



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

Project Name	Bank of Xingtai Green Finance Development Project				
Project Number	53345-001				
Country	China, People's Republic of				
Project Status	Proposed				
Project Type / Modality of Assistance	Loan				
Source of Funding / Amount	<table border="1"> <tr> <td>Loan: Bank of Xingtai Green Finance Development Project</td> <td></td> </tr> <tr> <td>Ordinary capital resources</td> <td>US\$ 200.00 million</td> </tr> </table>	Loan: Bank of Xingtai Green Finance Development Project		Ordinary capital resources	US\$ 200.00 million
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration				
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development				
Sector / Subsector	Finance - Finance sector development				
Gender Equity and Mainstreaming	Some gender elements				
Description	ADB proposes a financial intermediation loan in an amount of \$200 million to Bank of Xingtai, a regional bank, in Hebei Province, to pilot a successful green finance bank model. The proposed project will provide critically needed long-term debt at concessional rate to compensate for the subproject negative externalities and incentivize the regional bank's green finance lending. An attached transaction technical assistance (TRTA) will help Bank of Xingtai strengthen its institutional capacities. The proposed project intends to have a long-term transformative impact on other regional banks by establishing a demonstrative bank model, sharing relevant knowledge and experiences, enhancing the awareness, and reshaping the mindsets of both lenders and borrowers. In summary, the overall assistance package (loan and TRTA) should greatly facilitate the improvement of BTH's environmental condition (a regional public goods).				
Project Rationale and Linkage to Country/Regional Strategy	<p>Beijing, Tianjin, and Hebei Province (BTH) are one of the three economic clusters in the People's Republic of China (PRC), centered in the capital of Beijing. BTH underwent a rapid economic expansion over the past two decades largely built upon heavy industries such as steel and petrochemical productions and manufacturing. The energy sources were primarily coal. In 2013, average annual mean particulate matter 2.5 micrometers or less (PM2.5) in BTH peaked to 106 g/m3 (WHO standard is below 10 g/m3) and average annual mean particulate matter 10 micrometers or less (PM10) peaked at 181 g/m3 (WHO standard is below 20 g/m3). This has caused unprecedented health risks, more so on the poor, and made the region less livable. In the same year (2013), the PRC Government issued the Implementation Guidelines on Prevention of Air Pollution in the BTH and Surrounding Areas, and began to request related assistance from Asian Development Bank (ADB). ADB supports the BTH program with a \$3.1 billion financing package from 2015-2021. The first loan (\$300 million), approved in 2015, strengthened policy reforms and regulatory capacities in Hebei Province. The second loan (\$500 million), approved in 2016, facilitated access to finance for small and medium-sized enterprises to scale up environmentally friendly investments. The third loan (\$499 million), approved in 2017, deploys advanced technologies to reduce air pollution from large emitters in the agriculture, energy, transport, and urban sectors. The fourth project (\$400 million), approved in 2018, helps Shandong Province (an adjacent province to Hebei Province) shift to cleaner and more energy efficient heating and cooling systems. The fifth project (\$300 million), to be approved in 2019, will help Henan Province (another adjacent province to Hebei) convert its primary energy source from coal to natural gas. The proposed project (\$200 million) is the next phase to support the Government initiative to promote green finance in the commercial banking sector. The remaining \$901 million will be programmed to complement the above assistances through 2020-2021.</p> <p>ADB's assistance to the BTH program has been contributing positively to improving the region's environmental conditions. Air quality in BTH has been improving steadily, particularly in Beijing. As of 2018, annual mean PM2.5 and PM10 in BTH were measured as 69 g/m3 and 109 g/m3 respectively, comparing to the 106 g/m3 and 181 g/m3 in 2013. However, such an air quality is still well above the WHO standards of 10 g/m3 and 20 g/m3. According to Ministry of Ecology and Environment (MEE)'s survey in December 2018, four cities in Hebei Province (Baoding, Handan, Shijiazhuang and Xingtai) are still among the 20 most polluted cities in PRC. There is much left to be done.</p> <p>People's Bank of China (PBC), China Banking and Insurance Regulatory Commission (CBIRC), and MEE have been proactively pushing for green finance in PRC's commercial banking sector. PBC, CBIRC, and MEE first issued their green finance guideline to commercial banks in 2007. A number of other green finance rules and regulations followed. In 2016, PBC further clarified the definition of green finance. Among the 21 largest commercial banks in PRC, qualified green finance volume from 2013-2017 reached accumulatively \$1.17 trillion. In the context of ADB assistance to the BTH program, the promotion of green finance would significant expand the financing platform from commercial banks. In spite of rapid growth in the lending volume, green finance is still far from being mainstreamed in commercial banks' core operations. Few banks in PRC have a comprehensive green finance policy or an adequate environment and social safeguard system. Currently, only three banks in PRC have formally adopted equator principles. There are a number of reasons. The current policy and regulatory framework is still inadequate to address: (i) the underlying financial incentives (e.g., rationalized interest rates), (ii) enforcement (e.g., mandatory annual green finance targets), and (iii) technical support (e.g., central bank guidelines on green finance product development). In addition, corporate bond market in PRC is underdeveloped. This restricts banks' access long-term debt and constrains their capacity to lend to green finance subprojects. More importantly, these challenges are significantly amplified in regional banks, which have limited branch networks, deal flows, and a tendency to be more risk averse to new lending product lines.</p>				
Impact					
Outcome					
Outputs					
Geographical Location					
Summary of Environmental and Social Aspects					

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Anqian Huang
Responsible ADB Department	East Asia Department
Responsible ADB Division	Public Mgt, Financial Sector and Regional Coop Division, EARD
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Timetable

Concept Clearance	30 Sep 2019
Fact Finding	01 Oct 2019 to 31 Oct 2019
MRM	08 Nov 2019
Approval	-
Last Review Mission	-
Last PDS Update	23 Sep 2019

Project Page	https://www.adb.org/projects/53345-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=53345-001
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