

CHINA
Country Assistance Strategy
Progress Report

20541

Executive Summary

- ◆ Political consolidation and consensus-building over the past year culminated in the election of a new Government with a strong mandate to accelerate reforms, as reflected in a major reorganization and downsizing of Government. GDP grew by 8.8% in 1997, with inflation under 3%, but concerns about weakening domestic demand were compounded by the prospect of reduced export growth and foreign investment as a result of the Asian financial crisis.
- ◆ Restrictions on capital flows and a strong external position have protected China from external shocks, and the near term impact of the Asia crisis is expected to be manageable. To offset the negative impact on growth of China's commitment not to devalue, Government intends to rely primarily on the stimulus of increased investment in infrastructure and housing.
- ◆ Despite the remarkable progress achieved over the past several decades, past growth and change have led to new challenges: employment insecurity; growing inequality; stubborn poverty; mounting environmental pressures; and macroeconomic vulnerabilities stemming from incomplete reforms. A critical challenge is to deal simultaneously with three closely inter-related problems: financial sector reform, SOE reform, and social welfare reform.
- ◆ The Bank's strategy in China remains focused on the major transitions underway, from a command to market-based economy and from a rural/agrarian society to an urban and industrial one. Our programs have had to evolve, however, in line with changing country circumstances. Issues of increasing focus over the coming years include (a) the reform agenda (fiscal, financial sector, SOE, pension and housing reform); (b) urban development; and (c) poverty reduction and rural development. Direct Bank support of poverty, health and education, however, is in doubt due to the cessation of new IDA lending after FY99. Resolving this issue is a high priority for the Bank.
- ◆ The CAS approved last year included a lending volume of \$2.5-3.0 billion for 15-17 projects a year. We are working to rebuild the depleted pipeline but, at the same time, as the Bank moves toward smaller projects, including those targeted more closely to poverty and reform, lending volumes could fall below \$2.5 billion unless we move to a higher number of projects. As the Bank's largest borrower, however, China is also likely to become our largest exposure (by current trends, in FY03). Continued lending at present levels would thus have important implications for the allocation of future net income. We propose, therefore, to examine the options for addressing this issue before the next full CAS to ensure that future lending is in accord with both country development needs and the Bank's capacity to build the required level of capital and reserves.
- ◆ While China's economy remains relatively robust to external shocks, there are domestic risks arising from weaknesses in the financial sector that are compounded by losses in many of the SOEs. Tackling these problems, and dealing with the resulting unemployment and its potential impact on social stability, will require a reasonable growth rate and further reform of social welfare systems. Continued strong support from the Bank, financial and advisory, will be important and can help to mitigate these risks.

I. Introduction

1. The last full CAS was discussed by the Board on March 18, 1997. This progress report provides an update on political and economic developments, including the impact of the Asian crisis, progress achieved since the last CAS and the challenges that lie ahead.

II. Recent Political and Economic Developments

2. The past year has been one of political consolidation and consensus-building by China's senior leaders. This is reflected in the outcomes of the 15th Party Congress in September which reaffirmed its support for continued domestic reform and international integration, and the Ninth National Peoples' Congress (NPC) in March which elected a new government with a strengthened mandate for reforms and a heightened sense of urgency about the pace of those reforms. These developments occurred in the face of growing concern about weakening growth and the potential impact on China of the financial crisis roiling currency and capital markets across the region.

3. The new Government, led by an experienced and determined reformer, has signaled its intention to change the culture of the public sector and to hold officials more accountable. The mandate for change is clearly reflected in the major reorganization of government approved by the NPC: a reduction in ministries from 40 to 29; a spin-off of ministries overseeing industrial and commercial activities; reduction of public sector employees by 30-50% over the next three years; and a redefining of the functions of government to support the shift to a market-based economy.

4. The economy performed well in 1997, with GDP growth of 8.8% and inflation of 2.8%. The trade surplus was \$40 billion and foreign investment \$45 billion, boosting foreign exchange reserves to \$140 billion. High unemployment in urban areas due to enterprise reform and lower industrial demand due to excess capacity and tighter credit, however, combined with low grain prices, were already a concern in terms of their impact on domestic demand. GDP growth in the fourth quarter, for example, was only 8.4% (down from 9.6% in 1996), and growth thus far in 1998 appears to be slowing further--an estimated 7.2% in the first quarter.

5. In terms of the *external environment*, the impact of the Asian financial crisis on China is expected to be negative but manageable. China's exports to the countries most affected by the crisis are relatively small (4%) and, despite their sizable devaluations, relatively low labor costs in China will allow most of China's exports to remain competitive. About half of China's exports are enclave operations, with a high import content, so a decline in exports would also lead to reduced imports. While the trade balance will no doubt decline over the next year, therefore, it is still likely to be positive. A reduction in net foreign demand, however, unless otherwise compensated for, could lead to a reduction in domestic growth by 1-3 percentage points.

6. Foreign direct investment from traditional sources, including Hong Kong and the large Chinese diaspora in the Asia region, may also decline, while reduced confidence in Asia generally is likely to constrain investments from outside the region. In the event of drastic declines, policy levers are available to stimulate increased foreign investment, but some reduction is likely, and this too could lead to lower growth of GDP.

7. Further trade reform would clearly be in the best interests of both China and its trade partners, although the benefits of medium-term efficiency gains from exposure to foreign competition have to be judged against the near-term effects on employment and growth as the authorities struggle with SOE and financial sector reforms. Negotiations on China's accession to WTO have continued to move rather slowly, with some progress on tariff reform but less progress on opening up the services sector -- particularly insurance and the financial sector.

8. Despite these challenges, China's new Government is committed to achieving growth of 8%, with inflation of 3% or less. And, as part of their contribution to restoring regional stability, they have pledged not to devalue the Yuan. To achieve these goals will require careful macro-economic management, including the judicious use of economic stimulus. Their intention is to rely primarily on increased investment in high-return, labor-absorbing infrastructure projects, and a major expansion of housing in urban areas stimulated by a reform of the housing sector.

III. Recent Progress and Future Challenges

9. China has achieved remarkable progress over the past several decades in moving from a command economy to a market-based one, and from a rural, agricultural society to an urban, industrial one, with rising incomes moving 200 million people out of absolute poverty. Until recently, China has taken a cautious approach to reforming the economy, often referred to as "crossing the river by feeling the stones". But rapid growth and structural change have created a new set of challenges: employment insecurity; growing inequality; stubborn poverty; mounting environmental pressures; and macroeconomic vulnerabilities stemming from incomplete reforms. And, in some ways, the easy gains have already been achieved -- in agriculture, by liberalizing markets, and on the coast, where rapid growth stimulated by foreign direct investment will be harder to duplicate in the inland provinces. Achieving sustainable growth and further reducing poverty will require that China tackle these more difficult challenges. The current financial crisis in Asia adds to both the risks and the urgency of taking them on.

10. China's leaders have clearly recognized the lessons to be learned from other countries in the region, including the need for a sound financial sector and a competitive corporate sector. As readily acknowledged, China's financial sector faces major problems, due mainly to past "policy-based" lending to a large number of money-losing SOEs, as well as inappropriate organizational structures and operating practices. This has resulted in a relatively high burden of non-performing loans and serious under-capitalization of the four major state banks -- offset, at least in part, by the recently announced plan to recapitalize the banks with an injection of \$32.5 billion. These banks hold about 70% of banking system assets and, as state-owned institutions, their potential losses represent an implicit sovereign debt. The failure to fix the problems of the SOEs and state banks is likely to lead to an increase in potential losses as well as a false sense of the sustainability of growth as the quality of investments would remain low, undermining future productivity.

11. Fixing the problem of the SOEs, however, will mean large numbers of workers in urban areas being laid off. This, combined with a significant number of rural migrants flocking to urban areas in search of jobs, could give rise to increasing concern for social stability. The basic challenge, therefore, is comprised of the need to manage simultaneously three closely inter-related

--indeed almost circular--challenges: (a) to reform the SOEs, so as to stop the losses which flow onto the balance sheet of the banks; (b) to reform the financial sector, capital markets as well as the banking system, in order to put pressure on SOEs to restructure and to ensure that domestic savings are channeled to efficient investments; and (c) to reform the current social welfare system, including pensions, housing, health and education, in order to remove the burden of financing these services from the SOEs, as well as to ameliorate the social costs of the adjustment process.

12. China's ability to deal with these issues is dependent on maintaining a reasonable level of growth. Otherwise, even good social protection programs will not be able to cope with the resulting unemployment, and SOE and financial sector reforms could come to a halt. In addition to growth, fiscal reform will be needed (inter alia) to ensure that tax revenues are sufficient to absorb the transition costs and to underwrite the shift to a sustainable system of social protection. While these are formidable challenges, the new Government is committed to taking them on.

A. Macroeconomic and Structural Reforms

13. Attention to *financial sector reform* has accelerated, with a high-level conference in November leading to a new round of reforms. Most of these focus on the banking system and are designed to reduce the accumulation of non-performing loans. Key measures include the abolition of credit quotas for the four state banks, introduction of a risk-based loan classification system, a re-organization of the provincial network of the Central Bank to break the link between local governments and central bank branches, and a special \$32.5 billion bond issue to strengthen the capital base of the state banks. Far more needs to be done, however, to restructure the state banks and put in place a system that is commercially oriented, profitable, well-capitalized and effectively supervised.

14. China's strategy for *State-Owned Enterprise reform* is to concentrate on improving the performance of about 1,000 larger SOEs considered strategic for national development, while letting go of the more than 300,000 small and medium enterprises. Inadequate accounting and other practices, however, make it difficult to assess the performance of many of these enterprises. There are also tremendous regional differences, with many of those in the worst shape in areas where alternative income opportunities are least available (e.g., in the north east). Pilot programs involving divestiture, bankruptcy, mergers, and governance and ownership reform are now expanding to nationwide implementation, but the challenges and risks of SOE reform -- including asset stripping and decapitalization -- remain daunting. The virtues of huge conglomerates, with strategic connections to both Government and the banking system, are being re-examined in the light of the recent experience in Korea.

15. The development of a modern enterprise system will require breaking "the iron rice bowl" of guaranteed lifetime employment and social welfare. This principle was affirmed by the 15th Party Congress which emphasized that employment and welfare are no longer guaranteed by the state and that workers should respond to market signals. This will involve a major adjustment in urban labor markets. The number of laid-off ('xiagang') workers, for example, who retain links to the SOEs but have yet to find alternative jobs, rose to 12 million in 1997, and is expected to reach 15 million in 1998. Initiatives announced by the recent NPC suggest that the pace of reform will accelerate, with textile SOEs alone resulting in 12 million layoffs over the next three years. In all,

this could affect tens of millions of people over the coming years as a result of SOE and public sector reform, on top of those released from agricultural production and the normal additions to the labor force. As noted above, success will depend on whether growth will be rapid enough to support the absorption of such large-scale layoffs and whether new forms of social protection can be developed to replace the current welfare system.

