Shandong Green Development Fund Project

Project Name: Shandong Green Development Fund Project
Project Number: 51194-001
Country: People's Republic of China
Project Status: Proposed
Project Type / Modality of Assistance: Loan

Source of Funding / Amount:
- Loan: Shandong Green Development Fund Project
  - Ordinary capital resources: US$ 100.00 million
  - KfW Bankengruppe: US$ 113.69 million
  - Agence Francaise de Development: US$ 84.53 million

Strategic Agendas:
- Environmentally sustainable growth
- Inclusive economic growth

Drivers of Change:
- Governance and capacity development
- Knowledge solutions
- Partnerships
- Private sector development

Sector / Subsector:
- Finance - Infrastructure finance and investment funds

Gender Equity and Mainstreaming:
- Effective gender mainstreaming

Description:
The Shandong Green Development Fund Project (SGDF) will pilot an innovative leveraging mechanism to catalyze private, institutional and commercial (PIC) capital for the development of climate positive infrastructure and business in Shandong Province, People's Republic of China (PRC). The project will support a portfolio of mitigation and adaptation subprojects assessed against both climate and financial eligibility criteria. The project will contribute to the province's transition to low-carbon and climate-resilient development patterns. Shandong faces mounting climate change (CC) and environmental protection challenges. The Province tops the country's energy consumption and the number of motor vehicles, responsible for most of the greenhouse gas emissions (GHG). The project aims to leverage private, institutional and commercial (PIC) finance for climate resilient subprojects assessed against both climate and financial eligibility criteria. The project consists of a mix of public and private sector capital of $1.2 billion and catalytic resources of $300 million from international financing institutions (IFI), which is required to reach sufficient critical mass of funding to achieve a significant leverage ratio over 5. The project finances a portion of the total capital expenditures of selected climate resilient subprojects for a capped period to make the subprojects bankable, by addressing the upfront project risks, as well as promoting advanced technologies and an integrated approach for climate change. The level of catalytic fund and the financing terms are linked to the climate criteria and performance in line with the Green Climate Fund (GCF) investment criteria and framework.

Project Rationale and Linkage to Country/Regional Strategy:
Policy Framework (National): Under the 12th Five Year Plan, PRC actively promotes a paradigm shift from gross domestic product (GDP)-oriented development to a development model centered on quality of growth. The Intended Nationally Determined Contribution (INDC) details the PRC's commitment to climate change actions by 2030, notably to: (i) achieve the peaking of carbon dioxide emissions around 2030; and (ii) increase the share of non-fossil fuels in primary energy consumption to around 20%. Context (Regional): Shandong ranks the 8th in terms of provincial GDP per capita and the GDP of Jinan ranks 21 out of 34 PRC provincial capital cities. Shandong is a labor reservoir for migrants, partially a result of extensive industrial investment. However, the Province is facing multiple climate vulnerability challenges and investment is now targeted for industrial transformation and low carbon development that supports Climate Change (CC) adaptation and mitigation policies. Because of its history of rapid industrial development, the Province tops greenhouse gases (GHG) emissions and was selected to pilot for this Project. Shandong also targets to achieve peaking of CO2 emissions around 2027, three years earlier than the national goal.

Core Challenges:
- The Province faces many challenges in meeting these goals due to heavy reliance on coal and expanding traffic concerns; in 2017, Jinan was ranked as the most congested city in the PRC. In response, the State Council approved Shandong to become a comprehensive pilot area for shifting the growth paradigm with new drivers and investment. Meeting this paradigm shift and CC targets requires better access to climate specific finance, which the Project aims to support.

Priority Investments:
- Investment priorities are determined from the climate analysis and assessment of sectors, where financing mechanisms have most impact. For mitigation sectors the priorities are to address the main sources of GHG emissions (including but not limited to): (i) energy sector with renewable energy including wind, solar, biomass, geothermal and emerging technology investments; (ii) green (energy efficient) building and heating/cooling systems; and (iii) low carbon transport with supporting investments in new energy vehicles and bus rapid transit green corridors.
- Based on the Provincial modeling of climate vulnerabilities, Shandong's adaptation priorities are (including but not limited to): agricultural and urban water supply infrastructures; city flood resilience or sponge cities through low impact development that includes flood proofing and urban lifeline systems such as water supply, drainage; city greening, coastal protection and solid waste.

Impact:
- Peaking of carbon dioxide emissions around 2030 or earlier on best efforts achieved

Outcome:
- Climate resilience in Shandong Province enhanced
**Outputs**

Shandong Green Development Fund established with PIC financing leveraged knowledge and skills of local governments, civil society and private sector to prepare climate resilient projects enhanced.

**Geographical Location**

Shandong

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<th>Safeguard Categories</th>
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<tr>
<td>Environment</td>
<td>FI</td>
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<tr>
<td>Involuntary Resettlement</td>
<td>FI</td>
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<tr>
<td>Indigenous Peoples</td>
<td>FI-C</td>
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</tbody>
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**Summary of Environmental and Social Aspects**

- Environmental Aspects
- Involuntary Resettlement
- Indigenous Peoples

**Stakeholder Communication, Participation, and Consultation**

- During Project Design
- During Project Implementation

**Responsible ADB Officer**

Hubert M. Jenny

**Responsible ADB Department**

East Asia Department

**Responsible ADB Division**

Public Mgt, Financial Sector and Regional Coop Division, EARD

**Executing Agencies**

- Ministry of Finance
  Sanlihe, Xicheng District
  Beijing,100820
  People’s Republic of China
- Shandong Provincial Finance Department
  13 Jida Road, Jinan, Shandong Province, PRC, 250002

**Timetable**

<table>
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<tr>
<td>Concept Clearance</td>
<td>03 Oct 2017</td>
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<tr>
<td>Fact Finding</td>
<td>30 Jul 2018 to 17 Aug 2018</td>
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<td>MRM</td>
<td>09 Jul 2019</td>
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<td>Approval</td>
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<td>Last Review Mission</td>
<td>-</td>
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<td>Last PDS Update</td>
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**Project Page**

https://www.adb.org/projects/51194-001/main

**Request for Information**

http://www.adb.org/forms/request-information-form?subject=51194-001

**Date Generated**

18 September 2019

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