



# Report and Recommendation of the President to the Board of Directors

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Project Number: 46928  
December 2012

## Proposed Loan Program for Clean Bus Leasing (People's Republic of China)

In accordance with ADB's public communications policy (PCP, 2005), this abbreviated version of the RRP excludes confidential information and ADB's assessment of project or transaction risk as well as other information referred to in paragraph 126 of the PCP.

## CURRENCY EQUIVALENTS

(as of 14 December 2012)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$.16009
\$1.00	=	CNY6.2464

## ABBREVIATIONS

ADB	–	Asian Development Bank
CNG	–	compressed natural gas
CBRC	–	China Banking Regulatory Commission
CHFLC	–	China Huarong Financial Leasing Company
EFLC	–	Everbright Financial Leasing Company
FEH	–	Far East Horizon
FLC	–	financial leasing company
GHG	–	greenhouse gas
IT	–	information technology
LNG	–	liquefied natural gas
MOFCOM	–	Ministry of Commerce
STI	–	Sustainable Transport Initiative
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

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## PROGRAM AT A GLANCE

<b>1. Program Name:</b> Loan Program for Clean Bus Leasing		<b>2. Project Number:</b> 46928	
<b>3. Country:</b> People's Republic of China		<b>4. Department/Division:</b> Private Sector Operations Department/ Capital Markets and Financial Sectors Division	
<b>5. Sector Classification:</b>			
<b>Sectors</b>	<b>Primary</b>	<b>Subsectors</b>	
Transport	√	Urban transport	
Finance		Finance sector development	
<b>6. Thematic Classification:</b>			
<b>Themes</b>	<b>Primary</b>	<b>Subthemes</b>	
Environmental sustainability	√	Urban environmental improvement	
Economic growth		Promoting economic efficiency and enabling business environment Widening access to markets and opportunities	
Private sector development		Private sector investment	
<b>6a. Climate Change Impact:</b>		<b>6b. Gender Mainstreaming:</b>	
Adaptation		Gender equity theme	
Mitigation	√	Effective gender mainstreaming	
Not applicable		Some gender elements	
		No gender elements	√
<b>7. Targeting Classification:</b>		<b>8. Location Impact:</b>	
<b>General Intervention</b>	<b>Targeted Intervention</b>		
	<b>Geographic Dimensions of Inclusive Growth</b>	<b>Millennium Development Goals</b>	<b>Income Poverty at Household Level</b>
√			
<b>9. Nonsovereign Operation Risk Rating – Obligor:</b> To be determined for each participating FLC <b>Facility:</b> To be determined for each participating FLC			
<b>10. Safeguard Categorization:</b>			
	Environment	FI (treated as C)	
	Involuntary resettlement	FI (treated as C)	
	Indigenous peoples	FI (treated as C)	
<b>11. ADB Financing:</b>			
<b>Sovereign/Nonsovereign</b>	<b>Modality</b>	<b>Source</b>	<b>Amount (\$ million)</b>
Nonsovereign	Loan	Ordinary capital resources	\$275 million
<b>12. Cofinancing:</b>			
<b>Financier</b>	<b>Category</b>	<b>Amount (\$ million)</b>	
To be determined	Commercial	At least \$100 million (and up to \$200 million)	
<b>13. Counterpart Financing:</b> Not applicable			
<b>14. Aid Effectiveness:</b> Not applicable			



## **I. THE PROPOSAL**

1. I submit for your approval the following report and recommendation on a proposed loan program of \$275 million (or CNY equivalent) to up to five financial leasing companies (FLCs) for financing of clean buses<sup>1</sup> in the People's Republic of China (PRC).<sup>2</sup>

## **II. THE FINANCIAL INTERMEDIARY**

### **A. Investment Identification and Description**

2. Since 1990, the response by most cities in the PRC to rapid growth in urban population, incomes, and car ownership has been to invest massively in roads. This has not solved the problem of heavy congestion in many cities because demand for road space has far outstripped supply despite these large expansion programs. Rapid growth in motor vehicles has also made air pollution a major problem. The large, dense concentrations of motor vehicles and their emissions in relatively small areas have raised air pollution in many urban centers to levels commonly considered harmful to human health. The fine particles often associated with vehicular emissions can increase morbidity and premature mortality. As a result, the national and municipal governments have agreed that the development of public transport is needed to avert a potential transport crisis in the PRC's urban areas. By encouraging urban residents to shift from the use of private cars to public transport, governments can alleviate congestion and air pollution, including the emissions of greenhouse gases (GHGs) that contribute to global climate change. More and better public transport will also directly benefit the poor, who depend more heavily than other income groups on public transport and often suffer from inadequate services.

