China: Reform and Growth for a Harmonious Society (FY08); TA on Intergovernmental Fiscal System; Bank TAs; WBI Programs; Health Policy Notes (FY10); Rural Compulsory Education Reform (FY10); China 2030 study (FY12)	<ul style="list-style-type: none"> The next CPS can build on WBG's strong engagements with decentralized entities to further support center-subnational relations.

<p>Outcome 5.7: Improved link between planning, budget, service delivery demonstrated in selected areas; greater budget transparency</p>	<ul style="list-style-type: none"> • Appropriate revisions to the budget law articulated • Measures identified for expanding national treasury to subnational level • Broader use of performance indicators encouraged in M&E of public programs 	<p>Partially achieved.</p> <ul style="list-style-type: none"> • The Bank has supported the development of the M&E framework for the 11th FYP, studies on sub-national finance and rural public finance, and also conducted a mid-term review of China's 11th FYP and provided inputs to China's 12th FYP. • Progress was made in classifying fiscal spending. 	<p>Lending: Economic Reform Implementation (FY06); Macro-Fiscal Policy Notes (FY10)</p> <p>Non-lending: IDF on M&E Framework; Mid-Term Evaluation of the Implementation of China's 11th Five Year Plan (FY09); M&E for the 11th Five Year Program (FY09); Public Services for Building the New Socialist Countryside (FY08)</p>	<ul style="list-style-type: none"> • WBG is well-positioned to continue to respond to client requests in these areas.
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**CPS Completion Report Attachment 2
Planned Lending Program and Actual Deliveries (FY06-FY11)**

CPS PLANS (May 2006)		CPS PROGRESS REPORT (2008)		
Projects	IBRD USSM	Projects	Board Date	IBRD USSM
FY06 Program	1,455	FY06 Actual Total		1,454.3
Shanghai Urban APL 2	180	Delivered as Shanghai Urban Environment APL Phase 2	7/5/05	180.0
Inland Waterways 5	100	Delivered	10/11/05	100.0
Integrated Agricultural Irrigation 3	200	Delivered as Irrigated Agriculture Intensification Loan 3	10/11/05	200.0
Fuzhou Urban Transport	100	Delivered as Fuzhou Nantai Island Peri-Urban Development	12/15/05	100.0
Renewable Energy Scale-up 2	87	Delivered	2/7/06	86.3
Heilongjiang Dairy	100	Delivered	1/24/06	100.0
Economic Reform Implementation	20	Delivered	4/11/06	20.0
Henan Towns Water	150	Delivered as Henan Towns Water Supply & Sanitation	6/27/06	150.0
Liaoning Urban Infrastructure 1 (transport)	218	Delivered as Liaoning Medium Cities Infrastructure	6/27/06	218.0
Jiangxi Highway 3	200	Delivered	6/27/06	200.0
Changjiang/Pearl River Watershed Rehabilitation	100	Delivered	6/27/06	100.0
		FY07 Actual Total		1,641.0
FY07 Program	1,475	FY07 Program Delivery		1,468.0
National Railway 3	200	Delivered	1/23/07	200.0
Sichuan Urban Development 2	180	Delivered as Sichuan Urban Environment	9/7/06	180.0
Guanxi Integrated Forestry	100	Delivered	12/14/06	100.0
Fujian Transport SWAp	320	Delivered as Fujian Highway Sector Investment	10/12/06	320.0
Shaanxi Highway 3	300	Delivered as Shaanxi Ankang Road Development	3/13/07	300.0
Western Rural Water	25	Delivered as Western Provinces Rural Water Supply	6/26/07	25.0
Shandong Urban Environment 2	150	Delivered as Shandong Environment 2	2/27/07	147.0
Guangdong Pearl River Delta (Foshan)	100	Delivered as Guangdong Pearl River Delta Urban	3/21/07	96.0
Micro and Small Enterprises	100	Delivered as Micro and Small Enterprise Finance	6/19/07	100.0
<i>Standby</i>		<i>Standby subtotal</i>		<i>173.0</i>
Liaoning Cities Urban Infrastructure 2	200	Delivered as Liaoning Medium Cities Infrastructure 2	6/26/07	173.0
Shandong Flue Gas Desulfurization	60	Postponed to FY08		
Eco-Farming	120	Postponed to FY09		
		FY08 Actual Total		1,513.4
FY08 Program	1,490	FY08 Program Delivery		922.4
Rural Health	50	Delivered	6/25/08	50.0
Huai River Basin	150	Postponed to FY10		
Gansu Cultural Heritage	40	Delivered as Gansu Cultural and Natural Heritage	3/20/08	38.4
Xi'an Urban Transport	150	Delivered as Xi'an Sustainable Urban Transport	6/25/08	150.0
Jilin Food Safety	100	Postponed to FY10		
Guyang Urban-Rural Highway	100	Delivered as Guiyang Transport	1/8/08	100.0
National Railway 4	300	Delivered as Shizheng Railway	6/25/08	300.0
Anhui Provincial Highway Network	200	Delivered as Anhui Highway Rehabilitation & Improvement	4/22/08	200.0
Guzhou Cultural Heritage	60	Postponed to FY09		
Yunnan Urban Environment	150	Postponed to FY09		
Hubei Han River Environment	100	Delivered as Han River Urban Environment	4/29/08	84.0
Shanxi Coal-bed Methane Development	90	Postponed to FY09		
<i>Standby</i>		<i>Standby subtotal</i>		<i>250.0</i>
Taiyuan Urban Transport	150	Postponed to FY10		
Migrant Skills and Employment	50	Delivered as Rural Migrant Skills Development	6/25/08	50.0
Energy Efficiency and Development	200	Delivered as Energy Efficiency Financing	5/27/08	200.0
		<i>Additional deliveries</i>		<i>341.0</i>
		Shandong Flue Gas Desulfurization	5/27/08	50.0
		Liaoning Medium Cities Infrastructure 3	5/27/08	191.0
		Bengbu Integrated Env. Improvement	3/11/08	100.0

Planned Lending Program and Actual Deliveries (FY06-FY11), continued

CPS PROGRESS REPORT		FY09 Actual Total		
FY09 Program	2,130	FY09 Program Delivery		2,360.0
Xining Flood and Watershed Management	100	Delivered	6/2/09	100.0
2nd Yunnan Urban Environment	90	Delivered as Yunnan Urban Environmental	5/5/09	90.0
Eco-Farming	120	Delivered	12/2/08	120.0
Guzhou Cultural and Natural Heritage Protection	60	Delivered	5/5/09	60.0
Huai River Basin Flood Management	200	Postponed to FY10		
Hubei Yaba Highway	150	Delivered	5/31/09	150.0
Jiangsu Water and Wastewater	150	Delivered	6/2/09	130.0
Jiangxi Inland Waterways	100	Delivered as Jiangxi Shihutang Navigation & Hydro	9/25/08	100.0
Shanghai APL 3	200	Delivered as Shanghai Urban Environment	6/25/09	200.0
Shanxi Coal Bed Methane	80	Delivered as Shanxi Coal Bed Methane Dev. and Util.	5/19/09	80.0
Taiyuan Urban Transport Project	150	Postponed to FY10		
Technical and Vocational Education & Training	20	Delivered	6/2/09	20.0
Wenchuan Earthquake Recovery	710	Delivered	12/12/08	710.0
<i>Standby</i>		<i>Standby subtotal</i>		<i>300.0</i>
Guangang Railway	300	Delivered	4/16/09	300.0
Jilin Food Safety	100	Postponed to FY10		
		<i>Additional deliveries</i>		<i>300.0</i>
		Nanguang Railway	6/25/09	300.0
CPS PROGRESS REPORT		FY10 Actual Total		
FY10 Program	1,214	FY10 Program Delivery		1,414.0
Nanning Urban Environment	100	Delivered	6/1/10	100.0
Small Town Development in Ningbo	50	Delivered as Ningbo New Countryside Development	2/25/10	50.0
Shandong Ecological Afforestation	60	Delivered	5/6/10	60.0
Anhui Medium Cities Urban Transport	100	Delivered	5/20/10	100.0
Chongqing Urban-Rural Integrated Development	84	Delivered	6/3/10	84.0
Henan Yellow River Eco-Livestock Production	80	Delivered as Henan Ecological Livestock	5/27/10	80.0
Forestry Development	100	Postponed to FY11		
Ningxia Highway	250	Delivered	5/13/10	250.0
Shanxi Saline Land Improvement	90	Name changed to Shanxi Saline Alkali Land Improvement		
Sustainable Development in Poor Rural Areas	100	Delivered	6/10/10	100.0
Wuhan Second Urban Transport	100	Delivered	3/30/10	100.0
Xingiang Water Conservation	100	Delivered as Xinjiang Turfan Water Conservation	6/17/10	100.0
		<i>Additional deliveries</i>		<i>390.0</i>
		Jilin Agricultural Product Safety & Quality	5/13/10	100.0
		Liaoning and Shandong TVET	6/1/10	40.0
		Taiyuan Urban Transport	6/10/10	150.0
		Energy Efficiency Financing II	6/22/10	100.0

