

Project Administration Manual

Project Number: 53345-001

Loan: LXXXX

October 2020

People's Republic of China: Bank of Xingtai Green
Finance Development Project

ABBREVIATIONS

ADB	–	Asian Development Bank
AFS	–	audited financial statement
APFS	–	audited project financial statement
ASBEs	–	Accounting Standards for Business Enterprises
BIS	–	Bank for International Settlement
BOX	–	Bank of Xingtai
CBIRC	–	China Banking and Insurance Regulatory Commission
CNY	–	Chinese Yuan
CGRA	–	Country Governance Risk Assessment
DOF	–	Department of Finance
DRC	–	Development and Reform Commission
ESG	–	environment, social, and governance
ESMS	–	environment social monitoring system
FCUP	–	Foreign capitalization utilization plan
FIL	–	financial intermediation loan
FMA	–	financial management assessment
G20	–	Group of Twenty
GAP	–	gender action plan
GRI	–	Global Reporting Initiative
IAASB	–	International Auditing and Assurance Standards Board
IT	–	Information technology
LDH	–	(ADB) Loan Disbursement Handbook
LFIS	–	(ADB) Loan Financial Information System
EURIBOR	–	Euro interbank offered rate
MOF	–	Ministry of Finance
NDRC	–	National Development and Reform Commission
OECD	–	Organisation for Economic Co-operation and Development
PAM	–	project administration manual
PBOC	–	People's Bank of China (central bank)
PMU	–	project management unit
PPMS	–	project performance management system
PRC	–	People's Republic of China
PRI	–	Principles of Responsible Investment
RRP	–	Report and Recommendation of the President to the Board of Directors
SOE	–	statement of expenditure
SUF	–	statement of utilization of funds

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The People's Republic of China (PRC) will be the borrower. The Hebei Provincial Government will be the executing agency. A project steering committee will be established by the Xingtai City Government and will be responsible to the Hebei Provincial Government for the overall project management, coordination, and resolution of major implementation issues. The steering committee will not interfere with Bank of Xingtai's day-to-day operations and subproject selection and credit decisions. Bank of Xingtai will be the implementing agency. The project steering committee will set up a project management unit at the Bank of Xingtai for the day-to-day project implementation.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan agreement and project agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement or the project agreement, the provisions of the loan agreement and the project agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

I. PROJECT DESCRIPTION

1. The proposed project will catalyze and demonstrate the use of green finance in Hebei Province, one of the most polluted industrial regions in the People's Republic of China (PRC). The Asian Development Bank (ADB) funds will be provided to the Bank of Xingtai, a local city commercial bank in Hebei, to finance subprojects that meet the national and international green finance standards.¹ The Bank of Xingtai was chosen due to its established business relationships with polluting industries in and around the city of Xingtai, and its firm commitment to transform itself into a green bank. The project will introduce the latest concepts and international best practices on green, responsible, and sustainable financing into the Bank of Xingtai's operations, including: (i) green finance taxonomies (i.e., defining what is "green"); (ii) a risk framework that covers environment, social, and governance (ESG) requirements that substantially exceed standard credit risk-based models of conventional commercial banks;² and (iii) ESG public disclosure requirements based on the Global Report Initiative (GRI).³ The Bank of Xingtai will apply these international best practices in its financing of subprojects. In addition, the project will strengthen the Bank of Xingtai's institutional capacities in green finance policy, environmental and social safeguard systems, financial and risk management, and gender mainstreaming. The project will also serve as a green finance business model for other city and rural commercial banks in the PRC to replicate, thereby furthering the government's efforts to expand green finance in the country and ultimately contribute to better regional and global environmental outcomes.

2. The project is aligned with the following impact: industrial transformation and green development in Hebei Province promoted and environmental conditions improved.⁴ The project will have the following outcome: volume of green finance provided by the city and rural commercial banking sector in Hebei Province increased. This outcome will be achieved through three outputs.

3. **Output 1: The Bank of Xingtai's green finance system established.** The project will help the Bank of Xingtai (i) adopt domestically and internationally accepted green finance taxonomy as the basis for subproject eligibility and selection criteria, (ii) establish an ESG framework for monitoring subproject performances, and (iii) implement the GRI principles for reporting and disclosing subproject ESG information to the public. The establishment and adoption of the green finance system will be accomplished through (i) the operationalization of a sophisticated green finance IT system that will apply domestic and international green finance taxonomies to define what constitutes "green", and (ii) implements the ESG and GRI guidelines. The EU's sustainable finance taxonomy, which is among the most comprehensive anywhere, will be incorporated in the subproject eligibility criteria (Appendix 5).

4. **Output 2: Green finance lending by the Bank of Xingtai initiated and increased.** The project will support the Bank of Xingtai's establishment of a green finance lending business line and help it increase its green lending volume during project implementation and beyond. The ADB project funds will serve as a catalyst for green financing provided by the private sector and other

¹ The PRC's banking sector consists mainly of 3 policy banks, 6 state banks, 12 national joint-stock banks, 133 city commercial banks, 1,429 rural commercial banks, 1,424 rural cooperatives, and many other village financial entities. City commercial banks gain strong local business advantages from operating mainly within and around their respective municipalities.

² The ESG risk framework helps financial institutions identify and select investments and lending activities based on their environmental, social, and governance sustainability.

³ GRI is an independent international standards organization that helps businesses, governments, and other organizations improve the transparency of the business environment and economic and social impacts.

⁴ 2016. Hebei Provincial Government. The 13th Five-Year Plan (2016–2020) – Hebei Province Action Plan. Shijiazhuang. Future targets beyond 2020 will be identified in the next 14th Five-Year Plan (2021–2025), which are being prepared.

commercial sources.⁵ Specifically, the ADB loan of €170 million is expected to leverage €170 million in counterpart funding from the Bank of Xingtai and an additional €340 million from private sector and commercial sources such as other commercial banks. Each euro of ADB financing will leverage €3 or more from other sources, and significantly expand the project's green finance and development impact.

5. Output 3: The Bank of Xingtai's environment, social, and governance and related institutional capacities improved. The project will help the Bank of Xingtai strengthen its institutional capacity. It will develop an ESG risk management framework. The Bank of Xingtai's environmental and social management system (ESMS) will be improved, a dedicated safeguard unit established, and environmental and social safeguard training provided for its staff. The project will also support the improvement of the Bank of Xingtai's financial and risk management capacity through training to bank staff on credit assessment and treasury operations. This will help integrate the ESG risks to the bank's credit review process and extend the sourcing of other low-cost funds such as from the capital markets. To disseminate the experience of the Bank of Xingtai and support replication, extensive knowledge-sharing programs on green finance in general, and green finance business models for commercial banks in particular, will be conducted with the participation of other city and rural commercial banks across Hebei and other provinces. The Bank of Xingtai will enhance human resource management to expand gender mainstreaming at the institutional and lending product levels. This will be an important step in the Bank of Xingtai's journey toward becoming a more sustainable and inclusive financial institution.

6. Subprojects and subproject eligibility criteria. The Bank of Xingtai has been preparing a subproject pipeline for the green FIL program.⁶ Potential subprojects are in such areas as biomass power generation, biofuel production, waste-to-energy investment, plastic replacement (e.g., biodegradable material production), green buildings, and environment-friendly upgrades to relevant components of industrial production lines. Qualified subprojects will need to meet financially viable and technically sound criteria, generate net environment benefits, and comply with one or more of the three prevailing domestic green finance taxonomies, namely: (i) *NDRC: Green Industry Guidance Catalogue (2019)*; (ii) *PBOC: Green Lending Statistical Method (2018)*; and (iii) *CBIRC: Green Finance Statistical Method (2013)*. To align with international standards, the subprojects will also comply with the EU's Sustainable Finance Taxonomy (Appendix 5).

7. The design and monitoring framework is in Section IX.

⁵ Private sector finance refers to commercial bank funding from such sources as private enterprises and individuals in the form of deposits and investments. Commercial finance refers to commercial bank funding from public sector sources, such as state-owned enterprises in the form of deposits and investments.

⁶ Indicative Subprojects (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President to the Board of Directors).

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Project Readiness Activities

Indicative Activities	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Responsible Entity
PRC BOX feasibility study												BOX and DRC
PRC project financial review												BOX and DOF
PRC FCUP approval												BOX and DRC
Confirmation of project design												ADB, BOX, DOF, DRC
Subproject pipeline development												BOX
Subproject reviews												ADB and BOX
BOX recruits 2 safeguard staff												BOX
ADB safeguard training												ADB and BOX
Procurement a green finance IT system												ADB and BOX
Operationalization of ESMS and PMU												ADB and BOX
ADB management review												ADB
Loan negotiation												MOF, DOF, and BOX
ADB Board approval											Sept 2020	ADB
Loan and project agreement signed											Q4 2020	ADB, MOF, DOF, and BOX
Government legal opinion provided											Q1 2021	MOF
Government budget inclusion											Q1 2021	MOF
Loan effectiveness											Q1 2021	MOF

ADB = Asian Development Bank, BOX = Bank of Xingtai, DOF = Department of Finance (Hebei Province), ESMS = environment and social management system, FCUP = Foreign Capitalization Utilization Plan, IT = information technology, MOF = Ministry of Finance, PAM = project administration manual, PMU = project management unit, PRC = People's Republic of China, TA = technical assistance.

Sources: Asian Development Bank estimates in consultation with the Bank of Xingtai and Hebei Province Department of Finance.

C. Overall Project Implementation Plan

Indicative Activities	2020				2021				2022				2023				2024				2025				2026			
	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	
DMF																												
The Bank of Xingtai's green finance system established																												
The green finance IT system procured, installed, tested, and operational																												
Green finance lending by the Bank of Xingtai initiated and increased																												
ADB disburses \$200 million equivalent EUR to Bank of Xingtai for eligible subprojects																												
Bank of Xingtai disburses \$200 million equivalent CNY counterpart finance to eligible subprojects																												
At least \$400 million equivalent CNY private sector and commercial finance leveraged by 2026																												
The Bank of Xingtai's environment, social, and governance and related institutional capacities improved																												
The Bank of Xingtai updates green finance policy, ESG, and associated guidelines																												
The Bank of Xingtai's safeguard guidelines reviewed and updated, and training provided																												
A gender-sensitive HR guideline approved and training provided																												
5 breastfeeding rooms constructed																												
Gender equality unit established and related mainstreaming conducted																												
Financial and risk management improved																												
Corporate governance assessed and improved																												
Knowledge sharing and awareness raising implemented																												
Other training and workshops are provided																												

ADB = Asian Development Bank; CNY = Chinese Yuan; DMF = design and monitoring framework; ESG = environment, social, and governance; EUR = Euro; HR = human resources; IT = information technology.
Sources: Asian Development Bank estimate, in consultation with Bank of Xingtai.

ADB = Asian Development Bank; CNY = Chinese Yuan; DMF = design and monitoring framework; ESG = environment, social, and governance; EUR = Euro; HR = human resources; IT = information technology.

Sources: Asian Development Bank estimate, in consultation with Bank of Xingtai.

Table 2: Project Implementation Requirement

Project Implementation Organizations	Management Roles and Responsibilities
Implementation arrangements	<ul style="list-style-type: none"> (i) National level: Ministry of Finance and National Development Reform Commission. (ii) Provincial level: Hebei Provincial Government. (iii) City level: Xingtai City Government. (iv) Institutional level: Bank of Xingtai.
Executing agency: Hebei Provincial Government	<ul style="list-style-type: none"> (i) Hebei Provincial Government signs a relending agreement with Ministry of Finance. The terms and conditions must be consistent with the loan agreement between PRC and ADB and the project agreement between Hebei Provincial Government and ADB. (ii) Hebei Provincial Government prepares and signs an relending agreement with Xingtai City Government. The terms and conditions must be consistent with the loan agreement between PRC and ADB and the project agreement between Hebei Provincial Government and ADB. (iii) Hebei Province Department of Finance shall establish a Euro currency advance account in a commercial bank. (iv) Hebei Provincial Government causes Xingtai City Government to establish a project steering committee to be responsible for overall project management, coordination, and resolution of major project implementation issues. (v) Hebei Provincial Government shall, through Xingtai City Government, cause the project steering committee to particularly monitor and supervise overall project implementation to ensure Bank of Xingtai is compliant with the project agreement between Hebei Provincial Government and ADB. (vi) Hebei Provincial Government shall sign a relending agreement with Xingtai City Government, which shall sign another relending agreement with Bank of Xingtai to reflect the requirements in the project agreement. (vii) Hebei Province Department of Finance review and process withdrawal applications submitted by Bank of Xingtai to Xingtai City Finance Bureau for timely funds drawdowns. (viii) Hebei Province Department of Finance, through Xingtai City Department of Finance, causes Bank of Xingtai to ensure timely submissions of project progress and completion reports. (ix) Hebei Provincial Government shall, through Xingtai City Government, cause relevant agencies to ensure the timely preparation and submission of statutory and project audit reports on the ADB project, including timely submission of APFS.
Xingtai City Government	<ul style="list-style-type: none"> (i) Xingtai City Government establishes a project steering committee to be responsible for the overall project management, coordination, and resolution of major project implementation issues. The Xingtai City Vice Mayor will be the committee chairperson, and Xingtai City Deputy Secretary will be the committee vice chairperson. Committee members shall include senior staff from Xingtai City Development and Reform Commission, Xingtai City Finance Bureau, Xingtai City Bureau

Project Implementation Organizations	Management Roles and Responsibilities
	<p>of Ecology and Environment, Xingtai City Audit Bureau, and Xingtai City Financial Supervision and Administration Bureau.</p> <p>(ii) Xingtai City Government signs a relending agreement with Hebei Provincial Government. The terms and conditions must be consistent with the loan agreement between PRC and ADB and the project agreement between Hebei Provincial Government and ADB.</p> <p>(iii) Xingtai City Government prepares and signs an relending agreement with Bank of Xingtai. The terms and conditions must be consistent with the loan agreement between PRC and ADB and the project agreement between Hebei Provincial Government and ADB.</p> <p>(iv) Xingtai City Government causes the project steering committee to particularly monitor and supervise overall project implementation to ensure Bank of Xingtai's compliance with the project agreement signed between Hebei Provincial Government and ADB.</p> <p>(v) Xingtai City Finance Bureau reviews and submits withdrawal applications (received from Bank of Xingtai) to Hebei Province Department of Finance for timely funds drawdowns.</p> <p>(vi) Xingtai City Government causes Bank of Xingtai to ensure timely submissions of project progress and completion reports.</p> <p>(vii) Xingtai City Government causes Bank of Xingtai to ensure the timely preparation and submission of statutory audit reports on the ADB project, including timely submission of annual APFS.</p>
Project steering committee	<p>Chairperson: Xingtai City Vice Mayor Vice Chairperson: Xingtai City Deputy Secretary</p> <p>(i) Committee members: senior staff from key Xingtai City government agencies, including the Development and Reform Commission, Department of Finance, Bureau of Ecology and Environment, Audit Bureau, and Financial Supervision and Administration Bureau.</p> <p>(ii) Setup of a project management unit at the Bank of Xingtai. The project management unit will be responsible for the overall project management, coordination, and resolution of major project implementation issues.</p> <p>(iii) Meet at least twice a year to review the progress of project implementation, including progress in meeting the stated disbursement targets and in compliance with Project and Borrower requirements.</p> <p>(iv) Monitor and coordinate project implementation from the perspectives of facilitating project implementation and safeguarding the use of ADB funds.</p>
Implementing agency: Bank of Xingtai	<p>(i) Bank of Xingtai will establish a project management unit with staffing and other resources satisfactory to ADB to manage the day-to-day project implementation work. The Bank of Xingtai's chairperson of the board of directors will be the project director.</p> <p>(ii) Establish and maintain an environment and social safeguard unit and ensure that it has the adequate capacity prior to first drawdown of the ADB funds.</p>

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> (iii) Develop a qualified subproject pipeline based on the ADB eligibility criteria and other requirements in this PAM. (iv) Support implementation of the project. (v) Implement the capacity development component. (vi) Select, review, approve, and monitor eligible subprojects in accordance with this PAM, the loan agreement and the project agreement. Ensure that ADB financed subprojects will be (i) financially sound, (ii) technically viable, and (iii) compliant with the ESMS, among others. (vii) Submit the first three subprojects to ADB for financial, technical, and safeguard⁷ clearance irrespective of the subproject size (one of the subprojects must not be retroactively financed). (viii) Ensure that no subprojects with an ADB safeguard category "A" are financed under the Project. (ix) Prepare withdrawal applications for submission to Xingtai City Finance Bureau and Hebei Province Department of Finance for timely disbursement. (x) Appoint dedicated financial and accounting officers to ensure that the project financial management complies with the ADB Project Financial Reporting and Auditing (see Appendix 1). (xi) Prepare annual environment and social safeguard monitoring reports. (xii) Conduct quarterly reviews by following the ADB PPMS, including (i) compliance (e.g., safeguard, gender, procurement, ADB prohibited investment activities, and others) and implementation (e.g., subborrowers, other subloan details, sectors, repayments, and asset quality), reflecting the design and monitoring framework performance target indicators, and report the same to ADB and Hebei Provincial Government. See Appendix 4 for details. (xiii) Conduct periodic review and audit on ADB subproject finance, including timely submission of AFS and APFS, as required by ADB, and report to ADB on the utilization of funds. (xiv) Prepare a project completion report to ADB within 6 months from project closing date.
ADB	<ul style="list-style-type: none"> (i) Guide Bank of Xingtai to implement the capacity development component to strengthen the Bank of Xingtai's institutional capacity to implement the project through technical inputs. (ii) Review first three Subloans as provided in the LA and PA to assist Bank of Xingtai to comply with the subproject eligibility criteria, including commercial soundness, green finance taxonomies, and safeguard requirements. (iii) Review the subproject environment, social safeguard, and technical assessments and approve the first three submitted subprojects. (iv) Facilitate other implementation matters including reviewing and processing withdrawal applications, commenting and

⁷ The first three subprojects will be submitted to ADB for review and approval or until such time ADB confirms that the Bank of Xingtai are fully staffed and has sufficient capacity to do their own due diligence and approval of safeguard documents in accordance with the ESMS.

