



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

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Project Number: 53345-001  
October 2020

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

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 28 September 2020)

Currency unit	–	yuan (CNY)		
CNY1.00	=	\$0.1465	or	€0.1260
\$1.00	=	CNY6.8238	or	€0.8598
€1.00	=	CNY7.9365	or	\$1.1631

## ABBREVIATIONS

µg/m <sup>3</sup>	–	microgram per cubic meter
ADB	–	Asian Development Bank
BTH	–	Beijing–Tianjin–Hebei
CAMELS	–	capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk
CBIRC	–	China Banking and Insurance Regulatory Commission
COVID-19	–	coronavirus disease
ESG	–	environment, social, and governance
ESMS	–	environmental and social management system
EU	–	European Union
FIL	–	financial intermediary loan
GRI	–	Global Reporting Initiative
IT	–	information technology
NDRC	–	National Development and Reform Commission
PAM	–	project administration manual
PM <sub>2.5</sub>	–	particulate matter 2.5 micrometers or less in diameter
PM <sub>10</sub>	–	particulate matter 10 micrometers or less in diameter
PRC	–	People's Republic of China

## NOTE

In this report, “\$” refers to United States dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 53345-001	
<b>Project Name</b>	Bank of Xingtai Green Finance Development Project	<b>Department/Division</b>	EARD/EAPF
<b>Country Borrower</b>	China, People's Republic of China, People's Republic of	<b>Executing Agency</b>	Hebei Provincial Government
<b>Country Economic Indicators Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=53345-001-CEI">https://www.adb.org/Documents/LinkedDocs/?id=53345-001-CEI</a> <a href="https://www.adb.org/Documents/LinkedDocs/?id=53345-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=53345-001-PortAtaGlance</a>		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Finance</b>	Finance sector development		198.51
		<b>Total</b>	<b>198.51</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	465,408
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		<b>ADB Financing</b>	
✓ Strengthening governance and institutional capacity		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	63.52
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 8.10		Effective gender mainstreaming (EGM)	✓
SDG 13.a		<b>Poverty Targeting</b>	
		General Intervention on Poverty	✓
<b>4. Risk Categorization:</b>	Low		
<b>5. Safeguard Categorization</b>	Environment: FI Involuntary Resettlement: FI Indigenous Peoples: FI-C		
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>198.51</b>	
Sovereign Project (Regular Loan): Ordinary capital resources		198.51	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>596.53</b>	
Beneficiaries		199.51	
Others		397.02	
<b>Total</b>		<b>795.04</b>	
<b>Currency of ADB Financing:</b> Euro			



## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the People's Republic of China (PRC) for the Bank of Xingtai Green Finance Development Project.

2. The proposed project will catalyze and demonstrate the use of green finance in Hebei province, one of the most polluted industrial regions in the PRC. The Asian Development Bank (ADB) funds will be provided to the Bank of Xingtai, a regional city commercial bank in Hebei,<sup>1</sup> to finance subprojects that meet national and international green finance standards.<sup>2</sup> The Bank of Xingtai was chosen because of its established business relationships with polluting industries in and around the city of Xingtai, its improving financial and operational performance, and its firm commitment to transform itself into a green bank that focuses on sustainable lending. 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;<sup>3</sup> and (iii) ESG public disclosure requirements based on the Global Reporting Initiative (GRI).<sup>4</sup> The Bank of Xingtai will apply these international best practices in its financing of subprojects as described in para. 17. 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.

## II. THE PROJECT

### A. Rationale

3. **Environmental challenges on a national scale.** The ecological and environmental damage to the PRC from the 1980s of rapid economic development and industrialization is enormous. In 2019, the PRC ranked 120th out of 180 countries on 24 environmental sustainability categories, including the state of its air, water, soil, oceans, climate, and biodiversity.<sup>5</sup> The challenge is particularly severe in Hebei province, one of the nation's industrial hubs and the location of the project. As of 2018, the average annual mean concentration of particulate matter 2.5 micrometers or less in diameter (PM<sub>2.5</sub>) in the air of Hebei province was 60 micrograms per cubic meter (µg/m<sup>3</sup>), six times the World Health Organization acceptable level (10 µg/m<sup>3</sup>). Hebei province's average annual mean concentration of particulate matter 10 micrometers or less in diameter (PM<sub>10</sub>) was 109 µg/m<sup>3</sup>, more than five times what the World Health Organization considers acceptable (20 µg/m<sup>3</sup>).<sup>6</sup> Worsening environmental conditions are making Hebei province and many regions of the country less livable. It is the poor who suffer the most, and the

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<sup>1</sup> The PRC's banking sector consists mainly of 133 city commercial banks, 1,424 rural commercial banks, 782 rural cooperatives, and 1,622 village banks. City commercial banks gain strong local business advantages from operating mainly within and around their respective municipalities.

