

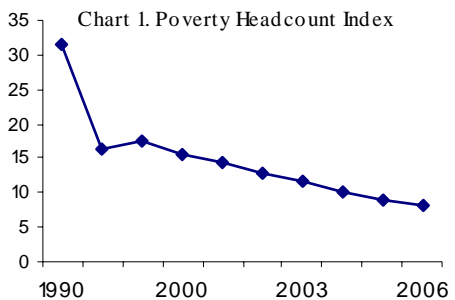
China: Towards Results-Based Strategic Planning

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- China has achieved spectacular growth and social progress (the poverty headcount index declined from 32 percent to eight percent between 1990 and 2006).
- However, leaders face a set of new developmental challenges after decades of GDP-centered economic growth, including a steady increase in income inequality.
- At all levels, policy makers realize that it is imperative to introduce participation, transparency and accountability into government work. This ensures the successful implementation of the new results-based approach to planning and the delivery of sustainable and more equitable development.
- The Eleventh Five-Year Plan contains comprehensive output and outcome indicators, which are monitored and evaluated closely. The population is well informed through the media and public consultations, which is an unprecedented development in China.

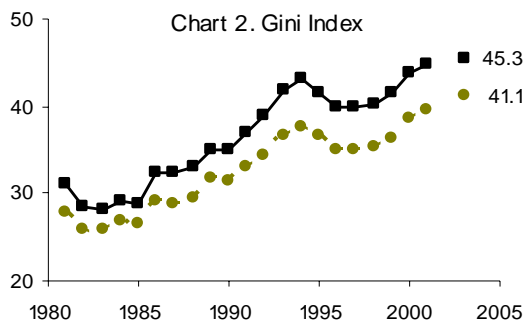
Introduction:

China's economic achievement in the last quarter of a century (1978-2006) is well-known. China's GDP has been growing at about ten percent per year and its per capita income has increased six-fold since 1978. About 500 million people have been lifted out of poverty at the dollar-a-day expenditure level (WDI, 2006). The poverty headcount index (the percentage of population living in households with income per person below the poverty line) decreased from 32 percent to eight percent between 1990 and 2006 (Chart 1).



Source: World Bank, 2006

However, as the Chinese government is well aware, China is now facing a set of new developmental challenges after decades of GDP-centered economic growth. The country's income inequality has been increasing steadily, the Gini Index is now above 40 (Chart 2),¹ and the demand for natural resources has also caused increasing concern over the sustainability of China's economic development. In 2004, China's GDP accounted for only four percent of global GDP, but its share of global energy usage was three times larger, and it accounted for 28 percent of the world's rolled steel consumption and 50 percent of its cement use (Stiglitz, 2005).



Source: Ravallion and Chen (2004) *World Bank*, from NBS 2003 Rural/Urban Surveys Household Surveys

In late 2003, to address this new and more difficult set of challenges, the Chinese government decided to adopt a new development strategy: “the scientific concept of development.” This plan calls for a comprehensive, coordinated and sustainable people-centered strategy to promote overall harmonious development of the economy, society and its people. Under this new concept, the country will focus on achieving “five balances:” balances between rural and urban development, inland and coastal development, social and economic development, nature and man

¹ The upper line is without adjustments for spatial cost of living differences and the lower line is with adjustments.

development, and domestic and international development. In short, the country seeks to grow in a more sustainable and equitable way.

This new approach, which is more complex than the previous GDP-centered strategies, relies much more on the efficiency and effectiveness of the government. National leaders realized that it is imperative to introduce participation, transparency and accountability into government work to ensure the successful implementation of the new development concept and the delivery of sustainable and more equitable development. In March 2004, for example, Premier Wen Jiabao highlighted that the country must “speed up the formation and improvement of the systems for making collective decisions on major issues, for soliciting opinions from experts, for keeping the public informed and for holding public hearings, and for accountability in policy-making.”²

In addition, the 2003 SARs crisis heightened the demand for information transparency and accountability within the government. Two high-ranking officials were held accountable and fired for hiding jurisdiction information and their inability to keep the pandemic under control. Premier Wen Jiabao has since repeatedly called on government departments at various levels to establish accountability systems and undertake monitoring and evaluation (M&E) activities (Wen, 2004, 2005, 2006). In 2005 for example, Premier Wen pledged to “increase the transparency of government work and boost popular confidence in government...” and “...establish a scientific system for evaluating government performance and a system for comprehensively evaluating economic and social development.”³

² “Annual Report on the Work of the Government” presented to the National People’s Congress, March 2004,

³ Ibid, Report of March 2005.