Project Implementation Organizations	Management Roles and Responsibilities
	clearing project monitoring and review reports, and following up project audit reports. (v) Conduct regular project review missions including subproject site visits to ensure compliance. (vi) Host project tripartite portfolio review meetings among ADB, Ministry of Finance, and the implementing agency.

ADB = Asian Development Bank, AFS = audited financial statement, APFS = audited project financial statement, CNY = Chinese Yuan, ESMS = environment and social safeguard management system, LA = loan agreement, MOF = Ministry of Finance, NDRC = National Development and Reform Commission, PA = project agreement, PPMS = project performance management system, PRC = People's Republic of China, SOE = statement of expenditure.

Source: Asian Development Bank.

D. Key Persons Involved in Implementation

Executing Agency

Hebei Provincial Government

Officer's Name: Hebei Provincial Department of Finance
Telephone: +86 311 8677 2506
Office Address: 48 Taihua Street, Qiaoxi District,
Shijiazhuang, Hebei Province, People's Republic of China

Implementing Agency

Bank of Xingtai

Officer's Name: Yaofa Wang
Position: General Manager (Credit Approval Department)
Telephone: +86 319 5901113
Email address: xtshwyf@163.com
Office Address: 111 Zhongxin East Road, Xingtai City,
Hebei Province, People's Republic of China

Asian Development Bank

Public Management, Financial
Sector, & Regional Cooperation
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Staff Name: Xiaoqin Fan
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Mission Leader

Staff Name: Anqian Huang
Position: Senior Financial Sector Specialist
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E. Project Organization Structure

8. The Government of PRC will be the borrower. The Ministry of Finance will relend the ADB funds to Hebei Provincial Government, which will relend them to Xingtai City Government, which will relend them to Bank of Xingtai, in each case on the same terms and conditions as the ADB loan. The Hebei Provincial Government will be the executing agency. An ADB project steering committee will be established by the Xingtai City Government which will be responsible for the overall project management, coordination, and resolution of major implementation issues. The Xingtai City Vice Mayor will be the committee chairperson, and Xingtai City Deputy Secretary will be the committee vice chairperson. Committee members will include senior staff from key Xingtai City government agencies, including the Development and Reform Commission, Finance Bureau, Bureau of Ecology and Environment, Audit Bureau, and Financial Supervision and Administration

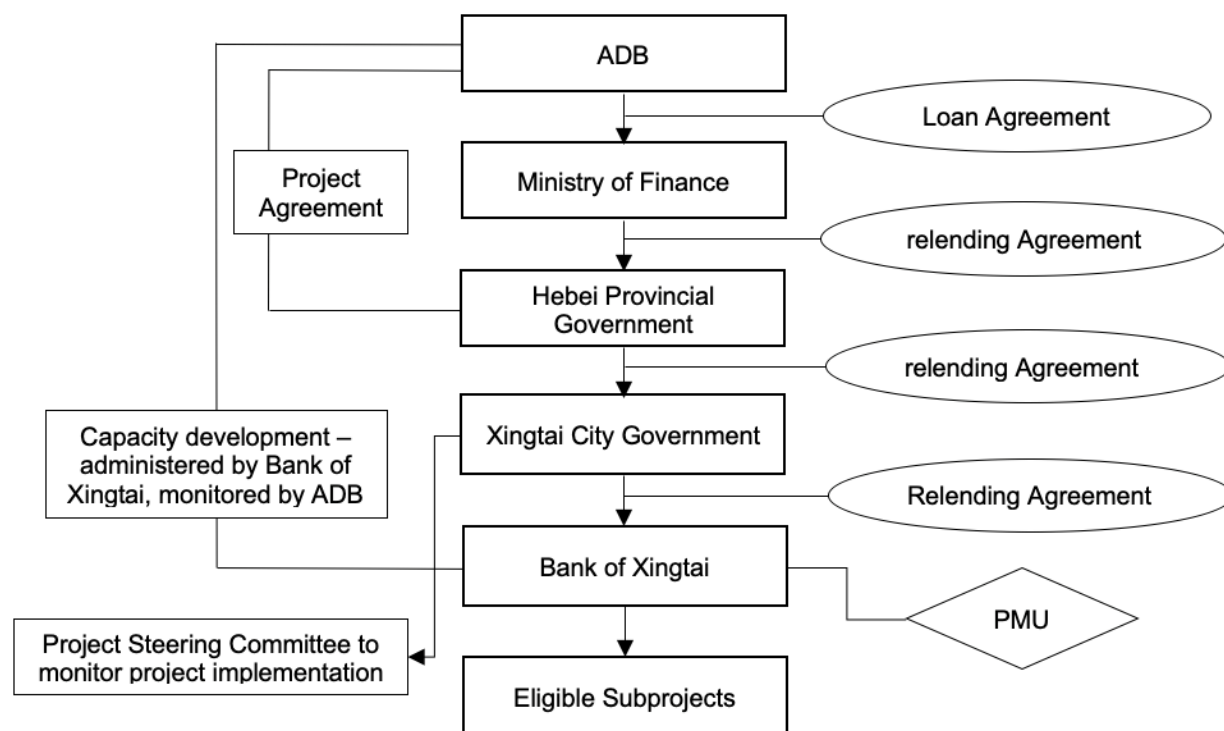
Bureau. The project steering committee will ensure the setup of a project management unit at the Bank of Xingtai, which will act as the project implementing agency, with staffing and resources satisfactory to ADB, to manage the day-to-day project implementation work. The Bank of Xingtai's chairperson of the board of directors will be the project director. Bank of Xingtai will implement the project under a relending agreement between Bank of Xingtai and Xingtai City Government, in accordance with the loan agreement, project agreement, and this PAM.⁸ Bank of Xingtai will identify, evaluate, and finance eligible subprojects, and undertake the related credit risk assessments. Subproject selection will follow the eligibility criteria in the loan agreement, project agreement, and this PAM. Criteria include economic, financial, and technical qualifications. Qualification for “green” subprojects will be determined based on the domestic taxonomies and international guidelines. Safeguard category “A” subprojects will not be funded. Subproject lending rates will be determined by Bank of Xingtai's cost of funds and subproject specific risks. The drawdown period will be for 6 years from December 2020–December 2026.

Table 3: Indicative Implementation Arrangements

Aspects	Arrangements
Implementation period	31 December 2020–31 December 2026
Estimated completion date	31 December 2026
Estimated loan closing date	30 June 2027
Management	
(i) Executing agency	Hebei Provincial Government
(ii) Project steering committee	Xingtai city vice mayor (chair) Xingtai city deputy secretary (vice chair) Senior staff from key Xingtai City Government agencies, including the Development and Reform Commission, Department of Finance, Bureau of Ecology and Environment, Audit Bureau, and Financial Supervision and Administration Bureau (members)
(iii) Implementation unit	The Bank of Xingtai, 10 staff
Procurement	Procurement to be financed under the project will be carried out in accordance with the ADB Procurement Policy (2017, as amended from time to time) and regulations for financial intermediation loans.
Consulting services	Consulting services for capacity development will be funded by the Bank of Xingtai and follow its institutional procurement guideline.
Retroactive financing	Retroactive financing is permitted for eligible expenditures up to 20% of the total ADB loan amount, incurred no earlier than 12 months prior to signing the loan agreement.
Disbursement	The loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.

ADB = Asian Development Bank.
Source: Asian Development Bank.

⁸ All agreements must be in form and substance satisfactory to ADB.

Figure 1: Project Organizational Structure

ADB = Asian Development Bank, PMU = project management unit.

IV. COSTS AND FINANCING

9. The project is estimated to cost €681 million, of which €170 million will be from ADB's ordinary capital resources, €170 million equivalent from the Bank of Xingtai's mandatory counterpart financing, and €340 million equivalent from private sector and commercial financing (Table 4). The proportion of ADB financing of the total subproject cost will depend on the subproject financing structure and needs, but in no case will it exceed 40% of the total subproject cost. The Bank of Xingtai will provide up to CNY5,600,000 (\$800,000 equivalent) for capacity development and CNY1,400,000 (\$200,000 equivalent) for procurement and operationalization of the green finance IT system (exchange rate based on 13 August 2020).

Table 4: Indicative Financing Plan

Source	Amount (€ million)	Share (%)
Asian Development Bank (\$199 million equivalent)	170	25.0
The Bank of Xingtai counterpart commercial financing (\$199 million equivalent)	170	25.0
Catalyzed private sector and commercial finance ^a (\$398 million equivalent)	340	50.0
The Bank of Xingtai's own funds ^b (CNY7 million)	1	
Total	681	100.0

^a This subproject funding will come from market sources, such as through other commercial banks.

^b The Bank of Xingtai's own funds include capacity development costs and green finance IT system procurement costs (para. 9). The capacity development cost is not included in the calculation of the financing shares.

Source: Asian Development Bank estimates.

10. The Government of the PRC has requested a regular loan of €170 million (\$199 million) from ADB's ordinary capital resources to help finance the project.⁹ The loan will have a 20-year

⁹ €0.8564 = \$1.00 as of 13 August 2020.

term, including a grace period of 5 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan and project agreements. Based on the straight-line method, the average maturity is 12.75 years, and there is no maturity premium payable to ADB.

11. The project does not face material climate risks and will support climate change mitigation. Of the total project cost of €681 million, the climate mitigation costs are estimated at €218 million. The resulting greenhouse gas emission reductions are projected to be 1,861,632 tons of carbon dioxide equivalent per annum.¹⁰ Of the ADB project financing of €170 million, the climate mitigation costs are estimated at €54 million, and the estimated greenhouse gas emissions reduction will be 465,408 tons of carbon dioxide equivalent a year. While most of the subprojects are expected to support climate change mitigation, preference will be given to subprojects with climate adaptation benefits to enrich the project's overall climate resilience impact.

A. Cost Estimates Preparation and Revisions

12. The project cost estimates are not applicable for the financial intermediation loan.

B. Key Assumptions

13. Domestic rate of price inflation is not applicable for the financial intermediation loan.

C. Contract and Disbursement S-Curve

14. The €170 million ADB funds will be provided to the PRC for relending to the Bank of Xingtai to finance eligible green finance subprojects. The contract award, in the financial intermediation loan context, is defined as ADB's clearance of the subproject eligibility for ADB financing. The disbursement is defined only as actual drawdown amount. The disbursement schedule will be based on the drawdown schedules of the subprojects, and provide as follows.

Table 5: Commitment and Disbursement Projection
(\$ million)

Year	Subloan Commitment					Subloan Disbursements				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2021	1.2	1.2	3.2	3.2	8.8	1.2	1.2	1.6	1.6	5.6
2022	4.8	6.4	3.0	3.0	17.1	3.2	4.8	6.4	2.0	16.3
2023	6.0	7.9	4.5	4.5	22.8	4.0	6.0	7.9	3.0	20.8
2024	8.9	11.9	6.0	6.0	32.8	6.0	8.9	11.9	4.0	30.8
2025	11.9	15.9	7.5	7.5	42.7	7.9	11.9	15.9	5.0	40.7
2026	14.9	19.9	9.9	9.9	54.6	9.9	14.9	19.9	8.0	52.6
2027	19.9				19.9	11.9	19.9			31.8
	Total				198.5					198.5

Note: Total amount is in USD, based on the exchange rate during the loan negotiation on 13 August 2020, equivalent to €170 million.

Source: Asian Development Bank.

¹⁰ The climate mitigation finance and associated emission reduction estimates are based on a sample of pipeline subprojects. The sample subproject pipeline and calculation methodologies are in Climate Change Assessment and Indicative Subprojects (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

Note: the ADB funds will flow from ADB directly to Hebei Provincial Government, which will channel the same funds directly to Bank of Xingtai, bypassing the Ministry of Finance and Xingtai City Government respectively.

Sources: Asian Development Bank, Government of People's Republic of China, and Bank of Xingtai.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

16. A financial management assessment (FMA) was conducted on Bank of Xingtai in accordance with the ADB *Financial Management Technical Guidance Note (2015)* and the ADB *Financial Due Diligence for Financial Intermediaries (2018)*.¹¹ This FMA is also based on (i) reviews of the country system of the PRC through the updated Country Governance Risk Assessment (CGRA); (ii) Bank of Xingtai Annual Reports, available public information, and internal documents; (iii) interviews with Bank of Xingtai staff; (iv) questionnaire to the public financial management assessment; and (v) other relevant documentation including integrity and anti-money laundering due diligence. The overall financial management, internal control and risk assessment and risk management plan is provided below:

Table 6: Financial Management, Internal Control and Risk Assessment and Risk Management Plan

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk		
I. Country Specific		
PRC's public financial management capacity is adequate at central and provincial government levels. Provincial governments are perceived to sometimes use off-balance sheet and quasi-fiscal resources to finance their budgets. This reduces the overall budget creditability and leads to contingent fiscal risks. PRC's accounting and auditing standards are converging with the international financial reporting standards but may not meet the ADB requirements. Bank of Xingtai may not have experience working with PRC's supreme audit institution to deliver timely project audit reports. The fiduciary systems assessment indicates that overall fiduciary risk in PRC is moderate.	Moderate	With the gradual convergence between the PRC accounting standards and the international accounting standards, the reporting gap will narrow. Over time, it is also expected that the central government will better manage the fiscal risks and improve the public financial management capacities.
II. Entity Specific		
Bank of Xingtai is a city commercial bank in Hebei Province. It has not had exposures to international development institutions or borrowed from external resources such as the ADB loan. Comparing to the larger state banks, its institutional capacity is considered weaker.	Moderate	Through the project, Bank of Xingtai intends to improve its institutional capacity.
III. Project Specific		
N/A	Low	N/A

¹¹ ADB. 2015. *Financial Management Technical Guidance Note*. Manila. and ADB. 2018. *Financial Due Diligence for Financial Intermediaries*. Manila.

Overall Inherent Risk	Moderate	
Control Risk (Bank of Xingtai)		
I. Funds Flow		
Bank of Xingtai has not implemented any ADB projects in the past and may have difficulties to (i) establish advance account; (ii) prepare withdrawal applications, summary/statement of expenditures (SOE) sheet for financial intermediation loans/grants, and advance account reconciliation statement, etc. to ensure timely disbursements and liquidations; (iii) prepare audited project financial statements (APFS), audit opinions on the use of loan proceeds, audit opinion on compliance with financial covenants, management letter, and audited entity financial statements (AFS).	Moderate	A designated project management unit will be established with staffing and other resources satisfactory to ADB. In addition, Bank of Xingtai has committed an equivalent of CNY7 million to develop its institutional capacity to implement the ADB project. ADB will work closely with Bank of Xingtai to implement the capacity development components. ADB will also invite relevant Bank of Xingtai staff to training opportunities from ADB.
II. Staffing		
The project management unit was established with staff from Bank of Xingtai's credit department, whose departmental capacity is already stretched. None of the staff had prior experiences in implementing international assistance projects. For example, they are not familiar with the ADB Loan Disbursement Handbook (2017). During the ADB project implementation, the project management unit may also need assistance from accounting, audit, and operational departments.	Moderate	Bank of Xingtai has committed CNY7 million to develop its institutional capacity to implement the project. ADB will work closely with Bank of Xingtai to implement the capacity development components. ADB will also invite relevant Bank of Xingtai staff to training opportunities from ADB.
III. Accounting Policy and Procedures		
PRC's ASBEs are still converging with the IFRSs, and may require external capacities and/or adjustments to meet the ADB reporting requirements. Bank of Xingtai may also need additional assistance to prepare for regular APFS and AFS submissions.	Low	ADB implementation unit will arrange relevant support to help Bank of Xingtai prepare for audit reports.
IV. Internal Audit		
Bank of Xingtai's internal auditors may not have sufficient knowledge and understanding of ADB's guidelines and procedures on APFS.	Moderate	ADB implementation unit will arrange relevant support to help Bank of Xingtai prepare for audit reports.
V. External Audit		
Bank of Xingtai has not had experience in working with international development agencies on preparing the project external audit reports.	Low	ADB implementation unit will arrange relevant support to help Bank of Xingtai prepare for audit reports.
VI. Reporting and Monitoring		
Bank of Xingtai has not had experience in working with international development agencies on preparing the project progress	Moderate	ADB project officer(s) could work with Bank of Xingtai to enhance its relevant capacities.

and monitoring report pertaining to project financial management and related matters.		
VII. Information Systems		
The updated core banking system may not be able to generate the specific project financial and audit reports and may need manual inputs and adjustments.	Low	N/A
Overall Control Risk	Moderate	The implementation of mitigation actions will reduce to risk to low.
Overall FM Risk	Moderate	The implementation of mitigation actions will reduce to risk to low.