16. The parameters for *pension reform*, established in August 1997, include a public mandatory basic benefit, mandatory individual accounts and supplementary voluntary individual accounts, but implementation is just beginning and the financing issues have not yet been resolved. Other elements of *social protection* have been introduced in urban areas recently, including support for 'xiagang' workers (income supplements and retraining programs) and social welfare for the indigent (though only in medium and larger cities and as an "unfunded mandate"). The NPC announced plans for *housing reform* beginning in 1998, including higher rents (offset by wage increases) and the encouragement of private ownership and sales of housing units. A major *reform of health care financing* was also announced, something which is urgently needed as changes in the previous system in rural areas has resulted in many no longer having access to basic health care, while retrenched workers in urban areas are at risk of being cut loose from their access to health care through SOEs.

17. While difficult to quantify, the structural reforms noted above will no doubt add to the fiscal pressures facing China in the coming years. Continued *fiscal reform* will thus be needed to ensure, for example, that governments at all levels can meet their increasing obligations for the provision of basic public services (including health and education), for support of unemployment and other SOE-related labor market reforms in urban areas, and for targeted assistance to reduce hard-core poverty in rural and isolated areas. Fortunately, the 1994 fiscal reforms are starting to pay off. After 17 years of decline, the ratio of revenues to GDP rose for the first time in 1996 and some additional gains were achieved in 1997. Further reforms have been announced by the new Government, including the issue of extra-budgetary funds (based on surcharges and user-fees). These funds, often loosely managed, undermine fiscal discipline and can lead to waste and corruption. They also exacerbate regional inequalities. Reform of inter-governmental fiscal relations will also be needed for more effective management of revenues against national development objectives. Priorities include improvements in municipal finance to deal with emerging issues of urbanization (basic infrastructure and environmental services) and improved mechanisms for cross-provincial transfers to support poverty initiatives in poor areas and to slow the growing trend of regional inequalities of income.

18. Broader issues of *governance and public sector reform* have also been the subject of debate over the past year, culminating in the government reorganization. While the proposed down-sizing will improve efficiency and free up resources, the more important aspect is the reorientation of government's role -- taking government out of commercial activities. Increasing transparency in government finances, greater reliance on the rule of law and less discretionary power of government officials will also reduce the scope for corrupt practices, an issue of growing concern for China's senior leaders and a major reason for the reorganization itself. Recent initiatives to fight corruption have included increased auditing and surveillance and increased prosecutions, including some involving senior officials. These concerns also received unprecedented attention from the delegates to the recent National Peoples Congress.

B. Progress in Other Areas

19. Development of a market economy will require further improvements in the legal and institutional framework for enterprise reform, private sector development and private provision of public services. Market forces can be used to support social objectives, but Government must also have the capacity to intervene where markets don't work (e.g., for environmental protection and poverty alleviation). There has been progress on all these fronts over the past year.

Reducing Infrastructure Bottlenecks

20. In the face of large unmet demand, China has given priority to reducing infrastructure bottlenecks through the expansion of power, transport, water supply, and other facilities. To succeed, however, China needs to build on recent progress on reform, as in the power sector. A restructuring plan created the State Power Corporation in January 1997. In March 1998, the Ministry of Electric Power was abolished and work has begun to establish a regulatory institution. Similar restructuring plans were announced earlier in the year by the new Minister of Railways, and the recent changes in government structure will lead to similar advances in other sectors.

21. The sources of infrastructure financing were expanded with the elimination of the credit allocation plan in 1998, and with greater use of domestic and foreign capital markets. China has had great success recently with the securitization of assets on regional stock exchanges. Typically, minority share of a toll road or power company has been sold and the funds reinvested in the same sector, thus tapping funds otherwise tied up in a completed investment. A number of BOT pilots are either already financed or investors are currently being sought, and a BOT framework decree is under review by the State Council. The major challenge for China is to find ways of using the domestic capital markets more effectively, particularly in greater use of bond financing.

Human Development and Poverty Reduction

22. Over the past twenty years, China has achieved remarkable progress in human development, as reflected in many of the country's social indicators. One area where more remains to be done is that of quality and access to education. Recent efforts have targeted improved access in poor and minority areas, and efforts to raise the quality of educational inputs, decentralize education financing and administration, and make education and training more responsive to the labor market. An area which still needs to be addressed is increased training in those skills necessary to accelerate China's entry into the 21st century's information-based economy (e.g., enterprise management, the application of technology to economic growth, etc.).

23. In health, both access and financing are growing concerns. Over the past year, Government has strengthened its attention to programs for the poor, the prevention of HIV/AIDS and other infectious diseases, maternal and child health, childhood immunization and health promotion. Progress was made in health care financing with the expansion of a pilot co-payment scheme to 50 cities and the further development of rural cooperative medical insurance but, as noted above, much remains to be done. In terms of poverty reduction, the Government increased its budget allocation in 1997 to the national plan to eliminate poverty by the year 2000 through a targeted intervention program.

Agriculture and Rural Development

24. Maintaining agricultural growth while moving labor out of agriculture will be critical for food security and for poverty reduction, as well as for reversing recent trends in income inequality between urban and rural areas. Despite the recent good harvests, food security has not yet been achieved. With 22% of the world's population and only 7% of the arable land, the key to feeding this huge population lies in high productivity per unit of land, and this requires large investments in irrigation and land improvement, as well as improvements in marketing and distribution. Efforts have continued to improve the management of natural resources through soil conservation projects, investments in water transfer, storage and irrigation, and the planting of forests for both timber and fuelwood. Domestic grain prices are now close to international levels and an increased proportion of grain sales is at market prices. The new Government has announced that further reform of the grain distribution system will be a high priority.

Environmental Protection

25. With the recent reorganization, NEPA (the National Environmental Protection Agency) has been upgraded to ministerial rank and its coverage expanded to the "green" issues. In urban and industrial pollution control, Government strategy has focused on river basin management (as in the Huai River program), increasing use of economic incentives (with many cities beginning to introduce waste water charges), and greater use of public information to enhance environmental awareness (with 28 cities publishing air quality data). Issues of vehicle emissions in urban areas are being tackled through improved traffic management, public transport initiatives, changes in transport fees and the phasing out of leaded gas (already implemented in the largest city centers). Coastal zone management has been introduced recently in four coastal cities.

26. In line with its global commitments, China has collaborated with the GEF in energy conservation and the development of renewable energy (especially wind and solar), as well as in the protection of biodiversity. Major initiatives are underway, under the Montreal Protocol, to reduce ozone depleting substances. Despite these efforts and all of the progress achieved to date, environmental problems remain serious: urban environmental services have not kept pace with the rapid growth of peri-urban areas; enforcement of environmental regulations is inconsistent across the country; the pricing of raw materials (especially water) encourages inefficient use; and pollution from agrochemicals use in agriculture is a matter of growing concern.

IV. Bank Group Strategy

27. Over the past year, the Bank's strategy and objectives have remained focused on the major transitions currently underway in China. China's performance, both in terms of maintaining rapid growth with stability and in terms of implementing Bank-financed projects successfully, is clearly among the best. The nature of Bank support, however, must evolve for it to remain relevant and responsive to the rapid changes going on in China and internationally. In terms of *lessons learned*, it is clear that the development impact of Bank support is greatly enhanced by the degree of Government ownership and commitment. Over the past year, the Asian crisis has clearly added new impetus to the reform process in China and the Bank is working closely with the new

Government to share the lessons of experience from other countries in the region. With decentralization, our policy dialogue has intensified and our responsiveness has improved. As noted below, the lessons of experience from past efforts continue to guide the process of selectivity in the design of future programs and the priorities for management of our portfolio.

A. The Focus of Bank Group Support

28. As noted in the last CAS, the Bank's operational support is grouped around five major themes: macroeconomic growth and structural reform; infrastructure development; human development and poverty reduction; agriculture and rural development; and protecting the environment. China's greatest challenge, however, is that of freeing from *poverty* those of her citizens who have yet to benefit from a material improvement in their standard of living, not only those in remote and isolated rural areas but also the growing number of urban disadvantaged. With an estimated 270 million Chinese surviving on less than a dollar a day, more than in all of sub-Saharan Africa, essentially all of our activities are intended to contribute in one way or another to this over-arching objective.

29. *Emerging Challenges.* In addition to our support for reducing infrastructure bottlenecks in China, we see three main areas likely to require special attention, for which the Bank has something to offer: (a) the unfinished agenda of *structural reform*; (b) the challenges of *urban development*; and (c) sustaining progress in *poverty reduction and rural development*.

30. As noted above, the pace of reform in China is likely to accelerate rapidly, with enormous risks and potentially enormous rewards. The Bank has offered support in a number of areas, including *fiscal reform, financial sector reform, SOE reform and pension reform*. Initially, we expect our non-lending services to be the instrument of choice, working with both central government agencies and some of the more progressive provinces to develop conceptually sound approaches. We would then hope to pilot these approaches on a modest scale, possibly using LILs, and if successful, participate on a larger scale in their wider replication.

31. We also anticipate a new level of concern for *urban issues*, linked on one side to the rapid growth in demand for urban services that has thus far overwhelmed most municipal governments and led to increasing congestion and pollution, and on the other side to the tremendous potential for future growth that could be unleashed through a freeing up of land and housing markets. Indeed, the productive use of market values currently tied up in the land and housing assets of SOEs and local governments could simultaneously stimulate economic growth and help to finance the urban services that such growth would demand. Bank support in this area would build on our experience with integrated urban planning and the development of sustainable urban services, combined with a new focus on housing reform and municipal finance. Bank support would help to ensure the development of domestic capital markets based on the financing of high-priority, well-designed projects and, at the same time, contribute to employment opportunities for workers laid off due to SOE reform and migrant farm workers moving to the cities in search of jobs.

32. IDA support for *targeted poverty interventions* in remote areas has been highly successful in the past. In line with its strong commitment in this area, China's Leading Group on Poverty has asked the Bank to collaborate in a review of experience from these interventions so as to

improve the design of future projects. IDA support of policy reforms and improved management of education and health care has also been effective and appreciated. Continued Bank support in these areas, however, is currently in doubt due to the cessation of new IDA lending after FY99.

