

Performance
Evaluation
Report

**People's Republic of China:
Maxwealth Financial Leasing Co., Ltd.
Industrial and Municipal Wastewater
Treatment Project**



Independent
Evaluation **ADB**

Raising development impact through evaluation

Performance Evaluation Report
February 2025

PUBLIC

**People's Republic of China: Maxwealth Financial
Leasing Co., Ltd.
Industrial and Municipal Wastewater Treatment
Project**

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Project Number: 53143-001
Investment/Loan Numbers: 7601/3811
Independent Evaluation: PE-869



NOTES

- (i) The fiscal year (FY) of Maxwealth Financial Leasing Co., Ltd. ends on 31 December. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2023 ends on 31 December 2023.
- (ii) In this report, "\$" refers to United States dollars.

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The guidelines formally adopted by IED on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of IED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

Abbreviations

ADB	–	Asian Development Bank
AESPR	–	annual environmental and social performance report
BON	–	Bank of Ningbo
CAGR	–	compound annual growth rate
CBIRC	–	China Banking and Insurance Regulatory Commission
COVID-19	–	coronavirus disease
DMF	–	design and monitoring framework
E&S	–	environmental and social
ESHS	–	environment, social, health, and safety
ESMS	–	environmental and social management system
FY	–	fiscal year
GDP	–	gross domestic product
IED	–	Independent Evaluation Department
m ³	–	cubic meter
MWFL	–	Maxwealth Financial Leasing Co., Ltd.
NPL	–	nonperforming loan
PRC	–	People's Republic of China
RRP	–	report and recommendation of the President
SMEs	–	small and medium-sized enterprises
SOE	–	state-owned enterprise
WWTP	–	wastewater treatment plant

Currency Equivalents

Currency Unit – yuan (CNY)

	At Appraisal 23 July 2019	At Project Review 31 July 2023	At Independent Evaluation 12 November 2024
CNY1.00 =	\$0.1454	\$0.1398	\$0.1386
\$1.00 =	CNY6.8811	CNY7.1502	CNY7.2152

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Basic Data

Industrial and Municipal Wastewater Treatment Project (Maxwealth Financial Leasing Co., Ltd.)

Key Project Data	As per RRP	Actual
ADB investment:		
Senior loan (\$ million):		
Committed	60.0	60.0
Disbursed		60.0
Outstanding		9.8
Key Dates		
Approval of concept clearance		12 April 2019
Board approval		6 September 2019
Loan agreement		11 November 2019
Loan effectiveness		11 November 2019
First disbursement		6 December 2019
Loan maturity		6 December 2024

ADB = Asian Development Bank, RRP = report and recommendation of the President.

Mission Data

Type of Mission	Number of Missions	Number of Person-Days
Concept clearance	1	6
Due diligence	1	12
Project administration	1	2
Extended annual review report	1	6

Executive Summary

Rapid economic growth and extensive urbanization in the People's Republic of China (PRC) during 1980–2018 resulted in deteriorating water quality. Leasing emerged as a viable solution for long-term financing of wastewater treatment equipment, because traditional banks often did not accept movable assets like equipment as collateral. Between 2008 to 2017, the leasing industry in the PRC experienced substantial growth, addressing a financing gap left by traditional financing. New leasing sales in the PRC surged from \$21.88 billion in 2008 to \$265.68 billion in 2017, boasting a compound annual growth rate (CAGR) of almost 32%. Despite this rapid expansion, the PRC's financial leasing industry required further development, with a lease market penetration rate of about 9% in 2020, compared with 42% in Canada, 28% in the United Kingdom, and 22% in the United States, indicating significant potential for future growth. In 2018, total outstanding lease receivables amounted to CNY6.55 trillion, considerably smaller than the banking industry's total outstanding loans of CNY108.56 trillion in the same year.

In September 2019, the Board of Directors of the Asian Development Bank (ADB) approved a senior secured loan of up to \$60 million or its yuan equivalent to Maxwealth Financial Leasing Co., Ltd. (MWFL) in the PRC. Disbursement was made in local currency. The loan's objectives were two-fold: (i) to fund the construction, maintenance, and expansion of industrial and municipal wastewater treatment plants (WWTPs), and (ii) to facilitate the development and expansion of the financial leasing industry in the PRC.

Outcome indicators. Envisioned outputs were achieved, but neither outcome indicators were deemed evaluable. Even though the annual treatment capacity of the WWTPs that benefited from ADB's loan is 231.8 million cubic meters (m³), there is no data collected to demonstrate how much capacity was in fact added or improved because of the leased equipment. However, all the output targets, as approved in the report and recommendation of the President (RRP), were achieved within the expected timeline. The ADB loan helped MWFL to provide an additional \$60 million of lease financing to nine WWTPs and to provide additional training to its staff.

This evaluation rates the project Maxwealth Financial Leasing Co., Ltd. Industrial and Municipal Wastewater Treatment Project *less than successful*, with key learnings on private sector development and project design.