FY11 Actual Total			1,740.0
Huai River Basin Flood Management and Drainage Improvement	7/6/10	200.0	
Integrated Forestry Development Project	7/6/10	100.0	
Yunnan Urban Environment Phase II AF	7/6/10	60.0	
Zhejiang Qiantang River Basin Small Town Environmental	1/20/11	100.0	
Luzhou Environment Management Project Phase II	3/10/11	150.0	
Anhui Shaying River Channel Improvement Project	4/12/11	100.0	
Kunming Urban Rail Project	5/10/11	300.0	
Sichuan Small Town Development	5/10/11	100.0	
Urumqi District Heating Project	5/17/11	100.0	
Fujian Highway Sector Investment Project AF	5/19/11	50.0	
Shandong Confucius and Mencius Culture Heritage Protection	5/24/11	50.0	
JiTuHan Railway	5/24/11	200.0	
Bayannaoer Water Reclamation and Environment Improvement	5/24/11	80.0	
Shandong Energy Efficiency Project	6/9/11	150.0	

Major Non-Lending Services

Product	Status
Access to Finance FY06	Completed: FY06
Urban Transport Policy Guidance	Completed: FY06
China's Compliance with Food Safety Requirements for Fruits and Vegetables	Completed: FY06
Environmental Concerns in Poverty Alleviation Projects - the Guidebook for Poverty Reduction Staff	Completed: FY06
Evaluation of Liaoning Social Security Pilot	Completed: FY06
NE China Invest. Climate	Completed: FY06
Foreign Capital Utilization in China: Prospects and Future Strategy	Completed: FY06
Railway Restructuring	Completed: FY06
SOE Dividends: How Much and to Whom	Completed: FY06
Waste Management in China: Issues and Recommendations	Completed: FY06
China Water Quality Management: Policy and Institutional Considerations	Completed: FY07
China: Farmer's Professional Associations: Review and Policy Recommendations	Completed: FY07
China: Research Report on Gender Gaps and Poverty Reduction	Completed: FY07
China's Development Priorities	Completed: FY07
China's Information Revolution: Managing the Economic & Social Transformation	Completed: FY07
Enhancing China's Competitiveness through Lifelong Learning	Completed: FY07
Cities	Completed: FY07
Study of Capacity Building of the Electricity Regulatory Agency (SERC)	Completed: FY07
Sustainable Energy in China: The Closing Window of Opportunity	Completed: FY07
Access to Finance FY08	Completed: FY08
China Urbanizes: Consequences, Strategies, and Policies	Completed: FY08
China: Public Services for Building the New Socialist Countryside	Completed: FY08
Social/Eco Impacts of HIV/AIDS	Completed: FY08
China's Modernizing Labor Market: Trends and Emerging Challenges	Completed: FY08
Financing Energy Efficiency: Lessons from Brazil, China, India, and Beyond	Completed: FY08
Health Reform in Rural China: Where Next?	Completed: FY08
Public Finance in China: Reform and Growth for a Harmonious Society	Completed: FY08
Strengthening Energy Efficiency	Completed: FY08
Promoting Circular Economy	Completed: FY08
Trade and Poverty	Completed: FY08
Affordability	Completed: FY08
Addressing China's Water Scarcity: Recommendations for Selected Water Resource Management Issues	Completed: FY09
China and the World Bank: A Partnership for Innovation	Completed: FY09
China Road Traffic Safety	Completed: FY09
Chongqing-Guangdong Rural Urban Integration	Completed: FY09
Clean Development Mechanism in China: Five Years of Experience (2004-2009)	Completed: FY09

Major Non-Lending Services, continued

Competition Provisions in Regional Trade Agreements: Lessons for China	Completed: FY09
Compulsory Education Finance Reform Policy Notes	Completed FY09
Economically, Socially, and Environmentally Sustainable Coal Mining Sector in China	Completed: FY09
Education Sector Review	Completed FY09
Food Safety in China	Completed: FY09
Forest Policy - Deepening the Transition, Broadening the Relationship	Completed: FY09
From Poor Areas to Poor People: China's Evolving Poverty Reduction Agenda	Completed: FY09
Growth through Innovation: An Industrial Strategy for Shanghai Corporations	Completed: FY09
Labor Mobility Provisions in Regional Trade Agreements: Lessons for China	Completed: FY09
Meeting the Unprecedented Challenge for Wind Power Scale-up in China	Completed: FY09
Mid-Term Evaluation of the Implementation of China's 11th Five Year Plan	Completed: FY09
National Investment Policy for Railway Construction	Completed: FY09
Outsourcing Social Services to CSOs: Lessons from Abroad	Completed: FY09
Promoting Enterprise-Led Innovation in China	Completed: FY09
Public Services in Rural Areas	Completed: FY09
Sino-Singapore Tianjin Eco-City	Completed: FY09
Strengthening China's Environmental Protection Administrative System: Analysis and Recommendations	Completed: FY09
Sustainable Development of Inland Waterway Transport in China	Completed: FY09
Tracks from the Past, Transport for the Future: China's Railway Industry 1990-2008 and its Future Plans	Completed: FY09
Urban Rail Development in China: Prospects, Issues and Options	Completed: FY09
Access to Finance FY10	Completed FY10
Adapting Agricultural Production System to Climate Change	Completed FY10
China ROSC Accounting and Auditing Review	Completed FY10
Compulsory Education for Migrant Children in Guangdong	Completed: FY10
Energy Intensity Strategy	Completed FY10
Forest Policy Dialogue	Completed FY10
Health Policy Notes	Completed: FY10
Macro-Fiscal Policy Notes	Completed FY10
Market-Based Railway Pricing Policies	Completed FY10
Policy Notes on Higher Education	Completed: FY10
Rural Compulsory Education Reform (formerly Promoting Basic Education)	Completed: FY10
Reforming China's Rural Health System	Completed FY10
Rural Pension and SSN	Completed FY10
Rural to Urban Migration Social Policies	Completed: FY10
Social Assistance in Rural China: Tackling Poverty Through Rural Dibao	Completed: FY10
SOE Dividend Policy	Completed FY10