33. Resolution of this issue is high on the Bank's agenda. This will require creative solutions to the current fiscal constraints at the central government level that make it difficult even to subsidize on-lending rates for IBRD loans. Without such subsidies, it is unlikely that the poorer provinces, and especially the poorest counties in those provinces, will be able to afford to participate in Bank-financed poverty reduction projects focused on rural development, or poverty-oriented projects in health and education that are critical for breaking the cycle of poverty in the poorest households. The only alternative is to design projects that are "self-supporting" financially, which could seriously undermine their poverty orientation.

34. With regard to *reducing infrastructure bottlenecks*, we have continued the strategy outlined in the last CAS of focusing on shortages that have constrained growth and affected the quality of life -- transport, power, water supply, sanitation and drainage, and solid waste. Since then, however, the Asian crisis has reinforced the rationale for continued strong Bank support for infrastructure investment. China recognizes that engaging in a round of competitive devaluation would further destabilize the region. Its intention, therefore, to offset the negative effects of the crisis on growth by accelerating investment in infrastructure has been well received by the international community. The Bank's challenge during the next few years will be to capitalize on its major role in these sectors, in areas where private participation is unlikely for market reasons, while continuing to help China develop an improved policy framework and institutional capacity that will encourage greater private sector participation.

35. *Selectivity*. Consistent with the country's size and performance, the Bank's lending and non-lending services cover a wide range of macroeconomic and sectoral issues. We must also, however, be selective. The priority we attach to poverty reduction, for example, has led to increased lending to the poorer, inland provinces, with integrated poverty projects targeted to the poorest counties in the provinces. Lending to the wealthier coastal provinces and commercial centers is increasingly used to address environmental concerns or pilot "demonstration" projects where the administrative and financial capacity provides greater assurance of success. In line with "valued added" concerns, we have opted out of telecommunications in favor of the private sector, while increasing our involvement in energy and transport projects with a high technology content or that bring efficiency gains or reform elements, rather than simply the removal of bottlenecks. A key objective of most of our infrastructure projects is to work with entities or local governments to help them prepare to tap private financing sources. Selectivity based on "lessons of experience" has been especially important, as in the area of SOE reform where we have ceased direct lending for firm-specific industrial restructuring as a result of the failure of past efforts in this area.

36. The Bank's efforts to respond to the evolving challenges in China noted above are reflected in the significantly higher number of more technically challenging and reform-based projects that are coming into our project pipeline. This strategy, which is explicitly intended to improve the development impact of our work, will be reflected in the growing proportion of "high-risk/high-reward" projects in the China portfolio over the medium and longer term and a deepening of the Bank's involvement in the actual implementation of the reform agenda.

B. Lending and Non-Lending Services

37. **The Lending Program.** The assistance program endorsed in last year's CAS included a lending volume of \$2.5-3.0 billion and an operations program of 15-17 projects a year across a broad range of sectors. With the underlying assumptions regarding performance having been met, we are continuing to move ahead as planned. Efforts are underway to rebuild the pipeline using Strategic Compact financing, but this will take time. And, as the Bank moves toward smaller average size projects, including those targeted to reform and poverty issues, lending volumes could fall below \$2.5 billion if not compensated by preparation of a larger number of projects. As the largest borrower, however, China is also expected to become the Bank's largest exposure, by about FY03 on the basis of current trends (see Section G, below).

38. **Non-Lending Services.** The Bank's non-lending services in China provide policy analysis and advice in the five "pillar" areas noted above (reflected in the recent China 2020 reports), as well as capacity building support through technical assistance in selected high priority areas. A rolling two year program of formal ESW is agreed with Government annually, supplemented by quick-response policy notes on emerging topics and informal seminars on issues of concern to senior policy makers. Recent examples include discussions by visiting experts on the Asia crisis and the experience of Korea, as well as other country experience with social security and pension reform, all of which have deepened our dialogue with Government on SOE reform.

39. **Decentralization.** Although the full impact of the Bank's decentralization will not be felt until the end of the year, when more of the transfers of headquarters staff have occurred, the shift in decision authority to Beijing is already making our lending and non-lending services more responsive to client needs. Our policy dialogue has intensified and our ability to respond to emergency needs has increased, as in the recent processing of the earthquake reconstruction loan. Our first pipeline review in Beijing (rather than Washington) last December conveyed important benefits, with broader participation from Government and more effective follow up to unresolved issues. To further strengthen client involvement, we are experimenting with including government counter-parts in the initial project concept review meetings chaired in Beijing by the field-based Country Director. Further shifts of Headquarters staff to the field will allow us to work more closely with our counterparts on project design (for improved quality at entry), shorten preparation time (which is already happening) and lower the cost of project supervision.

C. Portfolio Management

40. The quality of the China portfolio continues to be high, with only 6% of projects evaluated by OED over the past five years considered unsatisfactory. According to the most recent Annual Review of Development Effectiveness (November 1997), China's portfolio was ranked first Bankwide in terms of the rewards, even when adjusted for risk. This is due primarily to the very high level of Government ownership and commitment to ensuring successful implementation, combined with generally strong local implementation capacity. Incentives at the local level are heightened by the fact that the beneficiaries are responsible in most cases for repayment of loans and credits. China's highly effective approach to involuntary resettlement is noted in a recent OED study where the Chinese projects were cited as "best practice" in terms of income restoration and "show what can be done to make resettlement work."

41. The portfolio, however, is not problem free. There are currently nine projects out of 101 considered unsatisfactory. This is not surprising given the Bank's continuing shift to inland provinces less familiar with the complexities of Bank projects, with weaker implementation capacity and greater difficulty in providing counterpart funds. Other problems have arisen from an ambitious reform agenda and changing circumstances in a dynamic economy like China's. Four of the nine projects have relatively limited problems, while four of the remaining five have been, or are about to be, restructured. Procurement issues have arisen in several projects recently, and this is receiving increasing attention by both Government and the Bank. To some extent, these problems arose from an unfamiliarity of GOC officials with Bank procedures, compounded by the fact that headquarters-based staff are less accessible to them. While we are strengthening our field office, further devolution of responsibility for procurement will only occur in line with the build-up of our capacity in that area. The decentralization of staff, and the strengthening of procurement capacity in RMC, however, should help minimize such problems in the future.

D. World Bank Group Activities

42. The Bank Group's affiliates are all present and increasingly active in China in ways that are highly complementary to the Bank's program. *EDI's* activities have included workshops on social security and pension reform, enterprise restructuring and corporate governance, training for bankers and institutional capacity building for fiscal management. *FIAS* has completed a set of recommendations for strengthening China's FDI data system in 1997 and is now supporting Government in their implementation. An April 1998 seminar focused on FDI, including the impact of global trends and the Asian Crisis, and a May workshop will focus on antitrust policy.

43. The momentum of *IFC's* activities in China has continued, with investment approvals in FY97 of \$336 million and approvals likely to reach a record \$450 million in FY98. In line with the Government's priorities, IFC's attention has focused on the financial sector, infrastructure and agri-business, with a parallel effort to move inland. In the financial sector, IFC's investments now include three offshore investment funds targeting primarily joint-venture and private projects, a term loan to one of the first and most prominent private non-bank financial institutions (NBFIs), and an equity investment in the first joint-venture credit rating agency in China. IFC's Board recently approved support to China's first Sino-foreign joint venture commercial bank and, during this fiscal year, IFC is expected to present to its Board a proposal to invest in a private sector insurance company and the first nation-wide private sector commercial bank. In line with China's increasing attention to SOE reform, IFC's first restructuring project, involving a Chinese SOE and a European firm, is well advanced and similar restructurings are under consideration. In response to local interest, IFC has also stepped up its promotion of investment and technical assistance to the infrastructure, chemical and mining sectors.

44. *MIGA* has 22 contracts of guarantee in China for a Maximum Liability of US\$142 million. These guarantees benefited investments in infrastructure, agribusiness, mining and the financial sectors. Currently, 17 Definitive and 121 Preliminary applications for guarantees across a wide range of sectors are outstanding. At this time, MIGA is able to extend its capacity in China by cooperating with the private insurance industry through the use of MIGA's Cooperative Underwriting Program (CUP), coinsurance and reinsurance. MIGA's investment marketing

services have supported capacity building for investment promotion and more than 60 Chinese entities are active users of MIGA's Internet-based marketplace (IPAnet).

E. Cooperation with Other Institutions

45. China has not drawn on any IMF resources in the recent past, but the Bank and the Fund maintain close coordination on macroeconomic developments and the Fund has assisted in the implementation of the Bank's Fiscal and Financial Technical Assistance Project. Close coordination with ADB, facilitated by consultations in Beijing and Manila, has led to an efficient split of responsibilities in most sectors while ensuring consistency in policy messages. ADB is not involved, for example, in the social sectors; in the financial sector, we have worked with the larger state Banks while they have worked with smaller banks and NBFIs. We have also collaborated with other multilateral and bilateral agencies on a range of issues, such as WHO, UNAIDS, UNICEF and UNIDO in the health sector, UNDP on river basin management, OECF and CIDA on pollution control, and with Japan and the EU on clean coal initiatives to name just a few. However, because different ministries have been assigned responsibility for various bilateral/multilateral programs, it is often difficult to mesh the advantages of some of the grant-financed technical assistance programs of other donors with the Bank's lending activities.

F. Creditworthiness

46. China's total debt increased to \$132.2 billion in 1997 from \$128.8 billion in 1996. This resulted in a reduction of the debt to GDP ratio from 15.6% in 1996 to 14.6% in 1997. With foreign exchange reserves of \$140 billion in 1997, the net external financial position was essentially balanced. About half of China's external debt is owed to private creditors and commercial banks. Short-term debt totaled \$25.4 billion at end-1996, accounting for 19.7% of total debt, but less than a quarter of China's reserves at the time. The country's creditworthiness is reflected in the favorable treatment its sovereign debt has continued to enjoy to date in international capital markets. (The Government recently issued \$0.5 billion in overseas bonds, for example, which were over-subscribed despite the market turmoil.) The debt to GDP ratio is projected to decline further over time, to an estimated 12.3% by 2005. The ratio of debt service to exports is just under 10% (1997) and is expected to remain roughly constant over the medium term. IDA and IBRD debt outstanding was \$16.7 billion at end-1997. The ratio of IBRD debt-service to total exports was 0.5%, and the ratio of IBRD debt service to total public external debt service was 5.7%. Servicing of all external obligations, however, including direct foreign investment, claims a much larger share of exports than debt service alone. This ratio (factor service payments plus amortization as a share of exports) was 20.9% in 1997.

