

Sustainable Economic Development – China

Green infrastructure investment for the Yangtze River Delta

To counteract the pollution in the Yangtze River – and thereby also the pollution discharged into the East China Sea – environmentally and climate-friendly infrastructure investments will be made in small and medium-sized cities located on the river delta. KfW is providing an FC promotional loan for this purpose as part of a co-financing arrangement with the World Bank. Investments will mainly be made in waste and wastewater disposal projects.

Current situation

The Yangtze River is one of the most polluted rivers in the world and contributes to the pollution of the world's oceans. The dynamic economic growth on the Yangtze River Delta in recent decades has largely occurred at the expense of the environment. Water quality has deteriorated significantly throughout the region, air pollution has increased and the soil has been heavily contaminated in some places. Due to its proximity to the East China Sea, the river delta is also severely affected by rising sea levels due to climate change.

Environmental protection measures and investments to reduce the discharge of waste and wastewater and to clean up the river from an ecological standpoint are necessary in the short term and on a significant scale. To ensure water protection in the region, modern, energy-efficient and environmentally friendly infrastructure is needed, particularly at the level of the many small and medium-sized cities. As it is particularly challenging to finance infrastructure measures for small and medium-sized Chinese cities, the project is designed to support these local authorities

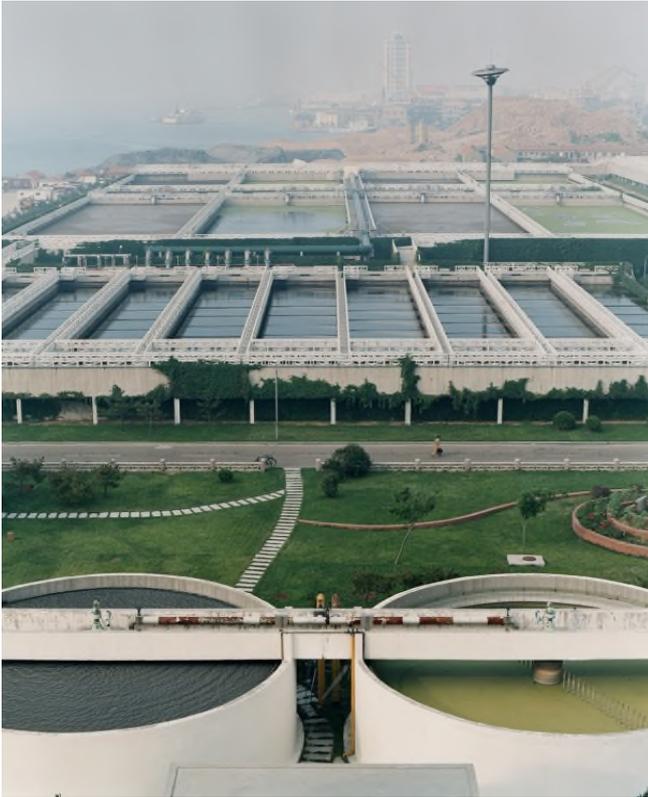
in particular. The underlying reason is that traditional infrastructure financing, which is funded by one-off proceeds from the sale of state-owned (building) land, is not sustainable and is highly dependent on a further increase in land prices. Furthermore, alternative financing of infrastructure by issuing municipal bonds is only viable for large cities with large infrastructure financing volumes.

Project approach

KfW is providing the government of the People's Republic of China with an FC promotional loan of EUR 150 million for the Green Urban Financing and Innovation Project (GUFIP). KfW is thus supporting China's efforts to implement the United Nations' 2030 Agenda for Sustainable Development, including the protection of the oceans (Sustainable Development Goal 14), and the Paris Agreement. It also contributes to the implementation of the Clean Oceans Initiative

Project title	Green Urban Financing and Innovation Project
Country/region	People's Republic of China
Project partner	City of Shanghai Shanghai Green Urban Financing and Services Co. Ltd.





Waste water treatment plant in China. Similar investments are planned under the scope of GUFIP in the region of the Yangtze River Delta. Source: KfW photo archive, photographer: Rüdiger Nehmzow

launched in October 2018 by KfW and other organisations.

The FC promotional loan will be channeled through the central government and the city of Shanghai to the financing company Shanghai Green Urban Financing and Services Co Ltd. This independent financing platform was established by the Shanghai Municipality and the state-owned China Pacific Insurance Group and implements the GUFIP. The project is being implemented in cooperation with the World Bank, which is providing a loan of USD 200 million.

GUFIP finances environmentally and climate-friendly infrastructure investments in the region around the Yangtze River Delta, mainly in the area of waste and wastewater infrastructure. The individual investments are selected on the basis of a strict set of criteria developed by the World Bank and KfW in collaboration with the project partner. These criteria focus on the use of climate- and environmentally friendly technologies, economic viability and the requirements for the structural development of a green financial system in China.

Impact

The project aims to improve access to sustainable, long-term financing for green infrastructure investments in small and medium-sized towns on the Yangtze River Delta and to provide concrete support for these investments. As a result, the project will contribute to improved wastewater and waste disposal and, to a lesser extent, water supply.

Financing investments in the wastewater and water sector can improve the urban sewerage system and thus its resilience to the risks of flooding, while investments in the waste sector lower greenhouse gas emissions. In this way, the project also contributes to implementing the Paris Agreement. GUFIP is also intended to serve as a model for financing green infrastructure projects in other Chinese provinces.

The project underscores the focus of financial cooperation with China on environmental and climate protection and thus also on the protection of global public goods.



Contact

KfW Group
KfW Development Bank
Palmengartenstrasse 5–9
60325 Frankfurt am Main, Germany
Phone +49 69 7431 0

Sustainable economic development East Asia/Pacific
patrick.hamann@kfw.de

KfW Office Beijing
1170, Sunflower Tower
No. 37, Maizidian Street
Chaoyang District
100026 Beijing/China
kfw.beijing@kfw.de