Issues with baseline data. Establishing initial benchmarks or baseline data to guide the setup of the design and monitoring framework (DMF) targets is essential for measuring progress and impact. Without a clear starting point, it is challenging to determine the extent of improvement or change resulting from the project. The assumption used to collect data was that project outcomes should be measured by merely counting the wastewater treatment capacity of the WWTP recipient of the financial leasing equipment, without any measure linked to the actual contribution from the operation. The project's contribution could not be assessed since the target for wastewater treated was not specific enough nor relevant to capture the effects of ADB funding.

Low relevance of gender actions. Poor design of gender inclusive actions can diminish ADB's impact and credibility in promoting gender mainstreaming to private sector clients. Gender actions need to be clearly linked to the gender gap identified and the activity required to fill that gap. This process might require support from advisory services or technical assistance to allow gender specialists to engage with clients and build business cases that resonate with their business needs. Moreover, project teams should avail themselves of the tools provided by ADB's Gender Equality Division, such as the tip sheets on integrating gender into the private sector.

Support and guidance for clients. Lack of support to clients after disbursement can lead to mistakes with ADB compliance on environmental and social (E&S) safeguards, and in the worst cases can create a reputational liability for ADB. After disbursement of funds, continuous proactive support and guidance are crucial to ensure that clients adhere to ADB's requirements. Without adequate post-disbursement support, clients may inadvertently violate these standards, leading to potential environmental harm, social issues, and non-compliance penalties. New clients in particular require additional attention and tailored support. They may be unfamiliar with the stringent ADB environment, social, health, and safety (ESHS) standards and the specific compliance procedures. Providing comprehensive training, regular check-ins, and accessible resources can help new clients understand and implement these standards effectively and help ADB avoid reputational risks.

Three recommendations. First, ADB should ensure that DMF indicators have causal links to narrowing identified gaps. Operations teams should be encouraged to focus on the depth and causal linkages of activities, ensuring a clear chain of results that address identified gaps and demonstrate measurable impacts for gender and climate action. Second, ADB should ensure that clients receive thorough and continuous support on ESHS compliance and annual environmental and social performance report (AESPR) compliance. ESHS and AESPR compliance requirements are often complex and multifaceted. Clients, especially new ones, need closer support to enhance their understanding and ability to prepare accurate and comprehensive AESPRs. A more proactive approach will foster a culture of compliance and responsibility, ultimately leading to better project outcomes. Third, ADB should keep building on past experiences in financial leasing to support the PRC government and the ADB climate agenda. By leveraging past experiences in financial leasing, ADB can effectively expand its support to new areas that can be strategic for the climate change agenda.

Project Performance Evaluation Summary

Criteria	Unsatisfactory	Less than Satisfactory	Satisfactory	Excellent
Development results		✓		
ADB additionality			✓	
ADB investment profitability			✓	
ADB work quality		✓		
	Unsuccessful	Less than Successful	Successful	Highly Successful
Overall rating		✓		

ADB = Asian Development Bank.

Source: Asian Development Bank (Independent Evaluation Department).

The Project

A. Project Background

1. Rapid economic growth and extensive urbanization in the People's Republic of China (PRC) during 1980–2018 resulted in deteriorating water quality. As of June 2019, the PRC stood as one of the world's most water-stressed nations, with per capita water resources at 2,100 cubic meters (m³) per year, equivalent to 25% of the global average. This water scarcity was compounded by severe pollution in surface water bodies and groundwater, along with climate-related incidents. Wastewater discharge surged by 65%, escalating from 41.5 billion m³ annually in 2000 to 69.5 billion m³ in 2013. Micro, small, and medium-sized enterprises contributed 60% to overall water pollution, while only 56% of wastewater in the PRC was treated.¹

2. Leasing emerged as a viable solution for long-term financing of wastewater treatment equipment, as traditional banks often did not accept movable assets like equipment as collateral. Between 2008 to 2017, the leasing industry in the PRC experienced substantial growth, addressing a financing gap left by traditional financing. New leasing sales in the PRC surged from \$21.88 billion in 2008 to \$265.68 billion in 2017, boasting a compound annual growth rate (CAGR) of almost 32%. Despite this rapid expansion, the PRC's financial leasing industry required further development, with a lease market penetration rate of about 9% in 2020, compared with 42% in Canada, 28% in the United Kingdom, and 22% in the United States, indicating significant potential for future growth.² In 2018, total outstanding lease receivables totaled CNY6.55 trillion, considerably smaller than the banking industry's total outstanding loans of CNY108.56 trillion in the same year (footnote 1). Appendix 1 provides overviews of the financial leasing and wastewater treatment sectors in PRC.

3. **The project.** In September 2019, the Board of Directors of the Asian Development Bank (ADB) approved a senior secured loan of up to \$60 million or its yuan equivalent to Maxwealth Financial Leasing Co., Ltd. (MWFL) in the PRC. MWFL is a wholly owned subsidiary of Bank of Ningbo (BON), a city commercial bank registered in the city of Ningbo. The loan's objectives were two-fold: (i) to fund the construction, maintenance, and expansion of industrial and municipal wastewater treatment plants (WWTPs), and (ii) to facilitate the development and expansion of the financial leasing industry in the PRC.

