

**1. CAS Data****Country:** CHINA**CAS Year:** FY03**CAS Period:** FY03 – FY05**CASCR Review Period:** FY03 – FY05**Date of this review:** May 15, 2006**2. Executive Summary**

Progress towards the main objectives of the FY03-05 CAS – improving the business environment and accelerating China's transition to a market economy, addressing the needs of the poorer and disadvantaged people and lagging regions, and facilitating an environmentally sustainable development process – was mixed, yet substantive in a number of key areas, and the outcome of the Bank's assistance program in terms of progress towards the main objectives of the CAS is rated *satisfactory*. Bank performance in terms of the support to China is rated as *satisfactory*.

Important achievements were high quality analysis and capacity building related to China's WTO accession and its impact on poverty, contribution to greater government focus on poverty, capital market development, greater government awareness of resource scarcity and environmental management, greater openness and transparency in project management, and the drafting of the Rural Land Contracting Law. Despite these achievements, several crucial challenges persist: better public sector management, improved service delivery by public utilities, adequate poverty targeting, managing the interaction among different tiers of government, improving health outcomes, and achieving environmentally sustainable growth.

China's portfolio – the Bank's largest – exhibited excellent implementation during the CAS period with 90% of projects rated as satisfactory. Despite having to respond to the unanticipated SARS epidemic in 2004, the program was largely delivered as planned. The relevance and quality of AAA and responsiveness to demand from the authorities in the form of just-in-time reports was high. The CASCR notes that "the Bank's impact arises through demonstrating innovative models for addressing specific development problems that are subsequently scaled up...or through influencing policy and institutional reform measures in ...AAA". However, IEG notes that the ability to scale up is limited by policies and institutions – in particular by intergovernmental finance and loan repayment arrangements.

IEG agrees with the main lessons of the CASCR, in particular the need to further simplify and streamline Bank processes, actively work with other development partners to enhance Bank engagement in poverty reduction, social sectors, and the environment, and refine the process by which successful innovations and ideas are scaled up. While IEG concurs that results should be assessed more effectively through the introduction of a set of intermediate indicators (in addition to overall outcomes), these indicators should be tied to the Bank's instruments and thus complement an assessment of overall results.

IEG recommends that a more systematic approach be put in place to assess the utility of AAA and more deliberate attempts be made to extract lessons from demonstration projects in order to further understand the determinants of success before scaling up. In addition, to the extent that data weaknesses preclude a timely and precise assessment of progress, it would be useful to establish how such information might be collected in the future.

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**3. CASCR Summary****Overview of CAS Relevance:**

- The direction and focus of the FY03-05 CAS was influenced by two main factors. First, the CAS coincided with a more difficult phase of China's reforms as the country moved from liberalization to more complex structural reforms and institution building. Second, this CAS was the first since China ceased borrowing on concessional terms from IDA, switching entirely to IBRD. The CAS benefited from several background papers prepared for IEG's Country Assistance Evaluation (CAE) as well as in-country consultations carried out in preparation for the CAE which was discussed by CODE on March 29, 2004.
- The overarching objective of the FY03-05 CAS was to support China in making two historic transitions: (a) from a rural, agricultural society to an urban, industrial society, and (b) from a centrally-planned economy to a more globally integrated market-based economy and to do it on a sustainable basis (CAS, para. 51). More specifically, three "pillars" were to be supported: (i) improve the business environment and help accelerate China's transition to a market economy; (ii) address the needs of the poorer and disadvantaged people and lagging regions; and (iii) facilitate an environmentally sustainable development process. There were fifteen associated sub-objectives. The CAS pillars were relevant and consistent with the Government's Tenth Five-Year Plan (2001-2005) and the guidance from the 16<sup>th</sup> Party Congress held in November 2002. They were also appropriate to China's transition and attendant development challenges. Investment lending during the CAS period focused more heavily than before on poorer inland provinces and on poverty and/or environmental goals.
- The CAS objectives were to be accomplished through a large program of IBRD investment lending and analytical work, WBI training and workshops, and complemented by IFC investments. Given the relatively small financial contribution of IBRD (less than 0.2% of investment) lending operations were intended to be catalytic and demonstrate innovative or good practice approaches and options. The CAS also placed great emphasis on the Bank's role as a "Knowledge Bank". Annex Tables 1 and 2 link Bank instruments to the CAS objectives and compare planned commitments with actual deliveries.
- While the CAS objectives were appropriate, the targeted outcomes were not always realistic. As the CASCR points out (p. 4) the associated progress benchmark indicators (135 in all) were excessively detailed and inadequately prioritized; it was unrealistic to expect that the Bank would be able to significantly influence many of them at a national level given the modest size of its lending program (less than 0.2% of total investment) and AAA relative to the needs of the country. Intermediate benchmarks that linked more directly to the Bank's interventions were not consistently identified for all sub-objectives.

**Overview of CAS Implementation:**

- **Lending.** The CAS projected 30 core lending operations. The magnitude of lending was largely delivered as planned. According to the CASCR, Bank lending to China during FY03-05 was about \$3.39 billion delivered through 24 investment projects, four GEF projects, one PCF project and one (unplanned) emergency project delivered in response to the Severe Acute Respiratory Syndrome (SARS) epidemic. Bank lending was slightly below the low end of the CAS's projected range (\$3.6 billion) but the CASCR attributes this in part to the use of Government unit cost estimates that were often higher than actual costs, leading to cost savings. The lending program in FY05 deviated significantly, however, from the plan in terms of specific projects. Only three of nine planned regular projects were delivered; five were postponed and one was dropped. The overall impact on the magnitude of lending flows was not significant as an additional six (unplanned) projects were delivered (Annex Table 1). The IBRD portfolio is characterized by a high degree of investment lending (80%) and an emphasis on infrastructure.

- **Non-lending: AAA.** The Bank delivered the bulk of its planned AAA activities and in a timely fashion (Annex Table 2). Thirty-seven out of 38 planned written products were delivered or are ongoing across all three of the CAS pillars. The lone exception – the planned Public Expenditure Review/CFAA – was dropped as it would have duplicated analysis carried out by the ADB. Sixty-one of 64 planned technical assistance activities were carried out (two were dropped and one was delayed). Several un-programmed deliveries of AAA occurred, reflecting in part “rapid response” activities conducted at the request of the authorities. For example, eight policy notes were prepared on a range of financial, public sector management, human development and environmental issues. In addition, several seminars and conferences to promote learning and better disseminate international experience were carried out during the CAS review period. China constituted WBI's largest country program during the CAS period, averaging 70 learning events a year.
- A 2005 QAG review of China's AAA found it satisfactory (and highly satisfactory for strategic relevance). At the same time, the QAG review identified weaknesses in Chinese language dissemination (and hence actual reach to Chinese nationals), monitoring the AAA program, costs of collaborative research, and increasing the attention to implementation of AAA findings relative to production. The share of resources allocated to China's ESW during the CAS period – \$19.6 million representing 24% a year – was below the Bank-wide average of 34% and that of countries such as India and Indonesia; but in absolute terms the allocation was comparable. The QAG review of AAA concluded that the size of the program was “about right”. Given the importance of the Bank's AAA program in the country dialogue, the Bank needs to address explicitly the implications of the institution spending proportionately less on knowledge services in China relative to comparators and the Bank-wide average. A September 2005 Client Survey indicated that Bank knowledge was viewed by respondents as the Bank's most important contribution (55% ranked this first or second). At the same time 50% of respondents identified “failure to adapt global knowledge to local conditions” as one of the Bank's greatest weaknesses. This latter finding is consistent with the finding in IEG's 2004 China CAE of FY98-02 indicating that Chinese counterparts stated that the Bank was slow to adjust to their growing knowledge and sophistication and sometime provided generic advice.
- **IFC.** The IFC's evaluation unit (IEG-IFC) reviewed the relevant sections of the CASCR. The CASCR adequately captures and discusses the role of the IFC during the CAS period. Two issues, however, merit more elaboration. The first is the CASCR's explanation for the relatively higher exposure of the IFC in the form of equity investments in China, which is about 48% of the IFC's exposure. According to IEG-IFC, the main underlying reasons for this higher exposure is that almost half of IFC's exposure in China is in the financial sector, practically all in the form of equity because: (a) almost all (except one or two) financial sector projects of IFC supported a (partial) privatization of the financial institution, which required IFC to purchase equity shares; (b) local businesses, including local financial institutions, are not allowed to borrow foreign loans (only joint ventures with foreign investors can borrow from abroad); and (c) these privatized financial institutions needed equity to meet minimum capital adequacy standards, and did not need loans because they have a large deposit base which was adequate for making loans. Second, the statement in the CASCR that “IFC created best practice models among smaller private banks..” is overstated as IEG-IFC notes that the IFC has invested in only one truly private bank, the rest were partially privatized banks with the government still directly or indirectly the single largest shareholder although a less than 50% owner. Part of IFC's role as equity investor was to improve corporate governance and financial (risk) management in these financial institutions, and to encourage them to provide more SME lending, but the success of this role is still to be fully realized. IFC has self-evaluated four projects in China during the CAS period. IEG has independently validated these evaluations and finds that three of the four projects had development outcomes rated mostly successful or better, while two achieved satisfactory investment outcomes for IFC. All four projects were originally approved in 1998-99.
- **MIGA.** MIGA's evaluation unit reviewed the relevant sections of the CASCR. Between 1993 and the end of 2005, MIGA has issued 41 guarantees in support of 26 projects in China for a maximum aggregate liability of

US\$379.1 million. These projects were concentrated in the infrastructure and manufacturing sectors. As of February 2006, there were six projects in MIGA's portfolio in China with active guarantee contracts. To date, IEG-MIGA has evaluated four randomly selected mature projects during FY04-05. Three of the evaluated projects were in infrastructure and one in manufacturing; the sample composition reflects the current concentration of MIGA portfolio in infrastructure. Evaluation found that all of the projects were strategically relevant and consistent with WBG strategy and priorities in China. In some of the projects MIGA guarantee played a useful role, including providing mediation in resolving potential disputes between the investor and the government in three infrastructure projects. Business performance results and development impact of the projects were mixed. In the three infrastructure projects, the lower than expected result was related to pricing issues and regulatory changes during implementation. In the case of the manufacturing project, the market for the product changed, which the investor did not anticipate. Three of the four projects did not fully meet the environmental safeguards at the time of evaluation. MIGA's TA activities in China have not yet been evaluated.

- **Portfolio outcomes.** The China portfolio – the Bank's largest – performed extremely well over the review period. By share of total commitments, the 70 completed and evaluated projects during the CAS period achieved an average outcome rating of 90%, significantly higher than the East Asia and Bank-wide averages of 80% and 78% respectively (Annex Table 3). Only 2% of the portfolio was at risk during the CAS period – again significantly better than the Bank-wide average of 16.4%. Despite this impressive portfolio performance, the CASCR notes that the average project implementation period of 5 years for operations in China exceeds the Bank average of 3.6 years. The IEG CAE on China also found during consultations that officials expressed concerns about the high cost of doing business with the Bank (due in part to rigorous safeguard provisions) and slow project preparation times. These concerns persist; nearly half of all respondents to the 2005 Client Survey indicated that the greatest obstacle to the Bank's role in China's future development was the "number and complexity of the procedures involved in obtaining Bank financing".
- **Safeguards and fiduciary issues.** The CASCR notes that given the heavy focus on infrastructure in the China portfolio, an exceptionally high percentage of projects (80% by commitment versus 8% for the rest of the Bank) fall into safeguards Category A.
- **Exogenous shocks.** The 2004 SARS epidemic was a major unanticipated event. The Bank responded quickly and effectively with an FY04 emergency loan. While responding to SARS led to the extension of several existing projects (thereby increasing their age), it did not adversely affect portfolio outcomes. According to the CASCR (p. 30) the Bank's emergency response to SARS was financed from cost-savings realized under six completed IDA projects.

#### **Overview of Achievement by Objective:**

##### **(I) IMPROVING THE BUSINESS ENVIRONMENT AND ACCELERATING CHINA'S TRANSITION TO A MARKET ECONOMY**

Considerable progress was achieved under this objective due to China's accession to the WTO, financial and capital market reforms and the introduction of key economic laws that helped to improve the business environment. Much remains to be done however in strengthening the banking sector, making business regulation and licensing less cumbersome, strengthening corporate governance, improving accountability of public service and overall governance, and improving the efficiency and sustainability of infrastructure service delivery. The overall outcome under this pillar is rated *satisfactory*.

- (a) **Strengthening macroeconomic management.** *Achieved.* A CEM, Development Policy Review, economic/social

monitoring briefs and policy notes prepared at the request of the government (on public reform, macroeconomic management, domestic debt risks and fiscal sustainability) contributed to this sub-objective. China maintained a low inflation rate (1.8% year-on-year) during the CAS period, and good revenue performance reduced the fiscal deficit to 1.7% of GDP in 2004. At the beginning of the CAS period, the banking system was marked by excess liquidity and rapid credit growth resulting from accelerating investment in some sectors. During 2004, the Peoples' Bank of China tightened monetary policy and reduced broad money growth (from 19.5% to 14%) and loan growth (from 21% to 12.5%). Bank technical assistance contributed to building fiscal management capacity in Ministries at the national level but was less successful in strengthening the framework for inter-governmental finance (due to the political power of provinces) and in strengthening the capacity for managing fiscal risks. Contingent liabilities arising from NPLs of state-owned banks, improperly recorded local-level debt and unfunded pension obligations could potentially adversely affect the fiscal position (IMF Staff Report, July 2005). According to the CASCR, the Bank contributed to the development of a system for monitoring short-term capital flows, an important step in managing any future opening of the capital account. More generally, both the CASCR and the IMF 2005 staff review note that the poor statistical database in China continues to pose a potential risk to robustly assessing macro-stability risks.

**(b) Promoting China's integration into the global economy.** *Achieved.* The key AAA inputs were WBI technical assistance on WTO issues, analytical work by DEC (post-WTO regulatory challenges and services liberalization) and operational staff on the impact of WTO accession on China, particularly its impact on the poor. Bank AAA also focused on legislative commitments related to China's WTO accession and on factor and product market reforms. As of 2005, all tariff reductions required under WTO commitments had been largely implemented and required quotas. The unweighted average nominal tariff fell to 10%. China's country-led accession has proceeded more rapidly than services liberalization or domestic structural reforms. Export growth remained strong, averaging over 30% during the CAS period, higher than the average for East Asia or other middle-income countries.

**(c) Reforming the financial sector.** *Partially achieved.* A corporate bond market study, policy notes on state commercial bank restructuring and development of institutional investors, and capacity building and TA through WBI interventions on NBFIs and infrastructure finance were included in the planned activities. Several unplanned analytical pieces were additionally carried out at the request of the authorities covering capital market development, improving the risk management of securities firms, corporate governance of rural commercial banks, the framework for lending to SMEs and addressing systemic risks and financial stability. Over the CAS period, China liberalized interest rates and reformed the government bond market (key reforms that the Bank had long advocated in its policy dialogue). A bank regulatory authority was established (CBRC), thereby improving bank supervision. According to the CASCR, under the leadership of the Peoples' Bank of China four SCBs (accounting for 60% of total banking assets) were recapitalized and restructured. Bank AAA supported these reforms with policy and operational recommendations. Bank assistance was less effective in promoting reform in rural finance and rural areas remain underserved. In addition, much remains to be done to reform corporate bond markets and to strengthen the balance sheets, internal control systems and credit risk management of banks.

IFC investments in the financial sector were important in catalyzing private (and foreign) entry into sectors previously dominated by SOEs (e.g. funds management, insurance, investment banks) potentially enhancing governance and accelerating the transfer of technology and management practices. In addition, IFC created new institutions (bonds markets, markets for distressed assets, and credit information agencies) to deepen the financial sector. The CASCR notes that the IFC was the first international agency to issue a Renminbi ("Panda") bond.

**(d) Promoting private sector development and enterprise reforms.** *Partially achieved.* The CAS outlined the following priorities under this sub-objective:

*(i) Improving the business climate for private sector activity:* A significant achievement towards improving the business climate was the preparation of more than 50 major economic laws necessary for a functioning market economy (e.g. anti-monopoly, bankruptcy, contract, company, partnership, SME) and which also enabled China to integrate into the global trading system. This legal work, which was supported by an ongoing Bank-financed Economic Law Reform

project, was greatly facilitated by exposure to international experience and expertise and also profited from public participation through the institutional development component. While investment climate surveys increased awareness of constraints at the local level, business registration and licensing, as well as land-use approvals remain cumbersome. China ranked 91<sup>st</sup> (out of 155 countries) on the overall ease of doing business in the *Doing Business 2006* report – below all other East Asian IBRD comparators. Despite the enactment of an e-commerce law (and supplemental reforms) which took effect in April 2005 (a benchmark), e-commerce remains constrained by the regulatory and legal framework (consumer privacy protection, missing credit rating agencies and so on).

MIGA's joint marketing, cross-training and outward investment initiatives with Sinosure (China's export credit agency) built capacity. MIGA interventions further contributed to improving the business environment through its technical assistance to the Ministry of Commerce on drafting of the national Guidelines for Investment Promotion in 2005 and with some provinces (e.g. Sichuan) on investment promotion.