<sup>2</sup> Subprojects are referring to the project facilities to which the Bank of Xingtai intends to lend under the ADB project.

<sup>3</sup> The ESG risk framework helps financial institutions identify and select investments and lending activities based on their ESG sustainability.

<sup>4</sup> The GRI helps businesses worldwide understand and communicate their impact on critical sustainability issues through its sustainability reporting standards, which represent global best practice for reporting on economic, environmental, and social issues.

<sup>5</sup> Yale University. Environmental Performance Index (accessed 13 January 2020).

<sup>6</sup> Ministry of Ecology and Environment of The PRC. 2018. *China's Environmental Report*. Beijing.

PRC's total welfare loss because of pollution was estimated at \$1.59 billion as of 2013 (or 9.9% of gross domestic product), the latest estimate.<sup>7</sup>

4. **Need to scale up green finance in the People's Republic of China.** These environmental and social concerns placed green finance at the heart of the PRC's national development strategy under the 13th Five-Year Plan, 2016–2020.<sup>8</sup> Green finance will likely feature more prominently in the 14th Five-Year Plan, 2021–2025. The National Development and Reform Commission (NDRC), the People's Bank of China (the central bank), the China Banking and Insurance Regulatory Commission (CBIRC), and the Ministry of Ecology and Environment are the leading agencies for green finance development. Some headway has already been made, with the country's 21 largest banks (comprising 3 policy banks, 6 state banks, and 12 joint stock banks) increasing their green financing to an annual average of \$234 billion during 2013–2017.<sup>9</sup> However, based on the estimated total green finance needs of \$350 billion per annum, the gap of about \$116 billion cannot be filled by these large financial institutions alone.<sup>10</sup> Commercial banks such as the Bank of Xingtai dominate the PRC financial system, which makes expanding their green finance lending capacity an essential step toward improving the country's environmental conditions.

5. **Pandemic impact.** The outbreak of the coronavirus disease (COVID-19) and the allocation of national resources to combat the pandemic in 2020 have not changed the Government of PRC's long-term policy priority of pursuing green growth and environmental sustainability. The pandemic-related economic slowdown will not affect the robust demand for green finance over the medium term. Conditions in the PRC are gradually returning to normal, and the government's economic recovery plans are anchored on a less energy-intensive and more environment-friendly path. The Hebei Provincial Government has been successful in controlling COVID-19, which has minimized the pandemic's impact on the Bank of Xingtai's business. As a result, no significant changes to the project are anticipated because of COVID-19.

6. **Need to introduce international best practices.** To fulfill their abundant potential to drive environmentally sustainable growth, commercial banks beyond the largest 21 must become accustomed to the new green commercial banking concepts and practices that have taken hold internationally. These include ESG criteria and the GRI sustainability reporting standards. The traditional commercial banking practices that base lending decisions primarily on borrowers' credit qualities are no longer sufficient. Recognizing that ESG issues can impact a business's long-term sustainability, commercial banks across the world are increasingly considering the ESG attributes of potential borrowers when assessing risks. For example, when borrowers breach environmental rules and regulations, they will face fines, suspensions, or even shutdowns that can undermine banks' underlying asset quality and profitability. In addition, commercial banks increasingly need to disclose their ESG performance for government and public scrutiny. Most city and rural commercial banks in the PRC have limited knowledge of the concepts and practices related to ESG and the GRI. The PRC's request for ADB financing to help expand green finance is a response to this gap. The project's integration of ESG and GRI considerations into the Bank of

<sup>7</sup> World Bank. 2016. *The Cost of Air Pollution: Strengthening the Economic Case for Action*. Washington, DC. The welfare losses represent the costs stemming from premature mortality caused by exposure to pollution and the consequent loss of economic production.

