Cities Development Initiative for Asia

Linking Cities to Finance – Investing in China’s Urban Future

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ICLEI Metropolitan Solutions
Sustainable Urban China, Berlin, 31 May 2016
Mandate

CDIA provides assistance to medium-sized Asian cities to bridge the gap between their development plans and the implementation of their infrastructure investments.

CDIA supports the identification and development of urban investment projects and links them with potential financiers.
Development Impact Areas

- 环境改善
  - Urban environmental improvement
- 应对气候变化
  - Climate change mitigation or adaptation
- 城市减贫
  - Urban poverty reduction
- 改善政府治理
  - Improved governance
CDIA Focus Areas

**INFRASTRUCTURE INVESTMENT PROJECT CYCLE**

How to shape the project technically and financially feasible?

- **Up-stream**
  - City Development Plan/Strategy
  - Infrastructure Investment Prioritization
  - Pre-Feasibility Studies

- **Down-stream**
  - Feasibility Study
  - Financing Arrangements
  - Project Implementation
  - Operation & Maintenance

What does the city need?

Suitable finance options?
- IFIs, e.g. ADB, KfW, WB
- LFIs, e.g. China Development Bank, city
- PSP, e.g. PPP
- Commercial borrowing
**Pre-feasibility Study Sectors**

- Urban Transport, 24%
- Flood & Drainage Management, 27%
- Solid Waste Management, 17%
- Water Supply, 13%
- Energy Efficiency, 5%
- Social Infrastructure, Slum Upgrading, 4%
- Power and Heating, 1%

**PFS linked to finance per financing stream**

- ADB: 16 (31%)
- LFI: 20 (39%)
- Kfw: 3 (6%)
- Other: 5 (10%)
- WB: 2 (4%)

**As of April 2016**

- 95 Cities supported in 17 Asian countries
- 49 Prioritization exercises & PFS reports covering 95 projects completed
- 51 projects linked to finance
- 5.8 Billion US$ expected infrastructure investment value
CDIA’s contribution to implementing and financing of SDGs by supporting cities and LGs in:

- Supporting the identification of infrastructure investment projects related to SDG 11
- Closing the infrastructure financing gap by mobilizing domestic and international financial resources and public-private partnerships for sustainable urban infrastructure projects
- Closing the capacity gap by supporting organizational learning in and between local governments
## CDIA partner cities/PFS Interventions

As of April 27 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Cities with Approved PFS Interventions</th>
<th>Ongoing PFS Interventions</th>
<th>Completed PFS Interventions</th>
<th>Project Component Financed</th>
<th>Amount linked in USD mio.</th>
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<tbody>
<tr>
<td>Bangladesh</td>
<td>2</td>
<td>-</td>
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<tr>
<td>India</td>
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<td>1</td>
<td>7</td>
<td>4</td>
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<tr>
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<td>7</td>
<td>164.2</td>
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<td>Kyrgyzstan</td>
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<tr>
<td>Lao PDR</td>
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<td>Mongolia</td>
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<td>Myanmar</td>
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<td>Nepal</td>
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<td>32.5</td>
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<tr>
<td>Pakistan</td>
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<tr>
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<td>128.0</td>
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<td>1</td>
<td>-</td>
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<tr>
<td>Vietnam</td>
<td>-</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>38.9</td>
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<td></td>
<td>17</td>
<td>7</td>
<td>12</td>
<td>56</td>
<td>36</td>
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SELECTED CDIA CASE STUDIES IN CHINA
### Funding Models in Cities

#### European Cities
- Property tax 物业税
- Users pay for service 使用者付费
- National and regional subsidies 国家和地区财政补贴
- Public-Private Partnerships 公私合营
- Debt 债
  - Bonds 债券发行
  - Sub-sovereign loans IFI (EIB) 非主权贷款
  - Commercial loans 商业贷款

#### Chinese Cities
- Users pay for service 使用者付费
- National and provincial subsidies 国家和省级的财政补贴
- Assets transfer (land) 资产转移（土地）
- Debt 债
  - Sovereign 主权贷款
  - Bonds 债券发行
  - Commercial loans 商业贷款
Climate Change and Storm water Management PFS 2013