B. Key Project Features

4. The facility agreement between ADB and MWFL for a senior secured loan of \$60 million (in yuan equivalent) was signed on 11 November 2019. [CONFIDENTIAL INFORMATION DELETED]

¹ ADB. 2019. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Maxwealth Financial Leasing Co., Ltd. for the Industrial and Municipal Wastewater Treatment Project in the People's Republic of China*; and ADB. 2023. *Extended Annual Review Report: Maxwealth Financial Leasing Co., Ltd.—Industrial and Municipal Wastewater Treatment Project in the People's Republic of China*.

² Lease market penetration is measured as the ratio of lease finance to all fixed investments in plant and equipment.

5. According to the report and recommendation of the President (RRP), the ADB loan was to help MWFL provide lease finance to WWTPs for industrial and municipal wastewater treatment in the PRC. Proceeds of the ADB loan would be used to finance at least six WWTPs, [CONFIDENTIAL INFORMATION DELETED]. MWFL's lease finance to WWTPs was meant for new equipment or upgrading existing equipment to improve the wastewater treatment capacity. It was not expected to involve new land acquisition because the company only finances WWTPs that have completed civil works. The treatment plants would be primarily located in Zhejiang and Jiangsu provinces, which are the focus of MWFL's operations. In addition, the ADB loan was expected to provide critical long-term finance, thereby addressing the company's significant maturity mismatch—[CONFIDENTIAL INFORMATION DELETED].

C. Progress Highlights

6. [CONFIDENTIAL INFORMATION DELETED]. During 2020–2022, the PRC economy was severely affected by the coronavirus disease (COVID-19). The banking sector and economy were impacted by the government's measures under its dynamic zero COVID-19 policy, which included numerous lockdowns and limitations on personal mobility. Gross domestic product (GDP) growth fell from over 6% per year in 2016–2019 to 2.2% in 2020. GDP growth recovered to 8.1% in 2021 but fell again to 3.0% in 2022.

7. In 2020, the China Banking and Insurance Regulatory Commission (CBIRC) issued new regulatory standards for financial leasing companies, covering areas like business scope, prohibited activities, administrative licensing, and financial standards. In the same period, the government prescribed loan moratoriums and encouraged banks to expand lending in response to COVID-19 to mitigate the impacts of the pandemic on the economy.

8. Despite this challenging macroeconomic and financial sector environment, MWFL continued to register strong growth and good asset quality. [CONFIDENTIAL INFORMATION DELETED] MWFL is poised to benefit from further growth opportunities as and when the economy recovers fully from COVID-19's aftermath, the global economic slowdown and inflation, and trade tensions.

Evaluation

9. In accordance with ADB guidelines for preparing a project performance evaluation report on nonsovereign operations, the project's performance was evaluated based on its development results, additionality, investment profitability, and work quality.³

10. The evaluation team conducted desk reviews, analysis, and document research, including the RRP, annual and quarterly monitoring reports, and MWFL's financial statements. The team conducted an independent evaluation mission to interview senior staff of MWFL and one of the WWTPs in June 2024.

A. Project Rationale and Objectives

11. Based on the RRP, the main rationale for this project was to address the underdevelopment of the leasing sector in the PRC and its need for long-term financing. Building on earlier experience in the PRC's leasing industry, ADB used lease finance to support the new sector of wastewater treatment. This rationale was fully aligned with the ADB–PRC country partnership strategy, 2016–2020, which prioritizes sustainable development, inclusive growth, and financial sector development.⁴ It was also aligned with both ADB's financial sector operational plan 2011, which emphasizes development of sound financial intermediaries targeting underserved markets, and ADB's Water Operational Plan, 2011–2020, which committed to investments of \$2 billion to \$2.5 billion annually by 2020 and targeted an additional \$500 million annually for private sector lending in the water supply and treatment sector.⁵

12. ADB identified MWFL as a suitable partner for this project. The introduction of more stringent water sector regulations in 2015 and 2016 sparked a significant need for investments in WWTPs within the PRC, notably in coastal regions with high presence of small and medium-sized enterprises (SMEs) and increasing issues with water supply and water quality. WWTPs tackle the risk of under-treated or untreated wastewater contaminating groundwater and surface water, which are used for various purposes, including as sources for drinking water treatment. MWFL, already engaged in the WWTP industry, was poised to broaden its operational scope and sought sustained financial backing to bolster its expansion and reduce its maturity mismatch.

B. Development Results

13. The project's development results were assessed and rated according to four subcriteria: (i) contribution to private sector development and ADB's strategic development objectives; (ii)

³ Independent Evaluation Department. 2014. *Guidelines for Preparing Performance Evaluation Reports on Nonsovereign Operations*. ADB.

⁴ ADB. 2016. *Country Partnership Strategy: Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*.