<sup>8</sup> Government of the PRC, State Council. 2015. *The 13th Five-Year Plan for National Economic and Social Development, 2016–2020*. Beijing.

<sup>9</sup> Government of the PRC, CBIRC. 2018. *Statistical Report on 21 Banks' Green Finance Volume (Chinese language)*. Beijing; and ADB estimates.

<sup>10</sup> China Association of Circular Economy. 2019. *China Green Finance Development Research Report 2019 Published the Green Finance Gap was CNY800 billion in 2018 (Chinese language)*. News release. 3 May.

Xingtai's lending procedures will help promote the green and sustainable lending. It will create a replicable model for other commercial banks in the PRC.

7. **Addressing the challenge of determining what is “green.”** Defining what constitutes “green” is by applying the green finance taxonomy, which is difficult to do. This is true particularly for city and rural commercial banks with limited experience in green finance. The complexity is compounded in the PRC by the existence of different taxonomies. The three green finance taxonomies currently in use were developed by the NRDC, the People's Bank of China, and the CBIRC, which have overlapping interpretations on how green should be defined. Moreover, these domestic standards are not fully aligned with international standards, particularly in terms of the use of fossil fuel. For example, the European Union (EU) standards exclude fossil fuel-based technologies, particularly from solid fossil fuels, which the NDRC's Green Industry Guidance Catalogue (2019) still consider to be green.<sup>11</sup> Precise definitions of what is truly green can be achieved through the use of information technology (IT) that employs big data, cloud computing, and sophisticated algorithms to help banks sort through the complex domestic and international green finance standards.

8. **The battle with pollution in Hebei province.** Hebei province is the PRC's industrial heartland for steel, petrochemicals, cement, glass, and leather. As a result, Hebei also is one of the country's most polluted provinces. The PRC's 10 most polluted cities include four in Hebei province: Shijiazhuang (ranked second), Xingtai (third), Handan (fifth), and Baoding (eighth).<sup>12</sup> The Hebei Provincial Government is determined to reverse this trend, particularly as an important participant in the central government's Beijing–Tianjin–Hebei (BTH) air quality improvement program (BTH program).<sup>13</sup> The provincial government is implementing a 3-year “blue sky” action plan during 2018–2020 to restructure and modernize its industrial base and reduce its pollution level.<sup>14</sup>

9. **Why the Bank of Xingtai?** The Bank of Xingtai is committed to become a leading green bank. This adds impetus to the province's efforts to transform its industries and manufacturing sectors to address pollution and move onto a sustainable development path. The Bank of Xingtai is implementing the national and provincial green finance agendas, and is keen to learn from international experience. Although headquartered in Xingtai city, the bank's reach extends across the province through a network of 4 branch offices and 74 subbranches. This provides for a strong home market advantage. The bank is rated *satisfactory* under the capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk (CAMELS) model—the international standard for financial analysis of commercial banks and involves comprehensive evaluations of CAMELS.

10. **Demonstration effects and replication potential.** Once the Bank of Xingtai builds up its own green finance operations and strengthens its institutional capacity under the project, other city and rural commercial banks will have a reference point for adopting similar green finance business models. To help demonstrate the project's green finance model, the Bank of Xingtai has

<sup>11</sup> EU Technical Expert Group on Sustainable Finance. 2019. *Taxonomy Technical Report*. Brussels. The EU taxonomy is more suited to commercial banks than alternatives such as the International Capital Market Association's Green Loan Principles and Green Bond Principles, and the Green Climate Fund Investment Framework. Relevant regulatory and legislative requirements in the EU will not apply to the subprojects in the PRC.

<sup>12</sup> Government of the PRC, Ministry of Ecology and Environment. 2019. *December 2018 PRC City Air Quality Report (Chinese language)*. Beijing.

<sup>13</sup> Government of the PRC, State Council. 2013. *Beijing, Tianjin and Hebei and Surrounding Area Pollution Prevention and Control Action Plan (Chinese language)*. Beijing.

<sup>14</sup> Hebei Provincial Government. 2018. *Three Years' Action Plan to Winning the Battle for Blue Sky—Hebei Province Action Plan (Chinese language)*. Shijiazhuang.

committed to undertake knowledge-sharing and information-dissemination activities. These activities will include the preparation of publications and other media products, internal and external workshops, and other knowledge events and materials on the project's results, benefits, and lessons. Some of these activities will be jointly hosted with ADB, green finance associations, public sector entities, and other financial institutions. City and rural commercial banks account for 26.2% of the PRC's banking sector's overall assets, and 95% of the PRC's banking institutions (excluding rural cooperatives and other smaller financial institutions) by number. Replication of the project's experience could add to the PRC's long-term green finance endeavors.