3. Since 2006, the national and local governments have made the promotion of public transport a strategic priority and have increased their efforts to providing flexible, low-cost, efficient bus transport. Many cities have set ambitious targets for replacing and adding to existing bus fleets. Some provide generous subsidies to bus operators to partly offset the high upfront capital costs of new vehicles. Increasingly, local governments are also promoting clean buses by building the compressed natural gas (CNG) and liquefied natural gas (LNG) fueling stations and electric bus charging stations needed to run them and providing financial incentives to encourage the switch from high emission vehicles.

4. This expansion of clean bus transport has been limited by significant financing constraints, however. Local bus operators typically have high debt–asset ratios and, without the government subsidies they receive, would operate at a loss.<sup>3</sup> They are also subject to significant refinancing risks because they rely on bank loans with terms of 1–3 years to finance bus purchases. Banks are also usually unwilling or unable to approve the large amounts of credit needed to meet the operators' ambitious plans to add new buses and replace existing fleets.

5. Financial leasing can be an effective way to supplement bank finance and address this funding bottleneck. Leasing allows bus operators to tap additional financing that has longer tenors and potentially more competitive rates than bank loans. Leasing also allows a more

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<sup>1</sup> A clean bus is defined as a bus that meets the emission standards of Euro III equivalent and falls within at least one of the following categories: (i) buses running on cleaner fuel such as compressed or liquefied natural gas, and biomethane; (ii) "energy-efficient and new-energy buses" as defined by the national government of the PRC (currently including hybrid buses with fuel-saving rates of more than 10%, battery-only electric buses, and fuel-cell electric buses); and (iii) buses that meet the most advanced emission standards of Euro IV equivalent or above. Euro III and Euro IV are European emission standards that define the acceptable limits for exhaust emissions of vehicles.

<sup>2</sup> The design and monitoring framework is in Appendix 1.

<sup>3</sup> Bus fares in the PRC are regulated and typically set at very low levels (e.g., a cash fare of CNY1 per trip, with up to 50% discount if an integrated circuit card is used).

efficient use of funds.<sup>4</sup> These benefits can help operators improve their overall financial performance. For their part, financial leasing companies (FLCs) are being attracted to the bus industry by the strong government support for public transport development. They are further comforted by their ownership rights over the vehicles under lease. Due to strong demand from bus operators, many of the PRC's FLCs expect 2012–2017 to be a golden period for bus leasing and have made aggressive plans to expand into the market.

6. The financial leasing industry in the PRC has grown exponentially in recent years. The total value of new lease contracts increased from \$0.9 billion in 2001 to \$63.7 billion in 2010. Despite this rapid growth, the industry is still in a relatively early stage of development. Market penetration was only 3.8% in 2010, compared with an average rate of 13.8% in the world's 10 other largest financial leasing markets. To sustain its rapid growth and fulfill its potential to become the second most important source of financing in the PRC after bank credit, financial leasing, which is a capital intensive industry but lacks a deposit base, will need access to long-term funding. Many FLCs are constrained by their limited access to the capital markets and to long-term bank loans. This results in serious mismatches between the maturities of their assets and their liabilities.<sup>5</sup>

7. The program will offer long-term funding to up to five FLCs to support the leasing of buses running on cleaner fuel, hybrid buses with fuel-saving rates of more than 10%, electric buses, and conventional buses that meet the most advanced emission standard.<sup>6</sup> The program will also fund information technology (IT) systems that increase the fleet operating efficiency of urban, suburban, and intercity bus services.