⁵ ADB. 2011. *Financial Sector Operational Plan*; and ADB. 2011. *Water Operational Plan, 2011–2020*.

economic performance; (iii) environment, social, health, and safety (ESHS) performance; and (iv) business success.

1. Contribution to Private Sector Development and ADB's Strategic Objectives

14. **Outcome indicators not evaluable.** Envisioned outputs were achieved, but neither outcome indicators were evaluable (Appendix 2). The assumption used to collect data was that these outcomes could be measured by merely counting the wastewater treatment capacity of the WWTP recipient of the financial leasing equipment, without any measure linked to the actual contribution resulting from the operation. The first outcome target [CONFIDENTIAL INFORMATION DELETED] should have also relied on the measurements applied on the second outcome target [CONFIDENTIAL INFORMATION DELETED]. This could not be assessed since it was not specific enough nor relevant to capture the effects of ADB funding. Even though the annual treatment capacity of the WWTPs that benefited from ADB's loan [CONFIDENTIAL INFORMATION DELETED], there is no data collected to demonstrate how much capacity was in fact added or improved because of the leased equipment.

15. **All output targets substantially achieved.** All output targets, as approved in the RRP, were substantially achieved within the expected timeline. The ADB loan helped MWFL to provide an additional \$60 million of lease financing to nine WWTPs and to provide additional training to its staff. However, there are material shortfalls in the relevance of the trainings, especially regarding the objective of improving gender equality in the company.

16. **Mixed effects on the financial institution and sub-borrower private sector development.** While the project did not result in any improvement in credit or business skills for MWFL and its sub-borrowers, it did help establish an environmental and social management system (ESMS), improving corporate environmental and social (E&S) standards. The project also contributed to MWFL obtaining loans from new sources and experiencing strong asset growth, although no new products, services, or technologies were introduced.

17. **Mixed results in private sector development beyond financial intermediaries and sub-borrowers.** The project contributed to expanded lending in the financial system and enhanced competition in financial leasing. It also had positive spillover effects on investment and growth by improving access to industrial clean water supply, contributing to environmental improvements. However, the project did not demonstrate new ways of offering financial services nor increase the availability of certain services for disadvantaged groups.⁶ Appendix 3 contains a checklist assessment for more details in various results areas.

18. Overall, the project had mixed results on contribution to private sector development and had material shortcomings in its design and monitoring framework (DMF). The project's contribution to private sector development and ADB's strategic development objectives is rated *less than satisfactory*.

⁶ The RRP stated, "As of December 2018, MWFL's outstanding finance to wastewater treatment projects amounted to CNY3.69 billion" (footnote 1).

2. Economic Performance

19. **Positive impact on main stakeholders.** The project had a positive impact on its main stakeholders, namely the WWTP borrowers and their clients. Six companies received funding from ADB through MWFL to finance the upgrading and improvement of nine WWTPs. These nine WWTPs served an estimated population of 2.9 million in the Zhejiang and Jiangsu provinces (**Error! Reference source not found.**). Most of the improvements were replacing or enhancing old equipment, thereby ensuring the continuous provision of services. [CONFIDENTIAL INFORMATION DELETED]

20. **Positive impact on other stakeholders.** The robust financial performance of the company had a significant positive impact on other stakeholders. The other stakeholders affected by the project are the government and MWFL's shareholders, employees, lenders, and suppliers. To assess the impact of the project on these stakeholders, the evaluation examined MWFL's financial statements. Specifically, the evaluation examined the sources of MWFL's gross income and how it was distributed to the stakeholders over the loan period.

[CONFIDENTIAL INFORMATION DELETED]

21. Because of the project's positive impacts on nearly all stakeholders, its economic performance is rated *satisfactory*.

3. Environment, Social, Health, and Safety Performance

22. **Improved MWFL environmental and social standards.** MWFL initially did not have an ESMS, but it established one in October 2019, prior to the loan signing in November 2019. The ESMS included most of the required provisions except mechanisms on disclosure through meaningful consultations.

Successful ESMS implementation. MWFL designated an E&S manager and two other employees to implement the ESMS. Transactions were screened and categorized for potential E&S impacts, and there was no reported noncompliance with ESMS provisions. Annual environmental and social performance reports (AESPRs) were submitted in a timely manner, although some discrepancies were noted in the initial submissions. [CONFIDENTIAL INFORMATION DELETED]

23. The project complied with all key ADB safeguard requirements. The project's ESHS performance is therefore rated *satisfactory*.

4. Business Success

24. **MWFL's financial performance.** MWFL maintained adequate capital levels, acceptable asset quality, robust profitability, and moderate liquidity during ADB's investment period. Its strong capital adequacy was supported by robust earnings, retained earnings growth, and consistent capital injections. Despite manageable risks from SME expansion and exposure to state-owned enterprises (SOEs), MWFL sustained strong asset quality and adequate loss absorption capacity. The company benefited from management support and strong governance from the Bank of Ningbo (BON) while strengthening its risk management capabilities. MWFL achieved significant profitability growth, driven by higher margins and portfolio expansion,

though rising costs from SME growth and digitalization impacted its cost-to-income ratio. Liquidity challenges, stemming from reliance on short-term borrowings, were mitigated by parent support and extensive credit lines. Appendix 4 provides a detailed discussion of MWFL's capital adequacy, asset quality, management, earnings and liquidity.