11. **Complementary projects and initiatives.** ADB's \$2.0 billion in funding for the BTH program from 2015 to 2020 has included support for policy and regulatory reform, the expansion of clean technologies in small and medium-sized enterprises, the development of advanced clean technologies, energy-efficient heating and cooling systems development, and coal-to-natural gas conversion. A targeted green finance model, to be implemented through the commercial banking sector, will complement and add substantial value to the BTH program. The impact of this proposed project will be significant, particularly since city and rural commercial banks have not yet been exposed to or involved in green finance practices, despite growing interest among their industrial and corporate borrowers who must become part of the pollution reduction solution. In addition, ADB's highly innovative Shandong Green Development Fund Project, approved in 2019, provides an equity investment fund approach to address environmental and climate change challenges.<sup>15</sup> Given the project's focus on equity injections, however, it does not address the financing requirements of many industries and corporates in the form of bank loans.

12. **Strategic alignment.** By promoting industrial transformation and helping reduce pollution in Hebei province, the project is aligned with the PRC's 13th Five-Year Plan (footnote 8); the provincial government's "blue sky" action plan (footnote 14); and the Xingtai City Master Plan, 2016–2030.<sup>16</sup> It supports ADB's country partnership strategy for the PRC, 2016–2020 to (i) help translate innovative ideas into actual projects for implementation; (ii) support transformative and demonstration projects, which can be replicated and scaled up; (iii) promote institutional reform efforts; and (iv) enable private sector participation.<sup>17</sup> It is also aligned with four operational priorities of ADB's Strategy 2030: (i) addressing remaining poverty and reducing inequalities, (ii) accelerating progress in gender equality, (iii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability, and (iv) strengthening governance and institutional capacity.<sup>18</sup> By helping to reduce air pollution and greenhouse gas emissions, the project will generate regional public goods.

## B. Project Description

13. The project is aligned with the following impact: industrial transformation and green development in Hebei province promoted and environmental conditions improved.<sup>19</sup> The project will have the following outcome: volume of green finance provided by the city and rural commercial

<sup>15</sup> ADB. 2019. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Shandong Green Development Fund Project*. Manila.

<sup>16</sup> Xingtai City Government. 2020. *Xingtai City Master Plan, 2016–2030 (Chinese language)*. Xingtai.

<sup>17</sup> ADB. 2016. *Country Partnership Strategy: People's Republic of China, 2016–2020—Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila.

<sup>18</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>19</sup> Hebei Provincial Government. 2015. *The 13th Five-Year Plan (2016–2020)—Hebei Province Action Plan (Chinese language)*. Shijiazhuang. Future targets beyond 2020 will be identified in the PRC 14th Five-Year Plan, 2021–2025, which is being prepared, at the national level.

banking sector in Hebei province increased.<sup>20</sup> This outcome will be achieved through three outputs.

14. **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 (footnote 11), which is among the most comprehensive anywhere, will be incorporated in the subproject eligibility criteria (para. 17).

15. **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 commercial sources.<sup>21</sup> 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.

16. **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.

17. **Subprojects and subproject eligibility criteria.** The Bank of Xingtai has been preparing a subproject pipeline under the ADB project.<sup>22</sup> 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. The ADB funds are likely to contribute to a small portion of the total subproject costs, but catalyze additional market finance. Qualified

<sup>20</sup> The design and monitoring framework is in Appendix 1.

<sup>21</sup> 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.