8. This paragraph has been redacted due to commercially sensitive information.

9. This paragraph has been redacted due to commercially sensitive information.

10. ADB will assess the funding needs of each participating FLC borrower and tailor each loan to the company's individual circumstances. By providing long-term funding that is earmarked for financing the leases of clean buses, ADB will help promote a shift from private to public transport in the PRC. The funding will also mitigate the participant FLCs' risks of maturity mismatches and will diversify their sources of funding. The program will be ADB's first nonsovereign loan program to support sustainable transport in the PRC.

## **B. Business Overview and Strategy**

11. This paragraph has been redacted due to commercially sensitive information.

12. This paragraph has been redacted due to commercially sensitive information.

13. This paragraph has been redacted due to commercially sensitive information.

14. National statistics also show a high demand for clean buses. As of December 2011, 152,000 CNG and LNG buses were operating in the PRC, more than one-third of the total number worldwide.<sup>7</sup> According to data compiled by an industry research center,<sup>8</sup> 5,541 CNG buses were sold in the PRC in 2011. In January–June 2012, sales totaled 3,813, a 55.2%

<sup>4</sup> Unlike the structure for short-term bank loans, which have bullet repayments, the repayment structure under a lease contract is typically mortgage-style and, therefore, better suited to good cash flow management by bus operators.

<sup>5</sup> Sector Overview (accessible from the list of linked documents in Appendix 2) provides further information on the urban transport sector and the financial leasing industry.

<sup>6</sup> Well maintained and state-of-the-art diesel buses are comparable in energy efficiency to electric buses, especially when the electricity being used is produced by coal-fired power plants.

<sup>7</sup> NGV Communication Group. 2012. *Asian NGV Communications, Number 63*. Chuncheon. (May).

<sup>8</sup> chinabuses.com. 2012. *2011 PRC CNG Bus Market Analysis; 2011 PRC LNG Bus Market Analysis*. Beijing.



increase over the same period in 2011. In 2011, 3,022 LNG buses were sold in the PRC, and sales totaled 1,332 buses in January-April 2012, a 93% increase from the same period in 2011.

15. Three factors have contributed to this strong sales growth. First, the price of natural gas has remained relatively low, which has kept the costs of operating CNG and LNG buses 30%–40% lower than those of running diesel buses. Second, the extra cost of purchasing natural gas buses rather than comparable diesel vehicles is relatively small—about \$3,000 for CNG buses and \$10,000 for LNG buses. In addition, these differences are often covered by augmented subsidies from local governments.<sup>9</sup> Finally, the number of CNG and LNG fueling stations has been increasing significantly and this trend is expected to continue. During the 2011–2015 twelfth Five-Year Plan period, the number of CNG stations in the PRC is projected to rise from 2,500 to 5,000. LNG stations are to rise in number from 300 to 2,000.

16. Market demand for hybrid and electric buses is also very strong and has greatly benefited from strong government support. In January 2009, three ministries<sup>10</sup> and the National Development and Reform Commission (NDRC) launched a joint pilot program that offered subsidies of CNY600,000 for each purchase of a fuel-cell electric bus, CNY500,000 per battery-only electric bus, and up to CNY420,000 per hybrid bus, depending on the battery type and fuel savings rate.<sup>11</sup> By July 2010, 25 cities were participating in the program, which aimed to spur the introduction of 24,220 hybrid or electric buses in these cities by the end of 2012. In the program's first year (2009), 3,001 of the buses were sold, an increase of 285% from 779 in 2008. A total of 5,623 of the buses were sold in 2011, bringing cumulative sales for 2009–2011 to 14,491.<sup>12</sup>

17. This pilot program is expected to expand, which will help keep the demand for hybrid and electric buses strong. In April 2012, the PRC's State Council issued the Energy Efficient and New Energy Vehicle Industry Development Plan, 2012–2020, which set a sales target of 500,000 hybrid and electric vehicles for 2012–2015 and 5 million for 2012–2020. To reach these targets, annual sales need to average 120,000 per annum during 2012–2015. Assuming that buses account for 10% of these overall sales,<sup>13</sup> and the average price per bus is CNY900,000, annual sales of hybrid and electric buses would average CNY10.8 billion over the 2012–2015 period. To support the State Council plan, the three ministries and the NDRC extended their pilot program to all cities in the PRC in September 2012. The program will now provide subsidies of up to CNY420,000 per bus for the purchase of up to 5,000 hybrid buses.

