



# **Financing for Ecological Protection and Green Development:** Experience from China's Yangtze River Economic Belt

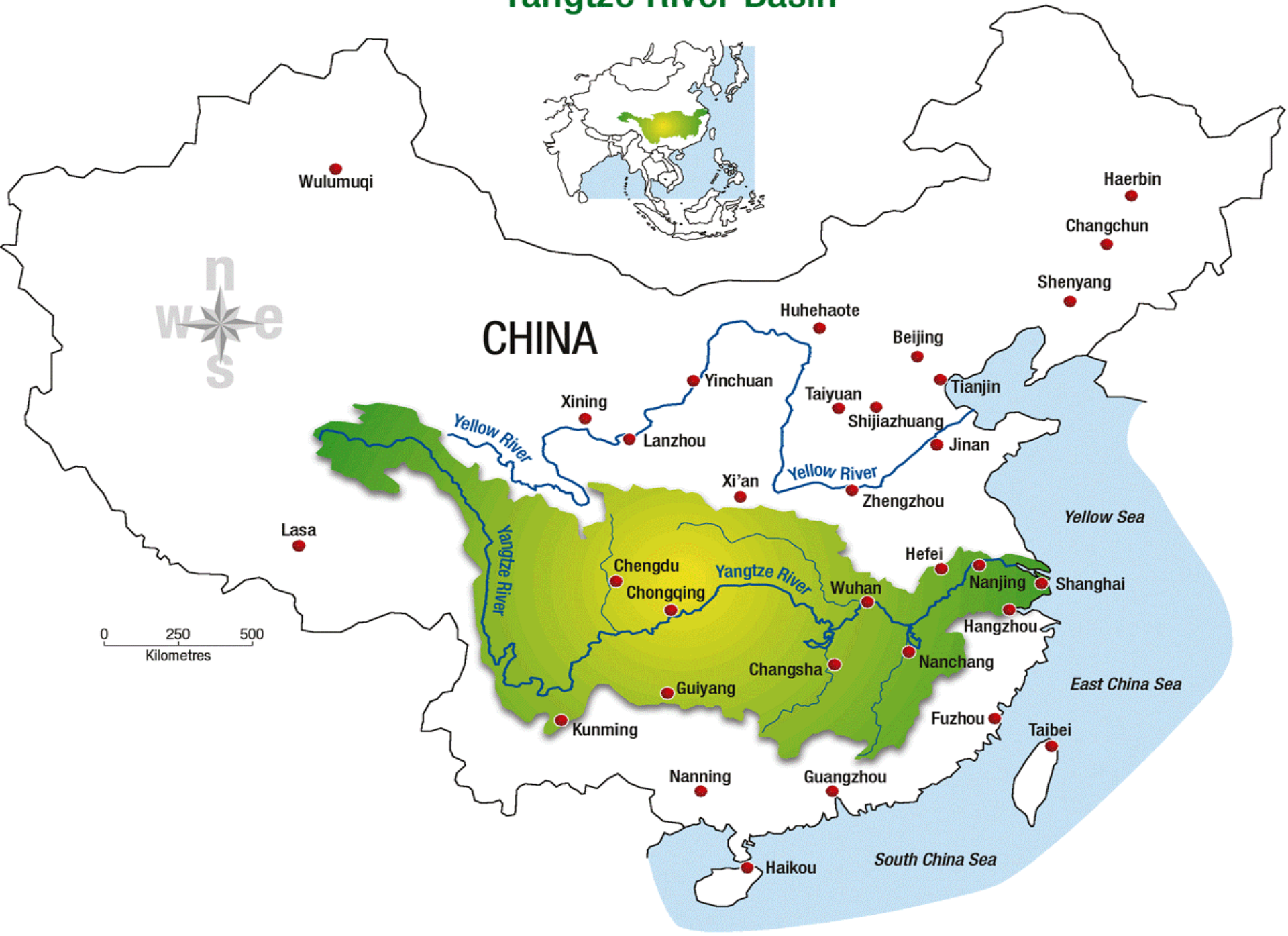
**Dr Au Shion Yee**  
East Asia Department  
Asian Development Bank



# Presentation Outline

- I. Environment and Development Challenges
- II. Planning Tools
- III. ADB's YREB Framework Approach
- IV. Financial innovation for Ecosystem services protection
- V. Project example

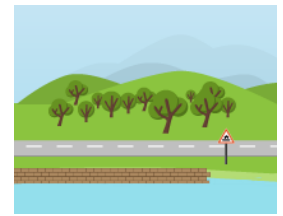
# Yangtze River Basin





# ADB's YREB Framework Approach

YREB Framework	
Initial period	2017-2020
Geographical areas	Projects in 7 provinces and 1 municipality in the middle and upper reaches
Indicative budget	Approximately \$2 billion
Priority areas of the YREB development plan	<ol style="list-style-type: none"><li>1. Ecosystem restoration, environmental protection, and management of water resources</li><li>2. Green and inclusive industrial development</li><li>3. Integrated multimodal transport corridor</li><li>4. Institutional strengthening and policy reform</li></ol>
Interventions	Catalytic, innovative, adoption of high level technologies, creating and sharing knowledge sharing
Financing modalities	Combination of different modalities depending on the nature of projects and borrowers' needs





# Financial Innovation for Ecosystem Services Protection

- **Eco-compensation mechanism**
  - Demonstration component under ADB's Yangtze River Economic Belt (YREB) program (\$2 billion)
  - Sharing co-benefits from natural capital investments between upstream and downstream provinces and townships
  - Addressing environmental externalities and capturing returns on investments
  - ADB-NDRC partnership through International Conference on Eco-Compensation and PES
  - ADB-CCICED partnership through Special Policy Study on Eco-Compensation and Green Development Institutional Reform in the YREB