ADB = Asian Development Bank, ASBEs = Accounting Standards for Business Enterprises, IFRS = International Financial Reporting Standards, N/A = not applicable, PRC = People's Republic of China.

Source: Asian Development Bank.

17. The FMA results for Hebei Department of Finance and Xingtai City Finance Bureau have been satisfactory. Both agencies have the necessary financial management, accounting, and reporting capacity to implement the project. In fact, Hebei Province Department of Finance has extensive experience in implementing international development projects from the multilateral and bilateral financial institutions and are familiar with the ADB advance account procedures and SOE procedures. The local accounting procedures are aligned with the regulations and policies issued by MOF, which are considered effective and adequate for the project. While Xingtai City Finance Bureau may not have the extensive experiences in implementing international development projects from the multilateral and bilateral financial institutions, Hebei Province Department of Finance will provide the necessary handholding and technical support.

18. Bank of Xingtai's financial management in terms of planning, directing, monitoring, organizing, and controlling of the institutional resources is satisfactory. The systems of financial accounting, assets (loan books and nonperforming assets) management, credit management, liquidity and treasury management, financial reporting, internal controls, and internal and external audit are adequate for its current business operations. The financial reporting and monitoring follow the regulatory requirements and are done on regular and timely basis. Bank of Xingtai's core banking system has been upgraded in December 2019 to improve, among others, financial and risk management efficiency. However, since Bank of Xingtai's business operations are confined in the Hebei Province, it does not have either a national or international banking scope. Bank of Xingtai has not implemented international development assistance projects from ADB and the World Bank, and may have initial difficulties to become proficient with such reporting requirements as project financial management procedures, project monitoring and review requirements, and audit requirements. Currently, it also does not have a full-fledged foreign currency operation. It is concluded that the overall pre-mitigation financial management and control risks are moderate. Bank of Xingtai will implement an action plan for a few key financial management risks that have been identified in the Financial Management Assessment.¹² The capacity development component set out in Appendix 4 to this PAM, combined with any internal training programs, will help strengthen its overall financial management capacity. During the project implementation, Bank of Xingtai is committed to maintain required prudential norms including a capital adequacy ratio greater than 8%, a current assets/current liabilities ratio greater than 25%, single borrower exposure less than 10% of total capital, and a liquidity coverage ratio greater than 100%. A gross nonperforming loan ratio will be provided on a semi-annual basis. In

¹² Financial Management Assessment (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

case of substantial foreign exchange rate fluctuation, Bank of Xingtai may refer to the Ordinary Operations Loan Regulations and the Guidelines for Conversion of Loan Terms for ADB LIBOR-Based Loans (Appendix 1) for instructions on currency conversion.

19. The financial management action plan is provided in Table 7.

Table 7: Financial Management Action Plan

Weakness	Mitigation Action	Responsibility	Time-Bound Action Plan
Xingtai City Finance Bureau and Bank of Xingtai staff does not have sufficient experience in (i) drawing down ADB funds through reimbursement, advance, and/or direct payment; (ii) preparation of project-related withdrawal applications, summary/statement of expenditures (SOE) sheet for financial intermediation loans/grants; (iii) and advance account reconciliation statement, etc.	<p>Hebei Province Department of Finance will provide the necessary technical support.</p> <p>Xingtai City Finance Bureau and Bank of Xingtai will attend regular ADB training sessions in ADB project administration and disbursement at least once a year during the project implementation.</p> <p>Xingtai City Finance Bureau and Bank of Xingtai staff needs to carefully review the ADB Loan Disbursement Handbook (2017, as amended from time to time).</p>	ADB / BOX	<p>Training to the government counterparts (Xingtai City Finance Bureau and Hebei Provincial Department of Finance) and BOX will be on a continuous basis from 2020–2026.</p> <p>Targeted financial management training will be provided within 2020 by the project team prior to loan effectiveness.</p>
Bank of Xingtai has a board audit committee that supervises independent audit function, carried out by the internal audit department. However, Bank of Xingtai has not had sufficient experience in implementing development assistance projects and would need additional training to perform that function, including the preparations of audited project financial statements (APFS), audit opinions on the use of loan proceeds, audit opinion on compliance with financial covenants, management letter, and audited entity financial statements	Bank of Xingtai will work closely with Xingtai City Finance Department and Hebei Province Department of Finance to understand the role of the implementing agency and obtain necessary training when available from ADB, World Bank, and/or any other multilateral and bilateral development agencies.	BOX	Same as above.

Regular financial reports are generated from the automated accounting system and regular monitoring is carried out by the Bank of Xingtai finance staff. However, they are not familiar with accrual based financial reporting for ADB financed project.	A financial management workshop and specialized training on accrual based financial reporting for ADB financed project for the staff of project management unit is recommended to be held before loan effectiveness and during project implementation.	ADB and BOX	Targeted financial management training will be provided within 2020 by the project team prior to loan effectiveness.
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ADB = Asian Development Bank, BOX = Bank of Xingtai, PMU = project management unit.

B. Subproject Eligibility Criteria

20. The following criteria will apply to selecting and approving subprojects and subborrowers under the project (Appendix 5):

- (i) Subprojects and enterprises that receive Subloans must meet Bank of Xingtai's financing standards for financial, commercial and technical feasibilities. This includes meeting credit requirements of sound business plan, adequate collateral, equity contribution, third party guarantee, and/or counterpart financing.
- (ii) Subprojects and/or the components to which the subproject contributes will not include any inefficient and obsolete technologies and have net environmental benefits including, but not limited to, emission reduction (e.g., carbon dioxide, sulfur oxides, nitrogen dioxide, particulate matters with a diameter of less than 2.5 micrometers, and particulate matters with a diameter of less than 10 micrometers), climate adaptation (e.g., sponge cities), and more efficient resource utilization (e.g., industrial energy efficiency).
- (iii) Subprojects will not have significant safeguard risks in environment, involuntary resettlement or indigenous peoples impact, and will not be environment category A for environmental impacts, involuntary resettlement category A for involuntary resettlement impacts, and/or indigenous peoples category A or B for indigenous peoples' impacts under ADB's SPS as established using the Environment and Social Safeguard Management System (ESMS) categorization process and confirmed by ADB.
- (iv) Subprojects will meet (i) any one or more of the PRC domestic green finance taxonomy from (A) *National Development and Reform Commission (NDRC): Green Industry Guidance Catalogue (2019)*; (B) *People's Bank of China (PBOC): Green Lending Statistical Method (2018)*; and (C) *China Banking and Insurance Regulatory Commission (CBIRC): Green Finance Statistical Method (2013)*; and (ii) *the European Union (EU) Sustainable Finance Taxonomy*.

21. Working capital and other short-term business loans with door-to-door tenor less than 1 year could be permitted. Longer-tenor loans to support subproject development and completion are encouraged. ADB funds can be used to finance up to 40.0% of the total subproject cost in the form of Subloans (as defined in the Loan Agreement) and will support corporate loans. Upon project completion, the ADB funds must not exceed more than 25% of total eligible subprojects financing costs that are calculated by adding the total ADB finance, total Bank of Xingtai's counterpart finance, and total leverage private sector and commercial finance.

22. In any unlikely event that the subproject is reviewed and deemed ineligible for ADB financing, Bank of Xingtai must return such an amount of unqualified subprojects to the advance account. Bank of Xingtai will bear the foreign exchange rate risk, if any.

23. Subproject clearance process. For the first three subprojects (or until such time ADB is satisfied that Bank of Xingtai has the required capacities to comply with the project implementation requirements) and the subprojects with Subloan values above the free limit, Bank of Xingtai shall provide the necessary subproject technical, financial, and safeguard information. ADB can request additional subproject-related information. The subproject technical and financial information will include the items listed below for project finance and corporate finance loans. Concurrently, ADB will also verify that Bank of Xingtai has conducted the subproject environmental and social safeguard reviews in compliance with the project ESMS. The first three subprojects will be reviewed regardless of their sizes, even if they are under the free limit, and must include at least one subproject that is not retroactively financed. Any subprojects with Subloan values below the €20 million free limit will not require prior ADB approval.

- **For project finance (i.e., cashflow-based limited recourse finance) subprojects,** the backup documents will include but not limited to:
 - (i) Project feasibility study,
 - (ii) Request for qualification and request for proposal,
 - (iii) Concession agreement,
 - (iv) Direct agreement (if any),
 - (v) Inter-creditor agreement, if any
 - (vi) Environment and social impact assessment,
 - (vii) Viability gap fund agreement,
 - (viii) Company registry, clearances, permits, and approvals,
 - (ix) Subloan application,
 - (x) Subloan approval letter,
 - (xi) Subloan agreement,
 - (xii) Bank of Xingtai subloan due diligence report,
 - (xiii) Know-your-customer and integrity report,
 - (xiv) Bank of Xingtai credit memo,
 - (xv) Bank of Xingtai board approvals,
 - (xvi) ADB safeguard categorization forms and attachments (first three subprojects),
 - (xvii) Invoices and evidence of payment,
 - (xviii) Bank of Xingtai's letter certifying the compliance with ADB project requirements,
 - (xix) Subproject progress and monitoring reports (if relevant),
 - (xx) Bank of Xingtai credit monitoring reports, and
 - (xxi) Environment and/or social safeguard monitoring reports.
- **For corporate finance (i.e., balance sheet finance) subprojects,** the backup documents will include but not limited to:
 - (i) Business plan,
 - (ii) Financial statements and projections,
 - (iii) Inter-creditor agreement, if any
 - (iv) Environment and social impact assessment of the financed component,
 - (v) Company registry, clearances, permits, and approvals,
 - (vi) Subloan application,
 - (vii) Subloan approval letter,
 - (viii) Subloan agreement,
 - (ix) Bank of Xingtai subloan due diligence report,

- (x) Know-your-customer and integrity report,
- (xi) Bank of Xingtai credit memo,
- (xii) Bank of Xingtai board approvals,
- (xiii) ADB safeguard categorization forms and attachments (first 3 subprojects),
- (xiv) Invoices and evidence of payment,
- (xv) Bank of Xingtai's letter certifying the compliance with ADB project requirements,
- (xvi) Subproject progress and monitoring reports (if relevant),
- (xvii) Bank of Xingtai credit monitoring reports, and
- (xviii) Environment and/or social safeguard monitoring reports.

24. Following the ADB reviews of the first three subprojects, ADB will inform Bank of Xingtai whether it is satisfied with Bank of Xingtai's business process and whether it will continue reviewing any additional subprojects.

25. The green finance IT system builds an innovative business operation and management process in line with Bank of Xingtai's green finance business development needs. It supports green finance business development which includes supports to: (i) fast green certification; (ii) ESG risk identification in subproject due diligence, credit approval, and post-loan monitoring process;¹³ (iii) subproject environmental impact assessments; (iv) information disclosures; and (v) data analysis.

- (i) **Green certification process.** In terms of PRC's green finance taxonomies, there are currently three domestic green finance standards: (i) National Development and Reform Commission (NDRC): Green Industry Guidance Catalogue (2019); (ii) People's Bank of China (PBOC): Green Lending Statistical Method (2018) and Green Bond Project Catalogue (2015); and (iii) China Banking and Insurance Regulatory Commission (CBIRC): Green Finance Statistical Method (2013). The NDRC guideline is by far the most comprehensive, including 6 categories, 30 subcategories, and 211 industry sectors. The CBIRC standards include 12 categories including recycling, green building, green transportation, and habitat restoration, among others. In the future, it is expected that the domestic standards will be consolidated to a more simplified version. In addition, there are a number of international standards, including EU Sustainable Finance Taxonomy and Green Climate Fund Investment Framework. If green bond issues are envisaged, International Capital Market Association's Green Bond Principles will be applied. A major difference between the international and domestic standards is the use of fossil fuel-based technologies, such as "clean coal." International standards exclude all fossil fuel technologies, but some domestic standards still retain it. In this project, at the beginning, the Bank of Xingtai intends to adopt the EU Sustainable Finance Taxonomy (Appendix 5), which exclude fossil fuels-based technologies. The selection of the EU Sustainable Finance Taxonomy is because it is more suitable for commercial banks compared to alternative options such as the International Capital Market Association's Green Loan and Bond Principles and the Green Climate Fund Investment Framework.
- (ii) **Environmental and ESG performance monitoring.** The IT system could obtain and consolidate environment risk information published on the official websites of national and local environmental protection agencies and other relevant safety supervisory institutions to identify publicly disclosed information related to sanction

¹³ Please note that the initial system development focuses primarily on the environment component, and the system will develop, expand, and improve the social and governance components during the project implementation period.

and fines. The IT system will continuously monitor environmental performance of bank customers. When the bank customer has environmental risk or environmental risk has occurred, the IT system will issue timely environmental and social risk warning to the subloan officer and risk control personnel. Although the green finance IT system will primarily cover the environment component, the system will expand and improve the social and governance components during the project implementation period. For example, the consolidation and analysis of the gender component will be a part of the social requirements. This will expand to both in the institution and to the subproject level, including on environment and social safeguards. Based on the corporate governance development plan, other governance indicators will be added into the system design.

- (iii) **Environmental benefits measuring.** According to the requirements of green finance energy saving and emission reduction measurement guidelines of the financial supervision institutions (e.g., PBOC and CBIRC), the environmental impacts could be measured through the green finance IT model by inputting basic technical data as required under each subprojects during the subloan monitoring and review process. More specifically, Bank of Xingtai (sub)loan officers will conduct subproject site visits with the environment and social safeguard specialists, and external environment and social safeguard consultants when necessary, to collect the necessary environment, social, and/or governance data for inputting into the green finance IT system.
- (iv) **Environmental information disclosure.** According to the specific requirements of GRI, banks can enter and display qualitative and quantitative indicators related to environmental disclosure, automatically generate environmental benefit indicator data, and support the efficient generation and export of environmental information disclosure reports. It is expected that disclosure information be reported and certified by third party and/or general public to be meaningful.
- (v) **Business statistics analysis.** Based on Bank of Xingtai's green finance business development needs, the bank senior management and the regulators (when connected via IT networks) could conduct statistical and other relevant business analyses on the green finance portfolio. Such analyses include certain ESG performance indicators, ESG risks from certain industry sectors and subsectors, and any other relevant subproject information that requires public monitoring.

26. The proposed project intends to develop a comprehensive ESG risk framework. This is to be achieved by the green finance IT system to initially address the environmental concerns. While Bank of Xingtai adopts the environment and social management system (ESMS) to supplement the subproject environment review process, the ESMS will cover social safeguard including involuntary resettlement. The Gender Action Plan will cover an additional social dimension of gender quality. Furthermore, the project will help Bank of Xingtai develop a comprehensive corporate governance component to help Bank of Xingtai meet the national and international best practices, with the national corporate governance guidelines from China Banking and Insurance Regulatory Commission's (CBIRC) 162 corporate governance evaluation criteria and 5 classification criteria and the international guideline of Bank Corporate Governance Principles from Bank for International Settlement (BIS). Over time, it is expected that the social and governance component can be integrated into the green finance IT system.

27. **Revolving funds.** The Bank of Xingtai will recycle the ADB funds both before and after the closing date of the Loan until the moneys are repaid to ADB. Bank of Xingtai shall commit to this condition of proper use of ADB funds. Bank of Xingtai will continue maintaining separate ledgers to monitor the funds and the subprojects.

28. **Maximum ADB financing.** ADB does not impose any maximum subloan volume, subject to Bank of Xingtai's single industry and client exposure limit and CBIRC's prudential norms. A minimum of 3 subprojects must be funded under the ADB project before the Loan Closing Date.

29. **Free limit.** A €20 million equivalent free limit per subloan will be granted, above which subloan proposals need to be submitted by Bank of Xingtai to ADB for prior approval, enables ADB to satisfy itself on the quality of the Bank of Xingtai's appraisal of projects and advise on appraisal techniques and methodology.