G. Exposure Management

47. We have explored the implications of the CAS lending program for the Bank's exposure to China in light of the new approach to portfolio concentration management endorsed by the Board last year. Projected disbursements from the existing pipeline and the proposed lending program of \$7.0 billion (IBRD only) over FY97-99 results in China's exposure increasing from

\$8.0 billion in FY96 to \$9.6 billion in FY99. This is less than IBRD's current exposure to Indonesia and Mexico. The China lending program, however, has potential consequences for the adequacy of reserves in outer years. Disbursement of the end-FY99 pipeline would increase exposure to China to a peak of \$14 billion by FY04, even with no further commitments after the CAS period, almost certainly making China the IBRD's single largest borrower. This would require some increase in reserves from the present level. Further commitments to China in the intervening years would require further increases in reserves in the absence of other actions. The path of IBRD's exposure to China, of course, depends on several factors, including not only lending and disbursements after FY99 but also any prepayments by China. We will examine the options for addressing these issues before the next full CAS to ensure that future lending levels are in accord with the IBRD's capacity to build the required level of capital and reserves.

H. Evaluation of Risks and Rewards

48. The effect on China of the external shocks suffered by other countries in the region has been limited so far, due primarily to restrictions on capital flows and a solid external position. And the Government's record of macroeconomic management provides some confidence that they will be able to deal successfully with the challenges to macroeconomic stability arising from domestic factors. As noted above, China's main challenge is to deal with three key issues: SOE reform, financial sector reform, social welfare reform. The failure to do so will result in larger costs and greater risks, as well as further declines in the quality of growth and lower productivity in the corporate sector. While the Government has highlighted the importance of tackling these issues, and established deadlines for dealing with them, implementation remains a challenge.

49. To succeed will also require a reasonable growth rate in order to deal with the increasing levels of unemployment likely to result from these reforms. Achieving their goal of 8% growth, however, and dealing with future downturns in the economy, will be more difficult than in the past. Continued trade and SOE reform, for example, employment insecurity of workers, and reduced stimulus from the external sector, are likely to constrain the growth of domestic demand in urban and industrialized areas for the next several years. In rural areas, while the past several harvests have been good, this cannot be expected every year. At the same time, a more relaxed monetary policy and greater flow of credit could be counter-productive if it reduces the discipline of tight budget constraints for the SOEs and thus could slow the entire reform process.

50. In these circumstances, the intention to rely on increased infrastructure investments and housing reform to stimulate domestic demand is clearly a sensible approach. Even this, however, is not a panacea. China's capacity to prepare and implement a large number of new infrastructure investments, for example, cannot be expanded overnight. The proposed reform of the housing sector could pay huge dividends, but there will be an inevitable lag between the initiation of reform and the eventual impact on domestic demand from the construction of new housing and the potential boom in appliances and other consumer durables.

51. While China's current social welfare programs provide at least a minimum safety net for laid off employees, it is not likely that they could cope with the very high levels of unemployment that might result if growth were to fall much below 4-5%. It is this risk the authorities must balance against the pace of reform and the risks they face of failing to reform quickly enough. As

the world's most populous country, the consequences of failure would not be China's alone. The Bank Group has been a reliable partner in China's development over the past two decades. Our continued strong financial and advisory support is all the more important in the present circumstances, and can help to mitigate these risks.

James D. Wolfensohn
President

By Sven Sandström

Annexes:

- Annex A1: Key Economic and Program Indicators
- Annex A2: China at a Glance
- Annex B2: Selected Indicators of Bank Portfolio Performance
- Annex B3: Bank Group Program Summary FY98-00
- Annex B6: Key Economic Indicators
- Annex B7: Key Exposure Indicators
- Annex B8: Status of Bank Group Operations/IFC Portfolio

Key Economic & Program Indicators - Change from Last CAS

	<i>Forecast in Last CAS</i>				<i>Actual</i>		<i>Current CAS Forecast</i>			
	<i>1997^a</i>	<i>1998^b</i>	<i>1999^b</i>	<i>2000^b</i>	<i>1995^c</i>	<i>1996^c</i>	<i>1997^a</i>	<i>1998^b</i>	<i>1999^b</i>	<i>2000^b</i>
<i>Economy (CY)</i>										
Growth rates (%)										
GDP	9.0	8.5	8.5	8.5	10.5	9.6	8.8	7.5	7.4	7.4
Exports(GNFS)	8.0	9.8	9.1	8.3	13.2	8.3	27.7	6.0	8.7	8.8
Imports(GNFS)	10.9	10.7	10.3	9.0	10.8	8.8	9.4	11.8	14.1	11.2
Inflation (%) (CPI)	5.9	5.6	5.3	5.3	17.1	8.3	2.8	3.8	4.2	4.4
National accounts (% GDP)										
Current account balance	-3	-5	-9	-1.1	.1	.5	2.5	1.6	.7	.3
Gross investment	39.6	38.8	38.4	37.9	40.8	39.2	36.9	37.8	38.8	39.7
Public finance (% GDP)										
Fiscal balance	-1.4	-8	-5	0.0	-1.7	-1.6	-1.6	-8	-5	-5
Foreign financing	0.0	0.0	-1	-1	-1	0	-1	-2	-3	-3
International reserves (as months of imports, GFS)(excluding gold)	8.37	7.90	7.64	7.59	5.92	8.02	9.66	10.15	9.91	9.55
<i>Program (Bank's FY)</i>	<i>FY97^a</i>	<i>FY98^b</i>	<i>FY99^b</i>	<i>FY00^b</i>	<i>FY95^c</i>	<i>FY96^c</i>	<i>FY97^c</i>	<i>FY98^b</i>	<i>FY99^b</i>	<i>FY00^b</i>
Lending (\$ million)	2,290	2,865	2,600	2,700	3,000	2,970	2,815	2,619	2,270	2,630
IBRD					2,370	2,490	2,490	2,326	1,915	2,630
IDA					630	480	325	293	335	
Gross disbursements (\$ million)	2,200	2,200	2,300	2,350	2,214	2,219	2,128	2,250	2,300	2,350

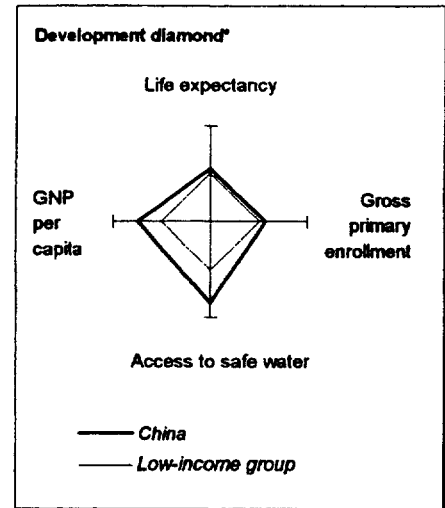
- a. Estimated year
- b. Projected year
- c. Actual outcome

China at a glance

3/4/98

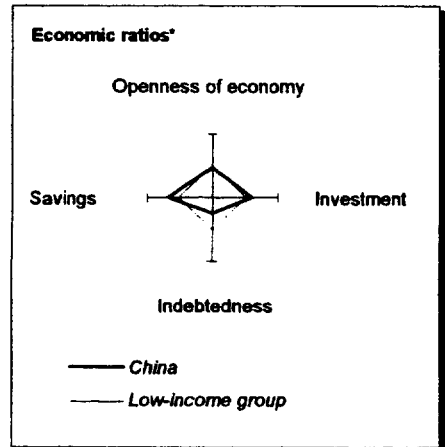
POVERTY and SOCIAL

	China	East Asia	Low-income
Population mid-1996 (millions)	1215	1,726	3,229
GNP per capita 1996 (US\$)	750	890	500
GNP 1996 (billions US\$)	906.1	1,542	1,601
Average annual growth, 1990-96			
Population (%)	1.1	1.3	1.7
Labor force (%)	1.1	1.3	1.7
Most recent estimate (latest year available since 1989)			
Poverty: headcount index (% of population)	9	..	..
Urban population (% of total population)	31	31	29
Life expectancy at birth (years)	70	68	63
Infant mortality (per 1,000 live births)	33	40	69
Child malnutrition (% of children under 5)	16	..	..
Access to safe water (% of population)	90	49	53
Illiteracy (% of population age 15+)	19	17	34
Gross primary enrollment (% of school-age population)	118	117	105
Male	119	120	112
Female	117	116	98



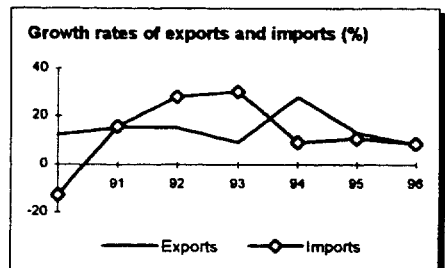
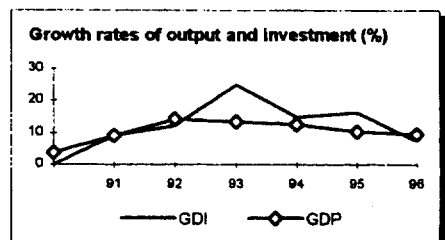
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1976	1986	1996	1996	
GDP (billions US\$)	160.3	378.1	755.9	916.4	
Gross domestic investment/GDP	30.3	37.8	40.8	39.2	
Exports of goods and services/GDP	5.2	9.9	21.0	19.3	
Gross domestic savings/GDP	30.8	33.7	42.5	41.3	
Gross national savings/GDP	30.6	34.0	41.0	40.0	
Current account balance/GDP	-0.2	-3.9	0.1	0.5	
Interest payments/GDP	..	0.2	0.7	0.6	
Total debt/GDP	..	5.5	16.9	15.6	
Total debt service/exports	..	8.4	9.9	9.8	
Present value of debt/GDP	..	..	..	14.1
Present value of debt/exports	..	..	..	72.3
(average annual growth)					
GDP	8.3	9.9	10.5	9.6	8.5
GNP per capita	7.5	8.3	7.9	8.6	7.7
Exports of goods and services	17.2	13.6	13.2	8.3	8.9



STRUCTURE of the ECONOMY

	1976	1986	1996	1996
(% of GDP)				
Agriculture	32.0	28.4	20.5	20.2
Industry	42.8	43.1	48.8	49.0
Manufacturing	31.6	35.4	38.1	38.1
Services	25.2	28.5	30.7	30.8
Private consumption	61.9	53.1	46.0	47.6
General government consumption	7.6	13.2	11.4	11.1
Imports of goods and services	5.0	14.0	19.3	17.1
(average annual growth)				
Agriculture	5.4	4.3	5.0	5.1
Industry	10.4	13.5	13.9	12.1
Manufacturing	13.0	13.0	13.3	11.7
Services	9.8	9.0	8.3	7.9
Private consumption	8.2	8.8	9.7	11.9
General government consumption	9.0	9.2	..	8.3
Gross domestic investment	9.8	10.8	16.2	7.6
Imports of goods and services	22.1	11.7	10.8	8.8
Gross national product	9.0	9.8	9.0	9.7