Major Non-Lending Services, continued

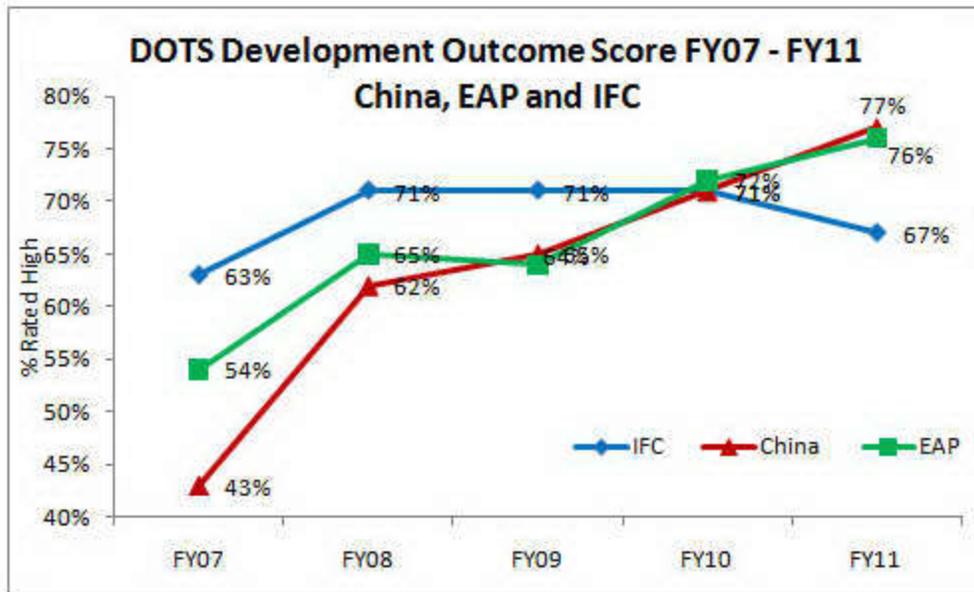
Access to Finance FY11	Completed FY11
China PSD Program	Completed FY11
Early Childhood Development	Completed FY11
Ensuring Financial Stability FY10	Completed FY11
FSAP China	Completed FY11
Integrated Flood Risk Management: Key Lessons	Completed FY11
Land Transfer and Registration TA	Completed FY11
Local Government Finance and Debt	Completed FY11
Macro-Fiscal Policy Notes FY11	Completed FY11
Ningbo: China Climate Resilient City Program	Completed FY11
Non-Communicable Diseases TA	Completed FY11
Policy and Institutional Reforms for the 12th Five Year Plan	Completed FY11
Reaping Benefits of FDI in Shanghai	Completed FY11
Rural Wastewater Management Study	Completed FY11
Study on State-owned Financial Assets Administration System in China	Completed FY11
Water Pricing & Water User Associations Sustainability	Completed FY11
China Partnership with Africa	Continuous
Policy Notes	Continuous
Quarterly Updates	Continuous
South-South Learning	Continuous

Clean Development Mechanism (CDM) Projects Undertaken During the CPS Period

Jiangxi Shihutang Navigation and Hydropower Complex	FY10
Dashiqiao Central Heating Supply	FY10
Yingkou Economic Dev Zone Heating	FY10
Reforestation on Degraded Lands in Northwest Guangxi	FY09
Baotou Iron & Steel Energy Efficiency	FY08
Hubei Eco-Farming Biogas	FY08
Huizhou Combined Cycle Gas Turbine Thermal Power	FY08
Shandong Minhe Poultry Manure Biogas	FY08
Hubei Guangrun Hydropower Development	FY07
Tianjin Landfill Gas Recovery	FY07
Facilitating Afforestation Program	FY06
Nanjing Steel Convertor Gas Recovery	FY06

China GEF Projects Undertaken During the CPS Period

<i>Focal Area</i>	<i>PROJECT NAME</i>	<i>Approval FY</i>	<i>Closing FY</i>	<i>Grant Amt</i>
Climate Change	China Energy Efficiency Promotion in Industry	FY11	FY15	4.0
Climate Change	Guangdong Green Freight Demonstration Project	FY11	FY15	4.2
Climate Change	Provincial Energy Efficiency Scale-up Program	FY11	FY16	13.4
Climate Change	Sino-Singapore Tianjin Eco-City	FY11	FY16	6.2
Multi Focal Area	Sustainable Management and Biodiversity Conservation of the Lake Aibi Basin	FY11	FY16	3.0
International Waters	Shanghai Agricultural and Non-point Pollution Reduction Project	FY10	FY14	4.8
Multi Focal Area	Sustainable Development in Poor Rural Communities (GEF)	FY10	FY16	4.3
Climate Change	Thermal Power Efficiency	FY09	FY13	19.7
POPs	Rapid Assessment of Chemical Contamination of the Wenchuan Earthquake	FY09	FY10	1.0
Climate Change	China-GEF-World Bank Urban Transport Partnership Program Project	FY08	FY13	21.0
Climate Change	China Energy Efficiency Financing	FY08		13.5
Climate Change	Mainstreaming Climate Change Adaptation in Irrigated Agriculture Project	FY08		5.0
Biodiversity	Guangxi Integrated Forestry Development and Conservation Project	FY07	FY13	5.3
International Waters	Second Shandong Environment Project	FY06	FY14	5.0
International Waters	Ningbo Water and Environment Project	FY06	FY12	5.0
POPs	Demonstration of alternatives to Chlordane and Mirex in Termite Control Project	FY06	FY12	14.4
POPs	PCB Management and Disposal Demonstration Project	FY06	FY13	18.3
Climate Change	China - Renewable Energy Scale-up Program (CRESP)	FY05	FY11	40.2
Climate Change	Heat Reform and Building Energy Efficiency Project	FY05	FY13	18.0
International Waters	China-GEF-Liaoning Medium Cities Infrastructure	FY05		5.0
International Waters	Hai River Basin Integrated Water Resources Management	FY05	FY11	33.3
International Waters	Guangdong - Pearl River Delta Urban Environment	FY04	FY12	10.0
Multi Focal Area	Gansu and Xinjiang Pastoral Development Project	FY04	FY10	12.5
Biodiversity	Lake Dianchi Freshwater Biodiversity Restoration Project	FY03	FY08	0.8
Climate Change	Energy Conservation Project, Phase II	FY03	FY10	26.0
Biodiversity	Sustainable Forestry Development Project	FY02	FY11	16.0
Climate Change	Second Beijing Environment Project	FY00	FY11	25.0
Climate Change	Renewable Energy Development	FY99	FY08	35.0
Climate Change	Energy Conservation	FY98	FY07	22.0



Development Reach by IFC's Investment Clients.

	Portfolio CY10 IFC	Portfolio CY10 EAP	Portfolio CY10 China	China/IFC
Investments				
Employment (millions of jobs)	2.41	0.655	0.557	23%
MSME				
Number (million)	9.70	2.066	0.531	5%
Amount (\$ billions)	140.40	28.388	21.000	15%
Customers reached with services				
Power generation (millions)**	41.92	12.632	5.524	13%
Power distribution (millions)	31.99	16.850	/	
Water distribution (millions)***	20.13	10.030	3.650	18%
Gas distribution (millions)	17.24	16.850	16.85	98%
Phone connections (millions)	179.72	19.192	/	
Patients reached (millions)	7.51	1.459	1.292	17%
Students reached (millions)	0.98	0.000355	/	
Farmers reached (millions)	2.51	1.458	1.450	58%
Payments to suppliers and governments				
Domestic purchases of goods and services (\$ billions)	39.51	10.719	10.010	25%
Contribution to government revenues or savings (\$ billions)	20.28	1.564	0.916	5%

Annex 4: Country Partnership Strategy Consultations

From July 3-11, 2012, the World Bank Group discussed a draft CPS document with a wide range of government counterparts: the Ministry of Finance (MOF), the National Development Reform Commission (NDRC), 24 additional ministries and agencies, and local officials from Guangdong, Beijing, Hubei, Anhui, Jiangxi, Yunnan, Sichuan, and Gansu. Consultations were also held with academia, non-governmental organizations (NGOs), and development partners. Comments from participants included the following:

- **Agreement with CPS themes.** Participants unanimously supported the proposed CPS themes and outcomes, noting their close alignment with China's own priorities as articulated in the 12th Five-Year Plan.
- **Strong demand for continued World Bank Group engagement.** The consultations revealed an ongoing high level of demand for both financial and non-financial services from both provinces and central ministries and agencies. Participants noted the importance of pilots and demonstration projects, and that Bank-financed projects have also helped improve project management techniques, such as project appraisal and performance evaluation. Projects can also help promote reforms.
- **Increasing importance of knowledge cooperation.** Many participants pointed out that non-financial services will be increasingly important. They noted and agreed with the intention to strengthen knowledge cooperation during the CPS period. Knowledge cooperation should take place at both the provincial and national levels.
- **Shift to interior provinces.** Participants noted that the Bank Group's increased emphasis on central and western China and the old industrial bases in the northeast is consistent with China's Western Region Development Strategy. Some participants pointed out that coastal provinces are best suited to be testing grounds for innovative demonstration projects.
- **Need to simplify operational procedures.** NDRC and provincial representatives acknowledged some improvement in operational processes, such as shorter project preparation time, but emphasized the need for the Bank to further simplify operational procedures to improve efficiency and address hidden transaction costs. They called for a wider application of streamlined processes and use of national systems. There should be better communication and coordination regarding problem projects. Concern was expressed about the turnover of Bank staff, noting that staff need to be familiar with the Chinese context. Ministries and agencies asked to be better informed about projects at the provincial level.
- **Give more attention to dissemination.** Many participants highlighted the importance of disseminating the findings of projects and studies. The annual Innovation Workshops are thought provoking. Provincial finance bureaus noted that they could play a role in disseminating within provinces. Line ministries noted that they could help disseminate project experiences if they are kept better informed.

