



China, People's Republic of: Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region—China National Investment and Guaranty Corporation's Green Financing Platform Project

Project Name	Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region—China National Investment and Guaranty Corporation's Green Financing Platform Project												
Project Number	50096-002												
Country / Economy	China, People's Republic of												
Project Status	Closed												
Project Type / Modality of Assistance	Loan												
Source of Funding / Amount	<table><tr><td colspan="2">Loan 3504-PRC: Air Quality Improvement in the Greater Beijing–Tianjin–Hebei RegionChina National Investment and Guaranty Corporations Green Financing Platform Project</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 499.60 million</td></tr><tr><td colspan="2">Loan: Air Quality Improvement in the Greater Beijing–Tianjin–Hebei RegionChina National Investment and Guaranty Corporations Green Financing Platform Project</td></tr><tr><td>Bank of Beijing</td><td>US\$ 310.00 million</td></tr><tr><td>Huaxia Bank</td><td>US\$ 400.00 million</td></tr><tr><td>Bank of Beijing</td><td>US\$ 200.00 million</td></tr></table>	Loan 3504-PRC: Air Quality Improvement in the Greater Beijing–Tianjin–Hebei RegionChina National Investment and Guaranty Corporations Green Financing Platform Project		Ordinary capital resources	US\$ 499.60 million	Loan: Air Quality Improvement in the Greater Beijing–Tianjin–Hebei RegionChina National Investment and Guaranty Corporations Green Financing Platform Project		Bank of Beijing	US\$ 310.00 million	Huaxia Bank	US\$ 400.00 million	Bank of Beijing	US\$ 200.00 million
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth												
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development												
Sector / Subsector	Energy / Energy efficiency and conservation - Renewable energy generation - biomass and waste - Renewable energy generation - solar Finance / Small and medium enterprise finance and leasing Transport / Urban public transport												
Gender	No gender elements												
Description	<p>The proposed project will establish a dedicated green financing platform for this purpose which will overcome the three barriers mentioned above (limited commercial bank financing, lack of incentive structures, and the lack of strategy for pollution control). The proposed Green Financing Platform (GFP) will introduce innovative financial instruments, recommended in the recently issued Green Financing Guidelines by China Banking Regulatory Commission and NDRC, to mobilize private and social capital for green investments. The proposed financing facility will offer a variety of financial products, which may include: (i) debt financing with limited recourse to fixed asset collateral; (ii) loss guarantee support to low-carbon development, energy saving, and environmental improvement projects for easier access to commercial bank financing; and (iii) mezzanine financing in the form of subordinate debt or preference share investments in promising SMEs, etc. This proposed project will also introduce international experience and bring advance technologies to the greater BTH region to help industries become low-carbon, low-emission and efficient green industries, thereby improving the air quality.</p>												
Project Rationale and Linkage to Country/Regional Strategy	<p>The proposed project builds on the policy actions initiated in Hebei Province under the Policy Based Loan (PBL) for Beijing–Tianjin–Hebei (BTH) Air Quality ImprovementHebei Policy Reforms Program, approved by Asian Development Bank (ADB) in 2015. The PBL included policy actions supporting (i) adjustment of the energy structure, (ii) promotion of public transportation, (iii) reduction of seasonal biomass burning and promotion of clean energy in rural area, (iv) capacity development in environmental monitoring, administration and supervision, and (v) employment promotion for inclusive industrial transformation. The proposed project will further (i) strengthen and complement implementation of these policy actions throughout the greater Beijing–Tianjin–Hebei region (hereinafter referred to as BTH region), and (ii) accelerate air quality improvements in a sustainable manner. In particular, it will address the critical need to provide more efficient and effective credit access to enterprises and project developers to stimulate actions on these policy actions. The intervention will be in the core areas for air quality improvement with significant co-benefits of carbon dioxide (CO₂) emission reductions to help the region simultaneously achieve both objectives of better air quality and low-carbon development.</p> <p>The BTH region is one of the most important economic regions in the PRC, with more than a third of the country's gross domestic product (GDP). But this region also consistently experiences poor air quality. In 2013, the Government of the PRC promulgated its first Comprehensive Action Plan for Air Pollution Prevention and Control (CAAP) 20132017 to help improve air quality in the core BTH region. But the BTH air quality is still far below national and World Health Organization standards. Since BTH's air pollution problem is transboundary, an integrated approach is required to tackle the air pollution issues in the BTH region. The approach includes advanced and effective pollution control measures with efficient coordination among BTH, stricter environmental policy and regulation, innovative financing mechanisms, and a robust results monitoring and verification system.</p> <p>In parallel with the efforts to control air pollution and respond to environmental degradation, the PRC government is committed to peak its CO₂ emission by 2030. Maintaining sustainable economic development while also undertaking low-carbon transformation and fixing environmental degradation is challenging. In order to succeed, a set of complementary policies is needed to improve air quality (by reducing coal and other fossil fuel consumption), abate CO₂ emissions, and foster green growth. The Government's policy framework for climate change, 'National Plan for Addressing Climate Change (2014-2020)', was issued in 2014, and stresses the importance of mitigating climate change through a holistic and integrated approach, including improving energy efficiency, optimizing the energy consumption structure, restructuring the industrial sector, and restoring the ecological system and protecting the environment.</p> <p>According to the People's Bank of China, an annual investment of \$330 billion in each of the next five years would be needed for green growth in order to meet the environmental targets announced by the Ministry of Environment. Based on a report prepared by the Clean Air Alliance of China, implementation of CAAP for core BTH region will need direct investment of \$37.8 billion. As of 2013 and 2014, the dedicated financial support from the central government was only \$0.76 billion and \$1.52 billion. Although the core BTH region is getting support from ADB and Kreditanstalt für Wiederaufbau's (KfW) for the approved PBL and the World Bank's for the Program-for-Results financing assistance, serious financing shortage and limited financing resource hinder the green growth and low-carbon transformation for the BTH region.</p>												