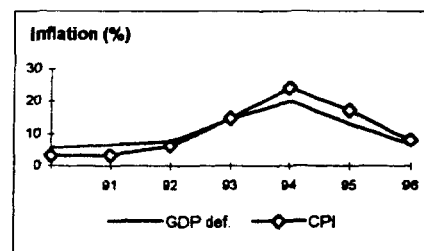
Note: 1996 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

China

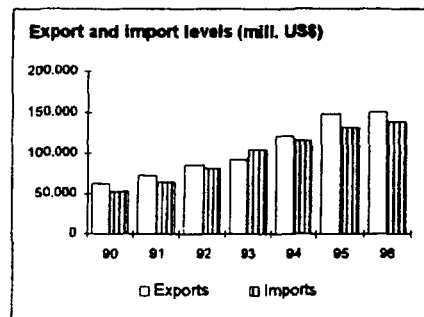
PRICES and GOVERNMENT FINANCE

	1976	1985	1995	1996
Domestic prices				
(% change)				
Consumer prices	..	9.2	17.1	8.3
Implicit GDP deflator	-0.9	10.1	13.2	7.0
Government finance				
(% of GDP)				
Current revenue	..	25.5	11.4	11.5
Current budget balance	..	6.7	-1.4	0.5
Overall surplus/deficit	..	-0.5	-1.7	-1.6



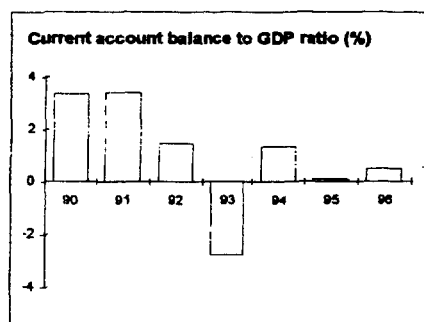
TRADE

	1976	1985	1995	1996
(millions US\$)				
Total exports (fob)	..	27,350	148,770	151,073
Food	..	3,803	9,954	10,232
Fuel	..	7,132	5,335	5,929
Manufactures	..	13,522	127,283	129,141
Total imports (cif)	..	42,252	132,078	138,828
Food	..	1,881	9,126	7,866
Fuel and energy	..	172	5,127	6,877
Capital goods	..	18,694	57,481	63,901
Export price index (1987=100)	..	92	133	129
Import price index (1987=100)	..	78	132	129
Terms of trade (1987=100)	..	118	101	100



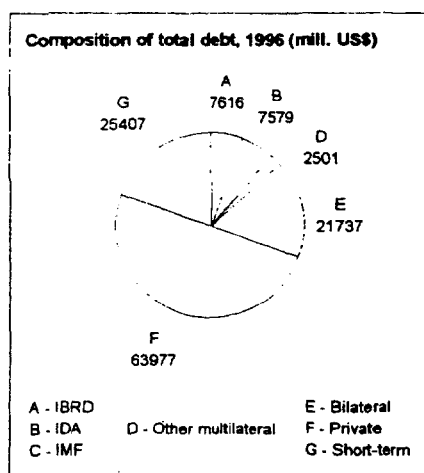
BALANCE of PAYMENTS

	1976	1985	1995	1996
(millions US\$)				
Exports of goods and services	7,828	28,163	147,240	153,740
Imports of goods and services	8,097	41,149	135,284	141,340
Resource balance	-269	-12,986	11,956	12,400
Net income	0	932	-11,774	-10,370
Net current transfers	0	171	810	1,580
Current account balance, before official capital transfers	-269	-11,883	992	3,610
Financing items (net)	..	9,443	21,477	28,030
Changes in net reserves	..	2,440	-22,469	-31,640
Memo:				
Reserves including gold (mil. US\$)	..	16,853	80,312	111,690
Conversion rate (local/US\$)	1.9	2.9	8.4	8.3



EXTERNAL DEBT and RESOURCE FLOWS

	1976	1985	1995	1996
(millions US\$)				
Total debt outstanding and disbursed	..	16,696	118,090	128,817
IBRD	..	498	7,209	7,616
IDA	..	431	7,038	7,579
Total debt service	..	2,478	15,066	15,756
IBRD	..	26	810	840
IDA	..	4	63	73
Composition of net resource flows				
Official grants	..	117	328	248
Official creditors	..	1,117	7,902	4,359
Private creditors	..	2,867	5,013	6,454
Foreign direct investment	..	1,659	35,849	40,180
Portfolio equity	..	0	2,807	3,466
World Bank program				
Commitments	..	1,092	2,850	1,900
Disbursements	..	565	2,269	2,097
Principal repayments	..	0	364	364
Net flows	..	565	1,905	1,734
Interest payments	..	29	509	549
Net transfers	..	536	1,396	1,185



China - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1995	1996	1997	1998 ^f
<i>Portfolio Assessment</i>				
Number of Projects under implementation ^a	107	109	111	101
Average implementation period (years) ^b	3.73	3.64	3.85	3.96
Percent of problem projects ^{a, c}				
by number	4.67	5.50	12.61	8.91
by amount	5.11	7.30	12.33	10.26
Percent of projects at risk ^{a, d}				
by number	5.38	6.00	14.58	11.88
by amount	6.26	9.52	13.55	12.04
Disbursement ratio (%) ^e	24.68	22.42	20.63	14.75
<i>Portfolio Management</i>				
CPPR during the year (yes/no)	No	Yes	No	No
Supervision resources (total US\$)	5,206.32	6,304.30	6,164.07	4,027.22
Average Supervision (US\$/project)	48.66	57.84	55.53	41.52

Memorandum item	Since FY80	Last five FYs
Projects evaluated by OED		
by number	80	67
by amount (US\$ millions)	8,433	6,818
Percent rated U or HU		
by number	5%	6%
by amount	4%	5%

- a. As shown in the Annual Report on Portfolio Performance (except for current FY)
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.
- f. As of April 24, 1998.

China - Bank Group Program Summary, FY 1998-2000

Proposed IBRD/IDA Base-Case Lending Program, FY 1998-2000^a

<i>FY</i>	<i>Project</i>	<i>US\$(M)</i>	<i>Strategic rewards^b</i> <i>(H/M/L)</i>	<i>Implementation^b</i> <i>risks (H/M/L)</i>
1998	BASIC HEALTH SERVICES	85.0	M	L
	E. CHINA/JIANGSU POWER	250.0	M	L
	ENERGY CONSERVATION	63.0	H	M
	FOREST DEVT. IN POOR AREAS	200.0	M	L
	GUANGXI URBAN ENVIRONMENT	95.0	M	M
	GUANGZHOU CITY CENTER TRANSPORT	200.0	M	L
	HEBEI EARTHQUAKE (EMERGENCY) REHAB.	28.4	M	M
	HUNAN POWER DEVELOP.	300.0	M	M
	IRRIGATED AGRIC. INTENSIFICATION II	300.0	M	M
	INLAND WATERWAYS II	123.0	M	L
	NATIONAL HIGHWAYS 3 (HUBEI)	250.0	M	L
	SHANDONG ENVIRONMENT	95.0	M	L
	STATE FARMS COMMERCIALIZATION	150.0	M	M
	SUSTAINABLE COASTAL RESOURCES DEVT	100.0	M	L
	TARIM BASIN II	150.0	M	M
	TRI-PROVINCIAL HIGHWAY	230.0	M	L
	Subtotal	2,619.4		
1999	<u>INVESTMENT PROJECTS</u>			
	AGRICULTURE BANK COMMERCIALIZATION	100.0	H	H
	ACCOUNTING REFORM & DEVT	35.0	M	M
	ANHUI PROVINCIAL HIGHWAY	200.0	M	L
	ANNING VALLEY AGRICULTURE DEVT	120.0	M	M
	CONTAINER TRANSPORT	100.0	H	H
	GUANZHONG IRRIGATION	100.0	M	L
	HEALTH IX	70.0	M	L
	HIGHER EDUCATION REFORM	70.0	M	L
	HUAI RIVER POLLUTION CONTROL I	50.0	H	H
	HUBEI JINGMEN THERMAL	400.0	M	L
	LIAONING URBAN TRANSPORT	200.0	M	L
	LOESS SOILS CONSERVATION	100.0	M	L
	NATIONAL HIGHWAY 4 - HUBEI/HUNAN	300.0	H	M
	SICHUAN URBAN ENVIRONMENT	150.0	M	L
	SMALLHOLDER CATTLE DEVT	100.0	L	L
	WESTERN POVERTY REDUCTION	160.0	H	M
	<u>LEARNING AND INNOVATION LOANS (LILS)</u>			
	BEIJING URBAN TRANSPORT	5.0	L	L
	PENSION REFORM	5.0	H	H
	STATE ENTERPRISE REFORM	5.0	H	H
	Subtotal	2,270.0		

<i>FY</i>	<i>Project</i>	<i>US\$(M)</i>	<i>Strategic rewards^b (H/M/L)</i>	<i>Implementation^b risks (H/M/L)</i>
2000	<u>INVESTMENT PROJECTS</u>			
	AIR POLLUTION CONTROL	100.0	H	H
	BEIJING POWER DISTRIBUTION	150.0	M	L
	CHONGQING URBAN ENVIRONMENT (STANDBY)	250.0	M	H
	FUJIAN II HIGHWAY	150.0	M	M
	GUANGXI BAISE WATER RESOURCES DEVT.	400.0	M	M
	HEBEI WATER SUPPLY & ENVIRONMENT	150.0	M	L
	RAILWAYS VIII	300.0	H	H
	RENEWABLE ENERGY (STANDBY)	65.0	H	H
	RURAL WATER SUPPLY IV (STANDBY)	70.0	M	L
	SEMI-ARID LANDS DEVELOPMENT	150.0	M	L
	STATE ENTERPRISE REFORM	100.0	H	H
	TECHNICAL COOPERATION IV (STANDBY)	35.0	L	L
	TONGBEI PUMPED POWER STORAGE	250.0	H	M
	URUMQI URBAN TRANSPORT	100.0	M	L
	UPLANDS POVERTY REDUCTION	150.0	H	M
	WATER CONSERVATION	200.0	M	L
	<u>LEARNING AND INNOVATION LOANS (LILS)</u>			
	COMMUNITY BASED URBAN HEALTH SERVICES	5.0	M	L
	PROVINCIAL EDUCATION & TRAINING REFORM	5.0	M	L
	Subtotal	2,630.0		
	Total, FY 1998-2000	7,519.4		

- a. This table presents the proposed program for the next three fiscal years.
- b. For each project, indicate whether the strategic rewards and implementation risks are expected to be high (H), moderate (M), or low (L).