Consultations were also held in July 2010 in Beijing, Kunming, and Hangzhou with central line ministries (except NDRC) and provincial finance bureaus to discuss the impact of the 2006 CPS and provide early input for the new CPS.

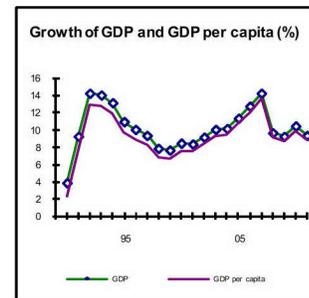
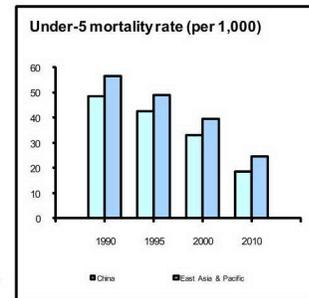
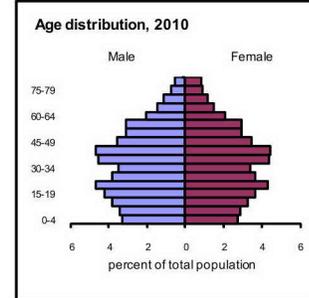
Annex 5: Standard Country Assistance Strategy Annexes

Standard CAS Annex A2: China at a Glance

China at a glance

9/27/12

Key Development Indicators	China	East Asia & Pacific	Upper middle income	
(2011)				
Population, mid-year (millions)	1,344.1	1,962	2,452	
Surface area (thousand sq. km)	9,600	16,302	59,328	
Population growth (%)	0.4	0.7	0.7	
Urban population (% of total population)	51	46	57	
GNI (Atlas method, US\$ billions)	6,644.3	7,249	14,429	
GNI per capita (Atlas method, US\$)	4,940	3,696	5,884	
GNI per capita (PPP, international \$)	7,640	6,657	9,970	
GDP growth (%)	9.3	9.7	7.8	
GDP per capita growth (%)	8.8	8.9	7.1	
(most recent estimate, 2005–2011)				
Poverty headcount ratio at \$125 a day (PPP, %)	13	14	..	
Poverty headcount ratio at \$2.00 a day (PPP, %)	30	33	..	
Life expectancy at birth (years)	73	72	73	
Infant mortality (per 1,000 live births)	16	20	17	
Child malnutrition (% of children under 5)	3	6	3	
Adult literacy, male (% of ages 15 and older)	97	96	96	
Adult literacy, female (% of ages 15 and older)	91	91	91	
Gross primary enrollment, male (% of age group)	110	111	111	
Gross primary enrollment, female (% of age group)	113	112	111	
Access to an improved water source (% of population)	91	90	93	
Access to improved sanitation facilities (% of population)	64	66	73	
Net Aid Flows				
	1980	1990	2000	2011 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	66	2,032	1,712	648
<i>Top 3 donors (in 2010):</i>				
Germany	7	229	213	322
France	0	88	46	317
United Kingdom	0	33	83	87
Aid (% of GNI)	0.0	0.6	0.1	0.0
Aid per capita (US\$)	0	2	1	0
Long-Term Economic Trends				
Consumer prices (annual % change)	6.0	3.1	0.4	5.4
GDP implicit deflator (annual % change)	3.8	5.8	2.1	7.8
Exchange rate (annual average, local per US\$)	2.4	5.2	8.3	6.5
Terms of trade index (2000 = 100)	69	94	100	78
Population, mid-year (millions)	981.2	1,135.2	1,262.6	1,344.1
GDP (US\$ millions)	189,400	356,937	1,198,475	6,650,942
<i>(% of GDP)</i>				
Agriculture	30.2	27.1	15.1	10.0
Industry	48.2	41.3	45.9	46.6
Manufacturing	40.2	32.7	32.1	32.1
Services	21.6	31.5	39.0	43.3
Household final consumption expenditure	50.3	46.7	46.7	34.9
General gov't final consumption expenditure	14.9	14.1	15.8	13.3
Gross capital formation	35.2	36.1	35.1	49.2
Exports of goods and services	10.6	16.1	23.3	31.4
Imports of goods and services	11.0	13.1	20.9	27.3
Gross savings	33.8	35.6	37.3	52.7



1980–90 1990–2000 2000–11
(average annual growth %)

1980–90	1990–2000	2000–11
1.5	1.1	0.6
10.3	10.6	10.8
5.9	4.1	4.4
11.1	13.7	11.7
10.8	12.9	11.2
14.0	11.0	11.4
12.1	10.3	5.3
7.3	9.1	9.0
12.9	12.0	13.5
2.2	15.5	18.0
6.5	16.7	15.3

Note: Figures in italics are for years other than those specified. 2011 data are preliminary. .. indicates data are not available.
a. Aid data are for 2010.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade

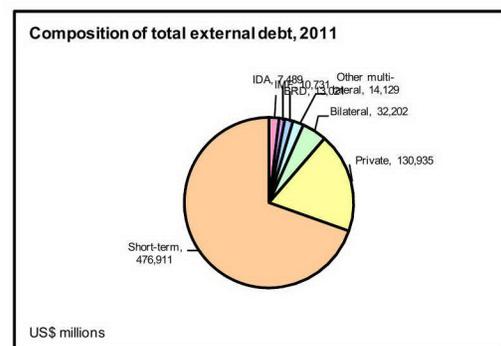
	2000	2011
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	249,210	1,898,600
Total merchandise imports (cif)	225,097	1,743,460
Net trade in goods and services	28,873	270,641
Current account balance	20,519	201,714
as a % of GDP	1.7	3.0
Workers' remittances and compensation of employees (receipts)	202	16,600
Reserves, including gold	17,1753	3,254,674

Central Government Finance

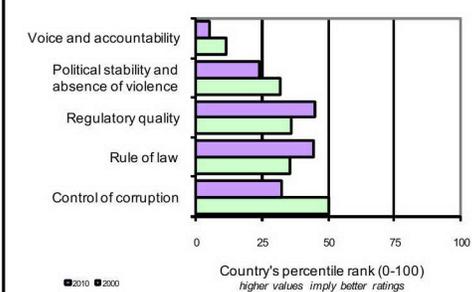
	2000	2011
<i>(% of GDP)</i>		
Current revenue (including grants)	13.8	20.7
Tax revenue	12.7	16.9
Current expenditure	13.3	16.8
Overall surplus/deficit	-3.3	-1.1
Highest marginal tax rate (%)		
Individual	45	45
Corporate	33	25

External Debt and Resource Flows

	2000	2011
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	145,648	685,418
Total debt service	26,607	78,049
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	12.2	10.3
Total debt service (% of exports)	9.1	3.5
Foreign direct investment (net inflows)	38,399	170,449
Portfolio equity (net inflows)	6,912	19,639

**Private Sector Development**

	2000	2011
Time required to start a business (days)	-	38
Cost to start a business (% of GNI per capita)	-	4.5
Time required to register property (days)	-	29
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2010
✓ Tax rates	36.8	..
✓ Economic and regulatory policy uncertainty	32.9	..
Stock market capitalization (% of GDP)	48.5	83.6
Bank capital to asset ratio (%)	4.1	6.1

Governance indicators, 2000 and 2010

Source: Worldwide Governance Indicators (www.govindicators.org)

Technology and Infrastructure

	2000	2010
Paved roads (% of total)	..	53.5
Fixed line and mobile phone subscribers (per 100 people)	18	86
High technology exports (% of manufactured exports)	19.0	27.5

Environment

	2000	2010
Agricultural land (% of land area)	57	56
Forest area (% of land area)	19.0	22.2
Terrestrial protected areas (% of land area)	15.5	16.6
Freshwater resources per capita (cu. meters)	2,197	2,113
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	2.7	5.3
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	3.1	3.7
Energy use per capita (kg of oil equivalent)	867	1,695

World Bank Group portfolio

	2000	2010
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	11,118	12,962
Disbursements	1,528	1,282
Principal repayments	578	1,086
Interest payments	713	143
IDA		
Total debt outstanding and disbursed	8,771	9,000
Disbursements	379	0
Total debt service	131	416
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	565	2,014
Disbursements for IFC own account	274	1,721
Disbursements for IFC own account	55	278
Portfolio sales, prepayments and repayments for IFC own account	38	139
MIGA		
Gross exposure	113	223
New guarantees	0	24

Note: Figures in italics are for years other than those specified. 2011 data are preliminary.
 .. indicates data are not available. - indicates observation is not applicable.