(ii) *Corporate restructuring, ownership diversification and industrial reorganization*: This sub-objective had seven progress benchmarks but limited Bank instruments to address it during the CAS period. The single loan (an ongoing Shenyang Industrial Reform Project) was limited in scope and geographical coverage and did not generate the intended outcomes. The ICR review attributes the unsatisfactory outcome to weak corporate governance, inadequate enforcement of the rule of law, weak financial sector regulation, and inflexible factor markets. The CASC alludes to earlier Bank assistance (not specified) that laid the foundation for change on this issue. The authorities made progress on 4 of the 7 benchmarks; specifically, a more comprehensive policy on mergers and acquisitions has been introduced, harder budget constraints are being imposed on enterprises, SOEs are being further separated from government control and the number of loss-making SOEs fell from 69% to 48% of the total between 1998 and 2004. The Chinese authorities were less successful in ensuring that asset management companies restricted their acquisition of new assets and a significant number of SOEs continue to run social programs (health, education, health insurance, and housing).

(iii) *Strengthening corporate governance*: To support China's objectives in this area, the CAS looked to ongoing projects for accounting, enterprise and economic law reform as well as WBI distance training on corporate governance and an FY03 study on the same issue. Overall, progress on corporate governance has been mixed and slow. Companies with some foreign ownership exhibit better corporate governance compared to those that are fully state-owned. Two of the three benchmarks are only slowly beginning to be met. As the CASC notes, the *appointment and utilization of board committees such as audit and compensation* is rare among wholly state-owned firms and only emerging. The CASC makes it clear that while the authorities have started to introduce accounting standards, the pace has been slower than anticipated.

(e) **Improving public sector management and delivery of services. Partially achieved.** The CAS called for an *improved regulatory/incentive environment for good governance* as a prerequisite for improved public sector management. Bank instruments to support this sub-objective included ongoing projects for Fiscal TA, Accounting Reform and Economic Law Reform, a Country Procurement Assessment Report, and WBI training for government procurement specialists and on financial management. Greater transparency has been introduced into government procurement (through the enactment of the Government Procurement Law) and government auditing systems. For example, the CASC indicates that an annual audit report is now presented to Parliament. The legal profession and judicial system was strengthened through the Economic Law Reform project. Overall, ten of twenty-five intermediate benchmarks were largely achieved, eleven partially achieved, and four were not achieved. Despite these achievements on intermediate objectives, overall WBI governance indicators (government effectiveness and the control of corruption) deteriorated in China between 1998 and 2004. The sub-objective of *strengthened management of cities* was supported through six urban and transport investment projects and several pieces of AAA. While individual Bank interventions often achieved project-specific goals, overall impact country-wide has been limited. The CAS also called for *strengthened performance of public utilities in delivering infrastructure services*, identifying nineteen benchmarks. According to the CASC, while Bank assistance influenced sector wide reform in energy and railroads, its impact in roads, transport services, and urban utilities was constrained by decentralized oversight mechanisms in those sectors

and the fact that the Bank was not involved in sector-wide analysis. Little progress was made in systematically strengthening accountability in the delivery of public services at different levels of government.

## (II) ADDRESSING THE NEEDS OF THE POORER AND DISADVANTAGED PEOPLE AND LAGGING REGIONS

In addressing the needs of poorer and disadvantaged people, Bank assistance partially achieved its objectives. It contributed to improved access to universal primary education and strengthened the pension system and labor market institutions. Health outcomes and efforts to strengthen transport links in lagging regions were less favorable, and inadequate information was presented to assess whether employment and agricultural productivity had increased sufficiently to help the target population. Bank assistance contributed to the policy and research discussion on poverty, but operationally, poverty funds remain poorly targeted with leakage of over 50 percent. IEG rates the overall outcome under this pillar as *moderately satisfactory*.

(a) **Increasing employment and productivity off and on the farm.** *Partially achieved.* The CAS objective of *expanded off-farm job creation* was met or exceeded at the project level, though the overall national impact was modest. With respect to *higher agricultural productivity*, according to the CASCR, Bank-financed pastoral projects contributed to the introduction of improved livestock varieties, while the New Agriculture Technology Project is piloting public/private partnerships for research and extension services. But no evidence is presented to support a larger scale introduction of higher value crops, aquatic products and grains. Through an IDF that supported the drafting of key provisions to a Rural Land Contracting Law, the Bank contributed to *strengthening land property rights*. Bank AAA on China's Land Policy Reform provided a roadmap that identifies major land policy reform challenges and makes recommendations on land acquisition, banking, property taxation and markets.

(b) **Strengthening transport links within and to lagging regions.** *Partially achieved.* The Bank supported the first sub-objective of *developing road networks* through several lending operations (for example, 2<sup>nd</sup> Shaanxi Provincial Highway, 2<sup>nd</sup> Henan Provincial Highway). This assistance was effective in expanding the road network, often meeting physical targets, and linking some provincial capitals to ports (for example, Fuzhou to Xiamen); but Bank assistance was less effective in strengthening linkages within lagging regions or scaling up the Bank's interventions. The CASCR attributes the relative lack of progress to the absence of a single government authority responsible to coordinate all transport modes. The Bank's assistance was less effective in improving *logistics services* (the second sub-objective). The IBRD-financed Container Transport Project had limited success in promoting container penetration in the inland provinces because alternative sources of finance were available. More generally, trade logistics involve more than trucking (e.g. customs) and Bank assistance has not been sought in these other areas.

(c) **Developing human resources.** *Partially achieved.* In *education*, the CAS aimed to support the Government priorities to (i) *expand access to quality basic education*; (ii) *decentralize education planning and budgeting*; and (iii) *reorient education and training*. In *health*, the CAS called for protecting health services and improving health outcomes. Bank instruments towards these objectives on the lending side consisted largely of ongoing projects in education and health with only one new project planned during the CAS period – Basic Education in Western Areas (FY03). This paucity of lending instruments to support the CAS objectives reflected the difficulties inherent in China's graduation from IDA to IBRD and the government's decision to limit IBRD borrowing for the social sectors in poorer provinces with limited repayment capacity. The single loan above was made possible through a partnership with DFID, whereby DFID grant funds blended with IBRD financing to reduce the effective interest rate. Several policy notes and formal ESW complemented the Bank's lending assistance (Annex Table 2).

As far as results, in *education*, the Bank-financed Fourth Basic Education and Basic Education in Western Areas Projects as well as the government's own programs *expanded access to quality basic education* in the context of the project. The attainment of universal primary education was accelerated (in some cases by two years) in 115 of 117 counties and the authorities reported an increase in the primary school enrollment rate from 92 to 98% (ICR Review). Student learning outcomes improved. Specifically, the proportion of students passing the 6<sup>th</sup> and 9<sup>th</sup> grade exams rose significantly (from 82% to 93% in mathematics and 78% to 88% in Chinese) as did the share of teachers who were



"qualified" (from 78% to 94%). However, the three benchmarks associated with *decentralizing education planning and budgeting* were not met. This is an important area to improve education (and health) outcomes. A 2006 OECD report on China's social sectors identifies reforms in the relations between central and regional governments in taxation, expenditure and accountability as critical. The benchmarks associated with *re-orienting education and training* were only partially met. A previously approved Higher Education Reform Project and AAA in the area of vocational education contributed towards the two benchmarks associated with higher tertiary enrollment levels, increased availability of high-skill training programs, and improved tertiary curricula and teacher training. In addition, according to the CASCR, the IFC supported the sub-objective through investments in distance medical education across China and in institutions providing specialized training. *In health*, the CASCR does not present any evidence to suggest that the overall objective of *protecting health services and improving health outcomes* with a special focus on rural areas was attained. None of the seven benchmark indicators established in the FY03 CAS can be said with certainty to have been attained. In part, as the CASCR notes, this reflects the fact that these indicators were often broad national indicators for which the Bank's modest interventions would have difficulty influencing.

(d) **Strengthening social protection.** *Partially achieved.* The CAS outlined three ambitious related sub-objectives: *developing a country-wide strategy for social protection, reforming the pension system, and developing functioning labor markets and capacity for managing labor dislocation.* Bank assistance towards this CAS sub-objective utilized lending, AAA and WBI learning activities. While a country-wide strategy for social protection is not yet in place, substantial progress was made on the other two sub-objectives. In *pensions*, joint GOC-Bank AAA analysis and a pilot project (in Liaoning Province) helped improve financial management and organizational effectiveness in the pension system. According to the CASCR, Bank assistance helped develop an analytical tool housed in the Ministry of Finance that is used to assess pension reform options to different levels of government in China. In *labor markets*, Bank assistance (through, for example, the Labor Market Development Project) helped to improve the capacity of employment services, improved labor market information and identified options to strengthen the unemployment insurance program. Government programs and women's organizations helped establish demand-driven retraining courses and provide skills development and entrepreneurial training for unemployed and laid-off workers, especially women.

(e) **Improving targeted poverty reduction programs.** *Partially achieved.* Previously approved poverty reduction projects, the Poor Rural Communities Project and AAA work on poverty targeting, poverty mapping and on monitoring indicators for social spending were planned to support this objective. The CAS benchmarks of further reducing the numbers of people in absolute poverty and reducing leakage of poverty funds to the non-poor were only partially met. On the one hand, a continued decline in absolute poverty occurred; but the CASCR notes that poverty reduction funds remain poorly targeted and that relatively limited funding reaches poor households directly as most funding is absorbed at village or county level projects (p.14). As detailed in the CASCR, the Bank's work on poverty reduction has played an important role in policy and research discussions and is recognized by the authorities. In October 2004, the Government of China chose the Bank Group as the first recipient of the country's Poverty Eradication Award for international agencies. Following the 2004 Shanghai Conference, WBI helped establish a poverty research and training center that is a source of knowledge on China's experience. While not a focus of this objective, according to the CASCR, at the request of various Chinese agencies, Bank assistance is helping to disseminate China's experience to other countries, especially in Africa.

### (III) FACILITATING AN ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT PROCESS

During the CAS period, an Environmental Assessment Law was passed, China ratified an important internal environment agreement and individual Bank-financed projects modeled good approaches. Despite these achievements, the CASCR notes that natural resource scarcity and environmental challenges continued to mount during the CAS period. Therefore outcome under this pillar is rated *moderately satisfactory*.

(a) **Strengthening the effectiveness of environmental institutions.** *Partially achieved.* Through the ongoing Environmental Technical Assistance Project, a large program of AAA, and several WBI learning events, the Bank helped to *strengthen China's environmental legal and regulatory framework*, including inter alia the enactment of the



Environmental Assessment Law in 2003. Associated regulations, procedures and guidelines identified as benchmarks are currently being developed. Less progress was made in *improving pollution monitoring and enforcement* despite a significant share of Bank lending (75%) going towards environmental investments in the urban sector.

(b) **Improving air quality.** *Not achieved.* This sub-objective was to be supported through three GEF projects, four studies and ongoing projects on gas, the environment and renewable energy. Five of nine intermediate objectives were achieved or substantially achieved, three were partially achieved, and one was not achieved. At the policy and institutional level, however, the Bank lacked a framework for continuous dialogue. The CASCR notes that while Bank interventions in local hydro projects in poor counties demonstrated sustainable financing and project implementation, the overall strategic objective was not met as air pollution worsened over the CAS period.

(c) **Managing water resources.** *Partially achieved.* The CAS called for improved management and conservation of water resources in agricultural and rural areas, and improved urban water quality and management. Bank assistance towards this objective was to be delivered through several ongoing and new urban and rural water projects and to build on the previously completed water strategy, as well as environmental sector and urban wastewater management studies. Intermediate project objectives were largely met. A water quota system was established, as was an innovative approach to water savings. On urban water quality, while urban sewage treatment rose over the CASCR period, it fell short of the benchmark. Some progress was made on the other two benchmarks.

(d) **Managing land and natural resources.** *Partially achieved.* To support the authorities' management of land and natural resources Bank assistance focused on several ongoing watershed rehabilitation projects and four new GEF projects. In addition, the Bank was to participate in several high level working groups/partnerships (forest/grasslands, forest certification and dryland management) and undertake three pieces of ESW. The CAS highlighted two sub-objectives. With respect to the first one, *preventing further degradation of land, soil and water resources*, the Sustainable Forestry Development Project (FY02) and FDPA helped build capacity for improved natural forest and nature reserves management through a participatory process (overall 5,000 staff in six countries and about 1.1 million farmers have participated in the training). According to the CASCR, progress was also made in reducing erosion, desert encroachment and land degradation (six natural forests of 206,000 hectares and 13 nature reserves consisting of 1.09 million hectares). With respect to the second sub-objective of *promoting large-scale reforestation*, Bank assistance resulted in increased forest and forage crop areas and according to the CASCR, by 2005 over 736,000 hectares of forest had been planted. This achievement was however, modest in the national context and there was less progress in increasing commercial forest areas and protective forest cover along critical wastelands.

(e) **Protecting global environmental concerns.** *Partially achieved.* The CAS called for the use of several (primarily) GEF projects towards this objective. Three benchmarks marked the key sub-objectives. According to the CASCR, all interim performance targets have been met towards *reducing ozone depleting substances (ODS) consumption and production by 2010*. In terms of results, less was achieved with respect to *conserving biodiversity of global significance, and reducing greenhouse gases, desertification and land degradation, and fulfilling responsibilities under the Convention on Biological Diversity*. While the number and acreage of natural reserves have increased, the CASCR notes that the biodiversity conservation impact has been diluted by their management, existing legislation, capacity and financial resources. The GEF Climate Change Program in China helped pass the Renewable Energy Law, which should in theory encourage energy efficient investments. Yet greenhouse emissions rose over the CAS period in line with China's increasing demand for oil and coal as sources of energy. Bank technical assistance helped to develop rules and procedures for China's participation in Clean Development Mechanism (CDM) and the first three CDM transactions are being piloted with Bank-managed PCF funds. China made some progress towards phasing out persistent organic pollutants (POPs) with the support of Bank AAA. The most significant achievements were Bank-supported demonstration projects and China's 2004 ratification of the Stockholm Convention for the phase out of POPs.

Achievement of CAS Objectives			
Objectives	CASCR Rating	IEG Rating	Explanation / Comments
Improving the business environment and accelerating China's transition to a market economy.	Not rated	Satisfactory	Considerable progress was achieved under this objective due to China's WTO accession, financial and capital market reforms and the introduction of key economic laws. Much remains to be done however in strengthening the banking sector, making business regulation and licensing less cumbersome, strengthening corporate governance, improving accountability of public service and overall governance, and improving the efficiency and sustainability of infrastructure service delivery.
Addressing the needs of the Poorer and Disadvantaged People and Lagging Regions.	Not rated	Moderately satisfactory	Health outcomes and efforts to strengthen transport links in lagging regions were unfavorable, and inadequate information was presented to judge whether employment and agricultural productivity had increased sufficiently to help the target population. Bank assistance contributed to the policy and research discussion on poverty, but operationally, poverty funds remain poorly targeted.
Facilitating an Environmentally Sustainable Development Process	Not rated	Moderately satisfactory	Individual bank projects modeled good approaches but natural resource scarcity and environmental challenges continued to mount during the CAS period.
<b>Comments on Bank Performance:</b>			
<ul style="list-style-type: none"> <li>○ <b>Relevance of Bank strategy and interventions.</b> The Bank's strategy was relevant, aligning itself with the evolving development challenges facing China and recognizing the transition in the country's relationship with the Bank. But the strategy was only partly successful because the Bank has not yet fully persuaded the government of the need to make some important policy changes. While the portfolio generally supported the main objectives, in some cases (for example health and education) the switch to IBRD lending meant the Bank did not have the instruments to significantly influence outcomes. As noted in the discussion of CAS implementation above, the Bank's AAA was of high quality and flexible enough to adapt to several unprogrammed requests. The Bank made full use of instruments from across the World Bank Group towards the CAS objectives.</li> <li>○ <b>Donor coordination.</b> The CASCR notes the useful role played by donors in leveraging the Bank's</li> </ul>			

assistance program. For example, DFID co-financing helped reduce the effective interest rate for a health sector loan and made possible the Bank's intervention in this area – one that the Chinese authorities were reluctant to borrow from the Bank for. Despite this example, it appears the Bank could have been more pro-active in working with other donors in other sectors, particularly those in which the Bank had no lending to facilitate a policy dialogue with the authorities.

- **Safeguard and fiduciary issues.** During the CAS period, environmental and social safeguards were implemented satisfactorily. AAA contributed to understanding and improvements on safeguard issues (Support for passage of China's National Land Law, IDF grant to Ministry of Land and Resources, improvements in environmental assessment, publication of a social assessment manual). Despite these contributions, the Bank was less successful in streamlining internal processes to simplify its safeguards policies and the high transactions costs remain an area of client dissatisfaction as highlighted in the 2004 CAE and illustrated in the 2005 Client Survey. A majority of respondents in the Client Survey felt the Bank's greatest weakness was that it was "too bureaucratic in its operational policies". According to the CASCR, the Chinese have also complained about the incompatibility between China's domestic systems and some of the Bank's safeguards procedures. Given existing capacity in China, the need for Bank independence, and the reputational risk to the Bank, the CAE noted that devolution of responsibility for safeguards to China was premature. The country team (appropriately) envisages limited opportunity for "country systems" experimentation on safeguards policies in the short run.

#### 4. Overall IEG Assessment

<b>Outcome:</b>	<i>Satisfactory</i>
<b>Bank Performance:</b>	<i>Satisfactory</i>

Progress towards the main objectives of the FY03-05 CAS program – improving the business environment and accelerating China's transition to a market economy, addressing the needs of the poorer and disadvantaged people and lagging regions, and facilitating an environmentally sustainable development process – is rated as *satisfactory*. Bank performance is rated as *satisfactory*. The CASCR states that "the Bank's assistance to China was satisfactory or better".