30. **Bank of Xingtai counterpart financing.** Bank of Xingtai will provide €170 million equivalent counterpart finance to double the ADB green finance support. The counterpart financing may be blended with the ADB funds to finance the same Qualified Subprojects, or the Bank of Xingtai may make Subloans to other Qualified Enterprises to finance other Qualified Subprojects (for example if subproject or single-borrower exposure limit is reached). A loan made by the Bank of Xingtai will not count towards fulfillment of this counterpart finance requirement unless it qualifies as a Subloan to a Qualified Enterprise for a Qualified Subproject and is made under ADB-authorized Investment Agreements, as all such terms are defined in the ADB Loan Agreement.

31. **Conditions to withdrawal include:**

- (i) ADB has issued a written non-objection to templates of Subloan Agreements to be used by Bank of Xingtai in making Subloans;
- (ii) Xingtai City Government has entered into the Relending Agreement in form and substance acceptable to ADB, with Bank of Xingtai;
- (iii) Bank of Xingtai has acquired, installed and tested the Green Finance IT System and demonstrated to ADB's satisfaction that the system reliably identifies subprojects that are "green" under all of the Selected Green Finance Taxonomies and achieves the other features of the Green Finance IT System as set out in the definition of such term and as further elaborated in para. 26 of this PAM, a copy of which has been provided to the Project Executing Agency and Xingtai City Government;
- (iv) Bank of Xingtai has certified that it has adopted the ESMS and the GAP and has retained appropriately qualified and experienced staff to manage implementation of the ESMS and the GAP as provided in this PAM; and

C. Disbursement

1. Disbursement Arrangements for ADB Funds

32. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),¹⁴ and follow the established procedures for managing development assistance in the PRC. Online training for project staff on disbursement policies and procedures is available.¹⁵ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

33. **Accounts setup procedure.** Hebei Province Department of Finance shall maintain a Euro currency advance account for the purpose of advance fund procedure. The funds flow shall

¹⁴ The handbook is available electronically from the ADB website (<http://www.adb.org/documents/loan-disbursement-handbook>).

¹⁵ Disbursement eLearning. Available: http://wpqr4.adb.org/disbursement_elearning.

be clearly traceable for project audit purposes.

34. Advance fund procedure. Advance fund procedure in Euro is permitted under the project. The advance account shall be used exclusively for ADB's share of eligible expenditures. Hebei Province Department of Finance shall be responsible for the proper use of advance account. Hebei Province Department of Finance will request the advance based on the estimated expenditures (i.e. subprojects) to be financed through the account for the forthcoming 6 months. Hebei Province Department of Finance will submit a withdrawal application (ADB Loan Disbursement Handbook 2017 Appendix 7A) and other supporting documents through ADB's Client Portal For Disbursements for further processing. Prior to submitting the withdrawal applications through ADB Client Portal For Disbursements, Bank of Xingtai must obtain the clearance from the ADB project officer. The total outstanding advance account balance shall not exceed the funds need for the forthcoming 6 months. The ADB advance funds will be transferred from ADB to Hebei Province Department of Finance, and such funds will then be transferred from the Hebei Province Department of Finance's advance account to Bank of Xingtai's CNY account based on signed subproject agreements. In this process, when the EUR funds are transferred from Hebei Province Department of Finance to the Bank of Xingtai's CNY account, the EUR funds will be automatically converted to CNY. Bank of Xingtai will have 5 business days to transfer funds to the subborrower's account. After eligible expenditures are incurred and paid from the advance account, the EA will initiate the liquidation process for the eligible subproject, subject to the minimum withdrawal application amount. See ADB Loan Disbursement Handbook 2017 Section 8 Advance Fund Procedure for details. For liquidation and replenishment of the advance account, Hebei Province Department of Finance shall submit the withdrawal application (ADB Loan Disbursement Handbook 2017 Appendix 7A), SOE for financial intermediary loans (ADB Loan Disbursement Handbook 2017 Appendix 7D), advance account reconciliation statement (ADB Loan Disbursement Handbook 2017 Appendix 8B) with ending balance per the corresponding bank statement, and any other supporting documents as requested by ADB. As ADB provides advances to cover projected eligible expenditure for 6 months, the target turnover ratio of the advance account is 2.0 per annum. If the turnover ratio of the advance account is lower than the target, ADB may reduce the level of advance to the advance account by adjusting the amount of replenishment or by requesting a prepayment to ADB, as appropriate. Replenishment of advances is normally provided only until 6 months before the loan closing date.

35. Direct payment procedure. Direct payment may also be made to the bank account of the subborrower, as confirmed by the Bank of Xingtai.

36. Statement of expenditure procedure. The SOE procedure is a simplified procedure requiring no submission of supporting documentation of expenditures. Due to the nature of the FIL, in which a large number of small subprojects will be funded, the SOE for FIL procedure is necessary to reduce the ADB administrative burden. The SOE ceiling will be set at the free limit of €20 million equivalent. Any change, establishment, or removal of the SOE ceiling during project implementation must be approved by ADB. Bank of Xingtai shall maintain all SOE records, which shall be made readily available for review upon ADB's request and for project-level audits.¹⁶ Where ADB subsequently finds any payment made under the SOE procedure to be insufficiently supported or ineligible for ADB financing, ADB may offset the amount of the unjustified or ineligible payment against subsequent withdrawals for reimbursement, or request the borrower to refund the same amount to the loan account, or to the advance account if the payment was made from the advance account. Reimbursement and liquidation of individual payments in excess of the SOE

¹⁶ Checklist for SOE procedures and formats are available at relevant sections of the ADB Loan Disbursement Handbook: <http://www.adb.org/sites/default/files/loan-disbursement-handbook.pdf>.

ceiling shall be supported by full documentation when submitting the withdrawal application to ADB.

37. Other Disbursement Matters. Before the submission of the first withdrawal application, Ministry of Finance shall submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per WA is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount shall be paid (i) by the Bank of Xingtai and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. The borrower shall ensure sufficient category and contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements (CPD)¹⁷ system is encouraged for submission of withdrawal applications to ADB.

38. Disbursement Arrangement for Counterpart Fund. The €170 million equivalent CNY counterpart funds from Bank of Xingtai will be disbursed by the Bank of Xingtai and will also be easily tracked.

D. Accounting

39. The accounting arrangement will cover the entire project finance of €681 million. Bank of Xingtai shall be able to clearly track the €170 million ADB financing, the €170 million Bank of Xingtai counterpart financing, and the €340 million commercial financing to ensure total project financing objective. Xingtai City Government will cause Bank of Xingtai to maintain separate books and records by funding source for all expenditures incurred on the project following accrual-based accounting following the PRC national accounting standards. Bank of Xingtai will prepare consolidated statement of utilization of funds (SUF), in lieu of project financial statements, in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices. For the ADB financed component, Bank of Xingtai shall (i) maintain separate accounts for all project-related transactions and (ii) prepare an annual consolidated SUF for the project in accordance with accounting principles acceptable to ADB. In this case, audited SUF will indicate: (i) accounts opening balances, (ii) details of subloans, (iii) closing balances, (iv) comparative figures for prior year, and (vi) cumulative amounts to date. In addition, SUF will include withdrawal application reconciliation between amounts reported and disbursements appearing in the Loan Financial Information System (LFIS) of ADB. LFIS can be accessed online and ADB will provide LFIS access to project staff on request. Sample SUF can be obtained from the ADB project officer upon request.

E. Auditing and Public Disclosure

40. Bank of Xingtai shall ensure that (i) €170 million ADB financing and (ii) €170 million Bank of Xingtai's counterpart financing are audited. €340 million leveraged commercial financing shall be audited by the subborrowers, which shall furnish Bank of Xingtai with the relevant information. For the ADB financed component, the audited SUF could be submitted. Bank of Xingtai will cause the annual consolidated SUF to be audited by a reputable auditing firm and/or Hebei Province Department of Audit in accordance with International Standards on Auditing and the government auditing standards. The audited SUF will be accompanied by adequate explanatory notes which will include the basis of preparation, reporting currencies, undrawn amount, and details of subloans such as ADB approvals, amounts committed, disbursement up to the previous year,

¹⁷ The CPD facilitates online submission of withdrawal application to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

disbursement during the current reporting period, cumulative disbursement, undisbursed commitments, percentage of loan utilized, etc. The SUF will include a management letter (which sets out the deficiencies in the internal control that were identified in the course of the audit, if any) and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purposes of the project; and (iii) whether the Bank of Xingtai was in compliance with the financial covenants contained in the legal agreements. The audited SUF together with the auditor's report, will be presented in the English language to ADB within 12 months from the end of the fiscal year by the Bank of Xingtai or no later than 1 month after approval by the relevant authority. The utilization of the €170 million counterpart financing and leveraged €340 million commercial financing shall also be clearly traceable. ADB may require audited financial statement to demonstrate the accurate use of these counterpart finance when requested.

41. The Audited Entity Financial Statement (AFS) of Bank of Xingtai, together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the relevant authority.

42. Compliance with financial reporting and auditing requirements will be monitored by ADB review missions and followed up regularly.

43. Hebei Provincial Government, Xingtai City Government, and the Bank of Xingtai have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.¹⁸ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

44. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Access to Information Policy. After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.¹⁹

VI. CAPACITY DEVELOPMENT COMPONENT

¹⁸ ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

¹⁹ This type of information would generally fall under access to information policy exceptions to disclosure. ADB. 2018. *Access to Information Policy*. Paragraph 17(iv)–(vi).

45. Bank of Xingtai will allocate up to CNY7,000,000 from its own funding sources for capacity development and procurement of the green finance IT system and other consulting services. The IT system procurement is estimated to cost about CNY1,400,000 and the consulting services is estimated to cost up to CNY5,600,000. The proposed capacity development plan will (i) develop a green finance policy including guidelines to ESG risk framework, (ii) provide environmental and social safeguard training, (iii) strengthen the financial and risk management capacities, and (iv) strengthen human resources and gender mainstreaming. Bank of Xingtai will also ensure that the ADB project is well implemented and the knowledge and experiences are disseminated broadly. The capacity development component will be funded and administered by the Bank of Xingtai and will follow its institutional procurement guidelines and the proposed terms of reference provided in Appendix 4.

46. **Corporate governance.** The Bank of Xingtai is a regulated and licensed city commercial bank and has diverse shareholders. Hebei Shunde Investment Group, which is 100% owned by the Xingtai City Government, is the largest (18.5%). Other shareholders are mostly local commercial enterprises and surrounding municipalities. The nine-member board has two independent directors. One has substantial commercial banking background and no government affiliation. The five board committees deal with risk management, related party transactions, assets and liabilities management, audit, and information technology management. The supervisory board has two external members and two staff supervisory members. The bank complies with the national corporate governance guidelines from CBIRC's 162 corporate governance evaluation criteria and 5 classification criteria, including those related to board composition and structure, internal control, and overall risk management. ADB will help the Bank of Xingtai further assess and improve its corporate governance practices through such steps as an increase in the ratio of independent directors, the appointment of a chief risk officer, and the engagement of a governance advisor.

VII. PROCUREMENT AND CONSULTING SERVICES

A. Procurement of Goods, Works, and Consulting Services

47. Bank of Xingtai shall ensure that subborrowers of ADB loan use appropriate procurement methods that ensure value for money on the basis of acceptable private sector or commercial practices acceptable to ADB and the utilization of the proceeds of such loan shall be subject to the eligibility criteria and the integrity requirements set out in the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time). Consulting services will be funded by the Bank of Xingtai, which will use its own funds up to CNY5,600,000 to recruit consultants and carry out capacity development work under its own institutional procurement guideline, which is aligned with the PRC Procurement Law and related local regulations. During the project processing, a list of the subprojects has been identified but not been finalized for ADB financing. Subproject procurement reviews and assessments will be carried out during the project implementation to ensure that they are acceptable to ADB. The capacity development component is provided in Appendix 4 for details. While not using the ADB funds, Bank of Xingtai will still conduct quarterly procurement PPMS reviews and report the same to ADB and Hebei Provincial Government by following the Appendix 3 Section D4. The recommended project procurement classification is "B".

B. Retroactive Financing

48. Bank of Xingtai may make Subloans to retroactively finance eligible expenditures of Qualified Subprojects [(as such terms are defined in the ADB Loan Agreement)] which expenditures were incurred within the 12 months before the signing of the ADB Loan Agreement

in a total amount not exceeding 20% of the total ADB loan amount. Bank of Xingtai have been advised that the availability of retroactive financing does not commit ADB to provide any financing for the Project or any subproject.

VIII. SAFEGUARDS

49. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard category is FI for environment and involuntary resettlement, and FI-C for indigenous peoples. The project's ESMS will ensure subproject environment and social safeguard compliance. The FIL will not support environment and involuntary resettlement category A and indigenous peoples category A and B subprojects. The subproject categorizations for environment, involuntary resettlement, and indigenous peoples will be assessed and determined during project implementation. ADB's prohibited investment activities list will be applied in the Environmental and Social Management System (ESMS).²⁰

50. The subprojects will mostly involve corporate (not project) lending and existing facilities. They will be classified as green by national and international green finance taxonomies and provide net emission reduction or net energy saving. Project will be located mostly on special-purpose commercial lands in designated industrial zones. No ethnic minorities are known to be living in or near the industrial sites in the Hebei Province. The national laws and regulations adequately protect the affected people. ADB has reviewed the Bank of Xingtai's environment and social safeguard system and practices. Prior to 2019, the bank had no environment or social safeguard system equivalent to the ADB Safeguard Policy Statement (2009) (available in Appendix 1). It did not have a designated environment and social safeguard management unit or any designated environment and/or social safeguard staff. Through dialogue with ADB and to meet requirements during project preparation, the bank has now established a dedicated safeguard unit with two full-time safeguard staff. The bank's safeguard capacity development is ongoing and will continue through project implementation. The Bank of Xingtai management has committed to complying with the subproject environment and social safeguard compliance requirements stated in the ESMS, which provides a framework for (i) screening ADB-funded subprojects, (ii) ensuring compliance with the national and ADB safeguard requirements, and (iii) conducting necessary safeguard monitoring and reviews. The ESMS has been adopted and will be maintained throughout the term of the project.

51. For large industrial subprojects, noncompliance could potentially take place at contractor, supplier, and even at subcontractor and subsupplier levels. For potentially safeguard risky subprojects, ADB encourages the Bank of Xingtai to require risky subprojects to undertake the necessary insurance to cover the relevant risks, particularly during the subproject failures or bankruptcy and accompanied by unpaid wage bills.

52. Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds will not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement (2009). The Bank of Xingtai will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5 of the SPS) to reviewing all project that are considered for financing under the Project.

VIII. GENDER AND SOCIAL DIMENSIONS

²⁰ Environmental and Social Management System (available from the list of linked documents in Appendix 2 of the report and recommendation of the President to the Board of Directors).

53. Background. The project is classified effective gender mainstreaming in terms of ADB's gender classification. The integration of gender and social inclusion elements in the design of the project will contribute to the overall strengthening of the institutional capacity of Bank of Xingtai and the adoption of international best practices and standards. The project outputs include (i) Green finance in Hebei Province increased and catalyzed, (ii) Bank of Xingtai's green finance system adopted, and (iii) Bank of Xingtai's ESG (environment, social, and safeguard) and related institutional capacity improved. These outputs will result in the following outcome: PRC's green finance volume provided by the city and rural commercial banking sector increased. The project will be aligned with the following impact: domestic total energy consumption per unit reduced and total discharge of major pollutants decreased (PRC 13th Five Year Plan 2016–2020 on Energy Efficiency and Conservation).²¹

54. Findings of gender assessment of Bank of Xingtai. Gender assessment was conducted during preparation of the project. Findings include: (i) Bank of Xingtai has a good track record in terms of employment and promotion of women. Women make up 55.2% of the Bank of Xingtai staff. Women in senior level management, including board members, president and vice-presidents account for 14% of the total, while they constitute 40.2% and 53.4% of mid to lower-level managers.²² Many of the female mid-level managers are directors (general managers and deputy general managers) of core departments in the headquarters, such as corporate banking, personal banking, planning and finance, risk management department, audit, operation and human resource (HR). Bank of Xingtai's HR policy and HR Development Plan lack explicit reference to gender equality in recruitment, remuneration, gender-related welfare, promotion, and training. The principle of gender equality is implemented in most HR processes; however, the practice of jobs considered a better fit for men or women was observed in work assignment and new post allocation, which are contrary to the principle of fair competition. Bank of Xingtai complies with national, provincial and municipal regulations, including maternity leave benefits. However, there is no dedicated unit or committee member in the labor union for the promotion of gender equality and protection of the rights and interests of female employees. Bank of Xingtai encourages the career development of women, as evidenced by the paths of female managers that elevated from entry-level positions. However, the bank recognizes that structural and cultural aspects, such as the double burden of paid work and family care, limit opportunities for women at work. Bank of Xingtai has no corporate social responsibility policies including for the promotion of gender equality. However, in 2019, Bank of Xingtai, through its HR department, initiated collaboration with the Municipal Women's Federation. In fact, few commercial banks in the PRC have explicitly integrated gender considerations in their financing and credit decision.²³ Bank of Xingtai's management and staff expressed interest in enhancing their capacity and institutional arrangement to improve gender mainstreaming at corporate level and in lending.

