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Report No: RES52268

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRUCTURING PAPER

ON A

PROPOSED PROGRAM RESTRUCTURING
OF
INNOVATIVE FINANCING FOR AIR POLLUTION CONTROL IN JING-JIN-JI
APPROVED ON MARCH 22, 2016

TO THE

PEOPLE'S REPUBLIC OF CHINA

Energy & Extractives Global Practice
East Asia And Pacific Region



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DATA SHEET (Innovative Financing for Air Pollution Control in Jing-Jin-Ji - P154669)

Project ID P154669	Financing Instrument Program-for-Results Financing	IPF Component No
Approval Date 22-Mar-2016	Current Closing Date 30-Jun-2022	

Organizations

Borrower People's Republic of China	Responsible Agency
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Program Development Objective(s)

To reduce air pollutant and carbon emissions through increasing energy efficiency and clean energy, with a focus in Beijing-Tianjin-Hebei (Jing-Jin-Ji) and neighboring regions.

Summary Status of Financing (US\$, Millions)

Ln/Cr/TF	Approval Date	Signing Date	Effectiveness Date	Closing Date	Net Commitment	Disbursed	Undisbursed
IBRD-85920	22-Mar-2016	20-May-2016	18-Aug-2016	30-Jun-2022	500.00	411.06	108.67

Policy Waiver(s)

Does the Program require any waivers of Bank policies applicable to Program-for-Results operations?

No



I. PROGRAM STATUS AND RATIONALE FOR RESTRUCTURING

The overall implementation progress of the Program is summarized as follows based on the mission in May 2022: (a) continuous progress has been made since the previous mission, building on the previous successful program implementation: in the past six months, three more investment projects (two pollution control projects and one wind farm project) were financed by Huaxia Bank under the Program so the number of sub-projects increases from 29 to 32 in energy efficiency (EE), Renewable Energy (RE), and emission control, of which US\$226 million is from IBRD, US\$ 524 million from HXB counterpart funds, and the remaining US\$ 1,016 from equity and other local banks. The leverage ratio of IBRD loan to HXB counterpart funds is 2.3, way exceeding the originally planned 1:1 leverage ratio. (b) one more financial product is verified (DLI5) so total number of verified financial products increases from 3 to 4, exceeding the target of 3; and (c) continuous business development has been conducted, and a pipeline of 10 sub-projects was discussed in the mission but all of them will not be included in the P4R Program due to its closing in June 2022; (d) total disbursement of IBRD loan is kept at US\$ 411 million and Huaxia Bank will submit a new request in July 2022 to claim for additional disbursement after the completion of verification for two new sub-projects that completed before the closing date; (e) Huaxia Bank will prepare a summary of program implementation experience and lessons, and related dissemination activities (e.g. workshop, publications) in the next six months till December 2022, with support from the parallel GEF project (P132748 GEF Developing Market-based EE Program in China).

Achievement of Program outcome, indicators and DLIs is summarized as follows: with the enforcement of the government programs (Air Pollution Prevention and Control program and subsequent Three-Year Action Plan for fighting for the Blue Sky program), the severe air pollution in the project area has been mitigated substantially over the program period, the number of polluted days was reduced by 86% from 2015 to 2020 as documented by the Ministry of Ecology and Environment. The P4R Program is an integral part of the government program to contribute to reduce air pollutant and carbon emission in the project area. The program indicators: (a) both grouped local pollutants and global climate change related PDO level indicators have been fully achieved, of which the grouped local pollutants indicator (combined PDO indicator 1,2 and 3) exceeds the planned target by 7%, and GHG emission reduction indicator (PDO Indicator 4) exceeds by 16%; (b) out of total six DLIs, four have been fully achieved, and the remaining two are not met yet, including “sub-loan disbursed to sub-borrowers” (DLI-1), and “number of ESCOs receiving loans” (DLI-6). HXB used less than expected funds to leverage more capital and achieve higher program indicators of the P4R program.

Considering the program is to be closed on June 30, 2022 and Huaxia Bank will not include any new sub-loans under the Program, Huaxia Bank proposes to cancel the undisbursed loan balance and this proposal is supported by the Ministry of Finance (MOF). A request letter, dated June 27, 2022 was submitted from MOF to the Bank.