Important achievements were high quality analysis and capacity building related to China's WTO accession and its impact on poverty, contribution to greater government focus on poverty, capital market development, greater government awareness of resource scarcity and environmental challenges and management, greater openness and transparency in project management and drafting of the Rural Land Contracting Law. Despite these achievements, a number of challenges persist: public sector management, service delivery by public utilities, adequate poverty targeting, interaction between different tiers of government, improving health outcomes, and achieving environmentally sustainable growth.

Scaling up the Bank's advice and projects from demonstration to a national stage has been hampered by the following factors: decentralization and the dynamics between different tiers of government in China, the limitations placed by the requirement that repayment of IBRD loans be done by ultimate beneficiaries, evolving Government policy framework in some sectors and inability by the Bank to operate sector-wide in some sectors. Nonetheless, the Bank proved agile in responding to the transition from IDA to IBRD lending in part by being responsive to demand.

IEG's CAE noted that two factors -- intergovernmental finance and loan repayments -- limit social spending and investment in poor provinces and bias incentives against investments in public goods and projects with environmental and other externalities. Some progress has been made: there are increased transfers for compulsory education in rural areas (CASCR, p.11), a national Medical Assistance program has been started to provide assistance to poor households (p. 12), the government has started to increase the equalization grant to poor provinces (p. 24), and the government has recently

expressed a willingness to blend resources for the central budget with IBRD resources (CASCR, box on p. 13). But overall progress in implementing the kinds of reforms advocated in the 2002 Provincial Public Expenditure Review have not gone very far (p. 24) and this limits progress on reduction of poverty and inequality or on improvements in the environment.

## **5. Assessment of CAS Completion Report**

In spite of the fact that the FY03-05 CAS was not results-based, the CASCR attempts to track Bank interventions and link them with outcomes. The CASCR is commendably candid about the weaknesses of the CAS performance monitoring framework. In particular, the CAS did not adequately distinguish between intermediate benchmarks and long-term outcomes. Nor did it prioritize its benchmarks or clearly explain their rationale and linkage to Bank activities and inputs. Few quantitative indicators were established, even in cases where it should have been possible.

Given the less than optimal benchmarking in the previous CAS and their sheer plethora (135 indicators), the country team chose to focus on the new planned Country Partnership Strategy (CPS) and the CASCR was organized accordingly. Consequently, the discussion of themes and results was not adequately aligned with the original CAS objectives. The CASCR did not track all indicators in the original CAS matrix (attached as Annex Table 9) and some progress indicators/benchmarks in the CASCR differ from those in the CAS matrix (for example, some of those related to the environment). A detailed matrix was provided to IEG and covers many of the benchmarks but within the CASCR, the discussion of results was uneven and outcomes associated with sub-objectives (and thus program performance) were not rated. Separating the CASCR discussion from the original objectives makes it more challenging to get a handle on overall CAS outcomes. Given the large AAA program, a summary discussion of its contribution to the CAS objectives would have been useful. Equally useful would have been a discussion of how the Bank's business model can evolve to make AAA more effective in the absence of bundled finance.

The CASCR effectively presents the integrated assistance program across the World Bank Group. Its discussion of Bank assistance to China through IFC, IBRD, MIGA and WBI instruments is strong in this regard and would have been exemplary if the underlying linkages between AAA and lending towards common objectives had been clearer.

The CASCR correctly notes the difficulty inherent in assessing the Bank's performance and impact in China citing the relatively short CAS period, the size of China relative to the Bank's portfolio, and the highly leveraged nature of Bank assistance. While its discussion of the AAA program often draws out its influence on policy and institutional reforms, its discussion of the intended catalytic and "demonstration" impact of the lending program is not consistently or clearly articulated. It would have been useful to include an overview of which demonstration/catalytic/innovative projects were most effective and the determinants of that success. The CASCR notes that "the Bank's impact arises through demonstrating innovative models for addressing specific development problems that are subsequently scaled up...or through influencing policy and institutional reform measures in ...AAA". However, there is a link between the two. The ability to scale up is limited by policies and institutions – in particular by intergovernmental finance and loan repayment arrangements.

**6. Findings and Lessons**

- This Review agrees with the main findings and lessons of the CASCR, especially the need to further simplify and streamline Bank processes, actively work with other development partners to enhance the Bank's engagement in poverty reduction and social sectors and further refine the process by which successful innovations and ideas are scaled up. While IEG concurs with the need to assess results through the introduction of a set of intermediate indicators, these indicators should serve as a self-evaluation based on the Bank's specific instruments, and thus complement an assessment of overall results.

This Review draws the following additional lessons:

- The importance of a properly specified and parsimonious two-tier system of monitoring and evaluation. The CASCR discussion highlights the importance of identifying realistic intermediate indicators and establishing adequate benchmark indicators. Given the poor and lagging statistics and short CAS cycles it is important to be precise about which indicators will be used in the absence of first best. While outcome indicators related to the Bank and country objectives are important, it is critical to also include clear intermediate self-evaluation indicators or milestones based on the Bank's specific instruments. Both sets of indicators are necessary for monitoring and evaluation. Outcomes may not be measurable in the short-run or may be affected by exogenous shocks. But even in this case the Bank needs to be able to evaluate its own inputs and contributions. In the long-run, the Bank's impact must be judged by its impact on core development objectives such as poverty reduction. It is important to identify up-front which instruments (existing or Bank-supported) can be used to monitor progress.
- There is an important link between the "demonstration" effect (scaling up) and policy/institutional reforms. In particular, the ability to scale up is limited by policies and institutions.
- To the extent that missing or untimely data constrains monitoring of progress, a consideration of how AAA can help in this area and what kind of specific arrangements would be needed to collect the relevant monitoring data is appropriate.
- Given the importance of AAA for the effectiveness of Bank assistance to China, it would be useful to develop a regular system of feedback on AAA (possibly extending the Client Survey) to inform the Bank's decision making process and to provide a more concrete sense of value-added.
- Similarly, given the importance that innovation and demonstration effects are to the Bank's objectives in its lending program, a more sophisticated way to capture their impact is needed.
- Lessons from China's development experience for other countries are a potentially important benefit of the Bank's relationship with the country and could be explored in greater detail.



**Annex Table 1: Planned versus Actual Lending FY03-05**

**Annex Table 2: Analytical and Advisory Work, 2000-2005**

**Annex Table 3: IEG Project Ratings, Exit FY2000-2005**

**Annex Table 4: Portfolio Status Indicators by Year, 2000-2005**

**Annex Table 5: IBRD / IDA Net Disbursements and Charges, FY2000-2005**

**Annex Table 6: Total Net Disbursements of Official Development Assistance and Official Aid CY02-04**

**Annex Table 7: Economic and Social Indicators for China and Comparator Countries 2000-2004**

**Annex Table 8: Millennium Development Goals**

**Annex Table 9: CAS Program Matrix (FY03-05)**

**Annex Table 10: Acronyms**





Annex Table 1: China Planned versus Actual Lending | Y03-05

FY	Projects CAS Plans (January 22, 2003)	IBRD Planner US (\$M)	Status	IBRD Actual US (\$M)
<b>FY03</b>	<b>Regular Program:</b>			
	Third Xinjiang Highway	150.0	Delivered	150.0
	Hubei Highway	250.0	Delivered; name changed to Hubei Xiaogan Xiangfan Hwy	250.0
	Yi-Xing Pumped Storage	145.0	Delivered	145.0
	Tianjin Urban Development II	150.0	Delivered	150.0
	Shanghai Urban Environment APL (Stage 1)	200.0	Delivered	200.0
	Liaoning Urban Development	110.0	Postponed to FY06, name changed to Liaoning Medium Cities Urban Infra.	
	Jianxi Integrated Agricultural Development	100.0	Postponed to FY04	
	Gansu and Xinjiang Pastoral Development	66.0	Postponed to FY04	
	Basic Education in Western Areas	100.0	Postponed to FY04	
	<b>Regular Program Subtotal</b>	<b>1,271.0</b>		
	<b>Standby Program:</b>			
	Second Anhui Highway	250.0	Delivered	250.0
	Acquaculture	10.0	Dropped in FY04 at the request of GoC	
	<b>Standby Program Subtotal</b>	<b>260.0</b>		
			<b>FY03 Delivered Program Total:</b>	<b>1,145.0</b>
	<b>Other Program:</b>			
	3EF-Lake Dianchi Freshwater Biodiversity Restoration	1.2	Delivered	1.2
	3EF-Energy Conservation II	26.0	Delivered	26.0
	<b>Other Program Subtotal</b>	<b>27.2</b>	<b>Other Program Total:</b>	<b>27.2</b>
<b>FY04</b>	<b>Regular Program:</b>			
	Zhejiang Urban Development	140.0	Delivered	133.0
	inland Waterways IV	95.0	Delivered	91.0
	Nuhan Urban Transport	200.0	Delivered	200.0
	National Railway II	200.0	Delivered; name changed to 2nd National Railways (Zhe-Gan Line)	200.0
	Hunan City/Regional Development	150.0	Postponed to FY05; name changed to Hunan Urban Development	
	Lake Tai Water Quality	110.0	Postponed to FY05, name changed to Tai Basin Urban Environment	
	Poor Rural Communities Development	100.0	Postponed to FY05	
	Agricultural Technology	100.0	Postponed to FY05	
	Inner Mongolia Highway II	100.0	Postponed to FY05	
	Economic Reform Implementation	30.0	Postponed to FY06	
	Distance Learning/Knowledge Dissemination	4.0	Dropped in FY04, but supported by trust-fund activities	
	<b>Regular Program Subtotal</b>	<b>1,229.0</b>		
	<b>Standby Program:</b>			
	Guangdong-Pearl River Delta Environment	150.0	Delivered	128.0
	Shaaxi Highway III	200.0	Postponed to FY06	
	<b>Standby Program Subtotal</b>	<b>350.0</b>		
			<b>Additional Delivered Projects</b>	
			Gansu & Xinjiang Pastoral Development	66.3
			Jianxi Integrated Agric. Modern.	100.0
			Basic Education in Western Areas	100.0
			Hubei Shiman Highway	200.0
			<b>FY04 Delivered Program Total:</b>	<b>1,218.3</b>
	<b>Other Program:</b>			
	3EF-Hai Basin Integrated Water and Environment	17.0	Delivered	17.0
	<b>Other Program Subtotal</b>	<b>17.0</b>	<b>Other Program Total:</b>	<b>17.0</b>

FY	Projects CAS Plans (January 22, 2003)	IBRD Planned US (\$M)	Status	IBRD Actual US (\$M)
FY05	<b>Regular Program:</b>			
	Hubei Highway II	200.0	Delivered; advanced to FY04	
	Liuzhou (Guangxi) Environment	100.0	Delivered	100.0
	Shanghai Urban Environment APL (Stage II)	200.0	Postponed to FY06	
	Chongqing Small Cities Urbanization and Environment	150.0	Delivered	180.0
	Henan Medium-Sized Cities	150.0	Postponed to FY06 as Standby Project	
	Upper Yangtze Watershed Rehabilitation	100.0	Postponed to FY06; name changed to Changjiang/Pearl River Watershed Rehab	
	Heilongjiang Dairy Development	100.0	Postponed to FY06	
	Fuzhou Urban Transport	100.0	Postponed to FY06	
	Henan Highway IV	175.0	Dropped at request of GoC	
	<b>Regular Program subtotal:</b>	<b>1,275.0</b>		
	<b>Standby Programs:</b>			
	Ningbo Water Management	100.0	Delivered	130.0
	Rural Village/Cities Water Supply & Sanitation	50.0	Postponed to FY07	
	Taiyuan Integrated Urban Development	150.0	Postponed to FY08	
	Irrigated Agriculture Intensification III	200.0	Postponed to FY06	
	Rural Health	75.0	Postponed to FY07	
	<b>Standby Program Subtotal:</b>	<b>575.0</b>		
			<b>Additional Delivered Projects:</b>	
			Tai Basin Urban Environment	61.0
			Renewable Energy Scale-up Program	87.0
			Inner Mongolia Highway & Trade Corrid	100.0
			Agricultural Technology Transfer	100.0
			Poor Rural Communities Development	100.0
			Hunan Urban Development	172.0
			<b>FY05 Delivered Program Total:</b>	<b>1,030.0</b>
	<b>Other Projects</b>			
	GEF-Heat Reform and Building Energy Efficiency	18.0	Delivered	18.0
	PCF-Jinchen Coal Bed Methane Project	10.0	Delivered	10.0
	<b>Other Program Subtotal:</b>	<b>28.0</b>	<b>Other Program Subtotal</b>	<b>28.0</b>
<b>Total (FY03-05 Planned Regular Program):</b>		<b>3,775.0</b>	<b>Total (FY03-05 Delivered Programs)</b>	<b>3,393.3</b>

Annex Table 2: Analytical and Advisory Work for China, 2000-2005

	Proposed FY	Delivered to Client FY	Output Type	Report No.
<b>I - Programmed and Delivered</b>				
<b>Country Assistance Strategy</b>				
China - Country assistance strategy public information notice (CPIN) (English)		2003	CAS Public Information Note	PIN86
China - Country assistance strategy (English)		2003	CAS Document	25141
<b>Country Assistance Evaluation</b>				
China - Country Assistance Evaluation (English)		2005	Operations Evaluation Study	29734
<b>Reports</b>				
CEM: Sharing Opportunities and Wealth at the Time of Globalization	2003	2003	Report	
Economic/Social Monitoring Briefs	2003	2003		
WTO Accession Impacts: Growth, Poverty, Trade, Investment, Regional Cooperation <sup>a</sup>	2003	2003		
Economic/Social Monitoring Briefs <sup>a</sup>	2004	2004		
Development Policy Review	2005	2005: Integrated into Support to 11th 5-year Plan and Northeast Development Strategy	Report	
Economic/Social Monitoring Briefs <sup>a</sup>	2005	2005		
Reform of Public Service Units <sup>a</sup>	2003	2003		
Country Procurement Assessment Report Follow-Up	2003	2003		
Procurement Post Review	2003	2003	CPAR	29762
Evaluation and Management of Domestic Debt Risks	2004	2004	Report	
Strategic Framework for Financial Conglomerates <sup>a</sup>	2004	2004		
Corporate Governance of Enterprise Groups	2003	2003	Report	
Gas Development <sup>a</sup>	2003	2003		
Judicial/Legal Reform	2003	2003	Report	
IFC/WB: Transformation of Small and Medium Sized SOEs <sup>a</sup>	2003	2003		
Improving the Investment Climate <sup>a</sup>	2003	2003		
Trade, Transport Services and Logistics	2003	2003	Report	
Removing Inter-Provincial Trade Barriers to Achieve Market Integration <sup>a</sup>	2004	Done with name changed to "Fragmentation of National Product and Factor Markets"		
Improving Financing for Effective Delivery of Basic Social Services <sup>a</sup>	2003	2003		
Monitoring and Evaluation for Better Social Service Delivery Outcomes <sup>a</sup>	2003	2003		
Environmental Protection-Post WTO <sup>a</sup>	2003	2003		
Strategic Environment Assessment	2004	2005		
<b>Policy Notes</b>				
Policy Note on Domestic Finance for Infrastructure	2003	2004; Integrated into Corporate Bond Market Study	Policy Note	
Policy Note on State Commercial Bank Restructuring <sup>a</sup>	2003	2003		
Policy Note on Development of Institutional Investors <sup>a</sup>	2003	2003		
Energy Sector Policy Notes <sup>a</sup>	2003	2003		
Urban Restructuring Policy Note <sup>a</sup>	2003	2004		
Housing Maintenance/Operations Policy Note <sup>a</sup>	2003	2004		
Urban Transport Policy Note <sup>a</sup>	2003	2005		
Consolidating Commercialized Toll Roads Policy Note	2003	2004	Policy Note	
Policy Note on Environmental Administration <sup>a</sup>	2003	2004		
Road Traffic Safety Agenda Note	2003	2004	Policy Note	
PSD Strategy in Lagging Regions	2003	2004	Policy Note	
Development/Improvement of Land Tenure Reforms	2003	2004	Policy Note	
<b>Technical Assistance</b>				
WBI-WTO Issues for China <sup>a</sup>	2003	2003		
Improved Monitoring Indicators for Social Spending	2003	2003	TA/MOS	
SDPC Policy Modeling	2003	2004	TA/KSF	
Building Gov't Debt Management Capacity <sup>a</sup>	2003	2003		
GDIN Dev't for Knowledge Management <sup>a</sup>	2003	2003		
WBI-Intergovernmental Relations and Local Gov't Management of Finance <sup>a</sup>	2003	2003		

Annex Table 2: Analytical and Advisory Work for China, 2000-2005 (continued)