55. Gender actions and value addition. To address the findings, the project will (i) contribute to Bank of Xingtai's institutional strengthening through the development of a gender-sensitive HR policy, (ii) improve Bank of Xingtai's gender mainstreaming in lending by developing gender-sensitive lending procedures, and (iii) introduce products that target women entrepreneurs. The benefits of integrating a gender equality dimension include: (i) enhancing Bank of Xingtai's market reputation and advance corporate sustainability, (ii) attracting female talents and retaining female talents, (iii) improve corporate profitability, and (iv) playing a demonstrative role to other city commercial banks and rural commercial banks in the PRC.

²¹ Additional targets beyond 2020 will be identified in the PRC 14th Five Year Plan 2020–2025, which is being prepared.

²² Middle-level managers refer to the directors, deputy directors and director assistants, commissioners and risk management officers of various departments, branches and subbranches. Third-level managers are lower positions like director of the subbranch office, manager of the marketing department, deputy manager of the marketing department, director of the business office and deputy director of the business office.

²³ Only three banks in the PRC have adopted equator principles. <https://equator-principles.com/members-reporting>.

56. **Implementation and monitoring.** A gender action plan (GAP) and a HR action plan have been developed. The budget for gender actions has been included in the capacity development component of the project. The monitoring and evaluation of the GAP will be incorporated into the overall project monitoring system. A gender specialist will be engaged to work with the project management unit staff to assist with GAP implementation, prepare progress reports. GAP reports will be included in periodic project reporting, mid-term review, and project completion reports. ADB staff with gender expert will participate in review missions.

Table 8: Gender Action Plan

Actions	Indicators/Targets	Budget and sources	Timeframe	Responsible agencies
Output 1: the Bank of Xingtai's green finance system established				
1. Platform to identify sustainable development co-benefits.	1. An IT system that performs (i) ESG risk identification, (ii) green finance taxonomy compliance and certification, (iii) subproject environmental impact assessments, (iv) ESG information disclosures, (v) environmental and risk data analysis and feedbacks, and (vi) sex-disaggregated data operationalized by 2020 (2020: no such IT system)	Capacity Development Component	2020-2026	The Bank of Xingtai
Output 2: Green finance by Bank of Xingtai initiated and increased				
2. Mainstreaming gender equality considerations in Bank of Xingtai's lending decision-making process.	2. 100% of the loan applicants that seek ADB financing will be screened for potential gender features ^a by 2026 (2020 baseline: 0)	Capacity Development Component	2020-2026	The Bank of Xingtai
Output 3: Bank of Xingtai's environment, social, and governance (ESG) and related institutional capacities improved				
3. Bank of Xingtai prepares a corporate HR action plan for gender equality	3. A gender-sensitive human resources and/or operational guideline approved by 2022 (2020 baseline: no gender-sensitive operational guideline)	Capacity Development Component	2020-2026	The Bank of Xingtai
4. Bank of Xingtai establishes a dedicated unit for gender equality	4. A gender unit for developing gender-sensitive lending products established, operational, and working with borrowers by 2022 (2020 baseline: no such unit)	Capacity Development Component	2020-2026	The Bank of Xingtai

Actions	Indicators/Targets	Budget and sources	Timeframe	Responsible agencies
5. Bank of Xingtai facilitates women with small children to combine work and care	5. 5 breast-feeding rooms (1 in headquarters and 1 in each of the 4 branches and subbranches) operational (2019 baseline: 0)	Capacity Development Component	2020-2026	The Bank of Xingtai
6. Bank of Xingtai tracks progress in implementation of HR gender equality plan	6. Sex disaggregated data points integrated in information system (2019 baseline: sex-disaggregated data not tracked or reported)	Capacity Development Component	2020-2026	The Bank of Xingtai
7. Bank of Xingtai increases institutional capacity for gender mainstreaming	7. At least 500 loan officers and credit staff in headquarters and branch offices participated in environmental and social safeguard training (including gender) and reported increased knowledge by 2026 (2020 baseline: 0)	Project budget of Capacity Development Component	2020-2026	The Bank of Xingtai
8. Break traditional gender roles and stereotypes when new posts are allocated	8. 100% of new advertisement for any position explicitly indicates equal opportunity in recruitment for men and women ^b (baseline 2019: N/A) 9. At least two leadership related trainings will be conducted per year during project implementation (2019 baseline: 1) 10. Percentage of female trainees in leadership training is no less than 50% (2019 baseline: 40%)		2020-2026	The Bank of Xingtai
9. Serve female entrepreneurs with targeted product	11. At least one lending product targeting female entrepreneurs developed by 2025 (Baseline 2019: 0)	Capacity Development Component	2020-2026	The Bank of Xingtai

ADB = Asian Development Bank; ESG = environment, social, and governance; HR = human resources; IT = information technology.

^a To be conducted based on gender assessment questionnaire.

^b The principle of open competition is upheld and internal and external job advertising fully refrains from indicating any gender requirement.

A. Gender Equality Requirements

57. In order to comply with ADB's gender policy and domestic policy requirements, gender mainstreaming shall be considered in the preparation and implementation of Bank of Xingtai's lending and credit decision process. Bank of Xingtai shall promote social equity and gender equality through broad and equal participation in and consultation with local business managers and employees (including female employees). Special attention shall be paid to the participation of vulnerable groups (including women and the poor), and gender sensitivity shall be maintained in land acquisition, resettlement and enterprise employment assistance (if any). Equal participation and gender sensitivity will be reflected in subproject activities, such as capacity training, consultation, compensation, livelihood restoration and other related subproject activities, irrespective of being funded by ADB. It is recommended that the following requirements are adopted in all suitable subproject selection process, but they are not a part of the subproject eligibility criteria.

- (i) Bank of Xingtai will consult and include possible gender benefits of the subproject in the feasibility study report (FSR) or subloan application document;
- (ii) Bank of Xingtai will include possible gender-sensitive features in subproject facilities in the FSR or subloan application document;
- (iii) The contractors and service providers engaged by the Bank of Xingtai shall ensure equal pay for equal work regardless of gender, ethnicity, or social group;
- (iv) Bank of Xingtai promotes equality in accessing benefits and opportunities in possible subprojects employment and training;
- (v) Bank of Xingtai will maximize the employment of local people who meet the job and efficiency requirements irrespective of their gender and other non-job related matters;
- (vi) Bank of Xingtai will provide workers with adequate on-the-job and safety training; and
- (vii) Bank of Xingtai will disseminate information on sexually transmitted diseases (including HIV/AIDS) and human trafficking to subcontractors/employees and local communities surrounding the subproject construction sites.

Table 9: Human Resource Action Plan

Actions	Indicators/Targets	Budget and sources	Timeframe	Responsible agencies
Institutional: <ul style="list-style-type: none"> Develop a gender-sensitive human resources policy to improve Bank of Xingtai's institutional gender equality Strengthen gender equity in requirement for the branches Improve gender diversity in high-level managers Strengthen information 	<ul style="list-style-type: none"> Establish a specific gender equality unit under human resource (HR) department within Bank of Xingtai in promoting gender equity explicitly and improve their work responsibilities and contents; Promote equity in Bank of Xingtai's internal policies and/or procedures in recruitment, payment and welfare, promotion, talent development and etc.; The number of total employees, managerial staff and non-managerial staff by 	Project budget	2020-2026	Bank of Xingtai

disclosure	gender added in future Annual Report or Corporate Social Responsibility Report.			
Recruitment: <ul style="list-style-type: none"> Guarantee gender equity in the recruitment process Collect gender information of new employees, and conduct gender disaggregated analysis annually Break traditional gender roles from stereotypes and ensure gender equality when new posts are allocated 	<ul style="list-style-type: none"> 100% of career planning and women alike, for candidates to decide if they apply (2019 Baseline: 0); 100% of job posts have no gender requirement/preference in the recruitment advertisements. (2019 Baseline: 1) 100% of the newly recruited female employees are satisfied with the recruitment procedure and do not feel discriminated. 	Project budget	2020-2026	Bank of Xingtai
Promotion: <ul style="list-style-type: none"> Ensure female employees have equal opportunity of promotion Improve the percentage of female high-level managers Build the female talent pipeline broadly 	<ul style="list-style-type: none"> The percentage of promotion for female staff is no less than 40% (2018 baseline: 33%) At least two leadership related trainings shall be conducted during project implementation per year (The baseline in 2018 is 1 time a year) and the percentage of female trainees in leadership training is no less than 50% (2019 baseline: 40%) 	Project budget	2020-2026	Bank of Xingtai
Talent development/training: <ul style="list-style-type: none"> Develop career development plan for female staff 	<ul style="list-style-type: none"> Section of female staff development plan in the 14th Five-year Human Resource Development Plan. 	Project budget	2020-2026	Bank of Xingtai
Special protection and community: <ul style="list-style-type: none"> Consider the special needs of women Corporate social responsibility enhancement 	<ul style="list-style-type: none"> Set up one breast-feeding room in the headquarters and one in each branch. Cooperate with local social organizations and actively participate in public welfare actions to support gender equality which will be reflected in Annual Report or Corporate Social Responsibility Report. 	Project budget	2020-2026	Bank of Xingtai and Women Federation

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework

58. The project design and monitoring framework is as follows:

Table 10: Project Design and Monitoring Framework

Impact the Project is Aligned with Industrial transformation and green development in Hebei province promoted and environmental conditions improved (13th Five-Year Plan – Hebei Province Action Plan) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Volume of green finance provided by the city and rural commercial banking sector in Hebei province increased	By 2027: a. Green finance from Hebei province's city and rural commercial banking sector expanded by at least 20% (2020 baseline: 0) b. Greenhouse gas emissions reduced by 1,861,632 tCO ₂ e per year, with total green finance of at least €680 million (2020 baseline: 0) (RFI A)	a. Relevant reports from the People's Bank of China, CBIRC, China Association of Circular Economy, Tsinghua University, and/or any other relevant green finance sources b. Estimates from the outputs of the green finance IT system from timely inputs of subproject environmental monitoring data	Banking sector is affected negatively by unforeseen economic slowdown from shocks.
Outputs 1. The Bank of Xingtai's green finance system established 2. Green finance lending by the Bank of Xingtai initiated and increased	1a. An IT system that performs (i) green finance taxonomy compliance and certification, (ii) ESG risk identification, (iii) subproject environmental impact assessments, (iv) ESG information disclosures, (v) environmental and risk data analysis and feedback, and (vi) sex-disaggregated subloan data operationalized by 2021 (2020: no IT system) 2a. The Bank of Xingtai's green finance lending becomes operational by 2021 (2020 baseline: no green finance program) 2b. At least €340 million of private sector and commercial financing leveraged by 2026 (2020 baseline: 0) (RFI B) 2c. 100% of the subloan applicants that seek ADB financing screened for potential gender features ^b by 2026 (2020 baseline: 0)	1a. Semiannual Bank of Xingtai project monitoring reports and semiannual ADB project review missions 2a–c. (i) Annual Bank of Xingtai project audit reports (inclusive of annual audited statement of utilization of funds); (ii) semiannual ADB project review reports, inclusive of periodic project monitoring and review reports, midterm review reports, and final report; and (iii) Bank of Xingtai annual reports	The Bank of Xingtai's limited experience in subproject safeguard reviews may affect subproject compliance. The Bank of Xingtai may face heightened foreign exchange risk in case of unexpected market swings.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. The Bank of Xingtai's ESG and related institutional capacities improved	<p>3a. A green finance policy, including ESG guidelines, approved by the Bank of Xingtai board of directors and adopted by 2022 (2020 baseline: no guidelines)</p> <p>3b. At least 500 loan officers and credit staff in headquarters and branch offices participated in environmental and social safeguard training (including gender) and reported increased knowledge by 2026 (2020 baseline: 0) (RFI C)^c</p> <p>3c. At least 300 participants, including at least 30% of external participants from the city and rural commercial bank sector, who attended at least three knowledge-sharing workshops, reported improved understanding on green finance in general and green finance business models for commercial banks in particular by 2026 (2020 baseline: 0)</p> <p>3d. At least 30 credit and treasury staff receive at least three trainings on financial and risk management, including credit and treasury functions, and reported improved knowledge by 2026 (2020 baseline: 0)^c</p> <p>3e. A gender-sensitive human resources and/or operational guideline approved by 2022 (2020 baseline: no gender-sensitive human resources and/or operational guideline) (RFI D)</p> <p>3f. Five breastfeeding rooms (one in headquarters and one in each of the four branches and/or subbranches) operational by 2026 (2020 baseline: 0)</p> <p>3g. A gender unit for developing gender-sensitive lending products established, operational, and working with borrowers by 2022 (2020 baseline: no gender unit)</p>	<p>3a–g. The Bank of Xingtai project monitoring report, including annual reports, operations manuals, human resources policies, guidelines, board documents, and internal memos</p> <p>3a–g. ADB staff and consultant project review reports, inclusive of periodic project monitoring and review reports, midterm review reports, and final report</p>	
Key Activities with Milestones 1. The Bank of Xingtai's green finance system established			

1.1	The Bank of Xingtai procures, tests, and operationalizes an IT system that (i) adopts domestically and internationally accepted green finance taxonomies; (ii) conducts subproject environmental and social risk and impact assessments, including gender assessment; (iii) discloses subproject ESG information; and (iv) provides relevant data analyses and feedback to the regulators and the public by 2020.
2.	Green finance lending by the Bank of Xingtai initiated and increased
2.1	ADB disburses a €170 million green finance loan to the Bank of Xingtai for eligible subprojects by 2026—2021: €17.00 million (10%), 2022: €17.00 million (10%), 2023: €25.50 million (15%), 2024: €34.00 million (20%), 2025: €34.00 million (20%), and 2026: €42.50 million (25%).
2.2	The Bank of Xingtai disburses €170 million equivalent in counterpart green financing to eligible subprojects by 2026.
2.3	The Bank of Xingtai leverages €340 million equivalent in additional private sector and commercial finance for qualified green finance subprojects by 2026.
3.	The Bank of Xingtai's environment, social, and governance and related institutional capacities improved
3.1	The Bank of Xingtai prepares, consults with stakeholders, and approves an updated green finance policy and/or an associated operational guideline, based on ESG, to mainstream green finance lending by 2021.
3.2	The Bank of Xingtai reviews its operational procedures and provides environmental and social safeguard training that will become an integral part of the credit review process by 2026.
3.3	The Bank of Xingtai consults its (male and female) staff and prepares and approves a human resources action plan for gender mainstreaming by 2022, and conducts gender mainstreaming training by 2026.
3.4	The Bank of Xingtai conducts surveys among its staff and plans its financial resources on the establishment of a gender equality unit by 2022, using the unit resources to develop gender-sensitive lending products, both internally and with existing and future borrowers and subborrowers.
3.5	The Bank of Xingtai constructs breastfeeding rooms in its headquarters and at least four branches and/or subbranches by 2026.
3.6	The Bank of Xingtai conducts a financial and risk management assessment, including credit and treasury functions, and identifies areas of improvement for actions by 2026.
3.7	The Bank of Xingtai further reviews the corporate governance assessment and identifies the gaps with domestic and international best practices. It develops a corporate governance improvement plan, e.g., by increasing the ratio of independent directors, appointing a chief risk officer, reassigning internal audit to report directly to the board, engaging a governance advisor, and strengthening information disclosure, among others, to meet the relevant CBIRC and Bank for International Settlements corporate governance guidelines by 2025.
3.8	The Bank of Xingtai provides at least five green finance training sessions (e.g., on local and international taxonomies, ESG, and the Global Reporting Initiative) and other relevant training sessions (e.g., on corporate governance, financial and risk management, and gender mainstreaming) to its staff by 2026.
3.9	The Bank of Xingtai and ADB will produce and disseminate a knowledge product on the comparison between the three national green finance taxonomies and with the EU sustainable finance taxonomy by 2022.
3.10	The Bank of Xingtai conducts at least three workshops involving external participants from other city and rural commercial banks in Hebei and other provinces on green finance in general and on green finance business models for city and rural commercial banks in particular by 2026. At least two of the three workshops will cover the bank's experience, successes, and lessons in implementing the ADB-financed project.
Project Management Activities	
Conduct regular project review missions in coordination with ADB's PRC Resident Mission.	
Monitor the capacity development component and its contributions to enhanced institutional capacity.	
Monitor consultant support on ensuring project compliance (e.g., safeguards, audit, and reporting).	
Monitor and ensure timely delivery of outputs of the project and subprojects from 2020 to 2026; project monitoring costs will be paid by the Bank of Xingtai.	
Inputs	
ADB: €170 million (ordinary capital resources loan)	
The Bank of Xingtai: €170 million equivalent (counterpart green finance)	
Private sector and commercial finance institutions: €340 million equivalent (counterpart finance)	
Capacity Development Component	
The Bank of Xingtai: CNY7,000,000 (capacity development and IT system procurement)	
Assumptions for Partner Financing	
Not applicable	

ADB = Asian Development Bank, CBIRC = China Banking and Insurance Regulatory Commission, ESG = environment, social, and governance, IT = information technology, PRC = People's Republic of China, RFI = results framework indicator, tCO₂e = ton of carbon dioxide equivalent.