25. Based on the analysis, the project's business success is rated *satisfactory*.

5. Overall Development Results Rating

26. The project was well-aligned to ADB's corporate strategic objectives and sector strategies. The borrower met all the DMF output targets and met all the criteria for satisfactory ratings on economic performance, ESHS performance, and business success. However, the project had limited contribution to private sector development, which results in a less than satisfactory rating. Based on subcomponent ratings, this evaluation assesses the development results of the project *less than satisfactory*.

C. ADB Additionality

27. **Financial additionality of ADB's long-term loan.** ADB provided long-term financing that was not available in the market from commercial sources on reasonable terms and conditions. At the time of project appraisal in 2018, most funding to financial leasing companies was on a 1-year tenor. [CONFIDENTIAL INFORMATION DELETED]

28. ADB's loan [CONFIDENTIAL INFORMATION DELETED] had moderate impact on reducing MWFL's asset-liability mismatch because of the company's significant balance sheet size—[CONFIDENTIAL INFORMATION DELETED] Nonetheless, ADB's loan was crucial for supporting MWFL's wastewater treatment financing, as it was specifically intended to fund this project.

29. **Enhanced E&S standards.** ADB's role enhanced MWFL's E&S standards, beyond compliance with country standards. Based on the RRP, ADB's primary nonfinancial additionality was supporting MWFL in improving its E&S standards and gender equity. Before ADB's loan, MWFL lacked an ESMS. With ADB's assistance, MWFL established an ESMS aligned with ADB's safeguards requirements, which have higher standards than what the country requires. MWFL applied the ESMS across all WWTP transactions, including those not funded by the ADB loan. According to MWFL, the company even integrated E&S provisions into its lease agreements, requiring lessees to enhance their E&S risk management and report any major E&S risks. However, gender non-financial additionality cannot be substantiated because gender equity was not a core objective of the project.⁷ In fact, there was no link between additionality claims and outcomes (i.e., no outcome indicator related to gender).⁸

⁷ The project's objectives were: (i) to fund the construction, maintenance, and expansion of industrial and municipal WWTPs, and (ii) to facilitate the development and expansion of the financial leasing industry in the PRC.

⁸ Based on ADB's Guidelines on Additionality in Nonsovereign Operations (May 2024), "When claiming gender additionality, three criteria must apply: (i) one of the core overall project objectives targets gender, e.g., an FI aims to strengthen access to finance for women-led SMEs; (ii) there is a link between additionality and outcomes, so that one of the project's core objectives is related to improving gender issues and there is an outcome indicator tracking results, e.g., the outstanding women-led SME portfolio is materially increased; and (iii) the scale of the result is significant and can be clearly attributed to ADB, e.g., when other DFIs are present."

30. ADB's overall additionality is rated *satisfactory*. ADB provided long-term financing that was not available in the market from commercial sources on reasonable terms and conditions and enhanced MWFL's E&S standards.

D. ADB Investment Profitability

31. **Adequate pricing.** [CONFIDENTIAL INFORMATION DELETED]

32. **Timely loan repayments.** MWFL was current on all fee, interest, and principal payments due, and fully repaid the loan upon its maturity [CONFIDENTIAL INFORMATION DELETED]. MWFL remained in full compliance with all regulatory and ADB financial covenants from disbursement until maturity. Moreover, there were no waiver, amendment, or consent requests from MWFL during this period.

33. In view of an adequate market pricing and timely loan repayments, ADB's investment profitability is rated *satisfactory*.

E. ADB Work Quality

34. ADB's work quality was assessed according to two criteria: (i) screening, appraisal, and structuring; and (ii) monitoring and supervision.

1. Screening, Appraisal, and Structuring

35. **Alignment with ADB strategies and policies.** The loan's expected developmental impact to enhance water supply, improve water quality, and support financial sector development through the financial leasing industry was aligned with the PRC government objectives. As laid out in the ADB's country partnership strategies for the PRC, 2016–2020 and 2021–2025, the government has been focused on promoting high-quality, green development.⁹

36. The project also contributes to Strategy 2030, especially to two operational priorities: tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (operational priority 3); and making cities more liveable (operational priority 4).¹⁰ Under Strategy 2030, ADB aims to increase support for developing member countries in improving water quality and water security, also in line with ADB's water policy objectives, recognizing the importance of reversing the degradation of water resources caused by agricultural, industrial, and municipal effluents.¹¹ Further, the project is aligned with both the water sector and the finance sector strategic objectives. ADB's Water Operational Plan, 2011–2020 aimed to lend an additional \$500 million annually to the private sector and committed to investments between \$2.0 billion and \$2.5 billion annually by 2020.¹² The ADB Financial Sector Operational Plan strongly emphasizes supporting the development of the finance sector and underutilized products, such as leasing.¹³

⁹ ADB. 2016. *People's Republic of China: Country Partnership Strategy, 2016–2020*; and ADB. 2021. *People's Republic of China: Country Partnership Strategy, 2021–2025*.