	Proposed FY	Delivered to Client FY	Output Type	Report No.
Statistical Capacity Building <sup>a</sup>	2004	2004		
Decentralization (Regional Project) <sup>a</sup>	2004	2004		
Finance for Small Firms <sup>a</sup>	2003	2003		
APEC Forum TA <sup>a</sup>	2003	2003		
WBI-Non-bank Financial Institutions <sup>a</sup>	2003	2003		
WBI/DL-Frontiers of Infrastructure Finance <sup>a</sup>	2003	2003		
Development of Deposit Insurance System <sup>a</sup>	2003	2003		
Bad Debt Resolution for Banks <sup>a</sup>	2003	2003		
IFC Capacity Building in Securities Industry <sup>a</sup>	2003	2003		
Government Securities Market Reform <sup>a</sup>	2004	2004		
Power Generation; Divestiture, Regulation and Pricing	2003	2003	TA/HTG	
Oil and Gas Sector Regulation <sup>a</sup>	2003	2003		
State Enterprise Debt Restructuring and Loan Workouts <sup>a</sup>	2003	2003		
WBI/DL-Corporate Governance/Strategy <sup>a</sup>	2003	2003		
WBI-Accession to WTO Issues <sup>a</sup>	2003	2003		
IFC Corporate Governance-Training for Company Directors <sup>a</sup>	2003	2003		
Improving the Business Environment in the Interior <sup>a</sup>	2003	2003		
Post-WTO Reform of Ministry of Agriculture <sup>a</sup>	2003	2003		
WBI-Rural Poverty Reduction in Western China <sup>a</sup>	2003	2003		
WBI/DL-Ecological Agriculture and Sustainable Development <sup>a</sup>	2003	2003		
WBI/DL-Agricultural Production, Rural Growth and the Environment <sup>a</sup>	2003	2003		
WBI-Sustainable Livestock Management and Pastoral Development <sup>a</sup>	2003	2003		
WBI-Rural Devt. Training of Trainers <sup>a</sup>	2003	2003		
WBI-Decentralization <sup>a</sup>	2003	2003		
New Model for Rural Development: Poverty Reduction and Environmental Protection <sup>a</sup>	2003	2005		
Lagging Regions Development Plan <sup>a</sup>	2003	2003		
Strengthening Management of Poverty Reduction Funds <sup>a</sup>	2003	2003		
Social Assessment Manual <sup>a</sup>	2003	2003		
Mainstreaming Gender <sup>a</sup>	2003	Combined with Gender Assessment		
Improving Health Care Access of Rural Poor <sup>a</sup>	2003	2003		
WBI-Poverty Identification, Policies, and Evaluation <sup>a</sup>	2003	2003		
WBI-Health Sector Financing and Reform <sup>a</sup>	2003	2003		
WBI-SPS on Rural Health <sup>a</sup>	2003	2003		
Training of Local Health Bureau Directors <sup>a</sup>	2003	2003		
Poverty Mapping <sup>a</sup>	2004	2004		
Empowering Poor Women in Western Areas	2004	2004	TA/HTG	
Managing Health Sector Adjustment <sup>a</sup>	2004	2004		
New Cost Model for Environment	2003	Expanded, done in FY05	TA/KSF	
CCICED Forestry and Grasslands Task Force <sup>a</sup>	2003	2003		
WBI-Environmental Economics and Policy <sup>a</sup>	2003	2003		
WBI/DL-Urban Air Quality Management <sup>a</sup>	2003	2003		
WBI-Urban Project Analysis/Management <sup>a</sup>	2003	2003		
Sustainable Development of Livestock and Grasslands in the Northwest Provinces <sup>a</sup>	2003	2004		
Energy Efficiency in Buildings <sup>a</sup>	2004	2004		
Clean Development Mechanism	2004	Done and disseminated in FY05	TA/KSF	
Industrial Pollution Prevention <sup>a</sup>	2004	Replaced with Water Pollution Prevention Initiative		
WBI-Environmental Directors Training <sup>a</sup>	2004	2004		
WBI-Environmental Compliance/Enforcement <sup>a</sup>	2004	2004		
WBI/DL-Sustainable Urban Development and Management <sup>a</sup>	2003	2003		
WBI/DL-Transparency in Infrastructure Concession <sup>a</sup>	2003	2003		
City Development Strategy <sup>a</sup>	2003	2003		
<b>Research</b>				
WTO Accession, Policy Reform and Poverty Reduction <sup>a</sup>	2003	2003		
Industrial Competitiveness, the Investment Climate and Development of SMEs <sup>a</sup>	2003	Integrated into "Improving City Competitiveness through the Investment Climate"		

Annex Table 2: Analytical and Advisory Work for China, 2000-2005 (continued)

	Proposed FY	Delivered to Client FY	Output Type	Report No.
Lagging Poor Areas: Breaking Geographic Poverty Traps <sup>a</sup>	2003	2003		
Causes for Changes in Income Distribution <sup>a</sup>	2003	2003		
Poverty Monitoring and Evaluation <sup>a</sup>	2003	2003		
Land Tenure: Impacts on Farm Investment and Productivity <sup>a</sup>	2003	2004		
Industrial Pollution Control <sup>a</sup>	2003	Expanded, finished in FY05		
WBI-Regulatory Reform in China's Infrastructure Sectors <sup>a</sup>	2003	2003		
<b>II- Programmed and not Delivered</b>				
Public Expenditure Review/CFAA	2004	Dropped due to lack of interest from gov't and also availability of ADB report on the same topic		
Knowledge Management Piloting Fiscal Reforms in Western Provinces TA	2005	Dropped		
Uninsured Risk and Poverty	2003	Dropped		
Capacity Building for Urban Medical Insurance Reform	2003	Dropped due to lack of interest		
Subnational Fiscal Issues in Western Provinces <sup>a</sup>	2004	Ongoing, scope extended to nation-wide		
Skills Development for Competitiveness	2004	Ongoing	TA/IDP	
Strengthening Farmer's Associations in Sichuan Province <sup>a</sup>	2004	Ongoing		
Country Gender Assessment <sup>a</sup>	2004	Ongoing, merged with Poverty Assessment		
Poverty Assessment <sup>a</sup>	2005	Ongoing, to be completed in FY06		
Legislative Drafting, Court System Reform and Judicial Training TA <sup>a</sup>	2004	Ongoing, delayed due to lack of interest from the gov't		
Reducing Persistent Organic Pollutants <sup>a</sup>	2003	Ongoing to be completed FY06		
<b>III - Non-programmed and Delivered</b>				
China - Integration of National Product and Factor Markets - Economic Benefits and Policy Recommendations (English)		2005	Economic Report	31973
China - Promoting growth with equity : country economic memorandum (English)		2004	Economic Report	24169
China-Investment climate for small and medium enterprises (SMEs) in Southwest China		2005	Sector Report	30877
China's tax rules for not-for-profit organizations (English)		2005	Sector Report	32811
<b>Independent Evaluation</b>				
Evaluation of the effectiveness of the World Bank's analytical and advisory services to China since 1990 (English)		2005	Operations Evaluation Study	32897
<b>ESMAP</b>				
China : air pollution and acid rain control - the case of Shijiazhuang and the Changsha triangle area (English)		2004	ESMAP Paper	ESM267
China : toward a sustainable coal sector (English)		2005	ESMAP Paper	ESM287
<b>CASC</b>				
Towards an Early Warning System for Identifying & Analyzing Macro-Fiscal Risks		2004		
8 Policy Notes Prepared at the request of GoC*		2004		
Support to the Gov't 11th Five-Year Plan		2005		
Northwest Development Workshop and Strategy		2005		
Cross-Border Capital Flows Workshop		2004		
Capital Market Development		2004		
Improving the Risk Management Framework of Securities Firms		2004		
Corporate Governance of Rural Commercial Banks		2004		
Legal, Regulatory and Supervisory Framework for Lending to MSE		2005		
Addressing Systemic Risks and Financial Stability		2005		
Scale-up Poverty Reduction-Shanghai Conference		2004		
Labor Market Study and Workshop		2004		
Reform of Social Protection Mechanism		2004		
Human Development to Achieve a Well-off Society		2004		

Annex Table 2: Analytical and Advisory Work for China, 2000-2005 (continued)

	<i>Proposed FY</i>	<i>Delivered to Client FY</i>	<i>Output Type</i>	<i>Report No.</i>
Addressing the Environmental Effects of WTO Accession		2004		
Valuation of Environmental Health Risks		2005		
Environmental Management of SMEs and Industrial Zones in China		2005		

- \* 1) *Public Finance Reform and Macroeconomic Management*  
 2) *Management of Domestic Debt Risks and Fiscal Sustainability*  
 3) *Integrated Financial Sector Reform*  
 4) *Reform of Social Protection Mechanisms*  
 5) *Rural Development: New Challenges in a New Landscape*  
 6) *Urban Development and Management: Patterns and Policies*  
 7) *Human Development to Achieve a Well-Off Society* and 8) *Addressing the Environmental Effects of WTO Accession*

Source: China Regional CASCR 2005, Business Warehouse, and Controller's Website as of 2/27/06

a) Cited in China CASCR but not in Business Warehouse and Controller's Website



Annex Table 3: IEG Project Ratings for China, Exit FY2000-2005

Exit FY	Proj ID	Total Evaluated	OED Outcome	OED Sustainability	OED ID Impact
2000	Hebei/Henan National	358.4	Satisfactory	Likely	Substantial
	Guangdong Prov. Transport	240.0	Satisfactory	Highly Likely	Substantial
	Tianjin Ind. II	105.0	Unsatisfactory	Likely	Substantial
	Zhejiang Provincial Highway Project	213.6	Satisfactory	Likely	Substantial
	Educ Dev in Poor Prov	134.6	Satisfactory	Likely	Substantial
	Sichuan ADP	152.5	Satisfactory	Highly Likely	Substantial
	Effective Teaching	101.6	Satisfactory	Likely	Substantial
	Henan Prov. Transport	112.0	Satisfactory	Likely	Substantial
	Telecommunications	208.2	Moderately Satisfactory	Likely	Modest
	Inland Waterways	185.9	Satisfactory	Likely	Substantial
2001	Rural Health Manpower (Hlth4)	110.7	Moderately Satisfactory	Non-Evaluable	Modest
	Agric. Support Services	118.3	Satisfactory	Likely	Substantial
	Xiaolangdi Multipurpose	459.8	Highly Satisfactory	Likely	Substantial
	Tianjin Urban Dev and Environment	99.5	Moderately Satisfactory	Likely	Substantial
	Railway VI	406.8	Satisfactory	Likely	Substantial
	S. Jiangsu Environment Protection	241.1	Moderately Unsatisfactory	Likely	Modest
	Xinjiang Highway Project	150.0	Satisfactory	Highly Likely	Substantial
	Shanghai MTP II	146.8	Satisfactory	Likely	Substantial
	Basic Educ in Poor and Minority Area II	97.3	Satisfactory	Likely	Substantial
	Iodine Deficiency Disorders Control	17.3	Highly Satisfactory	Highly Likely	Substantial
2002	Hebei Earthquake Rehabilitation	29.0	Highly Satisfactory	Highly Likely	Substantial
	Nature Reserves Management Project	0.0	Satisfactory	Likely	Substantial
	Ertan II Hydroelectric Project	394.2	Moderately Satisfactory	Likely	Substantial
	Forest Resource Dev	193.6	Satisfactory	Likely	Modest
	Animal Feed	22.4	Satisfactory	Likely	High
	Shanghai-Zhejiang Hwy	183.0	Satisfactory	Likely	Substantial
	Songliao Plain ADP	209.9	Moderately Satisfactory	Likely	Modest
	Taihu Basin Flood Control	204.3	Satisfactory	Highly Likely	Substantial
	Tianhuangping Hydroelectric Project	277.1	Satisfactory	Likely	High
	Infectious Diseases (Hlth5)	133.2	Satisfactory	Likely	High
2003	Maternal Child Health (Hlth6)	86.5	Satisfactory	Likely	Substantial
	Basic Ed. Poor III	91.8	Satisfactory	Likely	Substantial
	Yangtze Flood Emergency Rehabilitation	79.0	Highly Satisfactory	Highly Likely	Substantial
	Zhejiang Multicities Development	109.8	Satisfactory	Likely	Substantial
	Shenyang Ind. Reform	138.8	Unsatisfactory	Unlikely	Not rated
	Shanghai Environment	155.9	Satisfactory	Likely	Substantial
	State Farms Commercial	59.4	Unsatisfactory	Unlikely	Not rated
	Red Soils II Area Dev. Project	152.1	Satisfactory	Highly Likely	Substantial
	Technology Development	196.7	Unsatisfactory	Likely	Modest
	Sichuan Gas Dev and Conservation	208.9	Satisfactory	Highly Likely	Substantial
2003	Financial Sector TA	64.9	Moderately Satisfactory	Non-Evaluable	Modest
	Grain Distribution and Marketing Proj.	475.3	Satisfactory	Highly Likely	Substantial
	Voc. Ed. Reform Project	28.9	Satisfactory	Likely	Substantial
	Seeds Sector Commercialization	76.0	Moderately Satisfactory	Likely	Substantial
	Yangzhou Thermal Power	335.0	Satisfactory	Highly Likely	Substantial
	Chongqing Ind Pol Ct	3.9	Unsatisfactory	Likely	Modest
	2nd Shaanxi Prov Hwy	210.0	Satisfactory	Likely	Substantial
	Fiscal Technical Assistance Project	47.5	Moderately Satisfactory	Likely	Substantial

2004	Disease Prevention (Hlth7)	91.0	Satisfactory	Likely	Substantial
	Ref. Inst'l and Preinv	48.2	Satisfactory	Likely	Substantial
	Liaoning Environment	100.3	Satisfactory	Likely	Substantial
	Fujian Prov Hwy	121.4	Satisfactory	Likely	Substantial
	Zhejiang Power Devt	361.2	Satisfactory	Highly Likely	High
	Second Xinjiang Highway Project	240.0	Satisfactory	Likely	Substantial
	Xiaolangdi Resettlement	111.9	Satisfactory	Highly Likely	Substantial
	China Economic Law Reform -LEGEA	9.4	Satisfactory	Likely	Substantial
	Shanghai Sewerage 2	240.9	Satisfactory	Highly Likely	Substantial
	Shanxi Poverty Allev	90.9	Moderately Satisfactory	Highly Likely	Substantial
	Xiaolangdi Multi. II	309.5	Highly Satisfactory	Highly Likely	Substantial
	GEF- Efficient Industrial Boilers	0.0	Satisfactory	Likely	Substantial
	Sichuan Power Transmission Project	162.2	Satisfactory	Likely	Substantial
	Basic Ed. IV	82.7	Satisfactory	Likely	Substantial
	Heilongjiang ADP	120.0	Satisfactory	Likely	Substantial
2005	7TH Railways	266.8	Moderately Unsatisfactory	Likely	Modest
	Qinba Mountains Reduction	176.8	Satisfactory	Highly Likely	Substantial
	Yunnan Envmt	100.4	Moderately Satisfactory	Likely	Modest
	Nat Hwy2/Hunan-Guangdong	395.6	Satisfactory	Likely	Substantial
	Nat Hwy3-Hubei	224.2	Satisfactory	Highly Likely	Substantial
	Second Henan Provincial Highway Project	177.6	Satisfactory	Likely	Substantial
	Tarim Basin II	146.7	Highly Satisfactory	Highly Likely	High
	<b>Total Evaluated (\$M)</b>	<b>Total Evaluated (No)</b>	<b>Outcome % Sat (No)</b>	<b>Sustainability % Likely (No)</b>	<b>Inst Dev Impact % Subst (No)</b>
China	11,404.40	70.0	90.0	97.1	82.9
EAP	22,959.85	239.0	79.7	77.5	56.5
Bankwide	109,661.27	1,571.0	77.6	75.4	51.0

Source: WB Business Warehouse Table 4.a.6 and 4.a.5 as of January 17, 2006.

**Annex Table 4: Portfolio Status Indicators by Year, 2000-2005**  
(in US\$ million)

Country	Fiscal year	2000	2001	2002	2003	2004	2005
China	# Proj	109.0	104.0	98.0	89.0	83.0	80.0
	Net Comm Amt	18,896.3	17,123.3	15,537.9	13,954.1	12,297.7	11,200.8
	# Proj At Risk	3.0	5.0	5.0	-	3.0	2.0
	% At Risk	2.8	4.8	5.1	-	3.6	2.5
	Comm At Risk	271.7	951.3	397.1	-	350.0	425.0
	% Commit at Risk	1.4	5.6	2.6	-	2.8	3.8
Brazil	# Proj	54.0	55.0	56.0	54.0	48.0	49.0
	Net Comm Amt	5,711.4	5,536.9	6,200.1	4,880.4	4,074.7	4,948.4
	# Proj At Risk	5.0	5.0	6.0	4.0	9.0	9.0
	% At Risk	9.3	9.1	10.7	7.4	18.8	18.4
	Comm At Risk	799.0	776.0	675.4	363.4	685.8	626.7
	% Commit at Risk	14.0	14.0	10.9	7.4	16.8	12.7
India	# Proj	75.0	74.0	67.0	68.0	60.0	61.0
	Net Comm Amt	13,075.3	13,304.7	12,832.0	12,854.3	11,911.1	12,638.7
	# Proj At Risk	20.0	6.0	5.0	8.0	10.0	9.0
	% At Risk	26.7	8.1	7.5	11.8	16.7	14.8
	Comm At Risk	3,724.9	1,020.0	943.5	1,154.7	2,621.2	1,102.0
	% Commit at Risk	28.5	7.7	7.4	9.0	22.0	8.7
Indonesia	# Proj	61.0	51.0	45.0	38.0	31.0	29.0
	Net Comm Amt	5,498.5	4,274.9	3,511.5	2,995.6	2,602.3	2,574.2
	# Proj At Risk	11.0	7.0	13.0	6.0	6.0	4.0
	% At Risk	18.0	13.7	28.9	15.8	19.4	13.8
	Comm At Risk	776.2	424.5	1,377.9	369.1	533.8	260.7
	% Commit at Risk	14.1	9.9	39.2	12.3	20.5	10.1

Source: BW Table 3a.4 as of January 11, 2005.