Application:

The National Five-Year Plan for Economic and Social Development (FYP) is a key strategy document of the Chinese government, which sets the development priorities of the country in the five-year period covered. Since the establishment of the Peoples' Republic in 1949, China has formulated and implemented ten National FYPs and is now implementing the Eleventh FYP (2006-2010).

Mid-Term Review of the Tenth Five-Year Plan

Until 2003, China did not monitor or evaluate activities conducted as part of the Five-Year Plans. The Strategic Planning Department (SPD) of the National Development and Reform Commission (NDRC), the agency tasked with preparing the Plans, carried out a mid-term review for the Tenth FYP (2001-2005). The review was a comprehensive exercise, involving every province and Ministry, and opinions from 100 experts and 26 staff of the SPD were collected using a questionnaire.

The report reviewed the implementation of the Tenth FYP in nine categories, such as macro-regulatory targets and environment issues, and identified five major problems, including China's unhealthy pattern of economic growth.. These findings initiated discussions on China's need to employ a new development approach and contributed to the new people-centered development concept. While the review was informal and experimental in scope, it represented a significant change in the mindset of top Chinese policy makers. For the first time in history, Chinese leaders examined and publicized both successful and unsuccessful aspects of the FYP and incorporated the results and recommendations of the review in subsequent work.

Monitoring and Evaluation of the Eleventh Five-Year Plan

In light of the new developmental approach adopted by the government, the Eleventh FYP was prepared with a more

“scientific concept of development” and “five balances” as the guiding principles, to ensure that the economic growth is consistent with environment and natural resource constraints. Also, to spread the benefits of growth more broadly in order to create a harmonious society. The Plan was prepared with participation from various levels of government representatives, National People’s Congress (NPC) deputies, scientific and economic experts as well as ordinary Chinese citizens. Eighty individuals were given a reward for their suggestions, including a 12 year-old migrant child who asked for compensation for the unfair treatment she received at school. Some 34 revisions were made to the FYP according to NPC representatives’ suggestions, and high quality ministry and provincial-level inputs were also important additions.

The comprehensive nature of the Eleventh FYP and the society’s involvement in developing the strategy has compelled the NDRC to undertake serious and formalized monitoring and evaluation of the activities outlined in the Plan. Based on the mid-term review of the Tenth FYP, the NDRC decided to develop an M&E framework for the Eleventh FYP and to establish an M&E methodology and institutionalize arrangements for future Plans. To benefit from international experience in this area, NDRC commissioned a World Bank Institutional Development Fund project to support the effort.⁴ There are two components to the new M&E framework:

First, an indicator matrix was introduced for the first time in the development of the Eleventh FYP. It contains 22 indicators with baseline information and targets. The introduction of this type of matrix was a significant improvement; in previous Plans the indicators were embedded in the text without baseline information. Among the 22 indicators, eight are defined as obligatory (such as reduction of energy consumption per unit GDP, total cultivated

⁴ See “China: Monitoring and Evaluation of the Development Progress,” June 2004. TF No. 053678.

land maintained, and reduction of emission volume of major pollutants), which the government is openly committed to meet. The government has agreed to try to create a favorable environment to help achieve the anticipated benchmarks of the other 14 indicators, however reaching the identified targets will rely primarily on market forces. The 22 indicators are grouped into four categories: economic growth; economic structure; population, resources and environment; and public services and life quality. Six indicators target economic growth and structure and 16 indicators focus on environment, resources and social development. Policymakers have committed to carry out a mid-course evaluation of the Plan, to be reviewed by the NPC Standing Committee.

Second, the NDRC has started to build an overall M&E Framework for the Eleventh Plan, which is consistent with the 22 indicator matrix, but broader in scope with different input and outcome indicator matrixes. The framework will be used in the mid-course evaluation of the Eleventh Plan in mid-2008.

The development of the M&E Framework followed an internationally recognized “Ten Steps” model (Jusek and Rist, 2004) and was jointly created by a team of international and domestic experts. Among other activities, the team reviewed the international experiences of the OECD and various developing countries and convened consultative meetings with both international and domestic experts. The model is based on a sequence of ten steps or activities that are considered critical for establishing a results-based M&E framework. For example, the readiness assessment, articulated by the first step of the model, revealed that a favorable political environment and a well-positioned champion, the SPD of the NDRC, are factors that positively impact the Chinese M&E effort. However, China’s current deficient statistical system, weak M&E knowledge and capacity, and disconnect between planning and budgeting constitute bottlenecks. The team’s analysis recommended that China should not to rush into development of a technically

comprehensive M&E system. A basic, workable M&E framework, which can be strengthened over time as the constraining factors are improved, should be the priority.