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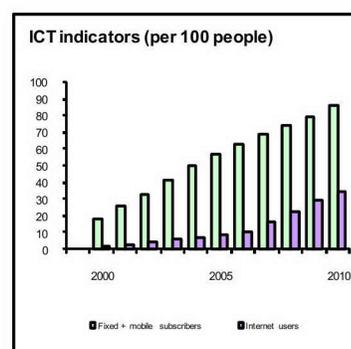
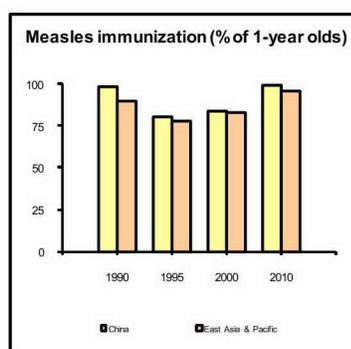
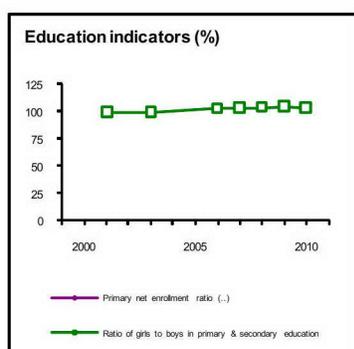
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

China

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	China			
	1990	1995	2000	2010
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$125 a day (PPP, % of population)	60.2	47.8	35.6	13.1
Poverty headcount ratio at national poverty line (% of population)	..	6.0	4.6	..
Share of income or consumption to the poorest quintile (%)	8.0	7.2	6.4	5.0
Prevalence of malnutrition (% of children under 5)	12.6	10.7	7.4	3.4
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	97	92	..	..
Primary completion rate (% of relevant age group)	104	98	..	..
Secondary school enrollment (gross, %)	38	52	62	81
Youth literacy rate (% of people ages 15-24)	94	..	99	99
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	85	92	99	103
Women employed in the nonagricultural sector (% of nonagricultural employment)	38	39	39	..
Proportion of seats held by women in national parliament (%)	21	21	22	21
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	48	43	33	18
Infant mortality rate (per 1,000 live births)	38	34	27	16
Measles immunization (proportion of one-year olds immunized, %)	98	80	84	99
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	120	84	61	37
Births attended by skilled health staff (% of total)	94	89	97	99
Contraceptive prevalence (% of women ages 15-49)	85	90	87	85
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	0.1
Incidence of tuberculosis (per 100,000 people)	153	129	109	78
Tuberculosis case detection rate (% , all forms)	21	33	33	87
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	67	74	80	91
Access to improved sanitation facilities (% of population)	24	34	44	64
Forest area (% of land area)	16.8	..	19.0	22.2
Terrestrial protected areas (% of land area)	13.5	14.0	15.5	16.6
CO2 emissions (metric tons per capita)	2.2	2.8	2.7	5.3
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	14	2.1	3.1	3.7
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.6	3.4	11.5	22.0
Mobile phone subscribers (per 100 people)	0.0	0.3	6.8	64.2
Internet users (per 100 people)	0.0	0.0	1.8	34.4
Computer users (per 100 people)	..	..	..	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

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Development Economics, Development Data Group (DECDG).

Selected Indicators* of Bank Portfolio Performance and Management
As of end of FY2012

Indicator	2009	2010	2011	2012
Portfolio Assessment				
Number of Projects Under Implementation ^a	78	79	84	89
Average Implementation Period (years) ^b	3.7	3.4	3.2	3.2
Percent of Problem Projects by Number ^{a, c}	5.1	15.2	15.5	12.4
Percent of Problem Projects by Amount ^{a, c}	3.4	11.6	9.4	7.1
Percent of Projects at Risk by Number ^{a, d}	6.4	17.7	19.0	13.5
Percent of Projects at Risk by Amount ^{a, d}	5.1	14.4	17.9	7.9
Disbursement Ratio (%) ^e	28.2	21.0	18.9	20.1
Portfolio Management				
CPPR during the year (yes/no)	No	No	No	No
Supervision Resources ^f (total US\$)	6313.0	7267.0	7517.0	7442.0
Average Supervision ^f (US\$/project)	68	74	77	77

Memorandum Item	Since FY80	FY08-12
Proj Eval by IEG (Number)	253	31
Proj Eval by IEG (Amount, US\$ millions)	33,790.0	3,693.1
% of IEG Projects Rated U or HU (Number)	8.0	3.2
% of IEG Projects Rated U or HU (Amount)	7.4	1.8

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- f. Includes all sources of funds (BB, GEF, CF, MP, CBF, FAO, etc)
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Standard CAS Annex B3: Indicative IBRD Financing FY13-15 (as of September 2012)

Strategic Theme 1: Supporting Greener Growth				Strategic Theme 2: Promoting More Equitable Development			
Fiscal Year	Outcomes	Project Names	Amt (\$m)	Outcomes	Project Names	Amt (\$m)	
Q3-Q4	1.2	Energy Efficiency Phase III with Exim Bank	100	2.1	Second Chongqing Urban-Rural Integration - Health	100	
FY12	1.2/1.6	Gansu Qingyang Urban Infrastructure Improvement	100	2.2	Yunnan Technical and Vocational Education and Training	50	
	1.3	Changzhi Sustainable Urban Transport	100	2.3	Integrated Economic Development of Small Towns	150	
	1.3	Hubei Xiangyang Urban Transport	100	2.4	ZhangHu Railway	200	
	1.3	Xinjiang Yining Urban Transport	100				
	1.4	Sichuan Wudu Irrigated Agriculture Development	100				
	1.5	Second Water Conservation	80				
	1.5	Ningxia Desertification Control and Ecological Protection	80				
Total Number of Projects: 12 Total Loan Amount in US\$ million (Actual): 1260							
FY13	1.1/1.6	Beijing Energy Efficiency and Emission Reduction Demonstration	120	2.1/2.2	Guangdong Urban-Rural Social Security Integration & Migrant Workers Training	80	
	1.1	Shandong Renewable Energy	100	2.4	Fujian Meizhou Bay Waterways	50	
	1.1	Shanghai Building Energy Efficiency and Low Carbon District	100	2.4	Harbin-Jiamusi Railway	300	
	1.2	Liaoning Coastal Economic Belt Infrastructure and Environment	150	2.4	Jiangxi Shangrao Sanqingshan Airport Development	50	
	1.2	Jiangxi Small Towns Infrastructure Development Demonstration	150				
	1.2/1.5	Shaanxi Yan'an Water Supply	60				
	1.2/1.6	Ningbo Domestic Waste Collection and Recycling Demonstration	80				
	1.4	Integrated Modern Agriculture Development (SOCAD)	200				
	1.5	Hunan Forest Ecosystem Restoration and Development	80				
	1.5	Anhui Ma'anshan Cihu River Basin Environment	100				
Total Number of Projects: 14 Total Loan Amount in US\$ million (including standby operations): 1620							
FY14	1.1	Concentrated Solar Power	80	2.3	Anhui Xuancheng Infrastructure for Industrial Relocation from Coastal Area	150	
	1.3	Jiangxi NanChang Urban Rail	250	2.3	Anhui Yellow Mountain New Countryside Demonstration	100	
	1.3	Qinghai Xining Urban Transport	120	2.3	Guiyang Rural Roads	150	
	1.3	Zhengzhou Urban Rail	250	2.4	Fujian Fishing Ports Demonstration	60	
	1.3	Yunnan Honghe Prefecture Urban Transport	150	2.4	Yinchuan-Xi'an Railway	200	
	1.4/1.6	Guangdong Non-point Source Agricultural Pollution Cleanup	100				
	1.5	Jiangxi Jingdezhen Wuxikou Integrated Water Scheme	100				
	1.5	Guangxi Laibin Water & Environment Management	80				
Total Number of Projects: 13 Total Loan Amount in US\$ million (including standby operations): 1790							
FY15	1.1	Shanxi Coal-bed Methane Utilization	100	2.2/2.3	Industry-based Poverty Alleviation Demonstration	150	
	1.1	Hebei New Energy Development in Rural Areas	100	2.2/2.3	Economic Reform Promotion and Capacity Strengthening	35	
	1.2	Qinghai Xining Integrated Environment Management	150	2.3	Guizhou Rural Development	100	
	1.2	Guilin Integrated Environment Management	100	2.3	Sichuan-Chongqing (GuangAn) Cooperation Demonstration Zone Infrastructure	100	
	1.2	Shaanxi Small Towns Infrastructure	150	2.4	Hubei XiaoGan Logistic Infrastructure	100	
	1.2/2.3	Zhejiang Rural Area Wastewater Management	200	2.4	Yunnan Highway Assets Management	150	
	1.3/2.4	Jiaozuo Safe and Green Transport Dev. in Transforming Economy	100	2.4	Heilongjiang Cold Weather Smart Public Transportation System	200	
	1.5	Chongqing Small Towns Water Resources Integrated Management	100	2.4	Gansu Rural-Urban Integration Infrastructure	150	
	1.5/1.6	Huainan Coal Mining Subsidence Area Rehabilitation	100				
Total Number of Projects: 17 Total Loan Amount in US\$ million (including standby operations): 2085							