**Annex Table 5: China - IBRD / IDA Net Disbursements and Charges, FY2000-2005**  
(in US\$ million)

<b>FY</b>	<b>Gross Disbursement</b>	<b>Repayment Amount</b>	<b>Net Disbursement</b>	<b>Interest</b>	<b>Fees</b>	<b>Net Transfer</b>
2000	1,827.9	601.8	1,226.0	716.1	34.0	475.9
2001	1,820.3	715.8	1,104.6	782.3	33.0	289.2
2002	2,015.3	1,532.2	483.0	674.0	51.1	-242.0
2003	1,780.1	2,844.9	-1,064.8	502.4	67.9	-1,635.1
2004	1,309.8	1,577.4	-267.5	323.7	36.8	-628.0
2005	1,191.6	1,023.8	167.8	324.9	17.9	-175.0
2006	586.8	510.8	76.1	230.4	10.1	-164.4
<b>Report Total</b>	<b>10,531.8</b>	<b>8,806.6</b>	<b>1,725.2</b>	<b>3,553.8</b>	<b>250.8</b>	<b>-2,079.4</b>

Source: Client connection as of January 18, 2006

Annex Table 6: China Total Net Disbursements of Official Development Assistance and Official Aid  
CY02-04 (US\$M)

Donors	Calendar Years		
	2002	2003	2004
Australia	26.41	31.83	37.54
Austria	2.59	3.75	6.62
Belgium	0.16	-2.31	-4.59
Canada	28.74	28.44	34.91
Czech Republic	0.43	1.31	2.94
Denmark	6.31	-18.52	16.16
Finland	4.05	2.91	4.14
France	77.19	74.29	102.8
Germany	149.87	152.18	260.46
Greece	0.16	0.6	0.17
Hungary	-	0.06	0.18
Ireland	0.56	0.28	0.51
Italy	-28.24	-19.57	-13.74
Japan	828.71	759.72	964.69
Korea	26.5	16.4	25.25
Lithuania	-	0	0.01
Luxembourg	0.54	0.45	0.98
Netherlands	17.9	16.76	25.64
New Zealand	0.91	1.06	2.31
Norway	12.19	11.94	14.75
Poland	3.69	1.49	1.55
Portugal	0.27	-	0.3
Slovak Republic	0.02	-	-
Spain	12.98	4.02	12.67
Sweden	6.4	6.14	18.24
Switzerland	10.69	12.48	7.23
Turkey	0.02	0.1	1.4
United Kingdom	36.13	47.39	72.15
United States	16.99	25.63	21.49
AsDF	-	-	0.63
Arab Countries	0.29	-4.36	4.76
DAC Countries, Total	1211.51	1139.47	1585.43
EC	31.14	55.38	49.47
EU Members, Total	286.87	268.37	502.51
G7, Total	1109.39	1068.08	1442.76
GEF	8.07	19.37	18.91
<b>IBRD*</b>	<b>-576.92</b>	<b>-837.39</b>	<b>300.73</b>
<b>IDA</b>	<b>94.01</b>	<b>-6.33</b>	<b>-116.72</b>
IFAD	3.83	4.36	5.5
MONTREAL PROTOCOL	44.31	41.41	41.07
Multilateral, Total	231.34	162.26	38.48
Non-DAC Bilateral Donors, Total	32.32	18.5	37.22
Nordic Dev.Fund	-	-	-0.14
Other Bilateral Donors	1.37	3.5	1.13
Other UN	3.92	2.18	1.2
UNDP	9.65	8.6	8.96
UNFPA	4.57	4.87	4.82
UNHCR	2.72	2.81	-
UNICEF	11.36	12.02	12.34
UNTA	5.7	6.8	6.1
WFP	12.06	10.79	6.34
<b>ALL Donors, Total</b>	<b>1475.17</b>	<b>1320.23</b>	<b>1661.13</b>

Source: OECD DAC Table 2A as of 2/22/06

\*Source: Client Connection as of 3/3/06

Annex Table 7: Economic and Social Indicators for China and Comparator Countries, 2000-2004

	2000	2001	2002	2003	2004	Average 2000 - 2004					
						China	Brazil	India	Indonesia	EAP	World
<b>Growth and Inflation</b>											
GDP growth (annual %)	8.0	7.5	8.3	9.3	9.5	8.5	2.7	5.7	4.6	7.4	2.8
GDP per capita growth (annual %)	7.2	6.7	7.6	8.6	8.8	7.8	1.4	4.1	3.2	6.5	1.6
GNI per capita, PPP (current international \$)	3,770.0	4,120.0	4,500.0	4,980.0	5,530.0	4,580.0	7,504.0	2,712.0	3,126.0	4,280.0	7,992.0
GNI per capita, Atlas method (current US\$)	840.0	900.0	970.0	1,100.0	1,290.0	1,020.0	3,090.0	508.0	842.0	1,016.0	5,468.0
Inflation, consumer prices (annual %)*	0.4	0.7	-0.8	1.2	3.9E	0.4	8.7	3.9	8.0	..	..
<b>Composition of GDP (%)</b>											
Agriculture, value added (% of GDP)	16.4	15.8	15.4	14.6	14.6	15.4	6.1	23.3	17.0	15.0	3.9
Industry, value added (% of GDP)	50.2	50.1	51.1	52.3	50.8	50.9	21.4	26.3	45.0	48.4	28.9
Services, etc., value added (% of GDP)	33.4	34.1	33.5	33.1	34.5	33.7	72.5	50.5	38.1	36.6	67.3
<b>External Accounts</b>											
Exports of goods and services (% of GDP)	25.9	25.5	28.9	34.3	40.2	31.0	15.8	14.5	36.7	40.1	24.2
Imports of goods and services (% of GDP)	23.2	23.1	25.9	31.8	39.2	28.6	14.0	15.5	30.0	36.5	24.3
Current account balance (% of GDP)	1.9	1.5	2.8	3.2	..	2.4	-1.5	0.5	4.0	..	..
Total debt service (% of GNI)	2.5	2.1	2.4	2.6	..	2.4	11.4	2.6	9.5	4.8	..
IBRD loans and IDA credits (PPG DOD, in current US\$ billion)	19.9	20.2	20.7	21.0	..	20.4	8.1	26.3	11.7	42.6	..
External debt (% of GNI)	13.7	14.7	13.4	13.7	..	13.9	46.8	20.6	77.2	28.3	..
<b>Fiscal Accounts</b>											
Overall Budgetary Balance, including grants (% of GDP)*	-3.6	-3.1	-3.4	-2.8	-1.7	-2.9	..	-5.0	-0.5	..	..
Expenditure (% of GDP)*	18.9	20.1	21.6	21.5	21.1	20.6	..	15.6	..	..	..
Revenue, excluding grants (% GDP)**	15.3	17.0	18.2	18.7	19.4	17.7	..	12.9	9.2	..	..
Gross capital formation (% of GDP)	36.3	38.5	40.3	44.3	45.0	40.9	19.8	22.7	21.0	35.5	21.6
Gross domestic savings (% of GDP)	39.0	40.9	43.4	47.0	47.6	43.6	21.8	22.2	22.8	39.3	21.5
<b>Misc. Indicators</b>											
Real effective exchange rate index (2000 = 100)	100.0	104.3	102.6	96.7	95.0	99.7	..	..	..	..	..
Official exchange rate (LCU per US\$, period average)	8.3	8.3	8.3	8.3	8.3	8.3	2.6	46.5	9,101.9	..	..
Total reserves in months of imports	7.4	8.8	10.2	10.6	11.8	9.8	5.4	10.0	5.6	8.4	7.4
Grants and other revenue (% of revenue)	11.5	11.9	..	..	..	11.7	..	24.5	36.1	21.4	12.5
<b>Social Indicators</b>											
<b>Health</b>											
Immunization, DPT (% of children ages 12-23 months)	89.0	90.0	90.0	90.0	..	89.8	98.0	67.0	72.8	85.6	76.8
Improved water source (% of population with access)*	..	75.0	77.0	..	..	76.0	89.0	86.0	78.0	77.6	81.7
Improved sanitation facilities (% of population with access)*	..	38.0	44.0	..	..	41.0	75.0	30.0	52.0	48.7	54.3
Life expectancy at birth, total (years)*	..	70.5	70.7	70.8	..	70.7	68.7	63.4	66.8	69.5	66.9
Mortality rate, infant (per 1,000 live births)*	32.0	31.0	30.0	30.0	..	30.8	34.0	65.5	33.0	32.2	56.8
<b>Education</b>											
Literacy rate, adult total (% of people ages 15 and above)*	90.9	85.8	86.4	..	..	87.7	88.4	61.0	87.9	90.4	78.3
School enrollment, preprimary (% gross)	39.0	35.9	36.4	..	..	37.1	62.0	29.8	20.2	36.8	38.2
School enrollment, primary (% gross)	117.8	116.2	115.2	..	..	116.4	148.7	101.9	110.8	112.7	103.2
School enrollment, secondary (% gross)	65.1	67.2	70.3	..	..	67.5	107.6	50.5	58.5	65.6	63.0
<b>Population</b>											
Population, total (in million)	1,262.6	1,271.8	1,280.4	1,288.4	1,296.5	1,280.0	174.5	1,048.2	211.9	1,838.7	6,199.8
Urban population (% of total)	35.8	36.7	37.7	38.6	39.6	37.7	82.4	28.1	44.3	38.8	47.7
Population growth (annual %)	0.7	0.7	0.7	0.6	0.6	0.7	1.2	1.6	1.3	0.9	1.2

Source: DDP website as of January 11, 2006.

\* IMF Article IV 2004, 2005

\*\*China's Revenues includes grants

Annex Table 8: Millennium Development Goals

	1990	1994	1997	2000	2003
<b>Goal 1: Eradicate extreme poverty and hunger</b>					
Percentage share of income or consumption held by poorest 20%	..	..	..	4.7	..
Population below \$1 a day (%)	33.0	28.4	17.4	16.6	..
Population below minimum level of dietary energy consumption (%)	..	..	12.0	..	11.0
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	8.9	7.3	3.8	3.9	..
Poverty headcount, national (% of population)	..	..	4.6	..	..
Prevalence of underweight in children (under five years of age)	..	12.9	9.0	10.0	..
<b>Goal 2: Achieve universal primary education</b>					
Net primary enrollment ratio (% of relevant age group)	97.4	..	..	..	..
Primary completion rate, total (% of relevant age group)	105.1	98.4	99.9	104.2	98.0
Proportion of pupils starting grade 1 who reach grade 5	86.0	..	..	100.0	..
Youth literacy rate (% ages 15-24)	..	..	..	98.9	..
<b>Goal 3: Promote gender equality and empower women</b>					
Proportion of seats held by women in national parliament (%)	21.0	..	21.0	22.0	22.0
Ratio of girls to boys in primary and secondary education (%)	87.0	..	..	98.9	98.4
Ratio of young literate females to males (% ages 15-24)	..	..	..	99.3	..
Share of women employed in the nonagricultural sector (%)	37.7	38.1	38.8	39.1	39.5
<b>Goal 4: Reduce child mortality</b>					
Immunization, measles (% of children ages 12-23 months)	98.0	75.0	83.0	84.0	84.0
Infant mortality rate (per 1,000 live births)	38.0	37.0	..	32.0	30.0
Under 5 mortality rate (per 1,000)	49.0	46.0	..	40.0	37.0
<b>Goal 5: Improve maternal health</b>					
Births attended by skilled health staff (% of total)	..	..	66.8	..	97.0
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	56.0	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>					
Contraceptive prevalence rate (% of women ages 15-49)	..	90.7	83.8	87.0	..
Incidence of tuberculosis (per 100,000 people)	116.5	111.9	108.6	105.4	102.3
Number of children orphaned by HIV/AIDS	..	..	..	..	..
Prevalence of HIV, total (% of population aged 15-49)	..	..	..	0.1	0.1
Tuberculosis cases detected under DOTS (%)	..	14.9	32.2	30.6	42.9
<b>Goal 7: Ensure environmental sustainability</b>					
Access to an improved water source (% of population)	70.0	..	..	..	77.0
Access to improved sanitation (% of population)	23.0	..	..	..	44.0
Access to secure tenure (% of population)	..	..	..	..	..
CO2 emissions (metric tons per capita)	2.1	2.5	2.7	2.2	..
Forest area (% of total land area)	15.6	..	..	17.5	..
GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)	2.1	2.9	3.5	4.2	4.6
Nationally protected areas (% of total land area)	..	..	..	..	7.8
<b>Goal 8: Develop a global partnership for development</b>					
Aid per capita (current US\$)	1.8	2.6	1.7	1.4	1.0
Debt service (% of exports)	11	8	8	5	3
Fixed line and mobile phone subscribers (per 1,000 people)	5.9	23.9	66.8	177.6	423.8
Internet users (per 1,000 people)	..	0.0	0.3	17.4	63.2
Personal computers (per 1,000 people)	0.4	1.7	6.0	15.9	27.6
Unemployment, youth female (% of female labor force ages 15-24)	1.2	1.1	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	0.9	0.8	..	..	..
Unemployment, youth total (% of total labor force ages 15-24)	2.5	2.8	3.0	3.1	..
<b>Other</b>					
Fertility rate, total (births per woman)	2.1	..	1.9	..	1.9
GNI per capita, Atlas method (current US\$)	320.0	450.0	710.0	840.0	1,100.0
GNI, Atlas method (current US\$) (billions)	367.6	538.1	871.4	1,063.8	1,416.7
Gross capital formation (% of GDP)	34.7	41.2	38.2	36.3	44.3
Life expectancy at birth, total (years)	68.9	..	69.7	..	70.8
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	90.9	..
Population, total (millions)	1,135.2	1,191.8	1,230.1	1,262.6	1,288.4
Trade (% of GDP)	31.9	48.8	41.4	49.1	66.1

Source: World Development Indicators database, April 2005



Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
I. Improve the Business Environment and Accelerate Transition To a Market Economy						
I.A. Strengthening Institutions for Macroeconomic Management	Promote macroeconomic stability to support sustained investment spending and job-creation	Low inflation, sustainable macro balances, improved vulnerability indicators, rising private investment levels and more new jobs across China	Advise on interest rate liberalization, external payments, and fiscal sustainability issues, and share information on investment climate and labor market policies	Two ongoing TA projects China Research, Institutional Support and Preinvestment Project (CRJSPP) and Fourth Technical Cooperation Project (TCC IV)	TA to PBoC on Interest Rate Liberalization (FY02 -03), Country Economic Report (FY03), Policy Notes on Macro Management (FY02 -04), Fiscal Policy (FY02-04), TA for macro-modeling (FY02-04), Statistical capacity building (FY03), WBI course on fiscal implications of WTO accession (FY02)	ADB TA on Intergovernmental Fiscal Transfer, Budget Law, Coordination of Fiscal-Monetary Policy, etc <b>AusAID:</b> Training in taxation issues <b>CIDA</b> Public Policy Options Program EU: Public Administration Co-op Program, training in national statistics GTZ: TA to Structural Reform Commission & to NPC's Finance/Economic Committee <b>IMF:</b> Proposed Tain tax administration, tax policy, public expenditure mgt, govt finance statistics, etc <b>OECD:</b> TA in statistics, fiscal reform, monetary policy, etc
	Strengthen fiscal management capacity	New systems and capacity for better management of the government budget, debt and fiscal risks	Advise on reforms to improve analysis and management of government budget, debt and fiscal risks	Ongoing Fiscal TA Project	Bond Market Development (FY02-03), TA for Debt Management Capacity (ASEM)	
	Strengthen framework for inter-government finance	Further adjustments in revenue and expenditure assignment and transfers between local, provincial and national governments	Advise on inter-government finance issues		Provincial Expenditure Review (FY02), Sub-National Fiscal TA	
I.B. Promoting China's Integration into the Global Economy	Build capacity for conforming with WTO regime	Implementation of revised laws/ administrative practices relevant to international trade and investment	Advise on design and implementation of trade-related laws and regulations, and support training	Ongoing Economic Law Reform Project	WBI distance learning on Globalization and China's Accession to WTO (FY02)	ADB WTO-related studies <b>AusAID</b> training officials in WTO and market issues <b>CIDA:</b> WTO Capacity Building Program
	Continue reforms on trade & business environment to maximize benefits of open trade/investment for Chinese economy and poor	Measures to unify currently fragmented export processing regime and encourage outward investment by Chinese firms	Advise on issues of trade de-licensing, simplification of business processes, and competitiveness, and collaborate on impact analyses		Evaluation and Reform of Export Processing Trade (FY02) TA by MIGA on outward investment from China (FY01 - 03)	EU: Co-op Programs on WTO & Information Society, major scholarship program <b>ILO:</b> various studies on WTO impact <b>Japan:</b> Focus Area of Future Support <b>OECD:</b> TA for intellectual property rights <b>UNDP:</b> Customs Reform for WTO
	Continue structural reforms to smooth impact of increased globalization  Accelerate service sector development	Actions to liberalize labor markets and reduce barriers to trade within the national market  Reduction of government monopolies and government interference in service activities	Advise on structural reform of factor and product market  Advise on strategies for service sector liberalization and development	Ongoing Container Transport Project	Research on WTO Accession, Policy Reform and Poverty Reduction (FY02) Study Inter-provincial Banners to National Market Devt Services Sector Development and Competitiveness (FY02)	

