## Shandong Green Development Fund Project

**Project Name**: Shandong Green Development Fund Project

**Project Number**: 51194-001

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

**Project Status**: Proposed

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

**Source of Funding / Amount**: Loan: Shandong Green Development Fund Project

<table>
<thead>
<tr>
<th>Strategic Agendas</th>
<th>Environmentally sustainable growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inclusive economic growth</td>
</tr>
<tr>
<td></td>
<td>Regional integration</td>
</tr>
</tbody>
</table>

**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 Financial Intermediary Loan will finance a transformational and disruptive financing mechanism to catalyze climate finance for a portfolio of climate resilient projects to support the proactively to decarbonize the economy of Shandong. The proposed Project creates a $1.5 billion SGDF with a mix of public and private sector capital, including catalytic resources of over $300 million from IFIs funding.

The climate resilient projects' pipeline spans several sub-sectors derived from a climate vulnerability study and focuses on maximizing investment in mitigation (75%), resulting in an estimate of 20 million tons CO2 over the lifespan of the projects and adaptation (25%) with 10 million beneficiaries. The Project provides the following for eligible projects:

- Funding 10 to 50% (may vary per sector and project risk profile) of capital expenditure (CAPEX) upfront for 5 to 10 years of selected climate resilient subprojects for a capped period to make the projects bankable, by addressing the upfront subproject risks, such as approval, land acquisition and resettlement, as well as promoting advanced technologies and an integrated approach to climate change;
- Refinancing catalytic funding from year 5, with an exit strategy to replace with private finance at commercial rates through take-out financing or issuance of asset-backed securities;
- Accessing TA program, financed by ADB loan and recovered from the subproject sponsors through upfront fees for design-review-advice of climate resilient project preparation; climate / green ratings; and monitoring, evaluation and verification.

**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 greenhouse gases 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 and hazardous waste.

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

Policy Framework (National): Under the 13th Five Year Plan, People’s Republic of China (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 adaptation and mitigation policies. Because of its history of rapid industrial development, the Province tops greenhouse gases emissions and was selected to pilot for this Project. Shandong is required to reduce its CO2 emission intensity by 28.5% by 2020, the most stringent goal set at the provincial level. Shandong also targets to achieve peaking of CO2 emissions around 2027, three years earlier than the national goal. 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 climate targets requires better access to climate specific finance, which the Project aims to support.

Challenges and Project Response: Over the last ten years, the Government with the support of the development partners built a strong policy and regulatory framework for climate change. Given the very large investment identified, new mechanisms of financing climate-positive investments are required. Traditional sovereign financing and banking systems have little incentive to cater to climate change investment needs that include longer term, flexible structuring and competitively pricing. A new approach is needed to unlock significant climate finance for cities, especially from Private, Institutional and Commercial sources.

ADB’s country partnership strategy 2016-2020 facilitates the Government’s reform agenda of managing climate change and the environment. Investments under the Project also contributes to several Sustainable Development Goals (SDGs), namely SDG 9, Industry, Innovation and Infrastructure, building climate resilient infrastructure and fostering new climate finance models innovation; SDG 11, Sustainable Cities and Communities, making cities and communities more resilient, safe, inclusive and sustainable; and SDG 13, Climate Action, taking urgent actions to promote climate related investments.

**Impact**

- Peaking of carbon dioxide emissions by 2027 or earlier on best efforts achieved
- Share of non-fossil fuels in primary energy consumption increased.

**Outcome**

- Climate resilience increased in Shandong Province.

**Outputs**

- Shandong Green Development Fund established
- Knowledge and skills of local governments to prepare climate resilient projects enhanced.
### Geographical Location

**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**

Jenny Hubert M.

**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
- 3 Jida Road, Jinan, Shandong Province, PRC, 250002

---

**Timetable**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept Clearance</td>
<td>03 Oct 2017</td>
</tr>
<tr>
<td>Fact Finding</td>
<td>30 Jul 2018 to 17 Aug 2018</td>
</tr>
<tr>
<td>MRM</td>
<td>28 Jun 2019</td>
</tr>
<tr>
<td>Approval</td>
<td>-</td>
</tr>
<tr>
<td>Last Review Mission</td>
<td>-</td>
</tr>
<tr>
<td>Last PDS Update</td>
<td>25 Mar 2019</td>
</tr>
</tbody>
</table>

---

**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 April 2019

---

**ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided “as is” without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.**