**Standard CAS Annex B3: Global Environment Facility (GEF) Pipeline and Active Portfolio
(as of September 2012)**

GEF Pipeline (US\$m)	
Biodiversity	
Landscape Approach to Wildlife Conservation in Northeast China	3.0
Climate Change	
China Renewable Energy Scale-up Program (CRESP) Phase II	27.3
Climate Smart Agriculture: Low Emission Technologies for Foodgrain Crop Production (proposed)	5.1
Green Energy Schemes for Low-carbon City in Shanghai	4.6
Large-City Congestion and Carbon Reduction	18.2
Monitoring, Verification and Reporting in Energy Efficiency	17.8
Urban Scale Building Energy Efficiency and Renewable Energy	13.2
Persistent Organic Pollutants (POPs)	
Contaminated Site Remediation and Redevelopment (under discussion)	-
Reducing POPs from Municipal Solid Wastes	20.0
International Waters	
Guangdong Non-Point Pollution Control	5.1
Total	114.3

GEF Active Portfolio (US\$m)	
Biodiversity	
Guangxi Integrated Forestry Development and Conservation	5.3
Sustainable Management and Biodiversity Conservation of the Lake Aibi Basin	3.0
Climate Change	
China-GEF-World Bank Urban Transport Partnership Program	21.0
City Cluster Eco-Transport	5.0
Energy Efficiency Financing	13.5
Energy Efficiency Promotion in Industry	4.0
Green Freight Demonstration	4.2
Heat Reform and Building Energy Efficiency	18.0
Provincial Energy Efficiency	13.4
Sino-Singapore Tianjin Eco-City	6.2
Sustainable Development in Poor Rural Communities	4.3
Thermal Power Efficiency	19.7
Technology Needs Assessment	5.0
Persistent Organic Pollutants (POPs)	
Dioxins Reduction from the Pulp and Paper Industry	15.0
PCB Management and Disposal	18.3
International Waters	
Huai River Basin Marine Pollution Reduction	5.0
Liaoning Bohai Sea Pollution	5.0
Second Shandong Environment	5.0
Shanghai Agricultural and Non-point Pollution Reduction	4.8
Total	175.7

Annex B3

China: IFC Investment Operations (as of September 2012)

	2009	2010	2011	2012
Original Commitment (US\$m)				
IFC Own Account	278	447	448	577
IFC Own Account and Mobilization	406	546	671	637
Original Commitments by Sector (%), IFC Own Account only				
Finance & Insurance	11%	42%	42%	61%
Education Services	0%	0%	0%	9%
Chemicals	14%	0%	2%	8%
Collective Investment Vehicles	10%	4%	4%	8%
Health Care	0%	6%	4%	6%
Agriculture and Forestry	0%	0%	2%	3%
Utilities	0%	8%	8%	3%
Transportation and Warehousing	0%	0%	0%	1%
Electric Power	2%	18%	1%	1%
Industrial & Consumer Products	40%	4%	21%	0%
Food & Beverages	0%	9%	0%	0%
Nonmetallic Mineral Product Manufacturing	16%	7%	0%	0%
Pulp & Paper	0%	0%	3%	0%
Professional, Scientific and Technical Services	7%	2%	13%	0%
Total	100%	100%	100%	100%
Original Commitments by Investment Instrument (%), IFC Own Account only				
Equity	39%	58%	63%	16%
Quasi-Loan	18%	1%	1%	3%
Quasi-Equity	7%	0%	0%	0%
Loan	31%	41%	15%	29%
Guarantee	5%	0%	20%	51%
Total	100%	100%	100%	100%

CAS Standard Annex B4 - China Non-Lending Services
As of September 2012

<i>Product</i>	<i>Completion FY</i>
Completed	
China's Challenge: Building a Modern, Harmonious, and Creative High-income Society (China 2030)	FY12
Country Water Resources Partnership Strategy	FY12
Design of Water Consumption-based Water Rights Administration System for Turpan Prefecture	FY12
Development Impacts of Climate-Induced Changes in China's Water Resources	FY12
Economic, Financial, and Commercial Review of Urban Water Supply Utilities	FY12
Energy Efficiency & Climate Change Management Agenda in the Urban Transport Sector	FY12
Evaluate the Incentive Mechanism for Wind Power in China	FY12
Government Facilities Energy Efficiency	FY12
Health System Reform Programmatic AAA on Implementation, M&E	FY12
High Speed Rail System Integration	FY12
Promoting Access to Finance	FY12
Quarterly Update and Macro-fiscal Policy Notes	FY12
Review and Upgrade National Design Codes of Urban Water and Supply Drainage	FY12
Revision of National Guidelines on Dam Safety Mgmt and Risk Informed Dam Safety Mgmt	FY12
Social Protection and Labor Market Programmatic AAA	FY12
Urban Transport Climate Change Strategy	FY12
Water and Wastewater Sector from Middle Income Country to High Income Country	FY12
FY13	
Capacity Building for Smart Grid Development in China	FY13
Carbon Capture and Sequestration (CCS) Capacity Building Technical Assistance	FY13
Clean Stove Initiative	FY13
Collective Property Institutions and Policies Reform Options	FY13
Food Safety Engagement	FY13
Green Energy Scheme for Low-Carbon City in Shanghai	FY13
Financial Consumer Protection and Financial Literacy in China	FY13
Financial Sector Activities	FY13
Financial Sector Reform Roundtable	FY13
Financial Sector Reform Strategy	FY13
Heat Regulation Phase II	FY13
Housing Policies, Urban Planning and Integration in China	FY13
Inclusive Finance Academy in China (IFA)	FY13
Innovation Model of Affordable Housing Investment and Financing	FY13
Municipal Financing and Debt Management	FY13
Promoting Inclusive Innovation in China	FY13
Provincial Energy Efficiency Practitioners Forum	FY13
Rail Financial Futures Analysis	FY13
Risk Assessment of China's Agriculture Product Quality and Safety	FY13
Skills Development in Four Economic Sectors in Yunnan Province	FY13
State Forest Reform	FY13
Sub-national Public Finance and Debt Management	FY13
Support Chinese Participation in the 2011 WB-Singapore Infrastructure Finance Summit	FY13
Sustainable Financing Mechanism for Small Town Infrastructure Development	FY13
The Mortgage of the Right to Contract for Management in Rural Area	FY13
Transport System Safety	FY13
Trial Conservation of Cultural Heritage Assets in the Shandong Province	FY13
FY14 (indicative)	
Demand Analysis of Old Age Health Services in Both Demand and Supply Sides	FY14
Developing and Improving China's Pension System	FY14
Early Child Development	FY14
Electricity Regulation to Integrate Climate Change Considerations	FY14
Establishing a Comprehensive Financial Statistics Information Platform	FY14
Health and Medicine System Reform	FY14
Improving China's Social Assistance System	FY14
Issues and Options in Monitoring, Verification and Reporting in Energy Efficiency	FY14
Low-carbon Eco-city Financing Models and Low-carbon Industry Development	FY14
Modeling Regional Economic Benefits of Railway Projects	FY14
Urban Transport Programmatic Knowledge Management Platform	FY14