- Industrial city in Jiangxi Province of 1.15 mio population
- Cultural heritage, and famous scenery of water bodies
- In 2010, major flooding event of inner city due to increasing CC impacts and poor urban drainage system
- In 2012, the city reached out to CDIA for support in project preparation
Sound Project Preparation to attract External Finance

- Storm water prevention system to support ecological recovery and environmental improvement:
  - 20 meter-wide canal to connect 9 manmade reservoirs
  - Anti-flood levees and water sluice gates
  - Mating drainage system, sewage pipe and treatment system
- CDIA support in linking to finance
- CDIA support in Sharing and Learning

Sources of Financing:

ADB
US$ 150mil

Local Gov. Financing
US$ 156mil

Total Investment Value:
US$ 306 mil
### 江苏，扬州 Yangzhou, 2009

<table>
<thead>
<tr>
<th>项目领域</th>
<th>Project</th>
<th>投资额</th>
<th>Investment</th>
<th>目标融资</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>污水处理 Sewerage management &amp; Water supply</td>
<td>$ 60 million</td>
<td>国内商业银行</td>
<td>China Development Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>古运河修复和开发 Ancient canal repair and develop</td>
<td>$ 50 million</td>
<td>亚行或公私合营</td>
<td>ADB deferred, PPP tbc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>旧城改造 Old city upgrade</td>
<td>$ 12.6 million</td>
<td>Local government resources</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 云南，普洱 Pu’er, 2011

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<thead>
<tr>
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<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>河流生态修复 River ecological restoration</td>
<td>$ 212 million</td>
<td>德国复兴发展银行</td>
<td>KfW</td>
<td></td>
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</table>
## Case studies in China

### 贵州，贵阳  Guiyang, 2009

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<thead>
<tr>
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<th>Investment</th>
<th>目标融资</th>
<th>Finance</th>
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</thead>
<tbody>
<tr>
<td>城市水资源项目  City water resource management</td>
<td>$ 380 million</td>
<td></td>
<td></td>
<td>亚行或公私合营  tbc</td>
<td></td>
</tr>
<tr>
<td>轻轨1号线  LRT Line 1</td>
<td>$ 3,366 million</td>
<td></td>
<td></td>
<td>亚行及国内银行  Bank Syndicate, China Development Bank, etc.</td>
<td></td>
</tr>
<tr>
<td>低碳客运和物流综合枢纽  Low carbon passenger and logistics hub</td>
<td>$ 84 million</td>
<td></td>
<td></td>
<td>公私合营及本地商业银行  PPP and local commercial bank</td>
<td></td>
</tr>
</tbody>
</table>

### 云南，个旧  Gejiu, 2012

<table>
<thead>
<tr>
<th>项目领域</th>
<th>Project</th>
<th>投资额</th>
<th>Investment</th>
<th>目标融资</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>阳山新区一级土地开发  Primary land development</td>
<td>$ 150 million</td>
<td></td>
<td></td>
<td>公私合营  PPP</td>
<td></td>
</tr>
</tbody>
</table>
### 湖南，永州 Yongzhou, 2013

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<tr>
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<th>目标融资</th>
</tr>
</thead>
<tbody>
<tr>
<td>城市生活垃圾综合治理</td>
<td>Solid waste management</td>
<td>$ 95 million</td>
<td>公私合营及本地商业银行 PPP and local commercial bank</td>
</tr>
<tr>
<td>湘江生态综合治理</td>
<td>Xiang River Management</td>
<td>$ 283 million</td>
<td>亚行 ADB tbc</td>
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### 广东，小榄 Guiyang, 2016

<table>
<thead>
<tr>
<th>项目领域</th>
<th>Project</th>
<th>投资额</th>
<th>目标融资</th>
</tr>
</thead>
<tbody>
<tr>
<td>职业教育校园</td>
<td>Vocational Education Campus</td>
<td>$ 113 million</td>
<td>公私合营 PPP, on-going</td>
</tr>
</tbody>
</table>
Common Elements of successful projects

- CDIA provides international flavor/standards to the project
- CDIA has leeway to innovate
- City committed and trusting CDIA abilities
- Type of projects are out of the ordinary
- Environmental consideration from an early stage

Challenges in China

- Difficulties to identify the project at the right stage
- Big China vs. small CDIA
- IFI policy to finance NDRC’s proposals
- At the mercy of political changes