China - Key Economic Indicators

Indicator	Actual			Estimate		Projected		
	1992	1993	1994	1995	1996	1997	1998	1999
National accounts								
(as % GDP at current market prices)								
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	21.8	19.9	20.2	20.5	20.2	18.3	17.8	17.2
Industry	43.9	47.4	47.8	48.8	49.0	49.2	50.3	51.6
Services	34.3	32.7	31.9	30.7	30.8	32.5	31.9	31.3
Total Consumption	62.8	58.7	57.5	57.5	58.7	58.7	58.7	58.6
Gross domestic fixed investment	31.2	37.5	36.0	34.7	34.0	33.0	33.9	34.9
Government investment	2.9	2.6	1.4	2.3	2.2	1.1	2.9	3.6
Private investment (includes increase in stocks)	33.3	40.7	39.8	38.5	37.0	35.8	34.9	35.2
Exports (GNFS) ^a	16.3	14.4	21.9	21.0	19.3	20.4	20.0	20.2
Imports (GNFS) ^a	15.3	16.4	20.6	19.3	17.1	16.0	16.5	17.5
Gross domestic savings	37.2	41.3	42.5	42.5	41.3	41.3	41.3	41.4
Gross national savings ^b	37.4	41.3	42.5	41.1	40.0	39.4	39.4	39.5
Memorandum items								
Gross domestic product (US\$ million at current prices)	483047	601083	542534	700219	825020	907890	1000381	1107716
Gross national product per capita (US\$, Atlas method)	480.0	490.0	540.0	620.0	750.0	860.0	916.0	925.0
Real annual growth rates (%, calculated from 1990 prices)								
Gross domestic product at market prices	14.2%	13.5%	12.6%	10.5%	9.6%	8.8%	7.5%	7.4%
Gross Domestic Income	13.8%	13.3%	13.1%	10.5%	10.3%	8.2%	7.5%	7.4%
Real annual per capita growth rates (%, calculated from 1990 prices)								
Gross domestic product at market prices	12.8%	12.2%	11.4%	9.4%	8.5%	7.8%	6.5%	6.4%
Total consumption	16.5%	11.1%	5.6%	5.1%	10.1%	5.0%	6.5%	6.1%
Private consumption	15.9%	10.5%	6.1%	8.6%	10.7%	3.9%	6.2%	5.7%

(Continued)

China - Key Economic Indicators (Continued)

Indicator	Actual			Estimate		Projected		
	1992	1993	1994	1995	1996	1997	1998	1999
Balance of Payments (US\$m)								
Exports (GNFS) ^a	78757.0	86511.0	118811.0	147240.0	153740.0	185062.5	199917.8	223269.7
Merchandise FOB	69568.0	75659.0	102561.0	128110.0	128540.0	155295.0	166965.2	186577.6
Imports (GNFS) ^a	73799.0	98326.0	111472.0	135284.0	141340.0	145273.0	165319.1	194034.2
Merchandise FOB	64385.0	86313.0	95271.0	110060.0	114630.0	117572.3	131602.1	152841.1
Resource balance	4958.0	-11815.0	7339.0	11956.0	12400.0	39789.5	34598.7	29235.4
Net current transfers (including official current transfers)	1157.0	1172.0	1337.0	1435.0	1880.0	1995.8	2119.5	2251.7
Current account balance (after official capital grants)	6403.0	-11902.0	7658.0	1617.0	3910.0	22994.5	15964.0	7823.7
Net private foreign direct investment	7156.0	23115.0	31787.0	33849.0	38800.0	45300.0	33975.0	25481.3
Long-term loans (net)	11292.0	12832.0	9811.0	12915.1	1100.0	1172.1	6870.0	7824.1
Official	2343.2	4614.7	3117.0	7902.2	4359.3	1066.1	1124.8	1060.0
Private	8948.8	8217.3	6694.0	5012.9	-3259.3	106.0	5745.2	6764.1
Other capital (net, including errors and omissions)	-26973.0	-22276.0	-18803.0	-25912.1	-12170.0	-36055.9	-29044.2	-17298.2
Change in reserves ^c	2122.0	-1769.0	-30453.0	-22469.0	-31640.0	-33410.6	-27764.8	-23830.9
<i>Memorandum items</i>								
Resource balance (% of GDP at current market prices)	1.0%	-2.0%	1.4%	1.7%	1.5%	4.4%	3.5%	2.6%
Real annual growth rates (1990 prices)								
Merchandise exports (FOB)	14.3%	8.3%	26.4%	13.7%	4.5%	28.2%	5.7%	8.8%
Primary								
Manufactures	16.9%	10.8%	30.2%	16.0%	4.5%	31.5%	5.9%	10.0%
Merchandise imports (CIF)	21.8%	30.6%	7.0%	5.5%	7.5%	9.3%	10.2%	13.0%
Public finance (as % of GDP at current market prices)^d								
Current revenues	14.7	13.8	12.0	11.4	11.5	11.4	15.0	16.0
Current expenditures	13.7	12.3	13.4	12.8	11.0	11.2	13.0	12.9

(Continued)

China - Key Economic Indicators (Continued)

Indicator	Actual			Estimate			Projected	
	1992	1993	1994	1995	1996	1997	1998	1999
Current account surplus (+) or deficit (-)	1.0	1.5	-1.4	-1.4	0.5	0.2	2.0	3.1
Capital expenditure	3.4	3.5	2.0	2.2	2.1	1.8	2.9	3.6
Foreign financing	0.6	0.8	0.2	-0.1	0.0	-0.1	-0.2	-0.3
Monetary indicators								
M2/GDP (at current market prices)	95.3	96.2	95.9	99.6	107.3	116.5	117.0	117.0
Growth of M2 (%)	31.3	31.2	34.5	29.9	26.4	18.3	12.3	12.8
Private sector credit growth / total credit growth (%)	89.5	100.9	89.9	107.5	94.0	96.8	96.8	96.8
Price indices(1990 =100)								
Merchandise export price index	118.4	118.0	123.1	133.2	129.5	122.1	124.2	127.6
Merchandise import price index	119.2	117.7	122.4	132.5	129.5	121.6	123.5	126.9
Merchandise terms of trade index	99.3	100.3	100.6	100.5	100.0	100.5	100.6	100.5
Real exchange rate (US\$/LCU) (1994=100) ^e	..	..	100.0	92.0	81.8	77.0	77.0	77.0
Real interest rates								
Consumer price index (% growth rate)	6.4%	14.7%	24.1%	17.1%	8.3%	2.8%	3.8%	4.2%
GDP deflator (% growth rate)	7.9%	14.6%	19.9%	13.2%	7.0%	0.2%	4.0%	5.0%

- a. "GNFS" denotes "goods and nonfactor services."
b. Includes net unrequited transfers excluding official capital grants.
c. Includes use of IMF resources.
d. Central Government.
e. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

China - Key Exposure Indicators

Indicator	Actual			Estimate		Projected		
	1992	1993	1994	1995	1996	1997	1998	1999
Total debt outstanding and disbursed (TDO) (US\$m) ^a	72428	85928	100457	118090	128817	132257	140678	151000
Net disbursements (US\$m) ^a	14277	14363	11995	17757	13895	2398	8421	10322
Total debt service (TDS) (US\$m) ^a	8618	10168	11135	15066	15756	18709	20734	21620
Debt and debt service indicators (%)								
TDO/XGS ^b	85.6	94.4	80.3	77.3	79.7	67.8	66.2	63.5
TDO/GDP	15.0	14.3	18.5	16.9	15.6	14.6	14.1	13.6
TDS/XGS	10.2	11.2	8.9	9.9	9.8	9.6	9.8	9.1
Concessional/TDO	15.8	15.7	15.9	14.7	13.4	13.6	13.2	12.6
IBRD exposure indicators (%)								
IBRD DS/public DS	5.8	5.8	6.7	5.9	5.6	5.7	5.9	6.6
Preferred creditor DS/public DS (%) ^c	6.7	6.9	8.3	7.6	7.4	7.7	8.2	9.1
IBRD DS/XGS	0.5	0.6	0.5	0.5	0.5	0.5	0.6	0.6
IBRD TDO (US\$m) ^d	3752	4549	5933	7209	7616	8268	8982	9739
Of which present value of guarantees (US\$m)								
Share of IBRD portfolio (%)	3.7	4.2	5.1	6.6	7.1	7.5	7.7	7.7
IDA TDO (US\$m) ^d	4286	5160	6097	7038	7579	8422	9113	9624
IFC (US\$m)								
Loans	48.8	47.4	73.4	104.1	188.6	133.6		
Equity and quasi-equity ^e	40.8	39.4	41.8	71.8	171.7	125.1		
MIGA								
MIGA guarantees (US\$m)	8.0	8.0	31.6	32.3	16.9	8.5		
	0.0	0.5	11.6	67.9	33.3			

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

- b. "XGS" denotes exports of goods and services, including workers' remittances.
- c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
- d. Includes present value of guarantees.
- e. Includes equity and quasi-equity types of both loan and equity instruments.

Status of Bank Group Operations in China IBRD Loans and IDA Credits in the Operations Portfolio