Table 1. Illustration of the Output/Outcome Indicators of China's 11th FYP M&E Framework

Five Balances	Goals	Output / outcome indicators	2005 Baseline	2010 Targets / benchmarks	Data Source	Regularity of Data Collection
Urban and Rural Balance	Promoting urbanization	Urbanization ratio	43%	47%	Pop. Census; 1% Pop. Sample Survey	Every 5 yrs.
		No. of migrant workers converted into resid.	12,600,000	45,000,000	Rural hhd survey and agri. census	RHS: yearly; AC: every 10 yrs.
	Reducing urban/rural income gap	Urban/rural income ratio	3.22	Tbd	Rural and urban hhd survey	Yearly
		Growth rate of rural per capita	6.2	Tbd	Rural hhd survey	Yearly

Source: A Monitoring and Evaluation Framework for China's Five-Year Plans. IDf Project Report (draft), October 2006

Table 1 presents an example of the output/outcome indicator matrix. A set of goals was selected for each of the “Five Balances,” and in turn, a set of indicators was established for each of the goals. Nearly 70 candidate indicators were selected, and the final indicators will be chosen based on factors such as technical suitability, availability of statistical information, and responsible agencies. Relevant ministry-level targets/benchmarks and consultation with experts will influence the selection process for the 2010 targets/benchmarks.

**Table 2. Illustration of the Input Indicators of China's 11th FYP
M&E Framework**

Five Balances	Goals	Input Indicators			2005 Baseline	2006 to 2010
		Gov't policies and regulations	Gov't Expenditures	Allocation of human resources		
Urban and Rural Balance	Promoting urbanization	e.g., permitting enrollment of migrant workers' children in urban schools	e.g., central gov't's expenditure composition and distribution	Personnel quota	Tbd	Tbd
	Reducing urban/rural income gap	e.g., abolishing compulsory education fee in rural areas	e.g., central gov't's transfer payment to cover the compulsory education cost in rural areas		Tbd	Tbd

Source: A Monitoring and Evaluation Framework for China's Five-Year Plans. IDF Project Report (draft), October 2006

Table 2 presents an illustration of the input indicator matrix. For urban and rural balance, for example, two goals were identified and three sets of input indicators were chosen for each goal (government policies and regulations, government expenditures and human resource allocations). This new matrix will assist leaders to better understand the logic behind FYP successes and failures. It also aims to increase the government's awareness of the important relationship between planning and budgeting. The information for the 2006-2010 FYP will be collected using the data from the 2005 baseline, which the government is currently in the process of identifying.

Problem Solving: Measures Introduced to Ensure Implementation

The transition outlined by the Eleventh FYP from GDP-centered growth to a more balanced development approach is a daunting task for China. A major challenge for implementation is how to ensure that different public agencies, especially local governments, will act accordingly. To address the challenge, the central government is focusing on the obligatory indicators and has introduced a series of measures to provide incentives for implementation.⁵

First, the State Council has assigned responsibility to government agencies and departments for each of the eight indicators. For example, the NDRC is responsible for the overall reduction of the energy consumption per unit of GDP and the State Environment Protection Administration is in charge of the overall reduction of total major pollutants emission volume.

Table 3. Illustration of Provincial Assignment: Reduction of Energy Consumption per Unit GDP

Region	2005 Baseline	2010 Target	% of Reduction
	Tons of coal / 1,000 Yuan	Tons of coal / 1,000 Yuan	
Nationwide	12.2	9.8	20%
Beijing	8	6.4	20%
Jilin	16.5	11.6	30%
Fujian	9.4	7.9	16%
Gansu	22.6	18.1	20%

Source: See Footnote 3

Second, the targets for the reduction of energy consumption per unit of GDP and reduction of total major pollutants emission volume have been divided and assigned to all 27 provinces and

⁵ Notice on Implementation of Major Objectives of The Eleventh Five-Year Plan for National Economic and Social Development of the People's Republic of China and Task Assignments by State Council. Document 2006. No. 29.

four provincial-level municipalities (see Table 3 and 4 for illustration)⁶ based on criteria such as level of economic development, industry structure, and total energy consumption. These targets have been further divided and assigned to lower levels of government and the targets help track expenditures of priority enterprises.