II. DESCRIPTION OF PROPOSED CHANGES

The proposed change is to cancel 80 million euros from the undisbursed loan balance. A request letter, dated June 27, 2022 was submitted from MOF to the Bank.



III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Cancellations Proposed	✓	
Reallocation between and/or Change in DLI	✓	
Change in Disbursements Arrangements	✓	
Change in Disbursement Estimates	✓	
Change in Implementing Agency		✓
Change in Program's Development Objectives		✓
Change in Program Scope		✓
Change in Results Framework		✓
Change in Loan Closing Date(s)		✓
Change in Systematic Operations Risk-Rating Tool (SORT)		✓
Change in Safeguard Policies Triggered		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Technical Method		✓
Change in Fiduciary		✓
Change in Environmental and Social Aspects		✓
Change in Implementation Schedule		✓
Other Change(s)		✓

IV. DETAILED CHANGE(S)



CANCELLATIONS PROPOSED

Ln/Cr/TF	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IBRD-85920-001	Disbursing	EUR	460,000,000.00	80,000,000.00	27-Jun-2022	380,000,000.00	UNDISBURSED BALANCE AT CLOSING

DISBURSEMENT ESTIMATES

Year	Current	Proposed
2016	0.00	0.00
2017	152,000,000.00	152,000,000.00
2018	43,000,000.00	43,000,000.00
2019	69,000,000.00	69,000,000.00
2020	112,000,000.00	112,000,000.00
2021	124,000,000.00	40,000,000.00



ANNEX 1: RESULTS FRAMEWORK

Results framework

Program Development Objectives(s)

To reduce air pollutant and carbon emissions through increasing energy efficiency and clean energy, with a focus in Beijing-Tianjin-Hebei (Jing-Jin-Ji) and neighboring regions.

Program Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	End Target
Reduction in particulate emissions from eligible EE and RE subprojects (thousand tons)			
PDO Indicator 1: Reduction in particulate emissions from eligible EE and RE subprojects (thousand tons) (Number (Thousand))		0.00	3.60
Reduction in SO2 emissions from eligible EE, RE, and desulfurization subprojects (thousand tons)			
PDO 2 Reduction in SO2 emissions from eligible EE, RE, and desulfurization subprojects (thousand tons) (Metric tons/year)		0.00	16.90
Reduction of NOX emission from EE, RE and Denitrification subprojects (thousand tons)			
PDO Indicator 3: Reduction in NOx emissions from eligible EE, RE, and desulfurization subprojects (thousand tons) (Number (Thousand))		0.00	12.70
Reduction in CO2 emissions from eligible EE and RE subprojects (thousand tons)			



Indicator Name	DLI	Baseline	End Target
PDO Indicator 4: Reduction in CO2 emissions from eligible EE and RE subprojects (thousand tons) (Number (Thousand))		0.00	2,461.00

Intermediate Results Indicators by Result Areas

Indicator Name	DLI	Baseline	End Target
Intermediate Result Indicator 1: Total investments in eligible EE, RE and pollution abatement subprojects			
Intermediate Result Indicator 1: Total investments in eligible EE, RE and pollution abatement subprojects (million USD) (Amount(USD))		0.00	1,400.00
Intermediate Result Indicator 2: Subloans (for eligible EE, RE, and pollution abatement subprojects) disbursed to sub-borrowers			
Intermediate Result Indicator 2: Subloans(for eligible EE, RE, and pollution abatement subprojects) disbursed to sub-borrowers (million USD) (Amount(USD))		0.00	1,000.00
Intermediate Result Indicator 3: Coal reduction from eligible EE and RE subprojects			
Intermediate Result Indicator 3: Coal reduction from eligible EE and RE subprojects (thousand tce) (Number (Thousand))		0.00	1,000.00
Intermediate Result Indicator 4: Reduction of SO2 emissions from desulfurization subprojects			
Intermediate Result Indicator 4: Reduction of SO2 emissions from desulfurization subprojects (thousand tons) (Number (Thousand))		0.00	10.80
Intermediate Result Indicator 5: Reduction of NOx emissions from denitrification subprojects			