China: Key Economic Indicators

Indicator	Actual			Estimate			Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	11	11	10	10	10	10	9	9	9
Industry	47	47	46	47	47	44	44	43	43
Services	42	42	43	43	43	46	47	48	48
Total Consumption	49	47	47	48	47	49	49	50	50
Gross domestic fixed investment	39	41	46	46	46	46	46	45	45
Government investment	2	3	4	4	3	3	3	3	3
Private investment	37	38	42	42	43	43	42	41	41
Exports (GNFS) ^b	41	39	28	31	31	27	26	25	24
Imports (GNFS)	32	31	23	27	27	25	24	23	23
Gross domestic savings	51	53	53	52	53	51	51	50	50
Gross national savings ^c	53	55	53	52	53	48	48	49	49
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	3255086	4015926	4815692	5695217	6650942	7529478	8511561	9451875	10436095
GNI per capita (US\$, Atlas method)	2480	3050	3610	4240	4940	5570	6250	6900	7570
Real annual growth rates (% , calculated from 90 prices)									
Gross domestic product at market price	14.2	9.6	9.2	10.4	9.3	7.7	8.1	7.5	7.0
Gross Domestic Income	13.5	7.0	13.8	5.3	7.8	..	..	..	..
Real annual per capita growth rates (% , calculated from 90 prices)									
Gross domestic product at market price	13.6	9.0	8.6	9.8	8.8	7.0	7.4	6.8	6.3
Total consumption	10.3	7.8	8.3	7.3	9.0	7.8	7.9	7.3	6.9
Private consumption	10.0	7.6	8.3	7.7	8.9	7.3	7.4	7.5	6.8
Balance of Payments (US\$)									
Exports (GNFS) ^b	1342206	1581713	1333300	1743565	2086660	2241380	2406635	2581000	2742560
Merchandise FOB	1220000	1434601	1203800	1581400	1899340	2038750	2189620	2348700	2493800
Imports (GNFS) ^b	1034729	1232843	1113200	1520538	1898300	1933760	2085000	2274000	2452500
Merchandise FOB	904618	1073919	954300	1327238	1660272	1747200	1865500	2017900	2158000
Resource balance	307477	348870	220100	223027	188400	307620	321610	307000	290000
Net current transfers	38634	45781	33700	42900	78400	49820	54800	49800	39800
Current account balance	353183	420569	243257	237810	201714	215000	229456	222915	209010
Net private foreign direct investment	143100	121700	70300	185750	170449	141400	113500	90000	55000
Change in reserves ^d	-464804	-440860	-380557	-464998	-359839	-327600	-413397	-321581	-290143
<i>Memorandum items</i>									
Resource balance (% of GDP)	9.4	8.7	4.6	3.9	4.1	2.4	2.2	1.7	1.3
Real annual growth rates (YR90 prices)									
Merchandise exports (FOB)	19.1	7.9	-10.5	28.2	9.4	4.2	5.3	5.2	4.2
Merchandise imports (CIF)	13.4	3.3	2.4	22.0	9.7	6.0	6.4	5.0	3.9
							<i>(Continued)</i>		

China: Key Economic Indicators, continued

Indicator	Actual			Estimate			Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public finance (as % of GDP at market prices)^e									
Current revenues	19.4	19.6	20.1	20.7	21.9	22.1	21.9	21.6	21.1
Current expenditures	15.7	16.5	19.0	20.2	19.4	21.0	21.7	21.1	20.5
Current account surplus (+) or deficit (	3.7	3.1	1.1	0.5	2.5	1.1	0.2	0.5	0.6
Capital expenditure	3.0	3.4	3.5	3.2	3.0	3.0	2.9	2.8	2.8
Foreign financing	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Monetary indicators									
M2/GDP	151.8	151.3	179.0	180.8	175.5	186.5	191.5	196.6	201.2
Growth of M2 (%)	16.6	17.8	28.4	18.9	14.3	14.6	15.0	14.0	13.0
Price indices (YR90 =100)									
Merchandise export price index	126.7	137.7	129.4	132.5	145.8	150.2	153.2	156.2	159.2
Merchandise import price index	129.6	148.8	129.0	146.6	167.1	167.9	168.8	173.9	179.0
Merchandise terms of trade index	97.7	92.6	100.3	90.4	87.2	89.4	90.7	89.8	88.9
Real exchange rate (US\$/LCU) ^f	117.1	127.1	120.7	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	4.8	5.9	-0.7	3.3	5.4	2.8	3.3	3.0	3.0
GDP deflator (% change)	7.6	7.8	-0.6	6.7	7.8	3.0	3.6	3.3	3.2

a. GDP at market prices

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

China: Key Exposure Indicators

Indicator	Actual 2007-2011							Projected	
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total debt outstanding and disbursed (TDO) (US\$m) ^a	373,457	380,165	443,155	558,344	685,418	644,785	617,958	..	..
Short-term debt (US\$m)	203,698	187,188	240,509	347,524	476,911	451,550	432,646	..	..
Net disbursements (US\$m) ^a	46,823	(2,280)	43,521	119,928	126,951	129,014	123,614	..	..
Total debt service (TDS) (US\$m) ^a	31,823	33,259	39,804	63,638	78,049	73,538	70,460	..	..
Debt and debt service indicators (%)									
TDO/XGS ^b	26.1	22.3	30.5	29.4	30.5	28.9	25.8	..	..
TDO/GDP	11.5	9.5	9.2	9.8	10.3	7.8	6.6	..	..
TDS/XGS	2.2	2.0	2.7	3.4	3.5	3.3	2.9	..	..
Concessional/TDO	10.1	10.8	9.8	7.0	5.6	5.3	4.9	..	..
IBRD exposure indicators (%)									
IBRD DS/public DS	18.2	16.3	15.7	9.9	8.3	13.6	16.3	..	..
Preferred creditor DS/public DS (%) ^c	29.3	27.1	27.4	18.9	24.5	28.7	34.9	..	..
IBRD DS/XGS	0.1	0.1	0.1	0.1	0.1	0.1	0.1	..	..
IBRD TDO (US\$m) ^d	11,762	12,464	12,756	12,962	13,026	12,930	13,215	..	..
Of which present value of guarantees (US\$m)									
Share of IBRD portfolio (%)	11.7	12.2	10.7	9.5	9.5	8.8	8.4	..	..
IDA TDO (US\$m) ^d	10,151	9,786	9,521	9,000	7,489	6,712	5,953	..	..
IFC (US\$m)									
Loans	694	930	920	994	1,038	1,067	1,105	1,145	1,186
Equity and quasi-equity /c	493	589	527	727	793	746	756	766	776
MIGA									
MIGA guarantees (US\$m)	49	0	75	24	0	57	67	50	50

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

CAS Annex B8 - China

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 9/27/2012

Closed Projects 281

IBRD/IDA *

Total Disbursed (Active)	3,599.53
of which has been repaid	77.42
Total Disbursed (Closed)	9,891.01
of which has been repaid	16,368.59
Total Disbursed (Active + Closed)	13,490.53
of which has been repaid	16,446.01
Total Undisbursed (Active)	6,371.24
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	6,371.24