¹⁰ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*.

¹¹ ADB. 2022. *Mainstreaming Water Resilience in Asia and the Pacific: Guidance Note*.

¹² ADB. 2011. *Water Operational Plan, 2011–2020*.

¹³ ADB. 2011. *Financial Sector Operational Plan*.

37. **Appropriate client selection and financial structure.** ADB's selection of MWFL for this project was appropriate and the ADB team supported the setup of a financial structure that matched MWFL's financial needs. Although the company had just been established in 2015 and constituted some risk as a first-time borrower for ADB in 2019, it has become an important player in the market ever since. It is a leasing company regulated by National Financial Regulatory Administration (formerly known as CBIRC) and its business focuses on Jiangsu and Zhejiang provinces with selected coverage in Beijing, Guangdong Province, and Shanghai (Appendix 5). The selection of the client and project design draws on ADB's knowledge of the PRC leasing industry, selecting financial intermediaries with demonstrated expertise in financial leasing and enhancing their reach into WWTPs, which in turn has positive effects on the water quality of surrounding cities.

38. **Significant shortcomings in DMF structure.** At outcome level, the second performance indicator [CONFIDENTIAL INFORMATION DELETED] lacks relevance and specificity, since there is no real measure of the changes resulting from project implementation. There is no baseline estimate for the subprojects once selected nor a system set up for measuring capacity increased or improved. The assumption that all the capacity of each WWTP is improved or added as long as that WWTP received funding is not substantiated by any data collected. The evaluation team could not retrieve any information that clearly indicates an increase or improvement in wastewater treatment capacity that results from the equipment leased. [CONFIDENTIAL INFORMATION DELETED] While this equipment can improve the working environment and community relations, by treating the air emissions from the plant to reduce odor complaints from the surrounding community, it does not enhance the plant's ability to treat more wastewater.

39. **Gender activities not relevant.** The activities identified for addressing the gender gap at management level were not relevant to the identified gap, especially regarding life skills training [CONFIDENTIAL INFORMATION DELETED]. The indicators at output level for gender do not measure short-term achievements of those activities, and an outcome indicator linked to the activity could have helped to measure the impact of the leadership and professional trainings.

40. Despite the selection of clients, the modality, and the loan structuring aimed at supporting financial leasing in WWTPs, material shortfalls in the project design regarding gender equity and evaluating wastewater treatment capacity outcomes warrant a *less than satisfactory* rating for screening, appraisal, and structuring.

2. Monitoring and Supervision

41. ADB kept itself reasonably informed of the project's progress. The reports required by the client are complete and timely. These include the lease summary reports, development effectiveness monitoring reports, audited financial statements, and AESPRs. MWFL stated that ADB support and response to queries were adequate.

42. **Several discrepancies in MWFL reports submitted to ADB.** [CONFIDENTIAL INFORMATION DELETED] Because this was MWFL's first time working with ADB and its reporting requirements, ADB should have been more thorough in supporting MWFL with its compliance requirements.

43. **Discrepancies not noticed by ADB.** Although the required reports were regularly submitted, there were too many discrepancies that were not noticed by ADB, especially in the initial submissions. While the timing of the reports was satisfactory, the quality of these reports was below ADB standards. Monitoring and supervision are rated *less than satisfactory*.

3. ADB Overall Work Quality Rating

44. Based on the *less than satisfactory* rating for screening, appraisal, and structuring and for monitoring and supervision, ADB's overall work quality is rated *less than satisfactory*.

F. Overall Project Rating

45. As summarized in Table 1, the project is rated *less than successful* overall.

Table 1: Ratings Summary

Criteria	Unsatisfactory	Less than Satisfactory	Satisfactory	Excellent
Development Results		✓		
Contribution to PSD and ADB's strategic development objectives		✓		
Economic performance			✓	
ESHS performance			✓	
Business success			✓	
ADB additionality			✓	
ADB investment profitability			✓	
ADB work quality		✓		
Screening, appraisal, and structuring		✓		
Monitoring and supervision		✓		
	Unsuccessful	Less than Successful	Successful	Highly Successful
Overall Rating		✓		

ADB = Asian Development Bank; PSD = private sector development; ESHS = environment, social, health, and safety.
Source: ADB (Independent Evaluation Department).

Issues, Lessons, and Recommendations

46. ADB supported the PRC in addressing its wastewater management challenges through financial leasing, addressing asset-liability mismatches, and creating incentives for improving WWTP facilities. While the project achieved its intended outputs, including \$60 million of lease financing to nine WWTPs and additional training to MWFL staff, it fell short on private sector development and fully capturing its output contributions.