Indicator Name	DLI	Baseline	End Target
Intermediate Result Indicator 5: Reduction of NOx emissions from denitrification subprojects (thousand tons) (Number (Thousand))		0.00	7.40
Intermediate Result Indicator 6: Establishment of a Green Finance Center at the HXB and adoption of internal procedures for the identification, risk assessment, appraisal, and approval of green lendin			
Intermediate Result Indicator 6: Establishment of a Green Finance Center at the HXB and adoption of internal procedures for the identification, risk assessment, appraisal, and approval of green lednin (Number)		0.00	1.00
Intermediate Results Indicator 7: Number of different eligible innovative financial products for green financing deployed			
Intermediate Result Indicator 7: Number of different eligible innovative financial products for green financing deployed (number of products) (Number)		0.00	3.00
Intermediate Result Indicator 8: Number of different ESCOs receiving subloans (for eligible EE and RE subprojects)			
Intermediate Result Indicator 8: Number of different ESCOs receiving subloans (for eligible EE and RE subprojects) (number of ESCOs) (Number)		0.00	10.00
Intermediate Result Indicator 9: Number of subprojects financed by syndicated loans			
Intermediate Result Indicator 9: Number of subprojects financed by syndicated loans (number of projects) (Number)		0.00	2.00



Disbursement Linked Indicators Matrix

DLI 1	DLI-1: Subloans (for eligible EE, RE, and pollution abatement subprojects) disbursed to sub-borrowers (million USD)			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Amount(USD)	540.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
December 2016			0.00	
CY2016	50.00		15.00	
CY2017	100.00		30.00	
CY2018	150.00		45.00	
CY2019	250.00		75.00	
CY2020	250.00		75.00	
CY2021	1,000.00		300.00	



DLI 2		DLI-2: Coal reduction from eligible EE and RE subprojects (thousand tons of coal equivalent)		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number (Thousand)	195.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
December 2016	0.00		0.00	
CY2016	0.00		0.00	
CY2017	5.00		1.00	
CY2018	50.00		11.00	
CY2019	100.00		23.00	
CY2020	155.00		35.00	
CY2021	550.00		125.00	
DLI 3		DLI-3a: Reduction of SO2 emissions from desulfurization subprojects (thousand tons)		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number (Thousand)	16.90	0.00
Period	Value		Allocated Amount (USD)	Formula



Baseline	0.00		
December 2016	0.00		0.00
CY2016	0.00		0.00
CY2017	0.50		0.60
CY2018	1.10		1.30
CY2019	1.60		1.90
CY2020	2.70		3.10
CY2021	8.60		10.00

DLI 4	DLI-3b: Reduction of NOx emissions from denitrification subprojects (thousand tons)			
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Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number (Thousand)	25.30	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
December 2016	0.00		0.00	
CY2016	0.00		0.00	
CY2017	0.40		0.90	



CY2018	0.70	1.90
CY2019	1.10	2.80
CY2020	1.90	4.70
CY2021	5.90	15.00

DLI 5 DLI-4: Establishment of a Green Finance Center and adoption of internal procedures for the identification, risk assessment, appraisal, and approval of green lending

Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Number	21.50	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
December 2016	0.00		0.00	
CY2016	1.00		10.75	
CY2017			0.00	
CY2018			0.00	
CY2019			0.00	
CY2020			0.00	
CY2021	1.00		10.75	



DLI 6		DLI-5: Number of different eligible innovative financial products for green financing deployed (# of products)		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	36.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
December 2016	0.00		0.00	
CY2016	0.00		0.00	
CY2017	1.00		6.00	
CY2018	1.00		6.00	
CY2019	1.00		6.00	
CY2020	0.00		0.00	
CY2021	3.00		18.00	
DLI 7		DLI-6: Number of different ESCOs receiving subloans (for eligible EE, RE, and pollution abatement subprojects) (# of ESCOs)		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	36.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			



December 2016	0.00	0.00
CY2016	0.00	0.00
CY2017	2.00	4.00
CY2018	2.00	4.00
CY2019	2.00	4.00
CY2020	2.00	4.00
CY2021	10.00	20.00