Active Projects

Project ID	Project Name	Last PSR			Fiscal Year	Original Amount in US\$ Millions			Cancel.	Undisb.
		Supervision Rating		IBRD		IDA	GRANT			
		Development Objectives	Implementation Progress							
P121263	China GEF City Cluster Ec	S	✓	2012			5			
P120932	China Technology Needs A #	#	✓	2012			5		5	
P096707	CN - GD Tech&Vocational I S	S	✓	2009	20				7.875348	
P118597	CN - Integrated Eco. Dev of #	#	✓	2012	150				150	
P112626	CN - Liuzhou Environment I S	S	✓	2011	150				141.2564	
P108627	CN - Nanning Urban Enviro S	S	✓	2010	100				40.26359	
P106956	CN - Ningbo New Countrysi MS	MS	✓	2010	50				32.32303	
P110632	CN - Sichuan Small Towns S	S	✓	2011	100				99.75	
P114138	CN - Water Conservation I S	S	✓	2012	80				80	
P039838	CN ODS IV PHASE OUT PI S	S		1998			440.35	0.1	16.70079	
P101829	CN Xining Flood and Water S	S		2009	100				52.85294	
P096925	CN- Bengbu Integrated Env S	S		2008	100				55.04541	
P084874	CN- Energy Efficiency Fine S	S		2008	300				134.63	
P098654	CN- GEF-Thermal Power E I MS	MU		2009			19.7		9.322856	
P087318	CN-GEF-Guangxi Integrate S	S		2007			5.25		0.936507	
P086515	CN-3rd National Railway S	S		2007	200				8.860376	
P111421	CN-Anhui Medium Cities Ur MS	MS		2010	100				92.13486	
P118647	CN-Anhui Shaying River Ct S	S		2011	100				99.75	
P115695	CN-Bayannaoer Water Res S	S		2011	80				79.8	
P124978	CN-Changzhi Urban Transp S	S		2012	100				99.75	
P126210	CN-Chongqing Urban Rural #	#		2012	100				100	
P086446	CN-Chongqing Urban-Rural MS	MS		2010	84				75.79	
P125528	CN-Dioxins Reduc. from Pr S	S		2012			15		15	
P096556	CN-Eco-Farming S	MS		2009	120				60.86104	
P085124	CN-Economic Reform Imple S	S		2006	20				9.745718	
P113766	CN-Energy Efficiency Final S	MS		2010	100				79.75	
P091020	CN-Fujian Highway Sector I S	S		2007	370				65.01369	
P070519	CN-Fuzhou Nantai Island Pr S	MS		2006	100				17.16157	
P091949	CN-Gansu Cultural & Natur S	MS		2008	38.4				12.76325	
P123133	CN-Gansu Qingyang Urban #	#		2012	100				100	
P119357	CN-GEF Egy Efficiency Pr S	S		2011			4		3.6	
P098916	CN-GEF Energy Efficiency S	S		2008			13.5		10.45957	
P119654	CN-GEF Green Freight Der S	S		2011			4.2		3.4	
P114182	CN-GEF Povincial Energy E S	S		2011			13.386363		12.1327	
P098915	CN-GEF Sino-Singapore Ti MS	MS		2011			6.16		3.509188	
P072721	CN-GEF-Heat Reform & Blc S	S		2005			18		7.985694	
P108592	CN-GEF-IF Huai River Basi S	S		2012			5			
P090375	CN-GEF-IF-LIAONING MS	MS		2007			5		5	
P090377	CN-GEF-IF-SHANDONG EI MS	S		2007			5		0.713208	
P090376	CN-GEF-IF-Shanghai Agric MU	U		2010			4.788		4.066578	
P082993	CN-GEF-PCB Mgmt & Dispc MU	MS		2006			18.34		6.054178	
P101844	CN-GEF-Sust Dev in Poor f MS	MS		2010			4.265		3.925	
P090335	CN-GEF-WB Urban Transp MS	U		2008			21		16.48252	
P081776	CN-GUANGDONG/PRD2 MS	MS		2007	96				41.79198	

<u>Active Projects</u>										
Project ID	Project Name	Last PSR				Original Amount in US\$ Millions				
		Supervision Rating		Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undisb.	
		Development Objectives	Implementation Progress							
P088964	CN-Guangxi Integrated Forr S		S	2007	100				0.832668	
P093963	CN-Guiyang Transport S		MS	2008	100				14.75572	
P091950	CN-Guizhou Cultural and N; MU		U	2009	60				52.7567	
P107559	CN-Guizhou-Guangzhou R; MS		MS	2009	300				299.25	
P087224	CN-Han River Urban Enviro MS		MS	2008	84				41.81108	
P100455	CN-Henan Ecological Lives! S		S	2010	80				71.8	
P081348	CN-HENAN TOWNS WATE U		U	2006	150				79.36204	
P098078	CN-Huai River Basin Flood S		S	2011	200				152.9813	
P119071	CN-Hubei Xiangyang Urbar S		S	2012	100				100	
P101258	CN-Hubei Yiba Highway S		S	2009	150				76.89612	
P075730	CN-HUNAN URBAN DEV MS		MS	2005	172				23.91556	
P105872	CN-Integrated Forestry Dev S		S	2011	100				68.45613	
P096926	CN-Jiangsu Water and Wa S		S	2009	130				50.70131	
P101988	CN-Jiangxi Shihutang Navi S		S	2009	100				17.48871	
P101716	CN-Jilin Food Safety S		S	2010	100				91.71174	
P122321	CN-Jilin-Hunchun Railway S		S	2011	200				196.089	
P117656	CN-Kunming Urban Rail S		S	2011	300				283.25	
P110661	CN-Lake Aibi Conservation S		S	2011			2.976		2.976	
P092618	CN-LIAONING MED CITIES MS		MS	2007	173				113.407	
P099224	CN-Liaoning Med. Cities (LJ MS		MU	2008	191				134.7551	
P099992	CN-Liaoning Medium Cities S		MS	2006	218				79.45495	
P085376	CN-Migrant Skills Dev. and S		MS	2008	50				35.32778	
P112359	CN-NanGuang Railway S		S	2009	300				243.1787	
P121289	CN-Ningxia Desertification I S		S	2012	80				80	
P096920	CN-Ningxia Highway S		HS	2010	250				33.64597	
P084437	CN-Rural Health S		S	2008	50				19.43038	
P120234	CN-Shandong Confucius & S		S	2011	50				44.875	
P112759	CN-Shandong Ecological A S		S	2010	60				39.40839	
P114069	CN-Shandong Energy Effic S		S	2011	150				134.625	
P077752	CN-SHANDONG ENVMT 2 S		S	2007	147				28.42343	
P096923	CN-Shanghai APL III MS		MS	2009	200				115.6321	
P075732	CN-SHANGHAI URBAN AP MS		MS	2006	180				53.15108	
P100968	CN-Shanxi Coal Bed Metha MU		U	2009	80				71.8	
P099062	CN-ShiZheng Railway HS		S	2008	300				125.5142	
P083322	CN-SICHUAN URBAN DEV MS		MS	2007	180				11.05083	
P121414	CN-Sichuan Wudu Irrigatec S		S	2012	100				99.75	
P099751	CN-Sustainable Dev. in Poc MS		MS	2010	100				82.29009	
P081615	CN-Taiyuan Urban Transpo MU		U	2010	150				149.625	
P117107	CN-Tech Vocational Ed MU		MU	2010	40				33.9	
P120664	CN-Urumqi District Heating S		S	2011	100				89.75	
P095315	CN-W. Region Rural Water U		U	2007	25				5.793495	
P114107	CN-Wenchuan Earthquake MS		MS	2009	710				351.6121	
P112838	CN-Wuhan Second Urban S		MS	2010	100				81.93402	
P092631	CN-Xi'an Sustainable Urbar S		MS	2008	150				113.3563	
P111163	CN-Xinjiang Water Conserv S		MS	2010	100				89.75	
P122008	CN-Yunnan Tech Voc Ed #		#	2012	50				50	
P096812	CN-Yunnan Urban Env S		S	2009	150				120.041	
P122319	CN-Zhangjiakou-Hohhot Rai S		S	2012	200				199.5	
P116656	CN-Zhejiang Qiantang River S		S	2011	100				81.28121	
P126454	Xinjiang Yining Urban Trans #		#	2012	100				99.75	
Overall Result					10118.4		615.915363	0.1	6498.505	