A. Issues

47. **DMF outcome indicators not adequate to measure project impact.** The DMF did not have a benchmark number because, at the time of approval, it was still not defined which WWTPs would be benefiting from the loan. However, once the subprojects had been identified, the team could have captured more data on the current state of the WWTPs to be able to measure the change in capacity that resulted from the new or upgraded equipment. Moreover, a mere target number does not aptly present the contribution of the loan to increased wastewater treatment capacity and improved water quality for a large population in the serviced areas. Because the identified gap in the market related to bank inability to finance movable assets and because the ADB loan was used for upgrading WWTPs, the outcomes could have been measured in plant efficiency gains (in percentage), increase quantity of water treated, or other efficiency-related key performance indicators related to those upgrades. A percentage increase, against an adequately assessed baseline, would have been more appropriate to fully capture the outcomes of the loan.

48. **DMF gender actions not adequate to address the identified gap.** The RRP identified as a gender gap the lack of women representation at senior management level and MWFL's need to enhance the leadership and technical capacity of its female staff.¹⁴ The measures agreed to address that gap were not appropriate: (i) the measures of one leadership training and one supervisory and technical training for female staff are, at best, inadequate to sustain a genuine claim of promoting gender equality at management level; and (ii) the inclusion of life skills training programs, such as baking, flower arranging, and yoga, for female staff, not only do not align with the professional development of the staff but seem to reinforce gender stereotypes. Because most MWFL managers were sourced from within BON, and BON might not have any gender equity policies in place, the need to change management recruitment policies could have also been at the heart of changes needed. Part of this gender gap might involve more openness to promoting from within MWFL and expanding outside recruitment beyond BON.

¹⁴ The RRP stated, "MWFL has 87 staff, of whom 38 (44%) are women. As all members of the senior management team are men, MWFL needs to further enhance the leadership and technical capacity of its female staff" (footnote 1).

49. The gender-related indicators used at output level were not linked to an outcome level with measurements of the longer-term consequence of those trainings, for example, (i) the number of female staff who attended leadership or technical training and who were promoted to increase roles of responsibility within a year or (ii) level of expertise increased, with data collected through a participant questionnaire.

50. **Reputational risk.** MWFL mistakenly reported wrong information on lessee companies and safeguard categorization, which could have resulted in ADB's reputational liability. [CONFIDENTIAL INFORMATION DELETED] MWFL was new to ADB ESHS standards and requirements, and the ADB team did not provide adequate support in familiarizing the client with its processes.

B. Lessons

51. **Essential role of baseline data for measuring progress and impact.** Establishing initial benchmarks or baseline data when setting the DMF targets is essential for measuring progress and impact. The inadequacy of an outcome indicator in the DMF highlights the critical need for establishing initial benchmarks. A target number alone is insufficient to accurately measure the project's contribution. When setting goals that need to be proportional to the current state, percentage targets are useful. Baseline data provides context, allowing for a more accurate interpretation of the results and measures for change. It helps in understanding the initial conditions and the magnitude of the project's impact. Further, baseline data make it possible to conduct a comparative analysis to assess the effectiveness of the interventions, which can be crucial for demonstrating the project's impact and value.

52. **Linking gender actions to gender gap and activities.** Poor design of gender-inclusive actions can diminish ADB's impact and credibility in promoting gender mainstreaming with private sector clients. Gender actions need to be clearly linked to the gender gap identified and the activity required to fill that gap. This process might require support from advisory services or technical assistance to allow gender specialists to engage with clients and build business cases that resonate with their business needs. Moreover, project teams should avail themselves of the tools provided by ADB's Gender Equality Division, such as the tip sheets on integrating gender into the private sector.

53. **Client needs for support in complying with ADB requirements.** Lack of support to clients after disbursement can lead to mistakes with ADB compliance on E&S safeguards. After disbursement of funds, continuous proactive support and guidance are crucial to ensure that clients adhere to ADB safeguards requirements. Without adequate post-disbursement support, clients may inadvertently violate these standards, leading to potential environmental harm, social issues, and non-compliance penalties. New clients especially require additional attention and tailored support. They may be unfamiliar with the stringent ADB ESHS standards and the specific compliance procedures. Providing comprehensive training, regular check-ins, and accessible resources can help new clients understand and implement these standards effectively and help ADB avoid reputational risks.

C. Recommendations

54. **Causal links between DMF indicators and identified gaps.** ADB should ensure that DMF indicators have causal links to narrowing identified gaps. Project teams need to work closely with sector specialists and with clients on identifying appropriate actions and measures in private sector operations, whether gender- or climate-related.¹⁵ Overall, ADB should incentivize operations teams to think less in terms of number of outputs or outcomes and more in terms of depth of the activities and their causal linkages. There must be a clear chain of results with proposed interventions to narrow identified gender and climate gaps, with results that can be demonstrated directly or indirectly. In the specific case of financial intermediaries, when subprojects are not yet identified at approval, ADB should implement an adaptive management approach where indicators and benchmarks are regularly reviewed and adjusted based on the evolving context and available data. This allows for flexibility and responsiveness to changing circumstances and clearer information on developmental results.