### **C. Ownership, Management, and Governance**

18. This paragraph has been redacted due to commercially sensitive information.

19. FLCs participating in the program are expected to comply with the requirements imposed by their PRC regulators. ADB will carry out further due diligence to ensure that they have qualified and experienced management and meet high standards of corporate governance.

### **D. Financial Performance**

20. This paragraph has been redacted due to commercially sensitive information.

<sup>9</sup> For example, the municipal government in Fuzhou subsidizes 30% of the vehicle price for conventional diesel buses and 40% for CNG, LNG, electric, and hybrid buses.

<sup>10</sup> The Ministry of Finance, the Ministry of Science and Technology, and the Ministry of Industry and Information Technology.

<sup>11</sup> The subsidies come from the central government. Local governments participating in the pilot program provide further subsidies and support.

<sup>12</sup> chinabuses.com. 2012. *2011 PRC New Energy Bus Market Analysis*. Beijing.

<sup>13</sup> Buses now account for 63% of hybrid and electric vehicle sales but this ratio is expected to decline.

### III. THE PROPOSED ADB ASSISTANCE

#### A. The Assistance

21. Subject to the program limit of \$275 million, ADB will provide term loans under the program of up to \$100 million (or CNY equivalent) per borrower to finance the leasing of clean buses.<sup>14</sup> These loans will have maturities of up to 8 years from the date of the signing of legal documentation. Subject to demand, up to 10% of loan proceeds per borrower can be used to finance the leasing of IT and management systems that will increase bus fleet operating efficiency. (This sentence has been redacted due to commercially sensitive information.)

22. This paragraph has been redacted due to commercially sensitive information.

23. This paragraph has been redacted due to commercially sensitive information.

24. The program will seek to mobilize commercial cofinancing of at least \$100 million and up to \$200 million in the form of parallel loans from other development finance institutions, specialty funds, and commercial banks.<sup>15</sup> (This sentence has been redacted due to commercially sensitive information.)

25. The program is expected to be supported by an associated ADB technical assistance (TA) grant to strengthen the capacity of bus operators. The TA will include development of information resources and training materials aimed at maximizing the service performance of the bus fleets through the proper selection of bus types, optimization of fleet operations, a training program on driving in an eco-conscious way, advice on maintenance, and assistance with management reporting and IT systems.<sup>16</sup>

#### B. Implementation Arrangements

26. This paragraph has been redacted due to commercially sensitive information.

27. This paragraph has been redacted due to commercially sensitive information.

28. This paragraph has been redacted due to commercially sensitive information.

#### C. Value Added by ADB Assistance

29. ADB adds value to the program in the following ways:

- (i) ADB will provide critical long-term finance and help leverage cofinancing. This will help address current funding constraints in the financial leasing industry and promote the development of the clean bus leasing business in the PRC.
- (ii) ADB, through its contacts with provincial and local governments, is in a unique position to help the leasing companies reach potential clients. So far, ADB has introduced five public transport operators in the cities of Wuhan, Xi'an, and Kunming to leasing companies, as well as one transport software system developer based in Shanghai.
- (iii) ADB recognizes and is responsive to the technical and operational needs of bus operators. The program is expected to be supported by an associated TA to

<sup>14</sup> The borrowing entity for ADB's loan can be the selected FLC, its parent, or a special funding vehicle that is covered by appropriate guarantees and/or security arrangements. The program limit will be \$275 million and/or the CNY equivalent, with the CNY loan balance to be determined at or about the time of each loan signing, using the exchange rate at or about the time of the relevant loan signing date.

<sup>15</sup> ADB will introduce the program and the participating FLCs to potential cofinancing partners and share due diligence materials with these partners. The participating FLCs will negotiate financing terms separately with each lender.