# Project Case Study: Anhui Huangshan Xin'an River Ecological Protection and Green Development Project

## Outcome:

Economic and environmental conditions in the upstream of Xin'an River improved

## Outputs:

1. Urban and rural point source pollution management installed
2. Non-point source pollution control enhanced
3. Green finance mechanism piloted
4. Capacity for ecological system and project management strengthened

## **Innovations**

- Establish a “Green Incentive Fund” to provide grants as financial incentives to farmers who have achieved the pollution control targets through adoption of sustainable farming practice
- Establish a “Green Investment Fund” to provide equity investment on small and medium sized enterprises in green business, particularly for development of ecological agriculture, eco-tourism, and pollution control

## **Financing**

ADB **proposed** loan: \$100 million (50%)

Govt./Counterpart: \$100 million

## **Implementation**

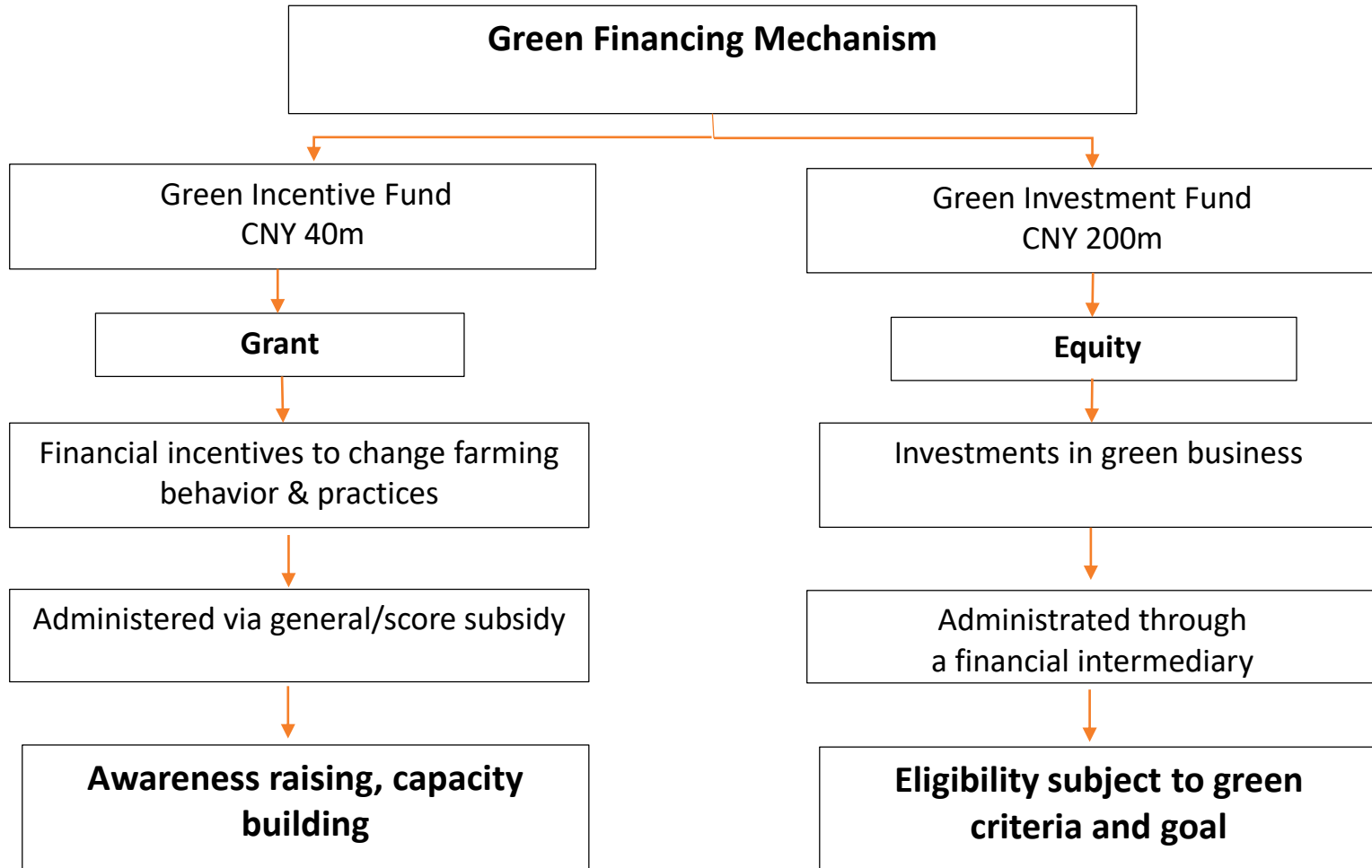
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# Anhui Province Map





# Anhui Huangshan Xin'an River Ecological Protection and Green Development Project - Green Financing Mechanism







# Financial innovation for ecosystem services protection

- **Establishing a Natural Capital Lab in the YREB**
  - Will be set up as an Open platform for partnering with private sector and other stakeholders to catalyze financial and technology innovations in ecological protection along the Yangtze river
  - Create an enabling policy and regulatory environment to accelerate natural capital investment
  - Delivering breakthrough innovations such as high-level technology applications in agricultural value chains for scaling up
  - Applying modelling and valuation tools (e.g. Stanford University's INVEST program) to illustrate and quantify climate risks and valuation of ecosystem services



## Summary

- YREB program is a unique, landscape-scale river basin approach to address complex and cross-provincial challenges
- ADB's support is broad based focusing on ecosystem conservation and green development to reduce pollution and degradation of natural resources
- Within ADB's portfolio of projects (both ongoing and planned), the feasibility of innovative financing models will be tested



Thank you.

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