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/		Last ARPP Supervision Rating b/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd	Dev Obj	Imp Prog
Number of Closed Loans/credits: 207												
<u>Active Loans</u>												
CN-PE-3472	IBRD 2968S	1988	PRC	RAILWAY IV	171.30	0.00	0.00	2.04	2.05	0.00	S	S
CN-PE-3582	IBRD 3337T	1991	PRC	IRRIG. AGRIC. INTENS	45.05	0.00	0.00	2.37	-5.15	0.00	HS	HS
CN-PE-3560	IDA 22420	1991	PRC	HENAN AGRIC. DEVT.	0.00	110.00	0.00	3.23	-3.51	0.00	S	S
CN-PE-3478	IDA 22100	1991	PRC	KEY STUDIES DEVELOPM	0.00	131.20	0.00	.83	- .79	0.00		
CN-PE-3534	IBRD 3471A	1992	PRC	ZHEJIANG PROV TRANSP	70.13	0.00	0.00	26.59	20.26	0.00	S	S
CN-PE-3503	IBRD 3462A	1992	PRC	ZOUXIAN THERMAL POWE	26.78	0.00	0.00	14.02	3.36	0.00	S	S
CN-PE-3564	IBRD 3415A	1992	BEIJING MUNICIPALITY	BEIJING ENVIRONMENT	32.90	0.00	0.00	29.32	27.78	0.00	S	S
CN-PE-3492	IBRD 3412S	1992	GOC	DAGUANGBA-HAINAN	28.88	0.00	0.00	2.83	.97	0.00	S	S
CN-PE-3486	IBRD 3406A	1992	PRC	RAILWAYS V	33.73	0.00	0.00	29.05	25.84	0.00	S	S
CN-PE-3568	IDA 23870	1992	R.O.C.	TIANJIN URB DEV & EN	0.00	100.00	0.00	32.43	25.35	0.00	HS	S
CN-PE-3544	IDA 23390	1992	PEOPLE'S REPUBLIC OF CHIN	EDUC DEV IN POOR PRO	0.00	130.00	0.00	4.07	-5.50	0.00	S	S
CN-PE-3587	IDA 23360	1992	PRC	RURAL WAT SUPP & SAN	0.00	110.00	0.00	1.80	- .71	-12.68	S	S
CN-PE-3624	IDA 23170	1992	MIN. OF PUBL. HEALTH	INFECTIOUS DISEASES	0.00	129.60	0.00	54.86	43.03	34.20	S	S
CN-PE-3564	IDA 23120	1992	BEIJING MUNICIPALITY	BEIJING ENVIRONMENT	0.00	80.00	0.00	3.70	27.78	0.00	S	S
CN-PE-3555	IDA 23070	1992	PRC	GUANGDONG AG. DEVT.	0.00	162.00	0.00	11.71	-2.72	0.00	S	S
CN-PE-3492	IDA 23050	1992	GOC	DAGUANGBA-HAINAN	0.00	37.00	0.00	.42	.97	0.00	S	S
CN-PE-3565	IDA 22960	1992	PRC	SHANGHAI METRO TRANS	0.00	60.00	0.00	3.76	.69	0.00	S	S
CN-PE-3627	IBRD 3624A	1993	PRC	GRAIN DISTRIBUTION P	325.00	0.00	0.00	325.00	334.49	-104.01	U	U
CN-PE-3616	IBRD 3606A	1993	PRC	TIANHUANGPING HYDRO	196.60	0.00	0.00	102.89	61.80	0.00	S	HS
CN-PE-3580	IBRD 35820	1993	PRC	SO. JIANGSU ENVIRON. PROTECT.	250.00	0.00	0.00	29.16	11.24	0.00	S	S
CN-PE-3570	IBRD 35810	1993	PRC	RAILWAY VI	420.00	0.00	0.00	136.54	104.55	0.00	S	S
CN-PE-3533	IBRD 3572A	1993	PRC	TIANJIN IND. II	82.68	0.00	0.00	56.09	44.76	-3.91	S	S
CN-PE-3597	IBRD 3560A	1993	PRC	TAIHU BASIN FLOOD CONTROL	88.65	0.00	0.00	64.71	61.26	0.00	S	S
CN-PE-3512	IBRD 3552S	1993	GOVT OF PEOPLES REP. OF C	SHANGHAI PORT REST.	124.26	0.00	0.00	5.11	3.67	.43	S	S
CN-PE-3581	IBRD 35310	1993	PRC	HENAN PROV. TRANSPORT	120.00	0.00	0.00	16.15	14.50	0.00	S	S
CN-PE-3518	IBRD 3530S	1993	PRC	GUANGDONG PROV. TRANSPORT	240.00	0.00	0.00	21.43	-6.59	0.00	S	S
CN-PE-3526	IBRD 3515A	1993	GOC	SHUIKOU II	43.86	0.00	0.00	18.40	18.40	18.40	HS	HS
CN-PE-3632	IDA 25220	1993	ROC	ENVIRONMENT TECH ASS	0.00	50.00	0.00	15.22	14.78	0.00	S	S
CN-PE-3627	IDA 25180	1993	PRC	GRAIN DISTRIBUTION P	0.00	165.00	0.00	59.76	334.49	-104.01	U	U
CN-PE-3473	IDA 24750	1993	P.R.C.	ZHEJIANG MULTICITIES	0.00	110.00	0.00	47.43	46.78	0.00	S	U
CN-PE-3567	IDA 24710	1993	PRC	EFFECTIVE TEACHING SERVICES	0.00	100.00	0.00	48.39	46.10	0.00	S	S
CN-PE-3597	IDA 24630	1993	PRC	TAIHU BASIN FLOOD CONTROL	0.00	100.00	0.00	4.93	61.26	0.00	S	S
CN-PE-3559	IDA 24620	1993	PRC	AGRIC. SUPPORT SERVI	0.00	115.00	0.00	10.46	-15.08	0.00	S	S
CN-PE-3509	IDA 24570	1993	PRC	CHANGCHUN WAT SUPP &	0.00	120.00	27.55	27.04	45.19	0.00	U	U
CN-PE-3592	IDA 24470	1993	PRC	REF. INST'L. & PREINVEST (CRISP)	0.00	50.00	0.00	21.64	20.90	0.00	HS	S
CN-PE-3623	IDA 24230	1993	PRC	FINANCIAL SECTOR T.A	0.00	60.00	0.00	35.57	18.83	0.00	S	S
CN-PE-3561	IDA 24110	1993	PRC	SICHUAN ADP	0.00	147.00	0.00	22.67	10.36	0.00	S	S
CN-PE-3504	IBRD 37480	1994	PRC	HEBEI/HENAN NATIONAL	380.00	0.00	0.00	115.10	6.07	0.00	S	S

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/		Last ARPP Supervision Rating b/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd	Dev Obj	Imp Prog
CN-PE-3562	IBRD 37270	1994	PRC	H'WAYS XIAOLANGDI	460.00	0.00	0.00	30.91	26.34	0.00	HS	S
CN-PE-3641	IBRD 3718A	1994	PRC	MULTIPURPOSE YANGZHOU THERMAL	248.16	0.00	0.00	94.85	20.77	0.00	S	S
CN-PE-3609	IBRD 3716A	1994	GOC	POWER SICHUAN GAS DEV & CONSERVATION	175.45	0.00	0.00	161.52	69.86	0.00	S	S
CN-PE-3586	IBRD 3711S	1994	PRC	SHANGHAI ENVIRONMENT	160.00	0.00	0.00	83.93	63.36	0.00	S	S
CN-PE-3633	IBRD 3687A	1994	GOVERNMENT OF PRC	TELECOMMUNICATIONS	132.76	0.00	0.00	101.49	99.98	0.00	HS	HS
CN-PE-3626	IBRD 3681A	1994	GOC	FUJIAN PROV HIGHWAY	80.33	0.00	0.00	65.32	3.14	0.00	HS	HS
CN-PE-3622	IBRD 3652S	1994	SHANGHAI MUNICIPAL GOVT	SHANGHAI MTP II	150.00	0.00	0.00	10.39	10.40	0.00	S	S
CN-PE-3557	IDA 26230	1994	PRC	FOREST RESOURCE DEV	0.00	200.00	0.00	102.31	44.42	0.00	S	S
CN-PE-3540	IDA 26160	1994	PRC	LOESS PLATEAU	0.00	150.00	0.00	48.19	-30.78	0.00	HS	S
CN-PE-3644	IDA 26050	1994	PRC	XIAOLANGDI RESETTLEMENT	0.00	110.00	0.00	44.33	4.15	0.00	S	S
CN-PE-3593	IDA 25710	1994	PRC	SONGLIAO PLAIN ADP	0.00	205.00	0.00	59.78	-14.78	0.00	S	S
CN-PE-3595	IDA 25630	1994	PRC	RED SOILS II DEVELOP	0.00	150.00	0.00	49.04	5.48	0.00	S	S
CN-PE-3502	IDA 25390	1994	MOH	RUR HEALTH MANPOWER	0.00	110.00	0.00	44.89	24.31	0.00	S	S
CN-PE-37156	IBRD 3914A	1995	PRC	IODINE DEF. DISORDER	7.00	0.00	0.00	7.00	18.86	0.00	S	S
CN-PE-3493	IBRD 39106	1995	PRC	INLAND WATERWAYS	210.00	0.00	0.00	155.82	29.11	0.00	S	S
CN-PE-3639	IBRD 39066	1995	PRC	SOUTHWEST POV. REDUC	47.50	0.00	0.00	35.89	20.81	0.00	HS	S
CN-PE-3571	IBRD 38976	1995	PRC	RAILWAYS VII	400.00	0.00	0.00	392.00	82.34	0.00	U	U
CN-PE-3596	IBRD 3874A	1995	PRC	YANGTZE BASIN WATER	97.26	0.00	0.00	73.10	-21.30	0.00	S	S
CN-PE-36041	IBRD 38736	1995	MOF	FISCAL & TAX REF. & SICHUAN TRANSMISSION	25.00	0.00	0.00	25.00	35.34	0.00	S	U
CN-PE-36947	IBRD 3848A	1995	GOC	TECHNOLOGY DEVELOPME	270.00	0.00	0.00	209.73	139.94	40.35	S	S
CN-PE-3600	IBRD 3847A	1995	PRC	ZHEJIANG POWER DEVT	194.99	0.00	0.00	181.87	32.77	0.00	S	S
CN-PE-3642	IBRD 3846B	1995		ZHEJIANG POWER DEVT	215.67	0.00	0.00	187.82	33.92	0.00	S	HS
CN-PE-3642	IBRD 3846A	1995		SHENYANG IND. REFORM	154.15	0.00	0.00	125.34	33.92	0.00	S	HS
CN-PE-3585	IBRD 37880	1995	GOC	XINJIANG HIGHWAY I	175.00	0.00	0.00	129.12	31.46	0.00	S	S
CN-PE-3612	IBRD 37870	1995	PRC	LIAONING ENVIRONMENT	150.00	0.00	0.00	95.75	48.76	0.00	S	S
CN-PE-3598	IBRD 37810	1995		ENT. HOUSING SOC. SE	110.00	0.00	0.00	79.53	43.56	0.00	U	S
CN-PE-3603	IBRD 3773A	1995	PRC	IODINE DEF. DISORDER	262.51	0.00	0.00	240.11	123.62	0.00	S	S
CN-PE-37156	IDA 27560	1995	PRC	SOUTHWEST POV. REDUC	0.00	20.00	0.00	11.40	18.86	0.00	S	S
CN-PE-3639	IDA 27440	1995	PRC	YANGTZE BASIN WATER	0.00	200.00	0.00	105.95	20.81	0.00	HS	S
CN-PE-3596	IDA 27100	1995	PRC	FISCAL & TAX REF. & MATERNAL CHILD HEALT	0.00	110.00	0.00	9.48	-21.30	0.00	S	S
CN-PE-36041	IDA 27090	1995	MOF	ECONOMIC LAW REFORM	0.00	25.00	0.00	17.79	35.34	0.00	S	U
CN-PE-3634	IDA 26550	1995	PRC	BASIC EDUC IN POOR & ENT. HOUSING SOC. SE	0.00	90.00	0.00	33.54	8.68	0.00	HS	HS
CN-PE-3647	IDA 26540	1995	PRC	YUNNAN ENVIRONMENT	0.00	10.00	0.00	6.03	4.21	0.00	S	S
CN-PE-3636	IDA 26510	1995	PRC	CHONGQING IND POL CT	0.00	100.00	0.00	21.56	.25	0.00	S	S
CN-PE-3603	IDA 26420	1995	PRC	SEEDS SECTOR COMMER.	0.00	75.00	0.00	6.22	123.62	0.00	S	S
CN-PE-3599	IBRD 40550	1996	YUNNAN PROV. GOV.	YUNNAN ENVIRONMENT	125.00	0.00	0.00	125.00	-1.15	0.00	S	S
CN-PE-3646	IBRD 40450	1996	PRC	GANSU HEXI CORRIDOR	170.00	0.00	0.00	170.00	49.67	0.00	S	U
CN-PE-3638	IBRD 40440	1996	PRC	2ND HENAN PROV HWY	80.00	0.00	0.00	80.00	14.45	0.00	S	S
CN-PE-3594	IBRD 40280	1996	PRC	ANIMAL FEED	60.00	0.00	0.00	60.00	9.12	0.00	S	S
CN-PE-40513	IBRD 40270	1996	PRC	SECOND SHANGHAI SEWE	210.00	0.00	0.00	198.00	28.33	0.00	S	U
CN-PE-3563	IBRD 40010	1996	PRC	2ND SHAANXI PROV HWY	150.00	0.00	0.00	150.00	45.57	0.00	S	HS
CN-PE-3648	IBRD 39870	1996	SHANGHAI MUN. GOVT	LABOR MARKET DEV.	250.00	0.00	0.00	219.29	57.90	0.00	S	S
CN-PE-3652	IBRD 39860	1996	PRC	HUBEI URBAN ENV. PRO	210.00	0.00	0.00	183.98	42.30	0.00	S	S
CN-PE-34618	IBRD 3967A	1996	PRC	ERTAN HYDRO II	10.00	0.00	0.00	10.00	15.23	0.00	S	S
CN-PE-3602	IBRD 39660	1996	PRC	ERTAN HYDRO II	125.00	0.00	0.00	125.00	49.30	0.00	S	S
CN-PE-3507	IBRD 3933B	1996	GOC	SHANGHAI-ZHEJIANG HI	88.84	0.00	0.00	9.80	-53.42	0.00	HS	HS
CN-PE-3507	IBRD 3933A	1996	GOC	YUNNAN ENVIRONMENT	177.68	0.00	0.00	51.64	-53.42	0.00	HS	HS
CN-PE-3569	IBRD 39290	1996	P. R. C.	SEEDS SECTOR COMMER.	260.00	0.00	7.75	155.78	13.22	.22	S	S
CN-PE-3599	IDA 28920	1996	YUNNAN PROV. GOV.	GANSU HEXI CORRIDOR	0.00	25.00	0.00	16.59	-1.15	0.00	S	S
CN-PE-3638	IDA 28860	1996	PRC	SHANXI POVERTY ALLEV	0.00	20.00	0.00	10.08	14.45	0.00	S	S
CN-PE-3594	IDA 28700	1996	PRC	BASIC ED. POOR III	0.00	90.00	0.00	70.73	9.12	0.00	S	S
CN-PE-3649	IDA 28340	1996	CHINA		0.00	100.00	0.00	49.36	-22.53	0.00	S	S
CN-PE-36950	IDA 28310	1996	PRC		0.00	100.00	0.00	43.29	-22.02	0.00	S	S