<sup>16</sup> The TA will be processed separately, pending confirmation of funding sources. Funding of up to \$2.5 million has been sought from the Global Environment Facility. If the application is not successful, funding of up to \$1 million will be sought from ADB's Technical Assistance Special Fund for TA with a smaller scope.

enhance the capacity of bus operators in the selection, fleet operation, management, and maintenance of clean buses.

#### **D. Risks**

30. This paragraph has been redacted due to commercially sensitive information.

### **IV. DEVELOPMENT IMPACT AND STRATEGIC ALIGNMENT**

#### **A. Development Impact, Outcome, and Outputs**

##### **1. Impact**

31. The program's impact will be an increase in clean bus transport services in the PRC. The program is fully in line with the multilateral development banks' Rio+20 (United Nations Conference on Sustainable Development) commitment to provide \$175 billion for transport in developing countries during 2012-2022. By financing the lease of clean buses, the program will support the expansion of a low-cost, flexible mode of public transport. Although these benefits will not be measured, the expansion of clean bus services under the program is expected to directly benefit millions of low-income commuters, improve air quality, and reduce GHG emissions.<sup>17</sup>

##### **2. Outcome**

32. The program outcome will be an increase in the deployment of clean buses in the urban, suburban, and intercity public transport markets.<sup>18</sup> The program is expected to finance the leasing of at least 5,000 clean buses by 2018. From 2019, the program will help avoid GHG emissions of 1.31 million tons per annum through a shift from the use of private cars to the use of public transport and through the use of low emission buses.<sup>19</sup> The program will result in 420 million vehicle-kilometers of service operation by clean buses per annum in the PRC.<sup>20</sup>

##### **3. Output**

33. The program output will be expanded clean bus leasing operations of FLCs in the public transport market.

#### **B. Alignment with ADB Strategy and Operations**

##### **1. Consistency with Strategy 2020**

34. Strategy 2020 emphasizes ADB's support for environmentally sustainable growth and the expansion of ADB's promotion of sound environmental management.<sup>21</sup> It also seeks to meet the region's growing energy demands by helping DMCs develop environment-friendly technologies. A key action is to mitigate climate change by moving DMCs on to low-carbon growth paths by (i) improving energy efficiency, (ii) expanding the use of clean energy sources, (iii) reducing fugitive GHG emissions, (iv) modernizing public transport systems, and (v) arresting deforestation. The program is fully consistent with these strategic objectives.

<sup>17</sup> The environmental impacts will be achieved through a shift from travel in private vehicles to public transport, adoption of clean fuel, energy-efficient and low emission vehicles, and deployment of IT systems to help bus networks operate more efficiently.

<sup>18</sup> Subject to demand, the program may also support wider adoption of IT systems that increase the operating efficiency of bus fleets.

<sup>19</sup> The use of each clean bus is estimated to avoid the emission of 0.75 tons of greenhouse gas (CO2 equivalent) per day on average. Assuming 350 operating days per year per bus, 5,000 buses avoid 1.31 million tons of greenhouse gas emissions (CO2 equivalent) per annum.

<sup>20</sup> Assuming average speed of 20 kilometers per hour; 12 operating hours per day, and 350 operating days per year.

<sup>21</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

35. Financial sector development is one of ADB's five core areas of specialization under Strategy 2020. Development of the finance sectors of DMCs is seen as essential to ensuring sustainable private sector-led economic growth. Under Strategy 2020, ADB seeks to strengthen its support to the finance sector at the regional and national levels by helping to develop financial infrastructure, institutions, and products and services. The program will provide critical long-term financing to support the nascent leasing industry in the PRC, while promoting innovative financing mechanisms for sustainable growth and the development of the capital markets.

## **2. Consistency with Country Strategy**

36. The program is fully in line with the priorities of ADB's country partnership strategy, 2011–2015 for the PRC.<sup>22</sup> It is aligned, in particular, with the strategy's emphasis on mainstreaming climate change considerations and support for green finance.<sup>23</sup> The program supports financial sector development, one of the private sector operational focuses identified in the country partnership strategy. It also supports the implementation of the PRC's twelfth Five-Year Plan, which accentuates resource conservation and environmental protection and attaches top priority to improving energy efficiency, reducing pollution emissions, and developing cleaner and renewable energy.