Table 4. Illustration of Provincial Assignment: Reduction of COD and SO₂ Emission Volume

Region	2005 Emission Volume		2010 Target		% of Reduction	
	COD	SO ₂	COD	SO ₂	COD	SO ₂
Nationwide	14142	25494	12639	22467	10.6%	11.9%
Beijing	116	191	99	152	14.7%	20.4%
Jilin	407	382	365	364	10.3%	4.7%
Fujian	394	461	375	424	4.8%	8.0%
Gansu	182	563	168	563	7.7%	0.0%

Source: See Footnote 3

Third, a public reporting system has been established for the proportion of cultivated land, reduction of energy consumption per unit GDP, and reduction of total major pollutants emission volume—the three most important obligatory indicators for the government. The monitoring information on these indicators, nationwide and for each province will be reported annually.

Fourth, the central government asked the Ministry of Personnel to incorporate all the obligatory indicators into the performance evaluation system for provinces and ministries and required that the chief officials of all the provinces use the three most important obligatory indicators.

⁶ The assignment for the total cultivated land is under discussion among the relevant ministries and respective provinces.

Results:

The introduction of the output/outcome indicators with targets and implementation measures adopted by the central government has helped to strengthen the accountability and improve the transparency of the government's work. Already, the monitoring information on the energy consumption per unit GDP and the total COD and SO₂ emission volume during the first six months of the Eleventh FYP has been made public: none of the levels have decreased as outlined in the Plan, instead amounts have increased due to economic growth. Such a level of transparency on Plan implementation is historically unprecedented in China. The publicity has stimulated open discussions among policy makers, experts and the media on causes of the initial failures and measures required to move forward. The provincial governments, guided by signals and incentives from the central government, have also started to take concrete, comprehensive measures to ensure implementation. Box 1 presents a small set of the overall measures introduced by Zhejiang Province on energy saving and environment protection. The province has also developed a new set of performance criteria (in a public opinion poll) for evaluating high-ranking officials, which includes questions on environment, energy and support to the poor.

Box 1. Zhejiang Province: Example Measures Taken to Ensure Progress on Energy Saving and Environment Protection

One hundred enterprises were chosen to pilot new indicators for clean production, energy and raw material saving, and comprehensive utilization of solid waste. A statistical information system was established to monitor the usage of energy, raw material, water and the omission of major pollutants by these 100 enterprises. By 2007, the reuse rate of water by these enterprises should reach 65% and solid waste 90%. The system will monitor the companies' efforts to transform the existing industrial parks through ecological transformation such as comprehensive usage of resources, joint land use, concentrated waste treatment and sharing of electricity. By 2007, ten demonstrating ecological industrial parks should be established. In those parks, more than 70% of the enterprises should pass the cleaning production exam or be accepted by the ISO14000 environment management system. The wastewater treatment rate should reach 80%. Companies will also be rated on their ability to establish a group of green architectures and communities. By 2007, 50% of new commercial buildings should reach the standard for energy saving, such as using energy-saving walls, windows, heating and air conditioning systems and utilizing solar energies. The green communities should set up facilities to help comprehensively utilize treated wastewater and rain and river water and to recycle the garbage. In addition, the heavy energy- and water-consumption enterprises will be closely monitored and technical transformation will be expected. Every quarter the responsible government agencies will report progress to the provincial officials in their respective areas.

Conclusion:

China is preparing to meet the developmental challenges resulting from its three-decade long spectacular economic growth by moving towards results-based strategic planning. With the overall goal of seeking a balanced and sustainable development approach, for the first time in history, China has introduced obligatory outcome indicators with targets in its new Eleventh Five-Year Plan and

adopted systematic and transparent institutional measures to implement the Plan. These efforts have brought an unprecedented level of transparency to China's FYP implementation, which is resulting in institutional and policy transformation for the country. China is also working to create its first overall FYP M&E framework and will use the framework to conduct a mid-course evaluation of the Eleventh Plan. The M&E framework, complete with input and outcome indicators, will allow both monitoring of the Plan's implementation progress and analysis of the potential causes of success and/or failure.

International experience suggests that results-based M&E is a powerful tool for ensuring the effectiveness of a country's development policies and the delivery of tangible results by the government. However, the development and implementation of the framework are difficult and lengthy processes. China's recent national M&E efforts illustrates how a large country with little M&E experience can establish a results-based strategic planning system based on greater transparency and accountability.