<sup>22</sup> Indicative Subprojects (accessible from the list of linked documents in Appendix 2).

subprojects will need to meet financial viability and technical soundness criteria, generate net environmental benefits, and comply with one or more of the prevailing domestic green finance taxonomies: (i) NDRC: Green Industry Guidance Catalogue (2019), (ii) People's Bank of China: Green Lending Statistical Method (2019), and (iii) CBIRC: Green Finance Statistical Method (2013). To align with the international best practices, the qualified subprojects will also comply with the EU's sustainable finance taxonomy (footnote 11). In addition, no subprojects categorized as A under the ESMS for environment, involuntary resettlement, or indigenous people will be selected.<sup>23</sup>

18. **Market demand and project readiness.** The PRC's annual green financing gap stood at \$116 billion in 2018. This equated to 33% of the \$350 billion of annual demand (para. 4), an amount that continues to grow given the government's development priorities. In addition to the 13th Five-Year Plan, the upcoming 14th Five-Year Plan is expected to place an even greater emphasis on green finance. In 2018, the State Council announced a new government policy to transform Hebei province's pollution-intensive industries and manufacturers by adopting clean and environmentally sustainable production alternatives.<sup>24</sup> With a widespread presence in the province, the Bank of Xingtai will be in a strong position to provide a steady flow of green finance for traditional industries and manufacturers that dominate the local economic landscape (footnote 22).

### C. Value Added by ADB

19. ADB's participation will add substantial value to the Bank of Xingtai's efforts to become a green finance institution, and to the development of green finance across the PRC. The ADB financial intermediary loan (FIL) funds are expected to help the Bank of Xingtai catalyze significant additional private sector and commercial finance, especially through loan syndications from other commercial banks. ADB's capacity building and institutional strengthening support will introduce advanced green finance concepts (i.e. the EU sustainable finance taxonomy) and help align the Bank of Xingtai's operations more closely with international best practices for environmental and social safeguards, effective gender mainstreaming, and financial and risk management. The green finance IT system will be among the most advanced in the PRC. The planned knowledge-sharing activities and showcasing of positive results from the adoption of international best practices in green financing are expected to have a transformative impact on the city and rural commercial banking sector in the PRC.

### D. Summary Cost Estimates and Financing Plan

20. 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 1). 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).

<sup>23</sup> Assessments indicate that the three national standards are similar, and they are different from the international standards most prominently in terms of some inclusion of the use of fossil fuel. The implementation of the green finance IT system under this project will enable detailed comparison between domestic and international standards. Findings based on practical experience will be distilled and disseminated.

<sup>24</sup> Government of the PRC, State Council. 2018. *Three Years' Action Plan to Winning the Battle for Blue Sky* (Chinese language). Beijing.

**Table 1: Indicative Financing Plan**

<b>Source</b>	<b>Amount (€ million)</b>	<b>Share (%)</b>
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 <sup>a</sup> (\$398 million equivalent)	340	50.0
The Bank of Xingtai's own funds <sup>b</sup> (CNY7 million)	1	
<b>Total</b>	<b>681</b>	<b>100.0</b>

<sup>a</sup> This subproject funding will come from market sources, such as through other commercial banks.

<sup>b</sup> The Bank of Xingtai's own funds include capacity development costs and green finance IT system procurement costs (para. 20). The capacity development cost is not included in the calculation of the financing shares.

Source: Asian Development Bank estimates.

21. 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.<sup>25</sup> The loan will have a 20-year 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.

22. The project does not face material climate risks and will support climate change mitigation. Of the total project cost of €680 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.<sup>26</sup> 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.

## **E. Implementation Arrangements**

23. The PRC will be the borrower. The Ministry of Finance will relend the ADB funds to the Hebei Provincial Government, which will relend them to Xingtai City Government, which will then relend them to the Bank of Xingtai, in each case on the same terms and conditions governing the ADB loan. The Hebei Provincial Government will be the executing agency. The Bank of Xingtai will be the implementing agency and will set up a project management unit, with staffing and resources satisfactory to ADB, to manage the day-to-day project implementation. The Bank of Xingtai will implement the project under its relending agreement with the Xingtai City Government and in accordance with the loan agreement, the project agreement, and the project administration manual (PAM).<sup>27</sup> A subproject's qualification as green will be based on the domestic taxonomies and international guidelines (para. 17) and on other commercial and technical requirements outlined in the PAM. Subproject lending rates will be on commercial terms, determined by the

<sup>25</sup> €0.8564 = \$1.00 as of 13 August 2020.

<sup>26</sup> 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).

<sup>27</sup> The Bank of Xingtai will identify, evaluate, and finance eligible subprojects and undertake the related credit risk assessments. Subproject selection will follow the detailed eligibility criteria in the PAM, which are based on economic, financial, technical, safeguard, and other considerations. Based on the ADB ESMS categorization requirement, safeguard category A subprojects will not be funded. Project Administration Manual (accessible from the list of linked documents in Appendix 2).

bank's cost of funds and the specific subproject risks. The implementation period will be 6 years, from December 2020 to December 2026 (Table 2).