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
	Promote China's knowledge economy	Improvements in R&D capacity, national and international information flows, quality of higher education, and in bridging the digital divide	Advise on knowledge strategies to strengthen global competitiveness and leverage new ICT technologies for knowledge sharing	Distance Learning Project (FY04)	Using Knowledge for China's Development (FY02), Senior Policy Seminar on Knowledge Strategies (FY02), Structure of Agricultural Research (FY02), GDLN Pilot Program in Ningxia Province (FY02), Development Gateway (FY02), WBI	
<b>I.C. Reforming the Financial Sector</b>	1) Establish an overall financial sector policy structure appropriate to a market economy	Government to reach a consensus on its long-term financial sector objectives and its appropriate future role in the sector	Advice on long-term strategies and policy reforms		Strategic and policy advice on (1) key issues in making transition from planned to market-oriented financial system, and (2) specific areas like interest rate liberalization, WTO entry and financial services industry integration	<b>IMF:</b> Proposed TA to PBC, workshops on central bank accounting and capital account, training in money and banking statistics
	2) Continued restructuring of banking system to one capable of serving the needs of a market economy, while minimizing fiscal and social stability implications	Steady progress in commercializing the operations of four major state commercial banks (SCBs) along with diversifying their ownership Privatization of other banks	Advice on strategies and policy reforms and technical assistance on key aspects of the reform process		Bank/IFC advice on SCB reform and restructuring, bank supervision/regulation, deposit insurance, credit risk management, promoting restructuring of small/medium banks  ASEM-funded TA on asset management company/bad debt resolution	AusAID Training in finance and banking <b>DFID</b> Financial Sector Training Program EU: ASEM grants, training of financial sector regulators & supervisors
	3) Improve governance structures and regulatory systems for financial institutions capable of serving the needs of firms, households and governments in a rapidly - growing market economy	Improved governance, management, profitability, capital base and internal controls in financial institutions (banks, securities firms, insurance companies)  Includes improved financial services industry infrastructure - accounting, auditing, disclosure, regulation and supervision  Participation of private domestic and foreign financial institutions in banking, insurance, capital markets	Advice on policy reforms and technical assistance on key aspects of the reform process	China Development Bank component of TCC IV Accounting Reform Project  IFC investment in Bank of Shanghai and Nanjing City Commercial Bank, in insurance companies, funds, securities companies, housing finance	Medium and Small Bank, and Failure Resolution components of CRJSPP  Workshops/policy advice to Securities and Insurance Regulatory Commissions  IFC advice on banks' auditing practices, WBI training of bank supervisors	ADB TA in Banking Law & Regulation, Improving Information Disclosure, Studies in Trading Rules, Comparisons of Financial Sector Regulatory & Supervision Regimes <b>IMF:</b> Proposed TA in banking risk analysis and bank supervision OECD: TA in governance of financial institutions, taxation of financial markets

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
4) Establish sound capital markets capable of serving the needs of firms, households and governments in a rapidly - growing market economy		<p>Reform of government securities market, including introduction of treasury bills, strengthening debt management capabilities and reducing portfolio risks</p> <p>Develop inter-bank money market and improved liquidity management by banks/finance institutions</p> <p>Growth of institutional investors (mutual funds, insurance companies, etc )</p> <p>Development of market-based infrastructure finance mechanisms</p> <p>Initial steps to develop the bond market</p>	<p>Strategic and policy advice, TA and training to responsible government units, official think tanks and quasi-governmental institutions on long-term strategies and priority reforms</p>	Financial Sector TA Project	Policy advice on govt securities market reform, IFC advice on securities law	ADB: Capital Markets Devt TA EU: China Financial Services Cooperation Project IMF/World Bank: Regional workshop on Developing Bond Markets
				IFC investment in bond rating company	<p>TA for improved cash management by government debt issuer</p> <p>Policy advice on interest rate liberalization and the Central Bank's role in money market development</p> <p>Policy and strategic advice for promoting growth of institutional investors, and for infrastructure finance mechanism</p>	
I.D. Promoting Private Sector Development and Enterprise Reform	<p><b>1) Improve business environment and encourage greater private sector activity</b></p> <p>Open markets to greater competition and provide level playing field for all types of private sector firms</p> <p>Strategy is to implement commitments under WTO covering:</p> <ul style="list-style-type: none"> <li>- Improvements in legal framework and enforcement capacities to provide increasingly equal opportunities to firms of all ownership classes</li> <li>- Reduction of barriers to entry and exit</li> <li>- Transparency and rationalization of domestic laws and regulations</li> </ul>	<p>Implementation of specific commitments made under WTO accession discussions such as</p> <ul style="list-style-type: none"> <li>- Non-discriminatory national treatment of all enterprises</li> <li>- Revision of investment guidelines in full conformity with the WTO agreement and repealing all laws and regulations inconsistent with WTO rules on national treatment</li> <li>- Eliminate dual pricing practices</li> <li>- Publish in official journal list of goods and services subject to state pricing together with price-setting mechanisms and policies</li> <li>- Formulate Law on Anti-Monopoly</li> <li>- Implement commitment to grant all enterprises right to conduct international trade within three years after accession</li> </ul>	<p>Support development and improved judicial enforcement of modern business laws</p> <p>Advise on streamlining fiscal and user charges, implementing new bankruptcy law, and competition and regulatory policies</p> <p>Advise on private sector development, particularly in the interior provinces, and support for access to new technology and management know-how</p> <p>Funding and TA support to the private sector, and support for development of business services</p>	<p>Ongoing Economic Law Reform Project</p> <p>IFC projects with the local private sector</p> <p>IFC public-private sector forums to improve SME business environment particularly in Western Provinces</p> <p>IFC capacity building and funding to SMEs in the interior through China Project</p> <p>Development Facility in Chengdu and Sichuan Investment Fund</p>	<p>Bankruptcy Study (FY01), Ongoing WBI funding support to CASS Institute for Regulation and Competition Policies</p> <p>IFC/IBRD study of Post-Privatization Needs of Enterprises (FY02), WBI course on Regulatory Economics and Incentive Theory</p> <p>Research on China's Industrial Competitiveness and Investment Climate (ongoing)</p> <p>Technical assistance in the development and utilization of online information services (FY02)</p> <p>WBI TA for implementation of measures identified in the Knowledge Economy study ASEM trust fund supported study on corporate restructuring</p> <p>WBI workshop on corporate restructuring and enterprise reforms</p>	<p>ADB SME Business Advisory Support, TA for private sector devt</p> <p>AusAID/DFID/Swiss/IFC China Project Development Facility</p> <p>EU major business training program, junior managers training, Enterprise Reform Project for SME Devt Japan</p> <p>Focal Area of Future Support OECD TA on SME development policies</p>

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/MIGA/GEF	AAA	Other Donors
	Specialization/consolidation of firms to improve investment efficiency in manufacturing/service sectors	Progress in moving from approval-based system to registration and disclosure-based system in areas like company law, business licensing, and capital market debt	Advise on investment promotion policies, encourage the use of risk mitigation techniques, and facilitate access to global knowledge and capital	MIGA guarantees IFC/FIAS/MIGA assistance in building capacity of investment promotion intermediaries		
	Provide business support services, especially for small, remote, and high-tech firms	Enactment of a comprehensive e-commerce law				
	2) Corporate Restructuring, Ownership Diversification and Industrial Reorganization	Announcement of comprehensive policy on mergers/acquisitions  Harder budget constraints on enterprises, further separation of SOE from Govt control, fewer loss-making SOE and SOE-related non-performing loans at four largest state-owned banks	Advise on legal and regulatory frameworks to support hard budget constraint  Support efforts to reduce excess capacity and number of loss-making enterprises, and the development of support schemes to assist laid-off workers		ASEM-supported study on corporate restructuring IFC/UK.TA for ownership transformation in Leshan  WBI workshop on corporate restructuring and enterprise reform	ADB: TA for industrial enterprise and SOE restructuring ADB/OECD: Anti-corruption Initiative in East Asia DFID: SOE Reform Project in Sichuan/Liaoning EU: ASEM grants GTZ: Training managers of medium-size enterprises, advice to Ministry of Labor
		Progress in disposing/restructuring assets acquired by the asset management companies including through foreign investor participation	Advise on separating the provision of both education and health services from SOEs	Ongoing Shenyang Industrial Reform Project		
		Substantial transfer out of SOE of health/education facilities, health insurance schemes, and housing	Assist in corporatization of sector companies and improve their creditworthiness	IFC support to AMCs for disposal and/or restructuring of assets		
		Accelerate the program of privatizing or liquidating small industrial and service sector SOEs		Ongoing Enterprise Reform LIL		

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/MIGA/GEF	AAA	Other Donors
3) Strengthen Corporate Governance		Appoint and use Board Committees such as audit and compensation committees	Advise on corporate governance issues, train trainers, assist in developing distance training facilities	Ongoing Projects for Accounting Reform, Enterprise Reform and Economic Law Reform	FY01 Bank study of Bankruptcy of SOEs FY02 IFC-Bank study, Corporate Governance and Enterprise Reform in China FY03 study, Corporate Governance of Enterprise Groups WB1 distance training in corporate governance and training of trainers in executive development program	ADB Study on Improving Corporate Governance and Financial Performance of SOEs, enterprise accounting system reform OECD: TA for corporate governance
		Introduce/enforce accounting, auditing and disclosure standards consistent with international practices Further strengthen CSRC regulations	Support the development of accounting, reporting and auditing standards consistent with international practices			
4) Promote Private Sector Participation in Infrastructure	Energy, Promote private sector investment  Transport Services. Encourage private transport operations Develop instruments to encourage, manage and regulate competitive transport services  Roads. Expand market-based development, financing and maintenance of roads	All oil & gas companies listed  Increased number of IPPs, listed power companies and decision to further divest generation assets  New policies opening access to private sector implemented	Assist in attracting private sector financing  <u>Transport Services</u> . Creation of regulatory agencies, lifting of tariff constraints and guidelines on transport services	Toll Roads Projects. Ongoing projects and Hubei Highway (FY03), Shaanxi III Highway (FY04), Henan IV and Hubei II Highways (FY05)	PPIAF/Bank Group study on Framework for Private Participation in Infrastructure (FY01)  TA for Public/Private Partnership in Gas Distribution (proposed FY04)	Japan ongoing JBIC toll road construction projects
			Roads. Investment in toll road projects to foster growth, trade and poverty alleviation, with private sector participation or potential for asset securitization Promote policy for commercialization, consolidation, and market financing of public toll roads companies Assist in reform of road agencies to focus on policy and regulation roles			

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
	<u>Railways.</u> Separate regulatory from operational responsibilities in railways Separate transport operations from manufacturing SOEs in railways	<u>Railways.</u> Create railway operating enterprises Develop tools needed by railway to operate in market economy Spin off non-rail activities Contract out services Concessioning or franchising of operating functions	Promote competition in highway management and development of private contractors Assist reform of legal and regulatory framework, develop policy for private participation in roads serving the poor  <u>Railways.</u> Support the restructuring process of Ministry of Railways Process railway loans only as benchmarks achieved	<u>Railways.</u> National Railway Project (FY02) And proposed project in FY04		
	<u>Water Transport.</u> Introduce more open policies for private participation	<u>Water Transport</u> Wholly privately owned, shipping operating companies, with foreign investors Further commercialize SOE shipping companies Private sector participation in terminal operations Commercialize waterway agencies	<u>Water Transport.</u> Assist commercialization of inland waterway agencies	<u>Water Transport</u> Ongoing 2 <sup>nd</sup> Inland Waterways Project 3 <sup>rd</sup> Inland Waterway Project (FY01) 4 <sup>th</sup> Inland Waterway Project (FY04) Ongoing IFC investments in transportation sector		
	<b>1) Improve regulatory/incentive environment for good governance</b>  Improve legal/regulatory framework & transparency of government financial management, procurement practices  Strengthen responsiveness and accountability in the delivery of public services	Improved procurement guidelines and expanded capacity for their implementation  Better coverage, quality and timeliness of publicly available reports and audit statements  Greater use of performance standards and consumer feedback in the delivery of public services	Help to introduce transparent government procurement procedures and strengthen procurement capacity Assist in strengthening government fiscal management, reporting and auditing systems  Support the development of public service standards	Ongoing Projects for Fiscal TA, Accounting Reform and Economic Law Reform Ongoing and new projects support the use of public service standards	Financial management training provided in conjunction with projects  Training of government procurement specialists and local trainers (WBI), Country Procurement Assessment Report WBI course on Fiscal Decentralization (FY02)	ADB Planning devt of legal/judicial system and further support proposed <b>ADB-OECD</b> Anti-Corruption Initiative <b>AusAID</b> Governance Program, legal reform support, Human Rights TA Program <b>CIDA</b> Civil Society Program, Legal Aid Project, Procuratorate Reform Project <b>EU</b> Legal/Judicial Co-op Program <b>France:</b> Judicial Training <b>GTZ:</b> Devt of economic, labor and admin laws

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/MIGA/GEF	AAA	Other Donors
Strengthen legal profession/judicial system	Reduce corruption in the public sector	Improving independence and capacity of lawyers and judges  Decline in instances of reported corruption in the public sector	Support court reforms, professionalization of the judiciary and training of lawyers  Assist govt identify factors contributing to corruption and implement structural reforms addressing corruption Develop official legal information system by compiling natl /local legislation/ regulations to be made available to public through internet	Ongoing Economic Law Reform Project  Ongoing Economic Law Reform Project	Support training and workshops for govt officials dealing with corruption - related issues Support analytical work to strengthen anti-corruption efforts, building on work in areas like procurement policy, accounting rules, project-related financial mgt policies	Japan Focal Area of Future Support SIDA TA for legal & judicial training in Shanghai, NGO devt UNDP Legal system reform, public administration reform, governance support US Support for legal and judicial reform proposed
2) Strengthen Management of Cities	Promote sound urban devt, especially small cities/towns, to improve rural-urban interface, econ efficiency, equity	Acceleration of urban job creation and absorption of rural surplus labor	Support establishment of policy framework to facilitate factor mobility, urban economic restructuring, and rural-urban interface	Tianjin Urban Development and Environment II (FY03) Chongqing Small Cities Urbanization & Envir (FY05)	Urban Restructuring (FY03) Liaoning Urban Poverty (FY03) Urban Transport (FY03) Urban Poverty (FY04) City Development Strategy Programs (FY 03-05)	ADB: TA-Urbanization Strategy, Urban Devt & Envir Improvement, Medium Cities Devt CIDA Integrated Municipal Devt Program
Strengthen plans & policies to facilitate economic/spatial restructuring, relax household registration restrictions	Improve urban management and planning	Urban economic restructuring, esp tertiary sector devt in large cities, diversification of urban economies, stronger economic ties between localities	Help design and finance projects to support development of urban clusters, metropolitan regions, and small cities and towns	Hunan City - Regional Development (FY04) Shanghai Urban Environment APL II (FY05)	Sustainable Urban Development and Management Training (FY03-05) City networking (FY03-04) Beijing Metro Restructuring and Management (FY03-05) Municipal/ Utility Finance (FY04-05)	Cities Alliance City Development Strategy Program DFID: City Development Strategy Program
- Separate govt/market functions, improve regulatory capacity, strategic planning, investment/services management	- Improve urban/utility financing, increase cost recovery, diversify urban financing, and facilitate PPI	Corporateization of utilities Streamlined and focused government units  Enhanced technical and management skills and organization in governments and consulting industry	Provide TA to strengthen the planning and regulatory functions of local governments, strengthen the finance, operation and management of utilities Support the above with TA and project-related action plans	Beijing #10 Water Treatment Plant PPI (IFC FY03)	Utility Operation/Management (Proposed) PPI for Water, Wastewater, and Solid Waste Management for Shanghai, Sichuan, Chongqing (FY03-04)	EU: Liaoning Integrated Envir Program UNDP City Planning, Mgt/Devt in 21 <sup>st</sup> Century
Improve housing and housing market mechanisms		Increased cost recovery for transportation and utilities Expand private participation in infrastructure and utilities  Complete housing reform steps, diversify housing industry and finance products	Encourage financial improvements through TA and action plans Facilitate PPI with TA and cofinancing Provide analytical support for assessment and development of the markets	Zhejiang Urban Development II (FY04)	Housing maintenance and operations (FY03), Housing market development (Proposed FY05)	



Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
Maximize utilization of cultural heritage assets		Preservation, restoration, and use of cultural assets	Provide technical assistance and limited financing for restoration and utilization of cultural assets	Several ongoing projects and FY04 Zhejiang Urban Environment II Project	Building Codes, Planning and Cultural Assets Management (FY04)	
3) Strengthen Performance of Public Utilities in Delivering Infrastructure Services Introduce appropriate regulatory and corporate structures for the energy sector		Corporatization/ commercialization of power companies well advanced  State Council approval of proposal to develop competitive power markets Decision to separate generation from transmission/distribution Oil and gas sector restructured	Assist in designing and implementing competitive power markets  Assist in establishing and implementing a sound regulatory framework	Energy projects for corporatization and power/gas SOEs Yixing Pumped Storage Project to restructure Jiangsu Wholesale Power Market (FY03)	Work on new waves of reforms (FY00) TA and PPIAF Study on Oil & Gas Regulation (FY02) Revised Paper on Power Regulation (FY02) TA for Power Regulatory Bureaus (FY 02)	ADB TA to establish National Electricity and Regulatory Commission, Study on Tariffs for Inter-provincial Power Transfer (FY02), proposed Power Tariff Strategy, all projects providing urban services and energy AusAID Study to Develop Regional Power Market in East China
Improve efficiency in provision of urban services		Commercially viable pricing of water supply and wastewater mgmt services Corporatization of utilities Broadened scope of PPI, with local company participation in utilities	Support improvement of PPI framework, including regulations Help improve mgmt/pricing of water supply and sanitation services	Shanghai APL and Tianjin Urban Development II (FY03), ongoing Beijing Envir II	PPIAF for Chongqing water supply/wastewater mgmt Utility Reform and Regulation (part of N China Water Quality Mgmt Study)	OECD: TA for regulatory policy development
Improve quality of highway and railway services		PPI or corporatization in toll roads, bus and mass transport  Road sector oriented to market, with improved governance/sustainability of road maintenance Railway restructured and reformed	Support private provision of public transport systems, especially bus services Restructuring of Public Transport Companies Advise on legal and regulatory framework For sustainable road mgmt, balance expenditures for construction and maintenance of different road classes Help formulate policy for road financing, e.g., introduction of road user charges Support broader approach to road safety Support railway reform	Public transport components of ongoing and new urban transport projects  Institutional strengthening, policy reform and road safety components in highway projects National Railway Project (FY02) and proposed railway project in FY04	Highway Sector Strategy Review (FY02)	

