China, People's Republic of: Beijing-Tianjin-Hebei Air Quality Improvement-Hebei Policy Reforms Program

**Project Name**: Beijing-Tianjin-Hebei Air Quality Improvement-Hebei Policy Reforms Program

**Project Number**: 49232-001

**Country**: China, People's Republic of

**Project Status**: Closed

**Project Type / Modality of Assistance**: Loan

**Source of Funding / Amount**

<table>
<thead>
<tr>
<th>Source of Funding / Amount</th>
<th>Amount</th>
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<tr>
<td>Ordinary capital resources</td>
<td>US$ 300.00 million</td>
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<td>Loan: Beijing-Tianjin-Hebei Air Quality Improvement-Hebei Policy Reforms Program</td>
<td>US$ 200.00 million</td>
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<td>World Bank</td>
<td>US$ 166.65 million</td>
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<td>KfW Bankengruppe</td>
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**Strategic Agendas**
- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

**Drivers of Change**
- Governance and capacity development
- Partnerships

**Sector / Subsector**
- Education: Education sector development, social protection initiatives
- Energy: Energy sector development and institutional reform, Energy utility services, Oil and gas transmission and distribution, Renewable energy generation, biomass and waste
- Public sector management: Public administration
- Transport: Transport policies and institutional development

**Gender Equity and Mainstreaming**
- No gender elements

**Description**

The program supports the Hebei provincial government (HPG) in increasing its efforts to improve air quality in the greater capital area, comprising Beijing municipality (Beijing), Tianjin municipality (Tianjin), and Hebei province (Hebei) (together, the BTH region). The program will (i) reduce emissions from major air pollution sources, (ii) strengthen environment policy and the institutional framework for implementation, and (iii) enhance employment support for inclusive industrial transformation. The program will provide HPG with a solid basis to introduce incremental reforms under the PRC's 13th Five-Year Plan, 2016-2020, while enabling HPG to consolidate and accelerate necessary actions during 2015-2016.

**Project Rationale and Linkage to Country/Regional Strategy**

In 2013, the BTH region, with a population of 109.2 million, generated a gross domestic product (GDP) of CNY6.2 trillion, accounting for 10% of the national total. While the region is an engine of socioeconomic development for the PRC, poor air quality jeopardizes its sustainable growth. In 2014, the annual average PM2.5 concentration was 93.0 micrograms/cubic meter, several times higher than in cities of developed countries. In the BTH region, PM2.5 is locally generated and formed in the atmosphere by emissions from (i) industries, (ii) continuous coal burning for electricity generation and heating boilers in urban and rural areas, (iii) increasing motor vehicle emissions, and (iv) the burning of agricultural biomass waste. The topographical and meteorological characteristics of the region are also conducive to the buildup of air pollution.

An imbalanced socioeconomic structure in the BTH region has made Hebei the main source of air pollution and a clear bottleneck for air pollution control. Hebei's economy relies heavily on polluting secondary industries coal-fired energy generation, iron, steel, coking, and cement. In 2014, 7 of the 10 cities with the worst air quality in the PRC were in Hebei. Hebei emits more than 80% of total primary PM2.5 in the BTH region, and three times more nitrogen oxides one of the precursors of secondary PM2.5 than the total of Beijing and Tianjin. To improve the region's air quality, the first priority is to address Hebei's problems, while improving coordination of air quality improvement efforts in the region. As a national priority, the central government is scaling up its efforts to address this environmental challenge together with climate change. The national air quality standards were updated in 2012 to be equivalent with those in most developed countries. The new environmental protection law came into force in 2015. In 2013, the State Council issued the Action Plan on Prevention and Control of Air Pollution, 2013-2017. In 2013-2014, the central government budgeted CNY15 billion to improve the air quality in six northeastern provinces, including the BTH region. In the five-year Hebei Clean Air Action Plan (HCAAP), HPG commits to reduce by 2017 (i) PM2.5 concentration by 25% from the 2012 level, (ii) steel-making production capacity by 60 million tons, (iii) cement production capacity by 60 million tons, (iv) coal consumption by 40 million tons, and (v) glass production capacity by 38 million weight boxes.

The introduction of the HCAAP and urgent air pollution mitigation requirements led to Hebei's fragmented policy framework. Pollution reduction efforts during 2013-2014 only resulted in several short-term, end-of-pipe, policy actions and the strengthening of legal enforcement against polluting industries to reduce production capacity and the number of old vehicles. In 2014, Hebei was the PRC's second-largest coal consumer with 90% of energy supplied by coal, much higher than the national average of about 70%. During 2013-2014, transport policies did not target the key issue of the increasing number of motor vehicles. Both urban and rural areas depend on old and inefficient infrastructure. Both urban and rural areas depend on old and inefficient infrastructure for cooking and heating. The existing policies offered few alternatives to the seasonal burning of agricultural biomass waste. To remove constraints and enhance long-term development prospects, Hebei needs (i) a basic and comprehensive policy framework, (ii) well-coordinated actions to gradually enhance policies, (iii) investments to better manage air pollution reduction efforts, and (iv) private sector participation in financing necessary investments for industrial modernization.

**Impact**

Air pollution in the BTH region reduced
Public health in the BTH region improved
Framework for incremental policy and investment actions in Hebei to improve air quality in the BTH region strengthened.

Implementation on track.

1. Policies and actions to reduce air pollution from key sectors issued and approved
2. Environmental policy and institutional framework for implementation strengthened
3. Employment promotion for inclusive industrial transformation enhanced

The one time tranche release to IA of $300 million was completed on 3 June 2016.

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2. Environmental policy and institutional framework for implementation strengthened
3. Employment promotion for inclusive industrial transformation enhanced

Due diligence during preparation concluded that the program's policy actions do not entail any involuntary resettlement or have any adverse impact on indigenous peoples or the environment.

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The stakeholders will continuously be engaged during the implementation, especially in the process of completing the agreed policy actions and the performance monitoring at the project completion stage.

Consulting Services
Procurement

Not applicable
Not applicable

Bo An

East Asia Department

Public Mgt, Financial Sector and Regional Coop Division, EARD

Hebei Provincial Government
Hebei Provincial Finance Bureau
48 South Zhonghua St Shijiazhuang 050051
Hebei Province, People’s Rep of China

01 Sep 2015
07 Sep 2015 to 11 Sep 2015
12 Oct 2015
10 Dec 2015
-
30 Sep 2016
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Date Generated: 04 October 2020

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