**Table 2: 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
<b>Management</b>	
(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.

24. The 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. The IT system procurement costs are estimated at CNY1,400,000, and the costs of the consulting services for capacity development are estimated at CNY5,600,000 (para. 20; and Table 1). A capacity development plan will be developed and cover all areas under project output 3 (para. 16). The capacity development activities will be funded and administered by the Bank of Xingtai. Detailed implementation plan and proposed consultant terms of reference are provided in the PAM.

### III. DUE DILIGENCE

#### A. Technical

25. ADB's due diligence for the project consisted of detailed country, macroeconomic, finance sector, industry sector, and institutional assessments to check the project's technical soundness. The ADB team visited several potential subproject sites and assessed subproject potentials for ADB financing.<sup>28</sup> ADB has also conducted integrity due diligence on the Bank of Xingtai, and no significant or potential integrity risks were identified. The Bank of Xingtai is a competent city commercial bank. However, issues such as lack of an international credit rating, low earnings, overreliance on short-term deposits (96% of its funding), localized operations with less diversified lending, and lack of experience in international transactions and international best practices (e.g., on financial management and safeguards) make it suitable for public sector support at this stage.

<sup>28</sup> Comprehensive assessments of the Bank of Xingtai's operational capacities are summarized in the Financial and Economic Analysis and Financial Management Assessment Report (accessible from the list of linked documents in Appendix 2).

The project's significant pollution reduction impact, a public good, also justifies public sector support.

## **B. Economic and Financial Viability**

26. The project's economic rationale is based on the need to correct the market failures of pollution and environmental degradation caused by the negative externalities of industrial and commercial enterprises in Hebei province. Incremental benefits will include expanded supply of clean energy, greater use of more energy-efficient resources, and cleaner and more technically advanced production lines to accommodate additional market demand for such products. Non-incremental benefits include the replacement of fossil fuels and energy savings from expanded use of more technically advanced and cleaner production methods that provide for net pollution reduction. The positive externalities will be reductions in the emission of carbon dioxide, nitrogen oxides, sulfur oxides, PM<sub>2.5</sub> and PM<sub>10</sub>, and other particle pollutants.<sup>29</sup> Due diligence on the project's financial viability was conducted following the relevant provisions in the ADB financial management technical guidance notes: (i) Project Financial Reporting and Auditing (2015), (ii) Financial Due Diligence for Financial Intermediaries (2018), and (iii) Financial Analysis and Evaluation (2019). The Bank of Xingtai was assessed for its capacity to expand credit to the target groups (industrial and commercial borrowers), operate on a continuous basis, and comply with prudential norms. This was determined based on the financial intermediary's assessment and satisfactory rating for 2015–2019 using the CAMELS model (para. 9).

## **C. Sustainability**

27. The project, which will help the Bank of Xingtai become a leading green finance bank through strengthened institutional capacities, will enhance the bank's long-term operational sustainability. Improved subproject environmental and social compliance will reduce the bank's overall credit risks. The Bank of Xingtai's adoption of an ESG framework and international green finance taxonomy will position it among the most innovative and leading green banks in the PRC. This will strengthen the bank's market standing, which will help it expand its businesses and lower its cost of funding. Finally, the Bank of Xingtai's knowledge sharing and information dissemination of its green finance model and institutional development supported by the project will help other city and rural commercial banks scale up green finance development. This will expand national green finance lending volumes and contribute to environmental sustainability in the PRC and possibly other countries in Asia.

## **D. Governance**

28. **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. The five board committees deal with risk management, related party transactions, assets and liabilities management, audit, and IT management. The supervisory board has two external members and two staff supervisory members. The bank complies with the national corporate governance guidelines from the 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

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<sup>29</sup> Economic analysis of the subprojects for ADB financing will be carried out during project implementation.

independent directors, the appointment of a chief risk officer, and the engagement of a governance advisor.