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
	Providing More Efficient Urban Transport Services & Networks	Create market-based business framework for PTCs, including removing responsibility for redundant labor and housing, and developing internationally benchmarked performance targets Public Transport Concession Law enacted, including provisions for private sector participation Create regulatory agencies, lift tariff constraints and have guidelines on transport services	Assist in preparing legal and regulatory framework for range of models for private participation in Public Transport, including concessions Assist devt/promulgation of performance targets for operational and financial performance and advise on how to meet them Encourage transparent provision of compensation by govt to transport enterprises for public service obligations	Urban Transport Projects in Urumqi(FY01), Shijiazhuang (FY01), Wuhan (FY04), Fuzhou (FY05)		ADB urban transport projects
<b>II. Address the Needs of the Poorer and Disadvantaged People and Lagging Regions</b>						
<b>II.A. Increasing Employment and Productivity Off and On the Farm</b>	<b>1) Spur Off-Farm Job Creation</b> Build on local comparative advantages, promote private investment, support off-farm job creation initiatives, and facilitate migration	Rising investment efficiency and diversification of local economic activities, increasing number of SMEs, growing absorption of rural surplus labor in off-farm employment, and using rates of local GDP growth	Share successful internal experience in regional devt and in promoting local investment climate with central and sub-national Govts, promote devt of SMEs, support policy reforms creating more flexible markets for land, labor and capital  TA for legislation to promote environmentally sustainable econ	IFC and WB projects in interior provinces  Ongoing Economic Law Reform Project	Multi- sector studies/work-shops on development constraints and on how to accelerate pro-poor growth in lagging regions (FY02-03), Sub-national Economic Reports (FY03-04), Labor Market Reform study, Private Sector Devt Strategy in Lagging Regions (FY03) TA on better monitoring indicators for social spending (ASEM), TA for poverty mapping (ASEM)	ADB: TA to develop - Provincial Development Strategies for selected lagging Provinces
	<b>2) Enhance Agricultural Productivity</b> Further reform agriculture sector from focus on grain production to higher-value production as signaled by market demand  Strengthen land property rights to stimulate private on-farm investment	Increasing trend in introduction of higher-value crops, livestock, aquatic products and high quality grains and declining trend in area planted to standard grain crops  Formalized land use market and increased market participation	Support agricultural reform, based on market criteria  Promote policies permitting (a) devt of land use market, (b) use of land as collateral for credit, and (c) incentives for quality enhancing land investments by farmers	Ongoing projects Jiangxi Integrated Agricultural Modernization (FY03) Gansu & Xinjiang Pastoral Development (FY03) Heilongjiang Livestock Sector(05)	Major report on Rural China Transition and Development (FY99) basis for dialogue TA for Reform of Ministry of Agriculture(FY03), Livestock Note (FY03), TA on Food Safety (04)  Land Titling TA (IDF, 02), follow-up TA on land management issues	ADB Study of Structural Adjustment of Agric Sector AusAID: Agric Devt in Hebei and Inner Mongolia for the poor, Qinghai Community Devt CIDA: Projects in livestock, drylands farming, and grasslands OECD MOA reform of agricultural policies, TA on rural finance WFP/IFAD Wuling Mountains Rural Development

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC MIGA/GEF	AAA	Other Donors
<p>Increase investments in irrigation, water saving, and flood protection infrastructure, and soil and water conservation</p> <p>Promote policy and institutional reform for sustainable water resources management</p> <p>Promote sustainable agricultural development through expanded research program</p> <p>Reform system of administrative fees and taxes in rural areas</p> <p>Encourage private sector involvement in sector</p>	Increase investments in irrigation, water saving, and flood protection infrastructure, and soil and water conservation	Reforms adopted for water management	Build key reforms into water resource projects, support strategic studies	Ongoing Projects Loess Plateau I & II, Heilongjiang ADP, Tarim Basin II, Anning Valley, Guanzhong Irrigation, Irrigation Agriculture Intensification		ADB Songhua River Flood Management
		Restructure, revitalize and increase investments in research and extension, focused on priority areas			Water Sector Strategy for North China, Shihu Integrated Basin Water Management Study, TA to establish training centers for SIDD	ADB TA for legislative support for water sector
		Raise agricultural taxes if appropriate and abolish administrative fees imposed only on farmers		Agriculture Technology (FY04)	Agricultural Research Study (FY01)	
		Increase proportion of agricultural commodities marketed by non-State entities	Publicize/enforce intellectual property rights to encourage transnational firm participation in provision of agricultural inputs		Studies done for Lagging Region Development Program	
		Increase in agricultural FDI and in non-state research and extension	Promote private sector participation in input marketing and technical advice		TA on Farmer's Associations in Sichuan (04)	
		Increase proportion of rural enterprises and the proportion of output under non-collective ownership	Promote conducive policy framework to transform TVE ownership (collective) into more efficient private/corporate structures			
		Gradually remove constraints to migration and to urban enterprises employing migrants	Reduce agricultural population and alleviate labor migration constraints		CEM(03)	
		Strengthen O&M of rural credit cooperatives and enable them to provide the majority of financial services in rural areas				

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
3) Promote environmentally sustainable development in Western Regions	4) Assist poor western areas to develop their energy resources and provide poor provinces with increased access to energy	Strengthened capacity to address environmental issues in Western Development  Poor region production and consumption of energy	Develop environmental capabilities in regional planning Promote better management of natural resources  Increase system efficiency (pumped storage)	Sustainable Forestry Development (FY02) GEF for Protected Areas Management	Environment Sector Report (FY01)  TA on Strategic Environmental Assessment of Great Western Development Plan (Norway) New Model for Rural Devt (Norway) Western China forest/grasslands task force - CCICED	DFID/IBRD Loess Plateau II Project GTZ Sustainable Devt of Mountainous Area of Jiangxi, Participatory Approach to Agriculture and Forestry
				Hubei Hydropower in Poor Areas (FY02)	Paper on transfer of energy from west to east (FY02)	JBIC Small hydro projects in Gansu & Hubei ADB Northwest Grid Super High Voltage Transmission Project
II.R. Strengthening Transport Links within and to Lagging Regions	Improve road transport to and within Western areas in accordance with long-term plan covering - devt of 8 East-West and North-South corridors totaling about 18,000 km to link the interior region to coastal area and to link Western provinces together, - rehabilitation/upgrading of technical standards of about 180,000 km of road network in western area, and - devt of about 150,000 km of rural access road to alleviate poverty in rural villages  Improve logistical services	Major progress in developing road networks in and to Western provinces, measured by number of km of roads built in various road classes, toward GOC objectives  Multiplication of intermodal terminals operating in inland provinces	Finance higher class roads in the Central and Western provinces at economically justified standards  Assist GOC design road development plans for Western provinces, based on economic analysis and design criteria to ensure efficiency of investments  Promote development of small and medium enterprises in road construction, road transport services and supporting services (freight forwarding, warehousing, etc)	Highway projects in Xinjiang, Hubei, Anhui (FY03), Shaanxi, Inner Mongolia II (FY04), Henan, Hubei (FY05) Ongoing highway projects in Gansu, Guangxi, Inner Mongolia, and Ningxia  Inland Waterway IV Project (FY04) and ongoing waterway projects	Highway Sector Strategy Review (FY02)	ADB Road projects in six western provinces, Railway Projects in Yunnan and other western provinces, Studies for Rural Road Development Strategy and of Gansu Road Devt Japan: Ongoing JBIC Road Construction Projects in areas like Gansu, Henan, Hunan, and Chongqing
				National Railway Projects	Transport Services and Logistics (FY02-03)	

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
11.C. Developing Human Resources	1) Improve coverage and quality of education	Increase inter-governmental earmarked funds for poor provinces and counties			Policy notes on Financing for Effective Delivery of Basic Social Services, and Better Monitoring Indicators for Social Spending	ADB Study for Reform in Compulsory Education Financing, TA for distance education
	Expand Access to Quality Basic Education	Achieve UBE, with report of student participation by education level, gender, ethnic minority, county / province and income quintile	Raising the quality of educational inputs and outputs	Basic Education in Western Areas (FY03) and Ongoing Fourth Basic Education Project		AusAID Textbook Project for Poor and Minorities
	Strengthen intergovernmental transfer systems for Western Areas	Decentralized responsibilities for staffing, budgets, setting enrollment targets, and development of Provincial Education Strategies and financing formula	Increasing autonomy of educational institutions			CIDA: Capacity Strengthening in Education Monitoring
	Ensure high quality universal basic education (UBE)					DFID Support to WB Basic Education in Western Areas Project, also Basic Education for Poor in Gansu, Yunnan, Tibet, and Distance Learning Project for teachers in western provinces
	Decentralize education planning and budgeting		Rationalizing the financing of the Education System		ASEM-funded TA to monitor and strengthen financing of Chinese education - advice on restructuring local finance of education	EU: Basic Education for Poor in Gansu
	Rationalize rural education finance system as education surcharges are replaced by comprehensive tax system	Strengthen delivery of pro-poor education strategy of basic life and lifelong learning skills	Assist in improving access to education and ensuring that access is equitable			Japan Focal Area of Future Support
	Promote equity in terms of educational outcomes - increased support for poor and minority children		Monitor EFA, IDG, and girl's enrollment data		Note on Monitoring & Evaluation for Better Service Delivery Outcomes	UNDP Knowledge Transfer to Strengthen Western Provinces
	Achieve Education for All (EFA) and International Development Goals (IDG) in education	Development of GDLN-supported DLCs in province sites			Bank financing of DLC centers in Ningxia and Guizhou, and assistance in securing financing for centers in other western provinces	
	Increased use of ITC for distance education					
	Reorient Education and Training	Higher completion rates in 9-year education	Advise on the possible use of internet and IT in ensuring Education for All		Study on Strategic Goals for Chinese Education in the 21 <sup>st</sup> Century (FY00) Government to build and utilize a global distance learning center	
	Realize Education for All goals					

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
Accelerate the development of high skills, particularly in science and technology	Strengthen adult literacy, skill development and improve effectiveness of training and retraining environment for establishment of private/non-state delivery of education services	Higher enrollment rates in tertiary education and larger number of available high-skill training programs Better quality of curricula and teacher training  Market-based and demand-driven training programs Enactment and enforcement of private education law	Encourage the strongest parts of the education system, primarily in urban and coastal areas, to increase their quality, with the aims of enhancing equity and responding to needs of a competitive economic environment  Advise government on effective literacy instruments and demand driven training and skill development approaches Advice on development of the new private education law TA for private education law	Ongoing Higher Education Reform Project	Study on Skills Development in Lagging Regions TA for the development of China's Private Education Law (under TCP IV TA Project)	Japan Ongoing JBIC Higher Education Projects in many Western Provinces, MOFA grant for voc-ed equipment OECD: Program of International Student Assessments in Shanxi UNDP Professional human resources devt & mgt for western region EU: Vocational Training, Science & Technology Programs GTZ Vocational Training Program, support for Continuing Education Centers
				Ongoing Projects for Vocational Education Reform and Labor Market Development Ongoing IFC support to private education Ongoing Economic Law Reform Project		
2) Protect Health Services/Improve Health Outcomes	Provide full public funding of defined essential public health functions  Improve health system's efficiency and responsiveness to demand  Promote standards and awareness on public health issues	Increased resources channeled to health sector  Improved quality and affordability of health services  Enhancement and better enforcement and public awareness of standards for occupational and road safety and public hygiene  Implementation of "Regional Health Planning" framework, as endorsed by SDPC	Help in modernizing public health system, particularly to meet the growing challenges of HIV, TB, NCD, injury and aging  Support cost-effective interventions ("best buys") for China's public health priorities  Assist in developing strategies to build public awareness on issues of safety and personal health, including HIV/AIDS prevention and control  Support promising provincial and local public health initiatives and promote their demonstration effect country-wide	Policy notes on Financing for Effective Delivery of Basic Social Services, and Better Monitoring Indicators for Social Spending WB1 course on Sustainable Health Sector Financing and Reforms Note on Monitoring & Evaluation for Better Service Delivery Outcomes Distance learning on Getting Health Sector Reform Right Review Health VII health promotion experience for expansion and institutionalization  Study on modernizing public health functions at provincial level Grant funds as seed money for cities committed to public health	ADE/DFID Yunnan HIV/AIDS Control AusAID Health programs in Xinjiang, HIV/AIDS support to Health IX Project DFID HIV/AIDS Projects Japan Focal Area of Future Support Ongoing MOFA grants for TB Control in Poor Areas and prevention of infectious diseases in 7 western provinces UNDP HIV/AIDS Care/Prevention in Henan UNICEF Mekong HIV/AIDS Program includes Yunnan	
				Ongoing Health VII Project for health promotion in 7 cities  Ongoing Health IX Project for improved prevention and control of HIV/AIDS/STDs		

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments			Other Donors
				IBRD/IFC/ MIGA/GEF	AAA		
	Improve health outcomes and rational use of health resources in underserved and poor areas.	Improved health outcomes among disadvantaged groups	Assist the government to meet basic health needs of disadvantaged population	TB Control (TY02) Major Ongoing Projects	Focused empirical analysis of poverty and health, economic development, health and productivity (HID Poverty funds)		<b>DFID</b> Support to Health VIII and TB Control Projects, urban health reform for vulnerable groups <b>SIDA:</b> TA and training to improve health services
	Ensure optimal health of workforce and reduce adverse effects on health of economic development initiatives in lagging regions	Increased health care affordability, quality and effectiveness  Increased per capita public health funding in rural areas compared with urban areas  Increased linkage of provider payment to service utilization  Rationalization of investment planning and staffing of health care facilities	Reform the role of government from provider to regulator and enabler of health programs, and funding of essential public health, and services for the poor	Health VII - Immunization and health promotion Health VIII - Basic Health Services for poor rural population Covers improved funding, management, facilities, service quality, and affordability Health IX - for maternal health and child development in poorest areas of China	Five studies of health fund use and health accounts (ASEM)  Study of costs and sources of funds for health safety net and Insurance Coverage for the Poor  TA for Improving Access to Health Care by Rural Poor (Japan TF)		
	Ensure safe drinking water in rural areas	Reduced incidence of water-borne diseases	Support to improving rural water and sanitation facilities	Potential Fifth Rural Water Supply Project following on ongoing Rural Water Supply and Sanitation Projects			<b>ADB:</b> TA for Rural Water Supply & Sanitation <b>AusAID:</b> Programs in several provinces <b>DFID</b> Pilot programs in Yunnan & Sichuan
<b>II.D. Strengthening Social Protection</b>	<b>1) Develop a countrywide strategy for social protection</b>	Clarity in national social protection priorities	Advise government on reforming social protection policies and institutions		TA for Social Security Reform and Social Aspects of Corporate Restructuring (ASEM)		<b>ADB:</b> TA program for Social Security Reform <b>AusAID:</b> Training in Social Security Reform <b>DFID</b> Pilot Unemployment Insurance Project <b>EU</b> Social Security Reform Program
	Establish municipal management of all aspects of social insurance	Full municipal management of all social insurance in selected municipalities	Help improve the ability of municipalities to identify and meet the needs of the poor	Ongoing Labor Market Development Project and SOE reform projects	Study of Urban Labor Adjustment (FY01, FY03)		<b>UNDP</b> Support to trade unions in assisting laid-off workers
	Strengthen the unemployment insurance system	Timely payment of living allowances to laid-off workers	Advise government on income support systems				
	<b>2) Reform the Pension System</b>	Enact national policies and implement pilots to provide a basic benefit, fully fund individual accounts, reduce contributory non-compliance, adjust parameters of provincial pooling and unify benefit	Facilitate policy decisions and their implementation on a pilot basis and country-wide to promote financial sustainability	Ongoing Pension Reform Project	Continue reforms to ensure financial sustainability of the pension system		