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/			Last ARPP Supervision Rating b/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd	Dev Obj	Imp Prog	
CN-PE-34618	IDA 28000	1996	PRC	LABOR MARKET DEV.	0.00	20.00	0.00	15.65	15.23	0.00	S	S	
CN-PE-3602	IDA 27990	1996	PRC	HUBEI URBAN ENV. PRO	0.00	25.00	0.00	15.38	49.30	0.00	S	S	
CN-PE-3589	IDA 27940	1996	PRC	DISEASE PREVENTION	0.00	100.00	0.00	81.01	38.70	0.00	S	S	
CN-PE-34081	IBRD 42001	1997	PRC	XIAOLANGDI MULTI. II	200.00	0.00	0.00	191.84	46.67	0.00	HS	HS	
CN-PE-34081	IBRD 42000	1997	PRC	XIAOLANGDI MULTI. II	230.00	0.00	0.00	230.00	46.67	0.00	HS	HS	
CN-PE-44485	IBRD 41970	1997		SHANGHAI WAIGAOQIAO	400.00	0.00	0.00	400.00	4.37	0.00	S	S	
CN-PE-3590	IBRD 41870	1997	PRC	QINBA MTS. POVTY RED	30.00	0.00	0.00	30.00	10.00	0.00	S	S	
CN-PE-36405	IBRD 41790	1997	PRC	WANJIAZHAI WATER TRA	400.00	0.00	0.00	372.17	48.84	0.00	HS	S	
CN-PE-3650	IBRD 41720	1997	GOC	TUOKETUO POWER/INNER	400.00	0.00	0.00	400.00	21.64	0.00	S	S	
CN-PE-38988	IBRD 41610	1997	PRC	HEILONGJIANG ADP	120.00	0.00	0.00	117.00	6.70	0.00	S	S	
CN-PE-3654	IBRD 41240	1997	PRC	HUNAN/GUANG HWY2-NH2	400.00	0.00	0.00	400.00	46.67	0.00	S	S	
CN-PE-3643	IBRD 40990	1997	PRC	XINJIANG HIGHWAYS II	300.00	0.00	0.00	268.81	24.15	0.00	S	S	
CN-PE-3635	IBRD 4063A	1997	PRC	VOC. ED. REFORM PROJ	10.00	0.00	0.00	10.00	3.67	0.00	S	S	
CN-PE-36952	IDA 29540	1997	PRC	BASIC ED. IV	0.00	85.00	0.00	79.12	-1.66	0.00	S	S	
CN-PE-3635	IDA 28980	1997	PRC	VOC. ED. REFORM PROJ	0.00	20.00	0.00	16.67	3.67	0.00	S	S	
CN-PE-3590	IDA N0280	1997	PRC	QINBA MTS. POVTY RED	0.00	150.00	0.00	141.67	10.00	0.00	S	S	
CN-PE-3637	IDA N0270	1997	PRC	NATL RUR WATER III	0.00	70.00	0.00	69.48	4.12	0.00	S	S	
CN-PE-40185	IBRD 42370	1998	PRC	SHANDONG ENVIRONMENT	95.00	0.00	0.00	95.00	4.00	0.00	S	S	
Total					10,907.1	4,426.80	35.30	9,116.06	3,147.40	-131.01			

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	6,154.89	12,595.50	18,750.39
of which has been repaid:	13.52	2,084.82	2,098.34
Total now held by IBRD and IDA:	15,285.09	10,154.73	25,439.82
Amount sold :	0.00	0.00	0.00
Of which repaid :	0.00	0.00	0.00
Total Undisbursed :	9,116.06	2.06	9,118.12

- a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:
Disbursement data is updated at the end of the first week of the month.

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/			Last ARPP Supervision Rating b/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd	Dev Obj	Imp Prog	
CN-PE-34618	IDA 28000	1996	PRC	LABOR MARKET DEV.	0.00	20.00	0.00	15.65	15.23	0.00	S	S	
CN-PE-3602	IDA 27990	1996	PRC	HUBEI URBAN ENV. PRO	0.00	25.00	0.00	15.38	49.30	0.00	S	S	
CN-PE-3589	IDA 27940	1996	PRC	DISEASE PREVENTION	0.00	100.00	0.00	81.01	38.70	0.00	S	S	
CN-PE-34081	IBRD 42001	1997	PRC	XIAOLANGDI MULTI. II	200.00	0.00	0.00	191.84	46.67	0.00	HS	HS	
CN-PE-34081	IBRD 42000	1997	PRC	XIAOLANGDI MULTI. II	230.00	0.00	0.00	230.00	46.67	0.00	HS	HS	
CN-PE-44485	IBRD 41970	1997	PRC	SHANGHAI WAIGAOQIAO	400.00	0.00	0.00	400.00	4.37	0.00	S	S	
CN-PE-3590	IBRD 41870	1997	PRC	QINBA MTS. POVTY RED	30.00	0.00	0.00	30.00	10.00	0.00	S	S	
CN-PE-36405	IBRD 41790	1997	PRC	WANJIAZHAI WATER TRA	400.00	0.00	0.00	372.17	48.84	0.00	HS	S	
CN-PE-3650	IBRD 41720	1997	GOC	TUOKETUO POWER/INNER	400.00	0.00	0.00	400.00	21.64	0.00	S	S	
CN-PE-38988	IBRD 41610	1997	PRC	HEILONGJIANG ADP	120.00	0.00	0.00	117.00	6.70	0.00	S	S	
CN-PE-3654	IBRD 41240	1997	PRC	HUNAN/GUANG HWY2-NH2	400.00	0.00	0.00	400.00	46.67	0.00	S	S	
CN-PE-3643	IBRD 40990	1997	PRC	XINJIANG HIGHWAYS II	300.00	0.00	0.00	268.81	24.15	0.00	S	S	
CN-PE-3635	IBRD 4063A	1997	PRC	VOC. ED. REFORM PROJ	10.00	0.00	0.00	10.00	3.67	0.00	S	S	
CN-PE-36952	IDA 29540	1997	PRC	BASIC ED. IV	0.00	85.00	0.00	79.12	-1.66	0.00	S	S	
CN-PE-3635	IDA 28980	1997	PRC	VOC. ED. REFORM PROJ	0.00	20.00	0.00	16.67	3.67	0.00	S	S	
CN-PE-3590	IDA N0280	1997	PRC	QINBA MTS. POVTY RED	0.00	150.00	0.00	141.67	10.00	0.00	S	S	
CN-PE-3637	IDA N0270	1997	PRC	NATL RUR WATER III	0.00	70.00	0.00	69.48	4.12	0.00	S	S	
CN-PE-40185	IBRD 42370	1998	PRC	SHANDONG ENVIRONMENT	95.00	0.00	0.00	95.00	4.00	0.00	S	S	
Total					10,907.1	4,426.80	35.30	9,116.06	3,147.40	-131.01			

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	6,154.89	12,595.50	18,750.39
of which has been repaid:	13.52	2,084.82	2,098.34
Total now held by IBRD and IDA:	15,285.09	10,154.73	25,439.82
Amount sold :	0.00	0.00	0.00
Of which repaid :	0.00	0.00	0.00
Total Undisbursed :	9,116.06	2.06	9,118.12

- a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:
Disbursement data is updated at the end of the first week of the month.