ANNEX 2: PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
The HXB to provide extensive training to its staff at HQ and branches on technical, results M&V, environmental and social, procurement, and FM areas			Client	Recurrent	Continuous	
The HXB to designate specific staff to be responsible for technical, fiduciary, and environmental and social aspects			Client	Due Date	29-Nov-2016	
HXB to engage experts for technical, fiduciary, and environmental and social support as needed			Client	Due Date	31-May-2018	
HXB to specify the fiduciary and environmental and social requirements and procedures in the OM			Client	Due Date	16-Dec-2015	
HXB to specify the fiduciary and environmental and social requirements and procedures in the subloan agreements with sub-borrowers			Client	Recurrent	Continuous	



HXB to report required actions taken to the Bank in program reports			Client	Recurrent	Yearly	
Technical: HXB to engage independent third-party IVAs for results M&V			Client	Recurrent	Continuous	
Technical: The HXB to report portfolio composition and quality to the Bank to ensure transparency and quality of the portfolio			Client	Recurrent	Yearly	
Procurement: In line with Article 34 of the Regulation on the Implementation of the Tendering and Bidding Law of the People's Republic of China, the sub-project application and the sub-loan agreement with beneficiaries include a mandatory provision			Client	Recurrent	Continuous	
Procurement: HXB to set up a complaints handling mechanism and reporting procedures, details of which will be included in the subproject application package and on the HXB's website.			Client	Due Date	31-Aug-2016	
Procurement: The HXB and the subloan beneficiaries shall cooperate fully			Client	Recurrent	Continuous	



with representatives of the Bank in any inquiry conducted by the Bank into allegations or other indications of F&C in connection with the program.						
Procurement: The OM and subloan agreement to include that sub-borrowers will not award contracts to firms and individuals on temporary suspension or debarment by the Bank and other MDBs.			Client	Due Date	15-Dec-2016	
Procurement: HXB to strengthen its capacity to assess the capacity of beneficiaries to carry out procurement and contract management efficiently as part of subproject appraisal and provide guidance to beneficiaries with weak procurement capacity.			Client	Recurrent	Continuous	
Procurement: The HXB will hire expertise as needed to strengthen procurement and contract management.			Client	Due Date	31-May-2018	
Financial Management: HXB to set up the memorandum			Client	Recurrent	Continuous	



records for the program to record each subloan released and related reference information for ease of tracking the record in the corporate accounting system and the original supporting documents.						
Financial Management: HXB to conduct reconciliation between the CBD and the accounting division on a quarterly basis.			Client	Recurrent	Quarterly	
Financial Management: Annually, HXB to prepare the program-specific financial report according to the specifically tailored format agreed with the Bank for the program and submit report to the Bank			Client	Recurrent	Yearly	
Environmental and Social: HXB to strengthen environment and social impact management within the bank by specifying the requirements and procedures in the OM.			Client	Due Date	16-Dec-2015	
Environmental and Social: Enhance capacity of the HXB staff by designating staff, allocating			Client	Due Date	30-Dec-2016	



adequate resources, and specifying operating arrangements and coordination with other departments in the bank.						
Achievement of DL14: to establish a Green Finance Center, and disburse \$10.75.			Client	Due Date	31-Jan-2017	
Achievement of DL11: to approve sub-projects with no less than \$50m, and disburse of \$15m by the end of 2016.			Client	Due Date	30-Dec-2016	
Submit all candidate sub-projects involving " building large-scale efficient facilities to replace small inefficient ones" to WB for screening.			Client	Recurrent	Continuous	
A screening table covering all key social requirements in OM should be developed as part of subproject document requirement, and be attached to the subproject application package in the review process within the Hua Xia Bank.			Client	Due Date	31-May-2018	
A social monitoring report should be prepared, based on desk review of compliance of OM			Client	Due Date	31-May-2018	



by all subprojects before loan approval, and field visit reporting of all subprojects after the loan approval.						
Submit verification report on the results of DLI-1, issued by a third-party, to WB			Client	Due Date	30-Jun-2017	
Submit an annual report to WB.			Client	Recurrent	Yearly	
The Bank to provide training to the HXB in technical, results M&V, environmental and social, procurement, and FM areas			Bank	Due Date	29-Nov-2016	