## **3. Consistency with Sector Strategy and Relevant ADB Operations**

37. **Transport sector development.** The program fully supports ADB's Sustainable Transport Initiative (STI), which focuses on creating transport systems that are accessible, safe, affordable, and environment-friendly. According to the STI operational plan, ADB should focus on roles where it can significantly add value to sustainable transport activities. To optimize its contribution, ADB should design its operations to build on ADB-wide and international best practices in sustainable transport and channel its financing to projects and activities where ADB involvement will result in increased sustainability. ADB assistance should help DMCs overcome sector obstacles to wider adoption of sustainable transport. Based on these principles, urban transport is identified as an area in which ADB should scale up support for sustainability. The STI operational plan also emphasizes private sector participation and mobilization of additional finance.

38. **Financial sector development.** Financial sector development is a focus of ADB's Private Sector Development Strategy<sup>24</sup> and Enhanced Poverty Reduction Strategy,<sup>25</sup> which regard economic growth, stimulated by private sector investment, as a key factor in reducing poverty. The program is consistent with the overall sector strategy. It will help develop the PRC's financial sector, give public transport operators better access to financial services, make private sector development in the country more sustainable, and contribute to ADB's mission to help its DMCs reduce poverty and improve living conditions and quality of life.

# **V. POLICY COMPLIANCE**

## **A. Safeguards and Social Dimensions**

39. The program is classified as category FI (treated as C) under ADB's Safeguard Policy Statement (2009) for environment, involuntary resettlement, and indigenous peoples impacts.

<sup>22</sup> ADB. 2012. *Country Partnership Strategy: People's Republic of China, 2011–2015*. Manila.

<sup>23</sup> Pillar 2 of ADB's country strategy for the PRC (environmentally sustainable growth) states, "all ADB assistance will be viewed through an environmental lens to further green the portfolio and mainstream climate change considerations into future operations".

<sup>24</sup> ADB. 2000. *Private Sector Development Strategy*. Manila.

<sup>25</sup> ADB. 2004. *Enhancing the Fight Against Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

The program will fund the leasing of buses running on cleaner fuels, buses that are energy-efficient or use new energy sources, and conventional buses that meet the most advanced environmental regulatory thresholds for emissions. Compliance with emission standards covering bus engines is mandatory in the PRC and the program is expected to have minimal environmental or social impacts. Clean buses leased as a result of the program will have to meet the PRC's permit, testing, and registration requirements and follow national and local vehicle emission standards and regulations. No land acquisition, physical or economic displacements, or impacts on indigenous peoples are expected from the activities of the FLC borrowers. All participating FLCs will apply the Prohibited Investment Activities List in Annex 5 of ADB's Safeguard Policy Statement and comply with relevant national laws and regulations.

40. The borrowers will need to comply with national labor laws and relevant internationally recognized core labor standards. The program is expected to benefit all commuters, including women, and therefore is classified as having no gender element.

#### **B. Anticorruption Policy**

41. The participating FLCs will be advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism, and remedies for ADB in the event of noncompliance.

#### **C. Investment Limitations**

42. The loan program is within the medium-term country, industry, group, and single investment exposure limits for nonsovereign investments.

#### **D. Assurances**

43. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),<sup>26</sup> the PRC Government's no objection to the proposed Program will be obtained. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the ADB Board of Directors.