^a Hebei Provincial Government. 2016. *The 13th Five-Year Plan (2016–2020–Hebei Province Action Plan*. Shijiazhuang (footnote 19). Future targets beyond 2020 will be identified in the PRC 14th Five-Year Plan, 2021–2025, which is being prepared, at the national level.

^b To be conducted based on a gender assessment questionnaire.

^c Indicators 3b, 3c, and 3d will include sex-disaggregated data on male and female participants to training sessions and workshops.

Contribution to the ADB Results Framework:

RFI A: Total annual greenhouse gas emissions reductions (tCO₂e/year). Expected: 1,861,632 tCO₂e/year.

RFI B: Additional finance mobilized (\$): \$596 million (€510 million). 25% Bank of Xingtai counterpart finance and 50% of commercial market finance leveraged.

RFI C: Women represented in decision-making structures and processes (number). Expected: To be determined.

RFI D: Measures on gender equality supported in implementation (number). Expected: 1. A gender-sensitive human resources and/or operational guideline approved.

Source: Asian Development Bank.

B. Monitoring

59. **Project performance monitoring.** Bank of Xingtai will implement a project performance management system (PPMS) that is satisfactory to ADB. Subprojects will include all those financed by ADB, Bank of Xingtai's counterpart finance, and/or leveraged private and commercial finance and meet all eligibility criteria set out in Section B: Subproject Eligibility Criteria of this PAM. A sample subproject monitoring report is in Appendix 3 and key data requirements are in Appendix 3.1. The PPMS will monitor and evaluate the project information and data to ensure that planned interventions achieve the desired results, including key outcome indicators. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported semi-annually through the Bank of Xingtai's semi-annual progress reports and/or after each ADB review missions (Appendices 3 and 3.1). These semi-annual reports will provide information necessary to update ADB's project performance reporting system.²⁴ Based on Bank of Xingtai's semi-annual review reports, Bank of Xingtai will also submit a consolidated annual monitoring and evaluation reports to ADB during the project implementation period.

60. **Compliance monitoring.** Bank of Xingtai shall be responsible for compliance review of ADB-funded subprojects based on subproject eligibility criteria, financing requirements, environment and social safeguard standards, procurement, and gender mainstreaming if relevant. Bank of Xingtai shall also be responsible for complying with the submissions of semiannual reports, annual audited entity-level financial statements, and audited SUF.

61. **Safeguards monitoring.** In terms of environment and social safeguard, Bank of Xingtai shall work with subborrower to monitor any outstanding issues from the initial approval process. In addition, Bank of Xingtai will prepare annual environmental and social monitoring and review reports concerning any subproject compliance issues and the development of corrective actions. These reports will closely follow the environmental and social monitoring indicators agreed between Bank of Xingtai and ADB, such as those provided in the ESMS, and project design and monitoring framework.

62. **Gender and social dimensions monitoring.** ADB will monitor Bank of Xingtai's progress over its gender mainstreaming process as outlined in the gender action plan. Bank of Xingtai shall also record its gender and related social safeguard work in the semi-annual and annual progress reports.

C. Evaluation

63. ADB will conduct at least two project review mission per year. Hebei Provincial Government and Bank of Xingtai shall provide the necessary counterpart support, including helping coordinate with subborrowers and facilitate the subproject site visits. Bank of Xingtai will submit to ADB semi-annual and annual progress reports that described the issues related to the project performances (see sample template in Appendices 3 and 3.1). A mid-term review will be carried out flexibly, based on any identified major implementation issue(s). Otherwise, the mid-term review will be carried out at about 3 years after the project inception. Within 6 months of loan closing date of the project, Bank of Xingtai will submit a project completion report to ADB.²⁵

²⁴ ADB's project performance reporting system is available at <https://www.adb.org/sites/default/files/institutional-document/31483/om-j1.pdf>.

²⁵ Project completion report format is available at: <https://www.adb.org/sites/default/files/institutional-document/33431/pai-6-07a.pdf>

D. Reporting

64. Bank of Xingtai will provide ADB with (i) semi-annual progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the performance target indicators in the ADB design and monitoring framework, (b) other key implementation issues and solutions, (c) updated gender action plan, and (d) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of the loan closing date. Audit and financial statement reporting requirements are provided in the section above.

E. Stakeholder Communication Strategy

65. ADB will provide project information (e.g., project documents, implementation progress reports, and other updates) on its website. At the subproject level, ADB will work closely with the Bank of Xingtai to disseminate relevant ADB project and subproject related information.

X. ANTICORRUPTION POLICY

66. ADB's Anticorruption Policy was explained to and discussed with the government and Bank of Xingtai and it was emphasized that ADB reserves the right to investigate, directly or through its agents, any alleged violations of the ADB Anticorruption Policy relating to the project.²⁶ Bank of Xingtai shall ensure that all agreements and other contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency, Xingtai City Government, Bank of Xingtai, and all project contractors, suppliers, consultants, and other service providers as they relate to the project. Individuals and/or entities on ADB's debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.²⁷

67. To support these efforts, relevant provisions are included in the loan agreement/regulations and project agreement and shall be included in the subloan agreements from the Bank of Xingtai to subborrowers.

XI. ACCOUNTABILITY MECHANISM

68. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people shall make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, shall they approach the Accountability Mechanism.²⁸

²⁶ Anticorruption Policy: <https://www.adb.org/sites/default/files/institutional-document/32026/anticorruption.pdf>.

²⁷ ADB's Integrity Office web site: <https://www.adb.org/site/integrity/main>.

²⁸ Accountability Mechanism. <https://www.adb.org/site/accountability-mechanism/main>.

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

69. All revisions and/or updates during the course of implementation are retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

List of Key ADB Project Implementation Documents

ADB Loans Disbursement Handbook (2017)

(as may be updated from time to time):

<https://www.adb.org/sites/default/files/adb-loan-disbursement-handbook-2017.pdf>

ADB Safeguard Policy Statement (2009)

<https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>

Financial Analysis and Evaluation: Technical Guidance Note (2019)

<https://www.adb.org/sites/default/files/institutional-document/535126/financial-analysis-evaluation-guidance-note.pdf>

Guidelines for the Economic Analysis of Projects (2017)

<https://www.adb.org/sites/default/files/institutional-document/32256/economic-analysis-projects.pdf>

Project Financial Reporting and Auditing (2015)

<https://www.adb.org/sites/default/files/institutional-document/33926/tgn-project-financial-reporting-auditing.pdf>

Procurement Policy (2017)

(as may be updated from time to time):

<https://www.adb.org/sites/default/files/adb-procurement-policy.pdf>

Procurement Regulations for ADB Borrowers (2017)

(as may be updated from time to time):

<https://www.adb.org/sites/default/files/procurement-regulations-adb-borrowers.pdf>

Access to Information Policy (2019)

<https://www.adb.org/sites/default/files/institutional-document/450636/access-information-policy.pdf>

Project Completion Report Template

<https://www.adb.org/sites/default/files/institutional-document/33431/pai-6-07a.pdf>

Ordinary Operations Loan Regulations

<https://www.adb.org/sites/default/files/institutional-document/220606/ocr-loan-regulations-20170101.pdf>

Guidelines for Conversion of Loan Terms for ADB LIBOR-Based Loans

<https://www.adb.org/sites/default/files/institutional-document/32828/files/conversion-guidelines.pdf>

ADB Prohibited Investment Activities List

The following do not qualify for ADB financing:

- (i) production or activities involving harmful or exploitative forms of forced labor¹ or child labor;²
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals,³ pesticides, and herbicides,⁴ (b) ozone-depleting substances,⁵ (c) polychlorinated biphenyls⁶ and other hazardous chemicals,⁷ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁸ and (e) transboundary trade in waste or waste products;⁹
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹⁰
- (v) production of or trade in tobacco;¹⁰
- (vi) gambling, casinos, and equivalent enterprises;¹⁰
- (vii) production of or trade in radioactive materials,¹¹ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹²
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

¹ Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

² Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

³ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

⁴ A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

⁵ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

⁶ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁷ A list of hazardous chemicals is available at <http://www.pic.int>.

⁸ A list is available at <http://www.cites.org>.

⁹ As defined by the Basel Convention; see <http://www.basel.int>.

¹⁰ This does not apply to project sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a project sponsor's primary operations.

¹¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

¹² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

Pro Forma Project Progress Report

A. Introduction and Basic Date

Provide the following:

1. ADB loan number, project title, borrower, executing agency, implementing agency;
2. Total estimated project cost and financing plan;
3. Status of project financing including availability of counterpart funds;
4. Dates of approval, signing, and effectiveness of ADB loan;
5. Original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
6. Date of last ADB review mission.

B. Project Targets

Provide the following:

1. Status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
2. An assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
3. An assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
4. Other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

C. Utilization of Funds (ADB loan, cofinancing, and counterpart funds, if any)

Provide the following:

1. Cumulative disbursement and liquidation/reimbursement by the ADB loan, cofinancing, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
2. Cumulative disbursements from the ADB loan, cofinancing, and counter funds (expenditure to date), and comparison with time-bound projections (targets); and
3. Re-estimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

D. Implementation Progress

Provide the following:

1. Assessment of project implementation arrangements such as establishment, staffing, and funding of the rooftop solar unit;
2. Information relating to other aspects of the executing agency's internal operations that may impact on the implementation arrangements or project progress;
3. Progress or achievements in implementation since the last progress report;

4. Assessment of the progress of each project component, such as:
 - a. Recruitment of consultants and their performance;
 - b. Procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
 - c. The performance of suppliers, manufacturers, and contractors for goods and works contracts.
5. Assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable targets, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress; and
6. An assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

Provide the following:

1. The Borrower's compliance with policy loan covenants such as sector reform initiatives and executing agency reforms and the reasons for any noncompliance or delay in compliance;
2. The Borrower's and executing agency's compliance with financial loan covenants including the executing agency's financial management and the provision of audited project financial statements or audited agency financial statements; and
3. The Borrower's and executing agency's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

Key Data Required for Project Progress Report

A. Cumulative Utilization of Funds

Contract Awards

Name of Subproject	Date of Commitment (ADB Clearance)	Amount of Commitment (€)	Date of Disbursement

Disbursements

Disbursement Number	Date of Disbursement	Amount of Disbursement (€)

B. Design and Monitoring Framework Targets

Impact the Project is Aligned with Industrial transformation and green development in Hebei province promoted and environmental conditions improved (13th Five-Year Plan – Hebei Province Action Plan) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Volume of green finance provided by the city and rural commercial banking sector in Hebei province increased	By 2027: a. Green finance from Hebei province's city and rural commercial banking sector expanded by at least 20% (2020 baseline: 0) b. Greenhouse gas emissions reduced by 1,861,632 tCO ₂ e per year, with total green finance of at least €680 million (2020 baseline: 0) (RFI A)	a. Relevant reports from the People's Bank of China, CBIRC, China Association of Circular Economy, Tsinghua University, and/or any other relevant green finance sources b. Estimates from the outputs of the green finance IT system from timely inputs of subproject environmental monitoring data	Banking sector is affected negatively by unforeseen economic slowdown from shocks.
Outputs 1. The Bank of Xingtai's green finance system established	1a. An IT system that performs (i) green finance taxonomy compliance and certification, (ii) ESG risk identification, (iii) subproject environmental impact assessments, (iv) ESG information disclosures, (v) environmental and risk data analysis and feedback, and (vi) sex-disaggregated subloan data operationalized by 2021 (2020: no IT system)	1a. Semiannual Bank of Xingtai project monitoring reports and semiannual ADB project review missions	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
2. Green finance lending by the Bank of Xingtai initiated and increased	<p>2a. The Bank of Xingtai's green finance lending becomes operational by 2021 (2020 baseline: no green finance program)</p> <p>2b. At least €340 million of private sector and commercial financing leveraged by 2026 (2020 baseline: 0) (RFI B)</p> <p>2c. 100% of the subloan applicants that seek ADB financing screened for potential gender features^b by 2026 (2020 baseline: 0)</p>	<p>2a–c. (i) Annual Bank of Xingtai project audit reports (inclusive of annual audited statement of utilization of funds); (ii) semiannual ADB project review reports, inclusive of periodic project monitoring and review reports, midterm review reports, and final report; and (iii) Bank of Xingtai annual reports</p>	<p>The Bank of Xingtai's limited experience in subproject safeguard reviews may affect subproject compliance.</p> <p>The Bank of Xingtai may face heightened foreign exchange risk in case of unexpected market swings.</p>
3. The Bank of Xingtai's ESG and related institutional capacities improved	<p>3a. A green finance policy, including ESG guidelines, approved by the Bank of Xingtai board of directors and adopted by 2022 (2020 baseline: no guidelines)</p> <p>3b. At least 500 loan officers and credit staff in headquarters and branch offices participated in environmental and social safeguard training (including gender) and reported increased knowledge by 2026 (2020 baseline: 0) (RFI C)^c</p> <p>3c. At least 300 participants, including at least 30% of external participants from the city and rural commercial bank sector, who attended at least three knowledge-sharing workshops, reported improved understanding on green finance in general and green finance business models for commercial banks in particular by 2026 (2020 baseline: 0)</p> <p>3d. At least 30 credit and treasury staff receive at least three trainings on financial and risk management, including credit and treasury functions, and reported improved knowledge by 2026 (2020 baseline: 0)^c</p> <p>3e. A gender-sensitive human resources and/or operational guideline approved by 2022</p>	<p>3a–g. The Bank of Xingtai project monitoring report, including annual reports, operations manuals, human resources policies, guidelines, board documents, and internal memos</p> <p>3a–g. ADB staff and consultant project review reports, inclusive of periodic project monitoring and review reports, midterm review reports, and final report</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>(2020 baseline: no gender-sensitive human resources and/or operational guideline) (RFI D)</p> <p>3f. Five breastfeeding rooms (one in headquarters and one in each of the four branches and/or subbranches) operational by 2026 (2020 baseline: 0)</p> <p>3g. A gender unit for developing gender-sensitive lending products established, operational, and working with borrowers by 2022 (2020 baseline: no gender unit)</p>		

Key Activities with Milestones

1. The Bank of Xingtai's green finance system established

- 1.1 The Bank of Xingtai procures, tests, and operationalizes an IT system that (i) adopts domestically and internationally accepted green finance taxonomies; (ii) conducts subproject environmental and social risk and impact assessments, including gender assessment; (iii) discloses subproject ESG information; and (iv) provides relevant data analyses and feedback to the regulators and the public by 2020.

2. Green finance lending by the Bank of Xingtai initiated and increased

- 2.1 ADB disburses a €170 million green finance loan to the Bank of Xingtai for eligible subprojects by 2026—2021: €17.00 million (10%), 2022: €17.00 million (10%), 2023: €25.50 million (15%), 2024: €34.00 million (20%), 2025: €34.00 million (20%), and 2026: €42.50 million (25%).
- 2.2 The Bank of Xingtai disburses €170 million equivalent in counterpart green financing to eligible subprojects by 2026.
- 2.3 The Bank of Xingtai leverages €340 million equivalent in additional private sector and commercial finance for qualified green finance subprojects by 2026.