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
	Facilitate continued unification and increasing coverage of pension system at the municipal and provincial levels	Municipalities collect pension contributions, manage pension accounts/disbursements, and allow for portability. Municipal contribution rates are increasingly unified within provinces and across similar types of enterprises	Support development of analytical tools and municipal management information systems to further strengthen the pension system at municipal and provincial levels	Support to Liaoning Pilot Activity under ongoing Enterprise Housing and Social Security Project		
	<b>3) Develop Functioning Labor Markets and Capacity for Managing Labor Dislocation</b> Strengthen market based institutions and services	Improve capacity/quality of employment services for job seekers	Policy advice and building national and local capacity to adapt to change	Ongoing Labor Market Development Project and SOE Reform Projects	CEM (03), Policy Notes on labor issues (03-05)	<b>OECD:</b> TA on enforcing labor laws, devt of social protection programs for laid-off workers
	Improve effectiveness of retraining and reemployment program	Evaluate ongoing programs and introduce demand-driven and demand-side financing in retraining	Advise government on improving effectiveness and develop capacity for monitoring and evaluation	IFC capacity building and funding to SMEs in lagging areas via China Project		<b>ADB:</b> SME Business Advisory Support
	<b>Support Job Creation &amp; SME Development for Disadvantaged Areas &amp; Vulnerable Groups</b> Empower the vulnerable group through skill development	Skills development and entrepreneurial training for unemployed and laid-off workers, especially women	Provide support and opportunity to the vulnerable group for risk coping skills and employment	Investment Fund JSDF Grant - Empowering Poor Women		<b>EU</b> Enterprise Reform Project for SME Devt <b>OECD</b> SME devt policies piloted in Chongqing
<b>II.E. Improving Targeted Poverty Reduction Programs</b>	Improve access to capital, opportunity for employment/enterprise	Capital and skills for small business creation	Direct support to the target groups for SME development			
	Strengthen financing, targeting and effectiveness of anti-poverty programs in lagging areas	Continued reduction in the numbers of those in absolute poverty in both rural and urban areas	Advise on anti-poverty strategy and policies and on effectiveness of poverty reduction programs	Poor Rural Communities Development (FY04) Ongoing poverty reduction projects in the southwest, Qinba mountains and the west	Rural Poverty Study (FY01), Netherlands TF Study on New Approach to Rural Development in Poverty Counties with Degraded Lands Research on Income Inequality Issues	<b>ADB</b> NGO Partnerships for Poverty Reduction <b>ADB/Dutch:</b> Poverty Planning Methodology <b>AusAid</b> Chongqing Comprehensive Poverty Alleviation Project <b>CIDA</b> Fund for Local Initiatives, poverty reduction projects <b>DFID</b> Poor Rural Communities Devt <b>GTZ</b> Poverty Alleviation Projects <b>Japan</b> Social Development Fund <b>UNDP</b> Poverty Reduction Protects
		Reduced leakage of poverty funds to non-poor	Assist in promoting better targeting and accountability under poverty reduction programs		Bank-funded TA for poverty targeting, ASEM-funded TA on Poverty Mapping, Better Monitoring Indicators for Social Spending	



Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
III. Facilitate an Environmentally Sustainable Development Process						
III.A. Strengthening Effectiveness of Environmental Institutions	1) Strengthen environmental laws, administrative procedures and institutions	Revised environmental laws, regulations, procedures, and guidelines	Advise and help the authorities - to strengthen the environmental legal, regulatory, and institutional framework, and develop better assessment tools	Ongoing Environmental Technical Assistance Project	FY02 Follow up to Environmental Sector Review and related ministerial, NGO, donor workshop (FY01) Water Strategy Study (FY01) Environmental Administration Study (FY03), Pollution Cost Model (on-going)  Strategic Environmental Impact Assessment development (ongoing) WB/Bank training in environmental policy, legislation and environmentally sound decision-making training Workshop on Clean Air  IDF to strengthen environmental laws/procedures/guidelines  TA to Strengthen Environmental Protection in post -WTO Era	CIDA leading multi-donor support for CCICED DFID: Supports CCICED Environ Econ Working Group EU: Environmental Mgt Co-op Program GTZ Supports SEPA & State Council's Internat'l Envir Advisory Board NORAD Major support to improve enviro policy & enviro mgt training SI DA TA for sustainable devt UNDP/Sweden China Human Devt Report 2002 Making Green Devt a Choice
	2) Improve Pollution Monitoring/Enforcing Clean up major river systems through major investment and regulatory programs  Improve urban air quality by increasing the use of cleaner energy and stricter vehicle emission control	Increase municipal sewage and solid waste collection and treatment, and reduce discharge of industrial wastewater, to improve water quality of urban streams and major rivers  Reduce emissions from coal burning and vehicles, and hence reduce ambient air pollution	Support sustainable expansion and improvement of urban sewage and solid waste management  Support measures for conversion to clean fuel, energy efficiency, and emission control	Ongoing Environmental Technical Assistance Project All ongoing new urban environment projects  All ongoing energy projects All ongoing and new urban transport projects	Urban Wastewater Management (FY02) Update of Urban Envir Services Report (FY02-03) Water Pollution Prevention Initiative National Strategy Study for Clean Development Mechanism RAINS-Asia, Phase I & II	SIDA Environmental Monitoring Projects in Kunming and Qingdao

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
III.B. Improving Air Quality	Improve environmental regulations and their enforcement. Increase pollution levies to provide incentives for increased compliance	Increased compliance of enterprises with pollution standards, increased collection of pollution levies and sewerage tariffs	Support strengthening of pollution monitoring and control measures, Provide technical and policy advice and finance further technical support to help improve regulations and their enforcement		Pilot on environmental enforcement in selected municipalities (DEC)	
	Increase use of economic incentives and public participation for pollution control and treatment	Increased public awareness of environmental quality and improvement programs			Indoor Air Pollution Study	
	Preserve, rehabilitate and improve the use of heritage	Improved regulations for preservation of built assets	Help identify and finance high priority rehabilitation or heritage assets, primarily in partnership with other donors			
	1) Assisting Conversion to Clean Fuels	Optimized existing assets				
	Promotion of cleaner fuels	Deliveries of natural gas Increased focus on renewable energy and energy efficiency in the 10 <sup>th</sup> FYP	Support use of natural gas, clean coal technologies, small hydro, renewable energy sources and energy conservation Support for town gas conversion through urban environment improvement projects	Ongoing Beijing Environment 11 WB/GEF Renewable Energy Scale-up Program (FY04) and Ongoing Renewable Energy Project Ongoing Sichuan Gas Project Integrated Coal Gasification (FY04) Passive Solar Energy for Health Climes (GEF) GEF Heating Reform and Energy Efficiency in Buildings (FY05)	TA on Clean Coal Technologies Clean Coal Technology Study (2 <sup>nd</sup> phase with ESMAP)	Various Donors: ADB, CIDA, UNDP/UNF, World Bank/GEF support Clean Development Mechanism Initiative ADB Wind Power Devt Project, Gansu Clean Energy Devt, Coal Bed Methane Devt
	Increase gas and renewable energy penetration	Gas penetration to increase from 2% in 2000 to 6% by 2010	Reduce adverse health effects of domestic indoor air pollution (IAP)		National Strategy Study on Clean Development Mechanism	
		Renewable energy share to be maintained at the 2000 level or increased (more than 5%)	Judicious support for priority investments which have low prospects to attract private financing in conjunction with increased penetration of gas and renewable energy	Renewable Energy Development Project (restructured in 2001 with focus on PV markets in northwestern provinces)		EU: Energy & Environment Program for renewable energy & natural gas GTZ: Wind/Solar Energy in Inner Mongolia, Reduction of Industrial CO2 Emissions
	Improve efficiency of energy use	Program to close small and polluting power plants under implementation	Increased financially viable investments thru market-based mechanisms	GEF Energy Conservation II (FY03) GEF Heat Reform and Building Efficiency	TA/studies in parallel with investment projects	SIDA: District Heating Projects

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
2) Providing Efficient Energy Delivery	Increase efficiency on the supply and demand sides	Energy Conservation Law enacted and being implemented	Promote energy efficiency and optimal use of existing capacity	Jiangsu Wholesale Power Market (in Yixing Pumped Storage Project, FY03) GEF Energy Conservation II (FY03)	PPIAF Study On Private Sector Participation in Gas Distribution (FY2002)	DFID/IBRD/GEF: Energy Efficiency EU: Energy & Environment Program for energy efficiency GTZ: TA for power station technology, energy mgt, rehab of hydro plants
	Conversion of coal-fired industrial furnaces to larger, more efficient units Tighten national standards on fuels, engine designs and exhaust emissions Tighten standards on coal quality	Tariff gradually increased to cover costs of supply  Trends in conversion rates Issuance of new standards New standards on coal quality		GEF Heating Reform and Energy Efficiency in Buildings (FY05) GEF Passive Solar for Rural Clinics (FY02) GEF Energy Conservation II (FY03) and ongoing GEF/AVB Energy Conservation Project	Study on Power Pricing (FY 2002)  TA for energy efficiency in the water sector (FY 2002)	
III.C. Managing Water Resources	<ul style="list-style-type: none"> <li>- Water conservation technologies and measures</li> <li>- Rational water pricing mechanism</li> <li>- Irrigation and drainage system rehabilitation to increase delivery efficiency, more efficient irrigation technologies and water saving practices</li> <li>- Improved flood control through dam and dike construction</li> <li>- Develop water-efficient industries</li> <li>- Promote reuse of water</li> <li>- Promote integrated river basin management</li> <li>- Improved water distribution systems</li> </ul>	<ul style="list-style-type: none"> <li>- Increased water use efficiency</li> <li>- Increase in irrigated area covered by self-financing water enterprises</li> <li>- Reduction in damages and deaths caused by floods</li> </ul>	<ul style="list-style-type: none"> <li>- Investments in water saving</li> <li>- Support for improved water pricing</li> <li>- Irrigation and drainage rehab and self-financing water enterprises</li> <li>- Comprehensive flood prevention and control program</li> <li>- Studies and pilot investments in wastewater reuse</li> <li>- Investments in river basin mgmt</li> </ul>	<ul style="list-style-type: none"> <li>- Water Conservation Project (FY01)</li> <li>- Ongoing Wanjiazhai Water Transfer Project</li> <li>- All urban/rural water projects</li> <li>- Ongoing irrigation projects for Guanzhong (Shaanxi Province), Arming Valley (Sichuan), Tannu Basin, JAIL II</li> <li>- Ongoing Yangtze Diike Strengthening Project</li> <li>- Upper Yangtze Watershed Rehabilitation (05), IAIL III (05)</li> <li>- Hai Basin Management GEF (04)</li> <li>- Wastewater reuse component in Tianjin Urban II (FY03)</li> <li>- Lake Tai Pollution Control, Pearl River Delta Environment (FY04), Sichuan Urban Devt II (FY05)</li> </ul>	<ul style="list-style-type: none"> <li>- Water Strategy Study (FY01)</li> <li>- Environmental Sector Study (FY01)</li> <li>- Urban Wastewater Management (FY02)</li> </ul>	<ul style="list-style-type: none"> <li>- ADB urban environment projects and TA for Legislative Support for Water</li> <li>- Sector/Conservancy</li> <li>- AusAID Yangtze River Flood Control Project</li> <li>- DFID Water Equity and Yunnan Environmental Devt Projects</li> <li>- EU Water Resources Conservation Program</li> <li>- Japan: Many ongoing JBIC projects, e.g., Water Saving Irrigation in Gansu, model city projects for provinces/municipalities throughout China</li> </ul>

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
	Water transfer from Yangtze basin to Northern China and development of remaining sustainable water supplies in North			Ongoing Wanjiazhai Water Transfer Project		
	Improve water quality through expanded urban sewage treatment, regulation, and strengthened management of water resources over river basin	Expand urban sewage treatment to 45% Clean up three most polluted rivers and three lakes, and Bohai bay Establish working models for wastewater reuse	Help improve planning, design, construction, and operation of environmental infrastructure Help finance key or model investments		North China Water Quality Management (FY03-5) Urban Environmental Management (FY04-05)	KfW: Training program for wastewater treatment & plant operations, Sewage Treatment Projects SIDA: Sewage Treatment Projects, Flood Control T.A., small enviro projects throughout China
III.D. Managing Land and Natural Resources	Promote soil and water conservation in Yellow, Yangtze, and Pearl River watersheds	Increase in erosion control and decrease in desertification	Introduction of integrated watershed planning and management, Analysis of conflicting NRM policies	Loess Plateau Watershed Rehabilitation Projects I & II (ongoing) Upper Yangtze Watershed Rehabilitation (FY05)		ADB: TA for Implementing Nat'l Guidelines for Water/Soil Conservation, Western Region Soil Erosion Rehab Dryland Farming in Northern Region Project
	Banned commercial logging of natural forests in upper reaches of Yangtze and Yellow Rivers and promote sustainable protection and management of remaining natural forests	Decline in loss of natural forests	Analysis of the impacts of the logging ban on local governments, communities, and enterprises, and promotion of sustainable management and protection of remaining natural forests	WB/GEF/EU Sustainable Forestry Development Project (FY02)	Participation in China Environment Council's task force on forest/grasslands Participation in the National Working Group on forest certification	AusAID Qinghai Erosion Control and Forest Rehab Projects, Chongqing water supply/sanitation for poor AusAID/UNDP Wetlands Resource Management CIDA Biodiversity Protection/Sustainable Agric in Inner Mongolia E U Natural Forest Mgt Project, Biodiversity Protection Program
	Convert steep agriculture land back to forest and grasslands	Increase in forest and grassland areas in mountainous areas Active management on-the-ground	Analysis of the impacts of the program on local communities and enterprises Investment in improving technical and managerial capacity	Ongoing Nature Reserves Management Project (WB/GEF) Lake Dianchi (GEF-MSP) WB/GEF/EU Sustainable Forestry Development Project (FY02) and ongoing Nature Reserves Management Project	Grassland Note (03) Grassland/Sheep management study	KfW: Rural smallholder afforestation programs Japan: Ongoing JBIC forestry projects, MOFA grants for afforestation
	Strengthen management of biodiversity and nature reserves	Increase in commercial forest areas and protection forest cover along critical watersheds	Investments in commercial tree plantations	IBRD/GEF Gansu/Xinjiang Pastoral Development (FY03)	Participate in GoC/ADB/GEF partnership on dryland management	
	Promote large-scale reforestation for ecological protection and to meet increasing demands for wood Prevent further land degradation	Decrease in rate of encroachment of deserts and land degradation	Analytical inputs into ongoing efforts Improve solid waste management		Study on New Rural Development Model (Norway TF) Shanghai Environment APL (FY03, FY05)	

Annex Table 9: China Country Assistance Strategy: Country Program Matrix (FY03-05) (continued)

Development Objectives	Government Strategy/Actions	Progress Benchmarks	Bank Group Strategy	Instruments		
				IBRD/IFC/ MIGA/GEF	AAA	Other Donors
III.E. Protecting Global Environmental Commons	Participate in Multilateral Fund for the Montreal Protocol (MFMP)	Calibrated Reduction of ODS consumption and production in China by 2010	Support ODS phase-out in world's largest remaining producer/consumer while ensuring no accompanying loss of industrial capacity	ODS-III and ODS-IV		ADB/GEF Shanxi Greenhouse Gas Abatement Project, Integrated Ecosystem Management, Program for Land Degradation
	Participate in Convention on Biological Diversity, Convention on Climate Change, Convention on Combating Desertification	Improved conservation of biodiversity of global significance, reduced greenhouse gases, desertification and land degradation	Support access to GEF resources	Ongoing GEF projects Nature Reserves Mgt, Sichuan Gas, Efficient Industrial Boilers, Energy Conservation, Beijing Envir II, Renewable Energy Devt, Energy Efficient Rural Health Clinics, Sustainable Forest Development, Energy Conservation II Proposed GEF projects Hai River Basin, Renewable Energy Scale-Up, Integrated Coal Gasification Combined Cycle, Heating Reform & Building Energy Efficiency, Guizhou Medicinal Plants	Ongoing support to MOF to develop capacity to administer the GEF	AusAID/UNDP/GEF: Capacity building for rapid commercialization of renewable energy DFID/GEF Energy Efficiency II GEF/PRC: Partnership on land degradation in dryland ecosystems GTZ Substitution of CFC in Refrigeration SIDA Greenhouse Gas Emission Reduction Program UNDP/GEF Wetlands biodiversity conservation
	Participate in Clean Development Mechanism (CDM) under Kyoto Protocol		Support CDM process	National Strategy Study on Clean Development Mechanism Gansu and Xinjiang Pastoral Development Project-GEF (FY03)		Various Donors: ADB, CIDA, UNDP/UNF, World Bank/GTZ support Clean Development Mechanism Initiative
	Participate in International Convention on Persistent Organic Pollutants (POPs)	Phase out of POPs	Capacity building and analytical work		Training on POPs program Case studies on termite control and PCB disposal	



**Annex Table 10: Acronyms**

AAA	Analytical and Advisory Assistance
ADB	Asian Development Bank
BW	Business Warehouse (WB Database)
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CASCR	Country Assistance Strategy
CBRC	Chinese Banking Regulatory Authority
CDM	Clean Development Mechanism
CEM	Country Economic Memorandum
CFAA	Country Financial Accountability Assessment
CPS	Country Partnership Strategy
CY	Calendar Year
DAC	Development Cooperation Directorate
DDP	Development Data Platform (WB Database)
DEC	Development Economics (Department)
DFID	Department for International Development
ESW	Economic and Sector Work
FDPA	Forestry Development Program Assessment
FY	Fiscal Year
GDP	Gross Domestic Product
GEF	Global Environment Facility
GOC	Government of China
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
IDF	Institutional Development Fund (Grant)
IDA	International Development Assistance
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
MIG	Multilateral Investment Guarantee Agency
NBFI	Non-Bank Financial Intermediary
NPL	Non-Performing Loan
ODA	Official Development Assistance
ODS	Ozone Depleting Substances
OECD	Organization for Economic Cooperation and Development
POP	Persistent Organic Pollutant
QAG	Quality Assurance Group
SARS	Severe Acute Respiratory Syndrome
SCB	
SME	Small-Medium Enterprise
SOE	State-owned Enterprise
TA	Technical Assistance
WB	World Bank
WBI	World Bank Institute
WTO	World Trade Organization