Impact	Air pollution reduced and public health in the BTH region improved
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Project Outcome	
Description of Outcome	Air quality improvements and CO2 emission reduction accelerated
Progress Toward Outcome	1,431 subprojects were approved by I&G, among which 1,408 subprojects were implemented. 49 subprojects have been financed with a total investment of CNY3.24 billion, including 48 entrusted subloans and one equity investment. The Project has also provided CNY3.04 billion of guaranty services, which facilitated the implementation of 1,359 subprojects. All the subprojects financed or guaranteed will leverage about CNY9.84 billion of cofinancing, with total investments amounting to CNY13.66 billion. Once these subprojects are in operation, it is estimated that 1,330,177.6 tons of coal consumption and 315,969.00 tons of gasoline consumption will be avoided per year, contributing to annual emissions reduction of CO2 by 3,206,650.64 tons, SO2 by 28,584.46 tons, NOx by 7,103.66 tons, and PM by 71,906.6 tons.

Implementation Progress	
Description of Project Outputs	BTH-dedicated green financing platform established and commercial financing for pollution-reduction projects leveraged For SMEs and ESCOs from the green financing platform, barriers lowered and financing scaled up Capacity in new financial products and to appraise and implement green financing projects strengthened
Status of Implementation Progress (Outputs, Activities, and Issues)	The subprojects financed or guaranteed by the GFP have leveraged CNY9.84 billion cofinancing. 13 financial institutions joined the platform as partners for entrusted loans or cofinancing. Ten subprojects of promoting green transport in Beijing, Zibo and Langfang were financed. CNY3.16 billion invested in energy efficiency and distributed renewable projects to reduce share of coal to 56% in the mix in 2021. About 2.29 million square meters of floor area were retrofitted with energy-efficiency heating. CNY478 million were financed for four clean and energy-efficient agriculture biomass utilization demonstration subprojects. CNY1.95 billion has been invested in SMEs and ESCOs for green investment projects by the GFP, including CNY831 million of entrusted loans and CNY1.12 billion of guaranty services. Three commercial banks, e.g. Bank of Beijing, Ping An Bank, and Bank of Communications, joined the platform to cofinance SMEs and ESCOs. More than 1,000 subprojects were appraised for cofinancing by commercial banks or financial leasing companies. Eight workshops on energy management were organized with over 300 participants. Five workshops on project appraisal and management were organized with about 200 participants. 40 trainings on ESMS implementation and project management were offered to the subborrowers and the enterprises committed to green and low carbon business; the number of trainees exceeds 700.
Geographical Location	Beijing, Hebei, Henan, Inner Mongolia, Liaoning, Shandong, Shanxi, Tianjin

Safeguard Categories	
Environment	FI
Involuntary Resettlement	FI
Indigenous Peoples	FI

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities	
Consulting Services	Not Applicable.
Procurement	The subborrowers will use the commercial practices acceptable to ADB for procuring goods and services using the proceeds of subloans and investments. A procurement manual has been prepared to provide guidance on how the commercial practices can be adopted in a manner consistent with ADB's procurement principles.

Responsible ADB Officer	Zhou, Yun
Responsible ADB Department	East Asia Department
Responsible ADB Division	EASI
Executing Agencies	China National Investment and Guaranty Corporation

Timetable	
Concept Clearance	25 Jul 2016
Fact Finding	29 Aug 2016 to 05 Sep 2016
MRM	04 Oct 2016
Approval	12 Dec 2016
Last Review Mission	-
Last PDS Update	28 Sep 2022

Loan 3504-PRC

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Dec 2016	25 May 2017	14 Aug 2017	30 Sep 2022	-	13 Jul 2022

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	1,441.60	Cumulative Contract Awards			
ADB	499.60	12 Nov 2022	526.93	0.00	100%
Counterpart	942.00	Cumulative Disbursements			
Cofinancing	0.00	12 Nov 2022	526.93	0.00	100%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

Project Page	https://www.adb.org/projects/50096-002/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=50096-002
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