3. The Bank of Xingtai's environment, social, and governance and related institutional capacities improved

- 3.1 The Bank of Xingtai prepares, consults with stakeholders, and approves an updated green finance policy and/or an associated operational guideline, based on ESG, to mainstream green finance lending by 2021.
- 3.2 The Bank of Xingtai reviews its operational procedures and provides environmental and social safeguard training that will become an integral part of the credit review process by 2026.
- 3.3 The Bank of Xingtai consults its (male and female) staff and prepares and approves a human resources action plan for gender mainstreaming by 2022, and conducts gender mainstreaming training by 2026.
- 3.4 The Bank of Xingtai conducts surveys among its staff and plans its financial resources on the establishment of a gender equality unit by 2022, using the unit resources to develop gender-sensitive lending products, both internally and with existing and future borrowers and subborrowers.
- 3.5 The Bank of Xingtai constructs breastfeeding rooms in its headquarters and at least four branches and/or subbranches by 2026.
- 3.6 The Bank of Xingtai conducts a financial and risk management assessment, including credit and treasury functions, and identifies areas of improvement for actions by 2026.
- 3.7 The Bank of Xingtai further reviews the corporate governance assessment and identifies the gaps with domestic and international best practices. It develops a corporate governance improvement plan, e.g., by increasing the ratio of independent directors, appointing a chief risk officer, reassigning internal audit to report directly to the board, engaging a governance advisor, and strengthening information disclosure, among others, to meet the relevant CBIRC and Bank for International Settlements corporate governance guidelines by 2025.
- 3.8 The Bank of Xingtai provides at least five green finance training sessions (e.g., on local and international taxonomies, ESG, and the Global Reporting Initiative) and other relevant training sessions (e.g., on corporate governance, financial and risk management, and gender mainstreaming) to its staff by 2026.
- 3.9 The Bank of Xingtai and ADB will produce and disseminate a knowledge product on the comparison between the three national green finance taxonomies and with the EU sustainable finance taxonomy by 2022.
- 3.10 The Bank of Xingtai conducts at least three workshops involving external participants from other city and rural commercial banks in Hebei and other provinces on green finance in general and on green finance business

models for city and rural commercial banks in particular by 2026. At least two of the three workshops will cover the bank's experience, successes, and lessons in implementing the ADB-financed project.
Project Management Activities Conduct regular project review missions in coordination with ADB's PRC Resident Mission. Monitor the capacity development component and its contributions to enhanced institutional capacity. Monitor consultant support on ensuring project compliance (e.g., safeguards, audit, and reporting). Monitor and ensure timely delivery of outputs of the project and subprojects from 2020 to 2026; project monitoring costs will be paid by the Bank of Xingtai.
Inputs ADB: €170 million (ordinary capital resources loan) The Bank of Xingtai: €170 million equivalent (counterpart green finance) Private sector and commercial finance institutions: €340 million equivalent (counterpart finance)
Capacity Development Component The Bank of Xingtai: CNY7,000,000 (capacity development and IT system procurement)
Assumptions for Partner Financing Not applicable

ADB = Asian Development Bank, CBIRC = China Banking and Insurance Regulatory Commission, ESG = environment, social, and governance, IT = information technology, PRC = People's Republic of China, RFI = results framework indicator, tCO₂e = ton of carbon dioxide equivalent.

^a Hebei Provincial Government. 2016. *The 13th Five-Year Plan (2016–2020–Hebei Province Action Plan*. Shijiazhuang (footnote 19). Future targets beyond 2020 will be identified in the PRC 14th Five-Year Plan, 2021–2025, which is being prepared, at the national level.

^b To be conducted based on a gender assessment questionnaire.

^c Indicators 3b, 3c, and 3d will include sex-disaggregated data on male and female participants to training sessions and workshops.

Contribution to the ADB Results Framework:

RFI A: Total annual greenhouse gas emissions reductions (tCO₂e/year). Expected: 1,861,632 tCO₂e/year.

RFI B: Additional finance mobilized (\$): \$596 million (€510 million). 25% Bank of Xingtai counterpart finance and 50% of commercial market finance leveraged.

RFI C: Women represented in decision-making structures and processes (number). Expected: To be determined.

RFI D: Measures on gender equality supported in implementation (number). Expected: 1. A gender-sensitive human resources and/or operational guideline approved.

Source: Asian Development Bank.

C. Compliance with Covenants

Covenant	Status

D. Contract Awards and Disbursement Projection

Subprojects	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Contract Awards				
Disbursement				

Capacity Development Component

A. Justification

1. Bank of Xingtai is in the process of transforming itself into a leading “green” bank in the People’s Republic of China (PRC). With limited prior exposure to relevant international best practices, the Bank of Xingtai has requested Asian Development Bank (ADB) support, through the project, to design a capacity development component and guide it through the implementation process. In this connection, Bank of Xingtai will allocate up to about CNY7 million, equivalent to €1 million, from its own resources to finance this component.

2. More specifically, Bank of Xingtai has a green finance policy, which serves as a voluntary guideline. The concepts of responsible, sustainable, and green finance have not been clearly defined or mainstreamed into the day-to-day operations. Therefore, this existing green finance policy requires urgent update and operationalization, including the development of a comprehensive green finance product line. In addition, the bank’s understanding of gender mainstreaming is generally weak. To expose the Bank of Xingtai with international best practices in global social development standards, this capacity development component will introduce a comprehensive gender action plan with meaningful output target milestones. Last, to ensure Bank of Xingtai’s long-term commercial sustainability, the capacity development component will strengthen the institutional corporate governance.

B. Outputs and Activities

3. **Output 1: Bank of Xingtai’s green finance information platform adopted.** Bank of Xingtai will immediately assess, prepare, tender, procure, install, and test a green finance information technology (IT) system that will (i) green finance taxonomy compliance and certification; (ii) ESG risk identification; (iii) subproject environmental impact assessments; (iv) ESG information disclosures; (v) environmental and risk data analysis and feedbacks.

4. **Output 2: ESG and green finance operational guidelines developed and relevant training provided.** The capacity development component will introduce Bank of Xingtai with the international best practices in responsible, sustainable and green finance, which will include environment, social, and governance (ESG) framework and Global Reporting Initiative (GRI). In this connection, the capacity development component will recruit experienced consultants to help the Bank of Xingtai develop an ESG and green finance operational guideline to facilitate green finance lending. In the same context, Bank of Xingtai will provide environment and social safeguard compliance training that is satisfactory to ADB to ensure that such a capacity is sustained in the bank.

5. **Output 3: Financial, credit, and foreign exchange management capacity developed.** Bank of Xingtai is in the process of restructuring its operations and improving asset quality. This requires strengthened financial and credit management flows. In addition, Bank of Xingtai’s business operations are confined in the Hebei Province, and it intends to have an expanded banking scope (e.g., some international banking and foreign currency operations). For example, under the ADB project, Bank of Xingtai is borrowing foreign currency for the first time and needs to be able to hedge relevant foreign exchange rate risk. In addition, Bank of Xingtai will need to strengthen its financial and credit risk management, treasury and funding, and/or more importantly foreign currency risk management. In terms of project financial management at the government counterpart level, the same financial management training could include Hebei Province

Department of Finance will provide the necessary technical support to Xingtai City Finance Bureau and Bank of Xingtai at least once a year during the project implementation. Xingtai City Finance Bureau and Bank of Xingtai staff needs to carefully review the ADB Loan Disbursement Handbook (2017, as amended from time to time).¹ Bank of Xingtai will work closely with Xingtai City Finance Department and Hebei Province Department of Finance to understand the role of the implementing agency and obtain necessary training when available from ADB, World Bank, and/or any other multilateral and bilateral development agencies. A financial management workshop and specialized training on accrual based financial reporting for ADB financed project for the staff of project management unit is recommended to be held before loan effectiveness and during project implementation. The detailed assistance areas shall be determined after the consultant stocktaking and reviews.

6. **Output 4: Human resources policy and gender mainstreaming strengthened.** ADB will help Bank of Xingtai develop and implement a gender action plan to improve (i) its institutional gender equality and (ii) gender mainstreaming in its lending operations. The gender action plan will have three components. First, Bank of Xingtai will develop a gender-sensitive human resources policy to improve Bank of Xingtai's institutional gender equality. This could include the establishment of a specific gender equality unit within the Bank of Xingtai and a corresponding information system to track the institutional gender development and progress. Second, Bank of Xingtai will develop gender-sensitive operational procedures and products to introduce the gender benefits in future lending operations. This could include mandatory consultations of gender benefits in the subloan application, due diligence, and monitoring and review process.² In addition, Bank of Xingtai could also develop targeted lending products, for example, to benefit female entrepreneurs. Third, Bank of Xingtai will introduce gender-sensitive features in existing subproject facilities, for example, by encouraging the subborrowers to employ (more) female workers in subproject constructions and operations. See Gender Action Plan for details.

7. **Output 5: bank corporate governance improved.** Bank of Xingtai could conduct a corporate governance assessment that may include the following areas: (i) independent director with risk management experience so as to reduce the weight of shareholder directors; (ii) chief risk officer to take charge of overall risk management of the bank including formulations of risk appetite statement and risk policies; (iii) governance advisor; (v) Bank of Xingtai's disclosure policy; (vi) overall governance culture that reinforce the bank's risk awareness, risk-taking behavior and risk management. The specific details of the corporate governance assessment and any implementation plan are to be confirmed during the project implementation.

8. Bank of Xingtai will also ensure that the ADB project is well implemented and the knowledge and experiences are broadly disseminated. Consultants shall be recruited in accordance with the ADB Procurement Policy (2017, as amended from time to time) and associated *Project Administration Instructions/Technical Assistance Staff Instructions*.

9. The major outputs and activities are summarized in Table A4.1.

¹ ADB. 2017. *Loan Disbursement Handbook*. Manila.

² Strengthening Participation for Development Results. <https://www.adb.org/sites/default/files/institutional-document/33349/files/strengthening-participation-development-results.pdf> and CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations. <https://www.adb.org/sites/default/files/institutional-document/32629/files/cso-staff-guide.pdf>

Table A4.1: Summary of Major Outputs and Activities

Major Outputs	Delivery Dates	Key Activities with Milestones
1. Bank of Xingtai's green finance information platform adopted	Q1 2020 Q2 2020 Q3 2020 Q4 2020	1.1 Bank of Xingtai identifies its green finance IT system needs. 1.2 Bank of Xingtai prepares bidding documents and work with ADB to tender the system. 1.3 Bank of Xingtai signs the contract with the vendor. 1.4 Bank of Xingtai works with the vendor to design, develop, install, test-run, and fine-tune the new green finance IT system to ensure full operationalization.
2. ESG and green finance operational guidelines developed and relevant training provided	Q1 2021 Q4 2021 2021–2025	2.1 Bank of Xingtai updates the existing green finance policy based on PRI and ESG. 2.2 Bank of Xingtai submits the updated green finance policy to the board of directors for approval and operationalization. 2.3 Consultants provide at least 5 workshops and training sessions on international best practices of PRI, ESG, Equator Principles, and GRI, and project environment and social safeguards.
3. Financial, credit, and foreign exchange management capacity developed	Q1 2021 Q4 2021 Q2 2022 Q4 2022	3.1 Consultants examine international best practices on commercial bank financial and credit management. 3.2 Consultants help Bank of Xingtai prepare a detailed report on financial, credit, and foreign exchange management. 3.3 Bank of Xingtai provides at least 10 relevant training on financial, credit, and foreign exchange risk management training. 3.4 Bank of Xingtai provide for credit and treasury support in terms of financial and risk management.
4. Strengthen human resources policy and gender mainstreaming	Q2 2022 Q4 2022 Q4 2022 Q4 2026 Q4 2026	4.1 Consultants help develop a new gender-sensitive human resources and/or operational guideline. 4.2 The above guideline is approved by the Bank of Xingtai management and/or board of directors 4.3 Bank of Xingtai creates a gender equality unit. 4.4 Bank of Xingtai constructs a breastfeeding room for female workers. 4.5 Other gender promotion activities are conducted.

5. Improve bank corporate governance	Q2 2024	5.1 Consultants review existing corporate governance structure in Bank of Xingtai.
	Q4 2025	5.2 Consultants help Bank of Xingtai identify areas of shortfalls in relation to domestic and international guidelines in terms of management structure, employee relations and compensation, transparency and disclosure, credit and risk management, and internal control, etc.

ADB = Asian Development Bank; BIS = Bank for International Settlement; CNY = Chinese Yuan; ESG = environment, social, and governance; GRI = Global Reporting Initiative; HR = human resources; IT = information technology; PAM = project administration manual; PRC = People's Republic of China; PRI = Principles for Responsible Investment; Q = quarter; RFI = results framework indicator.

Source: Asian Development Bank Estimates.

C. Cost and Financing

10. Bank of Xingtai will allocate up to CNY7,000,000 from its own funding sources for capacity development and procurement of the green finance IT system and other consulting services. The IT system procurement is estimated to cost about CNY1,400,000 and the consulting services is estimated to cost up to CNY5,600,000. The key expenditure items are listed in Table A4.3.

11. Bank of Xingtai will also provide other support in the form of counterpart staff (e.g., to receive the training) and hosting costs for consultants, including office accommodation, per diems, secretarial assistance, domestic transportation, and other in-kind contributions.

D. Implementation Arrangements

12. Bank of Xingtai will administer the implementation of the capacity development component. ADB will help monitor the capacity development implementation and provide any necessary support as needed. Bank of Xingtai provides an implementation plan with the accompanying budget over the ADB project's implementation period (2020–2026) to implement the capacity development component. Consultants funded by Bank of Xingtai will follow its own procurement guidelines.

13. The implementation arrangements are summarized in Table A4.2.

Table A4.2: Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	December 2020–December 2026
Supervisory agency: ADB project steering committee	Chairperson: Xingtai City Vice Mayor Vice Chairperson: Xingtai City Deputy Secretary Committee members: senior staff from key Xingtai City government agencies, including the Development and Reform Commission, Department of Finance, Bureau of Ecology and Environment, Audit Bureau, and/or Financial Supervision and Administration Bureau.
Implementing agency	Bank of Xingtai
Consultants	To be selected and engaged by Bank of Xingtai.

ADB = Asian Development Bank.

Sources: Bank of Xingtai and Asian Development Bank estimates.

14. **Consulting services.** The capacity development component intends to provide 28 person-months (PM) of consulting services (8 international PM and 20 national PM) in areas of

(i) responsible and sustainable finance, (ii) environment and social safeguard, (iii) financial and risk management, (iv) gender, and (v) corporate governance. Although Bank of Xingtai will recruit the consultants, to expose Bank of Xingtai with international best practices in procurement and consulting services, if requested by the Bank of Xingtai, ADB will provide ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions for references. In such a case, the consulting service contracts could potentially be based on the ADB standard template but modified for Bank of Xingtai's use. The consultant terms of reference are provided below. It is clarified with the Bank of Xingtai that (i) ADB's privileges and immunities do not extend to the consultant service contracts and (ii) the consultants are required to pay taxes and duties on the amount paid under their consulting services contract.

Table A4.3: Cost Estimates and Financing Plan
(€'000)

Item	Amount
Bank of Xingtai	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	171.3
ii. National consultants	256.9
b. Out-of-pocket expenditures	
i. International and local travel	85.6
ii. Reports and communications	8.6
iii. Miscellaneous administration and support costs	17.1
2. Printed external publications	17.1
3. Training, seminars, and conferences	85.6
4. Pilot testing	
a. Green finance information technology system	171.3
5. Contingencies	42.8
Total	856.4

Sources: Bank of Xingtai and Asian Development Bank estimates.

Terms of Reference for Consultants

1. Responsible, Sustainable, and Green Finance Consultants: One International (4 PM) and One National (4 PM)

Scope of Work

The consultants will help Bank of Xingtai improve the awareness, capacity, and operationalization of international best practices in responsible, sustainable, and green finance.

Detailed Tasks and/or Expected Output

- (i) Examine the global best practices in responsible, sustainable, and green finance.
- (ii) Review the domestic policy and regulatory environment on principles of responsible investment (PRI) and environment, social, and government (ESG) framework, Equator Principles, and Global Reporting Initiative (GRI).
- (iii) Work with Bank of Xingtai to identify the gaps and develop an implementation plan to mainstream the relevant concepts in Bank of Xingtai's operations.
- (iv) Update the existing green finance policy based on PRI and ESG framework.

- (v) Submit the updated green finance policy to the Bank of Xingtai board of directors for approval.
- (vi) Work with the financial and risk management consultant to examine the international best practices in green finance product development.
- (vii) Work with the financial and risk management to prepare a detailed report on comprehensive responsible, sustainable, and green finance product development for Bank of Xingtai.
- (viii) Assess the green bond market for Bank of Xingtai's future treasury needs.
- (ix) Work with the Responsible, Sustainable, and Green Finance Consultant to obtain Bank of Xingtai board of directors' approval of the new product line for operationalization.
- (x) Support Bank of Xingtai to propose the new lending or other products (e.g., green bonds) to the board of directors for review and approval.
- (xi) Review the existing green finance incentive structures including (i) macroprudential assessment or MPA scoring, (ii) reduction of risk weights in regulatory capital calculation, and (iii) qualified green assets securitization.
- (xii) Prepare a report and/or operational guideline on restructuring Bank of Xingtai's operations to benefit from the above and any other incentives.
- (xiii) Provide at least 10 workshops and training sessions on international best practices of PRI, ESG, Equator Principles, and GRI, and share any other relevant knowledge through publications.
- (xiv) Mainstream Equator Principles and submit application to become an Equator Principle Bank. This requirement is voluntary, not a part of the requirements.
- (xv) Provide any other support as deemed necessary.

Minimum Qualification Requirements

Key Qualifications: Minimum of a Master's Degree in economics, finance, or other relevant areas.

Experience: at least 5 years of experience working in international and/or domestic financial institutions, and at least 10 years of relevant experiences in social science, anthropology or sociology, or other relevant areas.

Deliverables

Deliverables: (i) preliminary assessment report, (ii) full assessment report, (iii) updated green finance policy based on PRI and ESG, (v) organization and provision of at least 5 workshops and/or training sessions, and (vi) final report.

2. Environmental Consultants: Two national (Total 6 PM)

Scope of Work

The consultant will help implement the developed project environment and social safeguard management system (ESMS) and provide any capacity development in environment aspects of the subproject review and monitoring process.