29. **Financial management.** The bank's financial management is satisfactory in terms of planning, directing, monitoring, organizing, and controlling its financial resources. The systems of financial accounting, assets management, credit management, liquidity and treasury management, financial reporting, internal controls, and internal and external audit are adequate for the bank's business operations. The financial reporting and monitoring follow regulatory requirements and are conducted regularly and on time. The core banking system was upgraded in December 2019 to improve financial and risk management efficiency, among other things. On the other hand, the bank operates only in Hebei province and has no national or international business. It has not implemented any international development assistance projects. As a result, it may face an initial learning curve in project financial management procedures, monitoring, and reviews, as well as in audit requirements. The project's capacity development component will help address this issue and strengthen the bank's financial management. Both the Xingtai City Finance Bureau and the Bank of Xingtai will participate in periodically available ADB-wide financial management training. Overall, the pre-mitigation financial management and control risks are considered *moderate*.<sup>30</sup>

30. **Procurement and disbursement.** The Bank of Xingtai will ensure (i) that subborrowers availing themselves of the ADB FIL proceeds apply appropriate procurement methods to ensure value for money on the basis of private sector or commercial practices acceptable to ADB, and (ii) that the utilization of such loan proceeds shall be subject to the eligibility criteria and the integrity requirements set out in the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). Subproject procurement reviews and assessments will be carried out during project implementation to ensure that they are acceptable to ADB. The green finance IT system procurement and consulting services will be funded by the Bank of Xingtai and follow its institutional procurement guidelines, which are aligned with the PRC Procurement Law and related local regulations. The recommended project procurement classification is B. The loan proceeds will be disbursed following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB. A free limit of €20 million equivalent will be established per subloan.

31. **Anticorruption policy.** ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the Bank of Xingtai. The specific policy requirements and supplementary measures are described in the PAM.

## **E. Poverty, Social, and Gender**

32. The project will increase the flow of green finance and improve the environment in Hebei province, which will also improve health conditions for the residents in Xingtai city and the surrounding areas. The subproject financing will likely create jobs and reduce any remaining poverty. The project is classified *effective gender mainstreaming*. A gender assessment found the Bank of Xingtai to have a good track record in the employment of and promotions for women. However, its human resources policy and development plan lack explicit references to gender equality, and the bank has no previous experience with gender mainstreaming in its lending operations. Through an integrated gender action plan, the project will help the bank (i) develop a gender-sensitive human resources policy; (ii) create new lending product line(s) targeting women

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<sup>30</sup> Key financial management risks and their mitigation measures to ensure project financial sustainability are detailed in the Financial Management Assessment Report (accessible from the list of linked documents in Appendix 2).

entrepreneurs; and (iii) work with existing subborrowers to review their potential for incorporating gender-sensitive components in their operations, such as increasing their employment of women.<sup>31</sup>

## F. Safeguards

33. 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 environmental 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.<sup>32</sup>

34. **Environment, involuntary resettlement, and indigenous peoples (category FI).** The subprojects will involve mostly 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. The 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 Hebei province. ADB has reviewed the Bank of Xingtai's environmental and social safeguard system and practices. Prior to 2019, the bank had no environmental or social safeguard system equivalent to ADB's Safeguard Policy Statement. It did not have a designated environmental 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 of Xingtai 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 environmental and social safeguard compliance requirements stated in the ESMS, which provides a framework for (i) screening ADB-funded subprojects, (ii) ensuring compliance with 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.

## G. Summary of Risk Assessment and Risk Management Plan

35. Significant risks and mitigating measures are summarized in Table 3 and described in detail in the risk assessment and risk management plan.<sup>33</sup>

**Table 3: Summary of Risks and Mitigating Measures**

Risk	Mitigation Measures
The banking sector is negatively affected by unforeseen economic slowdowns from shocks.	The Government of the PRC has been efficient in controlling COVID-19 outbreaks and the resulting economic slowdowns. Furthermore, the Government of the PRC is promoting a green economic recovery and likely will sustain green finance during the project implementation period in 2020–2026. Hebei province is an industrial hub of the PRC and its economic foundation is strong enough to weather the macroeconomic risks.
The Bank of Xingtai's limited	Through engagement with ADB in developing the project, the Bank of Xingtai

<sup>31</sup> Gender indicators are included in Appendix 1 and the Gender Action Plan (accessible from the list of linked documents in Appendix 2).

<sup>32</sup> ADB's prohibited investment activities list will be applied in Environmental and Social Management System (accessible from the list of linked documents in Appendix 2).

