

**Statement of United States:
Proposed Loan and Technical Assistance Grant
Heilongjiang Green Urban and Economic Revitalization Project
(People's Republic of China)
December 5, 2017**

On behalf of the United States, we wish to thank staff for the useful pre-Board meeting and their responsiveness to follow-up questions.

The Green Urban and Economic Revitalization Project in Heilongjiang will improve urban living conditions and economic activity for 2.73 million residents in four cities in Heilongjiang province: Hegang, Jixi, Qitaihe, and Shuangyashan. These cities suffer from environmental degradation (soil, water, and air pollution) from more than 60 years of coal mining. Outsized reliance on coal mining led to rapid economic decline, wage reductions, unemployment and population migration when coal prices dropped steeply in 2013. The project includes five outputs relating to SME development and access to finance, environmental cleanup and remediation and improved integrated urban infrastructure and services, focused on water treatment and flood prevention.

The United States has three main comments on this project:

First, given the historic role of large SOEs in the four cities and the small scale of SMEs, economic diversification and SME growth will be a challenging goal. While the project provides much needed longer-term financing and commercial guarantees for SMEs, it also has a strong capacity building component—not only to improve governance within SMEs themselves, but also helping the participating banks learn to price SME risk. This capacity building provides important value addition by ADB.

Second, staff has adequately addressed our concerns about a set of projects that seemed at first disparate and lacking a coherent joint impetus. As with other Chairs, staff assured the United States that the scale and nature of the economic revitalization needed in these degraded coal cities required significant simultaneous investment in several key areas: urban infrastructure; economic development and environmental clean-up. In their modeling, staff usefully looked to several examples from Europe and the United States, including Pittsburgh, Pennsylvania, a “rust belt” town that reinvented itself to become a health care hub, education center, and tech incubator. This provided helpful context that allowed the Board to understand the region’s challenges, and the scope and nature of ADB’s proposed intervention.

Third, the project is considered category A for environmental impacts and involuntary resettlement, but appears to meet the highest standards for managing both. An Environmental Management and Social Management System (ESMS) has been developed for the financial intermediary platform, which we have noted will *not* support any Category A projects. The project’s Environmental Impact Assessment reveals that this region is severely degraded by coal mining and urbanization, with little remaining biodiversity value. The sponsor has analyzed alternatives for realigning river channels, water and waste-water treatment plant locations and technologies, as well as the no-project alternatives, and has assessed the cumulative noise impacts. The sponsor will screen dredging spoil and contaminated soil prior to disposal in existing landfills. According to the resettlement plans for the four sub-projects, 1,075 individuals will be permanently affected by impacts on collective farmland, 700 individuals will be affected by house demolition and relocation, and 6 businesses and 10 stores will be affected by impacts on structures. While sponsors have consulted with the affected persons, developed a compensation

arrangement, and will institute a grievance redress mechanism, with such a large impact, we urge staff to monitor this process closely.

In accordance with legislative requirements, the United States may only support projects in China that serve the basic human needs of the poor. Because Heilongjiang province's per capita income falls above the national average this project does not meet that standard. Therefore, the United States wishes to be recorded as abstaining on the recommendation in paragraph 42 of the R-paper.

Thank you, Mr. Chairman.