Detailed Tasks and/or Expected Output

- (i) Based on the ESMS requirements, identify Bank of Xingtai's environment capacity shortfalls with the national and ADB standards.
- (ii) Support Bank of Xingtai safeguard staff to conduct subproject safeguard reviews and clearance including the preparations and/or reviews of ADB prohibited investment list; rapid environment assessment; environment impact assessment; environment management plan; subproject environment categorization forms; environment due diligence report; environment monitoring report; and environment performance report.
- (iii) Support Bank of Xingtai to conduct, in coordination with ADB, at least first 5 safeguard review missions for due diligence, consultation, and monitoring and review to ensure that ADB funded subproject complies with the ESMS requirements.
- (iv) Work with Bank of Xingtai safeguard staff to ensure subproject level compliance during subproject implementation, including maintaining close stakeholder engagement and consultation.
- (v) Work with Bank of Xingtai safeguard staff to design audit recording sheet for subprojects and conduct annual environment safeguard audit.
- (vi) Provide at least 5 comprehensive training sessions on the ADB Safeguard Policy Statement 2009, Equator Principles, and international labor standards.
- (vii) Work with the Responsible and Sustainable Green Finance Consultant to help Bank of Xingtai better understand ESG, Equator Principles, and GRI concept.
- (viii) Provide any other support as deemed necessary.

Minimum Qualification Requirements

Key Qualifications: Minimum of a Master's Degree in environment or other relevant areas.

Experience: at least 10 years of experience in environment protection. Expertise in project environmental impact assessments and/or government environmental protection agencies is required. Experiences with ADB is preferred.

Deliverables

Deliverables: (i) preliminary assessment report on Bank of Xingtai's environmental capacity gap; (ii) full assessment report and work plan on subproject environment compliance; (iii) support to subproject environmental reviews; (v) organization and provision of at least 5 workshops and/or training sessions; (vi) updated green finance policy based on PRI and ESG; (iv) final report.

3. Social Safeguard Consultant: Two national (Total 6 PM)

Scope of Work

The consultant will help implement the developed project ESMS and provide any capacity development in social aspects of the subproject review and monitoring process.

Detailed Tasks and/or Expected Output

- (i) Based on the ESMS requirements, identify Bank of Xingtai's social safeguard capacity shortfalls with the national and ADB standards.

- (ii) Support Bank of Xingtai safeguard staff to conduct subproject safeguard reviews and clearance including the preparations and/or reviews of ADB prohibited investment list; involuntary resettlement categorization form and checklist; indigenous peoples categorization form and checklist; resettlement plan; social safeguard monitoring report; environmental and social performance report; and social due diligence report/compliance audit.
- (iii) Support Bank of Xingtai to conduct, in coordination with ADB, at least first 5 safeguard review missions for due diligence, consultation, and monitoring and review to ensure that ADB funded subproject complies with the ESMS requirements.
- (iv) Work with Bank of Xingtai safeguard staff to ensure subproject level compliance during subproject implementation, including maintaining close stakeholder engagement and consultation.
- (v) Work with Bank of Xingtai safeguard staff to design audit recording sheet for subprojects and conduct annual social safeguard audit.
- (vi) Provide at least 5 comprehensive training sessions on the ADB Safeguard Policy Statement 2009, Equator Principles, and international labor standards.
- (vii) Provide any other support as necessary.

Minimum Qualification Requirements

Key Qualifications: Minimum of a Master's Degree in social sciences or other relevant areas.

Experience: at least 10 years of experience in social impact assessment and social safeguard planning and implementation. Experiences with ADB is preferred.

Deliverables

Deliverables: (i) preliminary assessment report on Bank of Xingtai's social safeguard capacity gap, (ii) full assessment report and work plan on subproject social safeguard compliance, (iii) support to subproject social safeguard reviews and preparation of social safeguard documents including monitoring reports, (iv) organization and provision of at least 5 workshops and/or training sessions, (v) final report.

4. Financial and Risk Management Consultant: One national (4 PMs)

Scope of Work

The consultant will help improve Bank of Xingtai's financial, credit, and foreign exchange risk management practices while concurrently supporting certain corporate governance aspects.

Detailed Tasks and/or Expected Output

- (i) Conduct detailed commercial banking financial due diligence on lending policy including credit review and approval processes, institutional and market risk assessments, internal control and enterprise risk management processes, funding and treasury operations, and foreign exchange risk management, among others.
- (ii) Conduct comprehensive training program on commercial banking principles, financial and market risks, credit risk management, internal control, enterprise risk management, internal and external audit processes, based on the outcomes of the due diligence and the approved work plan.

- (iii) Work with the responsible, sustainable, and green finance consultant to examine the international best practices in green finance product development.
- (iv) Work with existing and future subborrowers and other Bank of Xingtai clients for consultation and feedbacks.
- (v) Assess the green bond market for Bank of Xingtai's future treasury needs, if requested.
- (vi) Improve Bank of Xingtai's treasury operations by developing an optimal assets and liabilities management framework and identifying sustainable funding sources to minimize interest rate risk, liquidity risk, and foreign exchange/currency risk.
- (vii) Review the existing green finance incentive structures including (i) macroprudential assessment or MPA scoring, (ii) reduction of risk weights in regulatory capital calculation, and (iii) qualified green assets securitization.
- (viii) Prepare a report and/or operational guideline on restructuring Bank of Xingtai's operations to benefit from the above and any other incentives.
- (ix) Develop an updated framework for undertaking institutional and project-level credit risk assessment, such as by developing sector-specific credit risk rating models and associated pricing tools, or as required by the regulatory and/or prudential guidelines and/or global standards.
- (x) Provide recommendation on the development of sector-specific credit risk rating models and pricing tools, if necessary.
- (xi) Improve the process of provisioning and recovery, and any other aspects that will enhance the institution's asset quality.
- (xii) Provide at least 10 training sessions on institutional and market risk assessment, financial and credit risk assessment, internal control and enterprise risk management, and/or funding and treasury operations.
- (xiii) Support the Responsible and Sustainable Green Finance Consultant in understanding ESG, Equator Principles, and GRI concepts.
- (xiv) Support project level financial management, accounting, and auditing work by coordinating with ADB for the relevant project administration training and workshops.
- (xv) Provide any other support as deemed necessary.

Minimum Qualification Requirements

Key Qualifications: Minimum of a Master's Degree in finance, economics, or other relevant areas.

Experience: at least 10 years of experience in finance, accounting, commercial banking, investment banking, risk management, and/or other relevant areas. Chartered financial analyst and certified public accountant qualifications are preferred.

Deliverables

Deliverables: (i) preliminary assessment report on Bank of Xingtai's financial and risk management capacity gap; (ii) full assessment report and work plan on improving institutional financial and risk management capacity; (iii) organization and provision of at least 10 workshops and/or training sessions; (iv) final report.

5. Gender Consultant: One national (4 PM)

Scope of Work

The consultant will help improve Bank of Xingtai implement the gender action plan to improve its institutional, product, and client gender equality.

Detailed Tasks and/or Expected Output

- (i) Review the existing institutional gender action plan and identify any gaps for implementation, and refine the gender action plan if needed.
- (ii) Work with the human resources (HR) department to review the corresponding HR strategy and Policy and understand the institutional HR needs.
- (iii) Help Bank of Xingtai establish a specific gender equality unit within the Bank of Xingtai.
- (iv) Help Bank of Xingtai establish a corresponding HR information system to track the institutional gender development and progress.
- (v) Incorporate and update the latest gender action plan into the HR Strategy and Policy by obtaining Bank of Xingtai management and board approvals to develop a gender-sensitive HR policy to improve Bank of Xingtai's institutional gender equality.
- (vi) Help Bank of Xingtai develop relevant gender-sensitive lending product lines, by coordinating with other consultants.
- (vii) Promote mandatory consultations of gender benefits in the subloan application, due diligence, and monitoring and review process.
- (viii) Help Bank of Xingtai develop targeted lending products, for example, to benefit female entrepreneurs.
- (ix) Help Bank of Xingtai introduce gender-sensitive features in existing subproject facilities, for example, by encouraging the subborrowers to employ (more) female workers in subproject constructions and operations.
- (x) Works with existing borrowers or subborrowers (that utilizes ADB funds) to promote gender sensitive features in financed work (e.g., construction, procurement, implementation, and monitoring).
- (xi) Provide at least 5 training sessions on international gender development, in relations to commercial banking and financial markets.
- (xii) Provide any other support as deemed necessary.

Minimum Qualification Requirements

Key Qualifications: Minimum of a Master's Degree in social development or other relevant areas.

Experience: at least 10 years of experience in social safeguard and gender development, specific experiences with ADB is preferred.

Deliverables

Deliverables: (i) preliminary review and refinement of Bank of Xingtai's gender action plan to be approved by the Bank of Xingtai board of directors; (ii) development of implementation plan on Bank of Xingtai's institutional gender action plan; (iii) organization and provision of at least 5 workshops and/or training sessions on the gender action plan implementation; (vi) final report.

6. Corporate Governance Consultant: One national (2 PM)

Scope of Work

The consultant will help improve Bank of Xingtai's corporate governance standards and practices.

Detailed Tasks and/or Expected Output

- (i) Review existing domestic and international corporate governance best practices.
- (ii) Help Bank of Xingtai identify areas of shortfalls in relation to domestic and international guidelines in terms of management structure, employee relations and compensation, transparency and disclosure, credit and risk management, and internal control, etc., and prepare a comprehensive diagnostic report.
- (iii) Help Bank of Xingtai sufficiently adopt China Banking and Insurance Regulatory Commission (CBIRC)'s 162 corporate governance evaluation criteria and 5 classification criteria.
- (iv) Help Bank of Xingtai selectively adopt relevant international best practices such as Bank for International Settlement (BIS)' Bank Corporate Governance Principles, Group of Twenty (G20) / Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance, and the PRI and ESG framework.
- (v) Prepare an institutional corporate governance guideline and submit it to the board of directors for approval.
- (vi) Provide at least 10 workshops and training sessions on corporate governance.
- (vii) Provide any other support as deemed necessary.

Minimum Qualification Requirements

Key Qualifications: Minimum of a Master's Degree in finance, economics, or other relevant areas.

Experience: at least 10 years of experience in corporate governance and/or other related areas with a major international financial institution. Familiarization of the international best practices such as BIS' Bank Corporate Governance Principles, G20/OECD Principles of Corporate Governance, and the PRI and ESG framework is mandatory.

Deliverables

Deliverables: (i) preliminary assessment report on Bank of Xingtai's corporate governance gap with domestic and international standards, (ii) full assessment report and work plan on implementing the corporate governance development plan, (iii) implement the corporate governance work plan, (iv) organization and provision of at least 10 workshops and/or training sessions, (v) preparation of a corporate governance guidelines to be approved by the board of directors, (vi) final report.

Appendix 5 Subproject Eligibility Criteria

1. The following criteria will apply to selecting and approving subprojects and subborrowers under the project:

- (i) Subprojects and enterprises that receive Subloans must meet Bank of Xingtai's financing standards for financial, commercial and technical feasibilities. This includes meeting credit requirements of sound business plan, adequate collateral, equity contribution, third party guarantee, and/or counterpart financing.
- (ii) Subprojects and/or the components to which the subproject contributes will not include any inefficient and obsolete technologies and have net environmental benefits including, but not limited to, emission reduction (e.g., carbon dioxide, sulfur oxides, nitrogen dioxide, particulate matters with a diameter of less than 2.5 micrometers, and particulate matters with a diameter of less than 10 micrometers), climate adaptation (e.g., sponge cities), and more efficient resource utilization (e.g., industrial energy efficiency).
- (iii) Subprojects will not have significant safeguard risks in environment, involuntary resettlement or indigenous peoples impact, and will not be environment category A for environmental impacts, involuntary resettlement category A for involuntary resettlement impacts, and/or indigenous peoples category A or B for indigenous peoples' impacts under ADB's SPS as established using the Environmental and Social Management System (ESMS) categorization process and confirmed by ADB.
- (iv) Subprojects will meet (i) any of one or more of the PRC domestic green finance taxonomies from (A) *National Development and Reform Commission (NDRC): Green Industry Guidance Catalogue (2019)*, (B) *People's Bank of China (PBOC): Green Lending Statistical Method (2018)*, and (C) *China Banking and Insurance Regulatory Commission (CBIRC): Green Finance Statistical Method (2013)*; and (ii) *the European Union (EU) Sustainable Finance Taxonomy*.¹

2. Working capital and other short-term business loans with door-to-door tenor less than 1 year could be permitted. Longer-tenor loans to support subproject development and completion are encouraged. ADB funds can be used to finance up to 40.0% of the total subproject cost in the form of Subloans (as defined in the Loan Agreement) and will support corporate loans. Upon project completion, the ADB funds must not exceed more than 25% of total eligible subprojects financing costs that are calculated by adding the total ADB finance, total Bank of Xingtai's counterpart finance, and total leverage private sector and commercial finance.

3. In terms of the application of the EU sustainable taxonomy, it is important to highlight the following principles based on the EU Taxonomy, based on the Technical Report of Taxonomy: Final Report of the Technical Expert Group (TEG) on Sustainable Finance (March 2020). The selection of the EU Sustainable Finance Taxonomy is because it is more suitable for commercial banks compared to alternative options such as the International Capital Market Association's Green Loan and Bond Principles and the Green Climate Fund Investment Framework. In terms

¹ European Union (EU) Sustainable Finance Taxonomy: The selection of the EU Sustainable Finance Taxonomy is because it is more suitable for commercial banks compared to alternative options such as the International Capital Market Association's Green Loan and Bond Principles and the Green Climate Fund Investment Framework. In terms of subprojects' compliance with the local legal and regulatory requirements (e.g., emissions and discharge requirements, production and technical efficiency requirements, and environmental protection requirements, etc.), the relevant EU regulations concerning the specific economic activities will not apply to the subproject selection criteria. Instead, the relevant or corresponding PRC regulations will be applied.

of subprojects' compliance with the legal requirements (e.g., emissions and production standards), the relevant EU regulations concerning the specific economic activities will not apply to the subproject selection criteria. Instead, the relevant PRC regulations will be applied.

4. **The EU Sustainable Finance Taxonomy Principles.** The EU Taxonomy is a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy. The Taxonomy sets performance thresholds (referred to as 'technical screening criteria') for economic activities which: (i) make a substantive contribution to one of six environmental objectives;² (ii) do no significant harm (DNSH) to the other five environmental objectives, where relevant; (iii) meet minimum safeguards. The performance thresholds will help companies, project promoters and issuers access green financing to improve their environmental performance, as well as helping to identify which activities are already environmentally friendly. In doing so, it will help to grow low-carbon sectors and decarbonize high-carbon ones. The above is provided in the *EU Technical Report of Taxonomy: What is the EU Taxonomy* (Page 2).

5. **Alignment with the EU Taxonomy.** The EU technical screening criteria indicated that "for substantial contribution to climate change adaptation can, in principle, apply to any economic activity. The TEG has not considered any single part of the economy as having higher priority for the purposes of climate change adaptation. However, to be included in the Taxonomy, an economic activity must have criteria for the avoidance of significant harm to the other environmental objectives, including climate change mitigation. This means that activities which undermine climate change mitigation objectives could not count improvements in their resilience as Taxonomy-aligned." This section follows the statement that "Not all investments or financing decisions will align with a substantial contribution threshold. In such cases, it would still be possible to recognize improvement measures, such as through improved energy efficiency of buildings, where these are considered to make a substantial contribution in their own right." The above is provided in the *EU Technical Report of Taxonomy: Section 2 Recommendations: Taxonomy Design, 2.1.1 Sector covered – and not covered yet – by the Taxonomy* (Page 13).

6. In order to improve measures within an economic activity, the EU taxonomy states that "Some economic activities will already meet the technical screening criteria. For those that do not, the TEG recommends that the financing of improvement measures (capex and, if relevant, opex) can be counted as Taxonomy-aligned if they are part of an implementation plan to meet the activity threshold over a defined time period (TEG recommends a limit of five years for these plans). In the case of climate change adaptation, the plan should directly respond to the climate risks identified in the assessment required by the adaptation principles." The above is provided in the *EU Technical Report of Taxonomy: Section 2.2 Climate Change Mitigation, 2.1.3 Improvement measures within an economic activity* (page 15).

7. In terms of climate mitigation, "in order for an economic activity to be considered as substantially contributing to climate change mitigation, it must demonstrate consistency with medium- and long-term climate goals. To establish transition pathways for heavily emitting sectors for which low-carbon solutions are not available, consistent with these goals, the TEG adopted two principles: (i) ensuring no lock-in of assets inconsistent with these goals, and (ii) environmental performance well above the sector average. The above is provided in the *EU Technical Report of Taxonomy: Section 2.2 Climate Change Mitigation, 2.2.1 EU climate change mitigation objectives* (page 19).

8. **Verification Process.** Finally, the Taxonomy Regulation does not explicitly require any formal verification of Taxonomy-related disclosures. The above is provided in the *EU Technical Report of Taxonomy*: Section 3 Taxonomy in practice, 3.2.8 Verification (page 37).