<sup>33</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risk	Mitigation Measures
institutional experience leads to subproject safeguard reviews that do not meet the ESMS and ADB's Safeguard Policy Statement (2009) guidelines.	has established a dedicated safeguard unit and assigned two full-time safeguard staff. The project's capacity development component will help further strengthen the bank institutionally, particularly in relation to the ESMS. Repeated training has also been carried out during loan processing.
Because the Bank of Xingtai does not hedge its euro borrowing from ADB, and the euro interest rate and euro–yuan exchange rate is prone to drastic changes, the bank may face foreign exchange losses.	The bank will strengthen its risk and foreign exchange management capacity. ADB's proposed loan of €170 million (CNY1,382 million) accounted for 1.5% of the bank's total balance sheet of CNY92,744 million (€753,925 million), and 2.9% of the total loan book of CNY47,661 million (€387,441 million) as of 13 August 2020. The risk is manageable. In addition, during loan negotiations, ADB has clarified with the borrower that the local currency conversion option will be available during the loan repayment period. <sup>a</sup>

ADB = Asian Development Bank, COVID-19 = coronavirus disease, ESMS = environmental and social management system, PRC = People's Republic of China.

<sup>a</sup> ADB. 2008. *Guidelines for Conversion of Loan Terms for ADB LIBOR-Based Loans*. Manila.

Source: Asian Development Bank.

#### IV. ASSURANCES AND CONDITIONS

36. The Government of the PRC and the Hebei Provincial Government have assured ADB that implementation of the project shall conform to all applicable ADB requirements, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, financial management, and disbursement as described in detail in the PAM and loan documents.

37. The Government of the PRC and the Hebei Provincial Government have agreed with ADB on certain covenants for the project, which are set forth in the draft loan agreement and project agreement.

38. A project implementation unit will be established before the ADB loan effectiveness with designated safeguard review capacity.

#### V. RECOMMENDATION

39. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of €170,000,000 to the People's Republic of China for the Bank of Xingtai Green Finance Development Project, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 20 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and project agreements presented to the Board.

Masatsugu Asakawa  
President

19 October 2020

## 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) <sup>a</sup>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<b>Outcome</b> 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 <sub>2e</sub> 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.
<b>Outputs</b> 1. The Bank of Xingtai's green finance system established  2. Green finance lending by the Bank of Xingtai initiated and increased  3. The Bank of Xingtai's ESG and related institutional capacities improved	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 <sup>b</sup> by 2026 (2020 baseline: 0)  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)	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  3a–g. The Bank of Xingtai project monitoring report, including annual reports, operations manuals, human resources policies, guidelines, board	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
	<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)<sup>c</sup></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)<sup>c</sup></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>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>	
<b>Key Activities with Milestones</b> <ol style="list-style-type: none"> <li><b>1. The Bank of Xingtai's green finance system established</b> <ol style="list-style-type: none"> <li>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.</li> </ol> </li> <li><b>2. Green finance lending by the Bank of Xingtai initiated and increased</b> <ol style="list-style-type: none"> <li>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%).</li> </ol> </li> </ol>			

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.
<b>3.</b>	<b>The Bank of Xingtai's environment, social, and governance and related institutional capacities improved</b>
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.
<b>Project Management Activities</b>	
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.	
<b>Inputs</b>	
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)	
<b>Capacity Development Component</b>	
The Bank of Xingtai: CNY7,000,000 (capacity development and IT system procurement)	
<b>Assumptions for Partner Financing</b>	
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, tCO<sub>2</sub>e = ton of carbon dioxide equivalent.

<sup>a</sup> 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.

<sup>b</sup> To be conducted based on a gender assessment questionnaire.

<sup>c</sup> 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 (tCO<sub>2</sub>e/year). Expected: 1,861,632 tCO<sub>2</sub>e/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.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=53345-001-3>

1. Loan Agreement
2. Project Agreement
3. Sector Assessment (Summary): Green Finance
4. Project Administration Manual
5. Financial and Economic Analysis
6. Summary Poverty Reduction and Social Strategy
7. Risk Assessment and Risk Management Plan
8. Climate Change Assessment
9. Gender Action Plan
10. Environmental and Social Safeguards Management System

**Supplementary Documents**

11. Financial Management Assessment Report
12. Indicative Subprojects
13. Green Finance Information System