### **VI. RECOMMENDATION**

44. I am satisfied that the proposed loan program would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the proposed loan program of \$275,000,000 (or CNY equivalent) to up to five financial leasing companies for financing clean buses in the People's Republic of China, from ADB's ordinary capital resources, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Haruhiko Kuroda  
President

19 December 2012

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<sup>26</sup> ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

### DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Increase in clean bus transport services in the PRC	Number of buses operating on CNG or LNG increases from 152,000 in 2011 to at least 300,000 in 2020  Number of electric and hybrid buses increases from 14,491 in 2011 to at least 150,000 <sup>a</sup> in 2020	National and local transport statistics  Statistics from industry associations  www.chinabus.com	<b>Assumptions</b> The Government of the PRC continues its strong policy support for public transport.  The central and local governments continue to provide the necessary infrastructure for clean buses.  <b>Risks</b> Government lowers or discontinues subsidies for hybrid and electric buses.  A sharp slowdown in the PRC economy impacts the growth of the leasing industry.
<b>Outcome</b> Deployment of clean buses in the urban, suburban, and intercity public transport markets increased	At least 5,000 <sup>b</sup> clean buses are leased and in operation by bus operators by 2018  420 million vehicle-kilometers <sup>c</sup> of service per annum provided by the buses funded by the program from 2019  Greenhouse gas emission savings of 1.31 million tons per annum achieved from 2019 <sup>d</sup>	Technical and operations reports submitted by borrowers  Development effectiveness monitoring reports	<b>Assumptions</b> Government policies continue to promote the adoption of clean buses.  Bus companies increase fleet sizes and replace older, less efficient buses with clean buses.  <b>Risk</b> A simultaneous reduction in diesel prices and an increase in natural gas prices reduce the attractiveness of CNG and/or LNG buses for public transport operators.
<b>Output</b> Clean bus leasing operations of financial leasing companies expanded	Financial leasing companies provide \$375 million of lease financing for clean buses to at least 15 public transport operators by 2017.	Audited financial statements and other relevant reports  Development	<b>Assumption</b> Lease financing offered by the borrowers is competitive and attracts bus operators.  <b>Risk</b>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>At least 30% of public transport operators receiving financing from the program are located in less-developed inland or western provinces</p> <p>The borrowers comply with relevant local laws, standards, and regulations, as well as with ADB's safeguard requirements for financial intermediaries.</p>	<p>effectiveness monitoring reports</p> <p>Technical and operations reports submitted by the borrowers</p>	<p>A slowdown in the PRC's economy hampers the funding and business expansion of financial leasing companies.</p>
<b>Activities with Milestones</b> 1. This section has been redacted due to commercially sensitive information			<b>Inputs</b> ADB: \$275 million Cofinancing: <sup>e</sup> \$100 million

ADB = Asian Development Bank, CNG = compressed natural gas, CO<sub>2</sub> = carbon dioxide, LNG = liquefied natural gas, PRC = People's Republic of China.

<sup>a</sup> The State Council's Energy Efficient and New Energy Vehicle Industry Development Plan, 2012–2020 has a total sales target of 5 million hybrid and electric vehicles for the 2012–2020 plan period, and 150,000 buses would account for only 3% of this figure.

<sup>b</sup> Calculations based on the following assumptions: 40% hybrid or electric buses at CNY900,000 per bus; 60% CNG or LNG buses at CNY500,000 per bus; down payment rate of 30%; and cofinancing of \$100 million.

<sup>c</sup> Assuming average speed of 20 kilometers per hour; 12 operating hours per day, and 350 operating days per year.

<sup>d</sup> The use of each clean bus is estimated to avoid the emission of 0.75 tons of greenhouse gas (CO<sub>2</sub> equivalent) per day on average. Assuming 350 operating days per year per bus, 5,000 buses avoid 1.31 million tons of greenhouse gas emissions (CO<sub>2</sub> equivalent) per annum.

<sup>e</sup> (This sentence has been redacted due to commercially sensitive information.) While ADB seeks to catalyze additional finance of up to \$200 million, a more conservative assumption of \$100 million cofinancing is used for the purpose of measuring the development output and outcome.

Source: Asian Development Bank.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=46928-01-4>

1. Sector Overview
2. Ownership, Management, and Governance
3. Details of Implementation Arrangements
4. Contribution to the ADB Results Framework
5. Financial Analysis
6. Country Economic Indicators
7. Summary Poverty Reduction and Social Strategy
8. Safeguards and Social Dimensions Summary

### **Supplementary Documents**

10. This paragraph has been redacted due to commercially sensitive information.