55. **Client support on ESHS and AESPR compliance.** ADB should ensure that clients receive thorough and continuous support on ESHS and AESPR compliance. ESHS and AESPR compliance requirements are often complex and multifaceted. Clients, especially new ones, may struggle to fully understand and implement these standards without adequate support. Providing thorough support helps mitigate risks associated with non-compliance, such as environmental degradation, social conflicts, and potential legal and reputational issues. Beyond the provision of ADB's detailed guidelines and resources that outline the compliance process, new clients might need closer support to enhance their understanding and ability to prepare accurate and comprehensive AESPRs. Timely review and feedback can ensure that clients not only meet regulatory requirements but become more accountable for sustainable development. This proactive approach will foster a culture of compliance and responsibility, ultimately leading to better project outcomes and long-term benefits for all stakeholders.

56. **Building on experience in financial leasing in the PRC.** ADB should keep building on past experiences in financial leasing to support the PRC government and the ADB climate agenda. Financial leasing is a field with potential for further exploration in the PRC to support ADB's agenda, especially on climate change. By leveraging past experiences in financial leasing, ADB can effectively expand its support to new areas such as WWTPs. This strategic approach not only fosters a climate change agenda but also supports ADB's broader operational priorities. The success of such initiatives depends on knowledge transfer, stakeholder collaboration, capacity building, and continuous monitoring and evaluation.

¹⁵ For example, on gender equity, operation teams should be encouraged to rely on the tip sheet on integrating gender into the private sector prepared by the Gender Equality Division in 2022. These documents provide guidance for adequate points of entry to enhance gender equality within the staffing and workplace of a finance sector company (ADB. 2022. *Accelerating Gender Equality in the Finance Sector*).

Appendixes

APPENDIX 1: Sector Overview of Financial Leasing in the People's Republic of China

A. Background

1. **2008–2018.** Leasing provides a good solution for long-term wastewater treatment equipment financing because banks usually do not recognize movable assets, such as equipment, as collateral. In the People's Republic of China (PRC), the leasing industry has been growing rapidly, targeting a financing gap that traditional bank financing does not address. New leasing sales in the PRC expanded from \$21.88 billion in 2008 to \$265.68 billion in 2017, representing a compound annual growth rate (CAGR) of 31.97%.¹ Despite rapid growth, the PRC's financial leasing industry still needs further development. The lease penetration rate, measured as lease finance as a percentage of total gross domestic product (GDP), was 2.21% in 2017, ranking the PRC 12th among 50 countries and indicating ample room for future growth. With total outstanding lease receivables of CNY6.55 trillion in 2018, the leasing industry is also much smaller than the banking industry, which had total outstanding loans of CNY108.56 trillion in the same year.²

2. **2019–2023.** The 2023 Central Economic Work Conference in the PRC emphasized advancing key financial sectors to support the country's economic goals, aligning with the guiding principles of the 20th Communist Party of China National Congress. The focus areas include technological finance, green finance, inclusive finance, pension finance, and digital finance. These priorities are crucial for the healthy development of the leasing industry in the PRC because they provide a framework for growth and stability.

3. Responding to the nation's dual circulation strategy and the goals of carbon peaking by 2030 and carbon neutrality by 2060, financial leasing companies are now playing a significant role in sectors such as clean energy, lithium battery manufacturing, energy storage, and charging pile technologies. They are also increasing their support to technological innovation and low-carbon environmental protection enterprises.

4. The PRC's financial leasing sector continues to grow robustly, driven by several key factors and supported by both domestic and international initiatives. Since March 2023, all financial leasing companies have been regulated by the National Financial Regulation Administration. This regulatory shift aims to streamline oversight and ensure a more cohesive regulatory environment, fostering stability and growth within the industry. As of September 2023, there were 9,170 financial leasing companies in the PRC, including 72 previously regulated by the China Banking and Insurance Regulatory Commission (CBIRC); the remaining companies, referred to as the "Shangzu" (financial leasing firms), were originally licensed by the Ministry of Commerce.³

¹ White Clarke Group. 2019. *Global Leasing Report*.

² ADB. 2019. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Maxwealth Financial Leasing Co., Ltd. for the Industrial and Municipal Wastewater Treatment Project in the People's Republic of China*.

³ Huatai Securities. 2024. *Financial Leasing Bonds* (accessed 4 July 2024).

B. Market Size and Growth

5. The number of leasing companies showed a downward trend. As of the end of September 2023, the total number of financial leasing enterprises nationwide was about 9,170, a decrease of 670 from the end of 2022, when there were 9,840.⁴

6. According to the China Financial Leasing Industry Development Report CL100-2030,⁵ as of the end of 2022, the total assets of the PRC's financial leasing industry reached CNY 7.74 trillion, representing an increase of 5.81% over the previous year. This growth rate is significantly lower than the 9.5% increase in 2021. The amount of new business in financial leasing grew by 5.81% compared to 2021, which is lower than the 10.66% growth rate of total social equipment investment. The PRC's financial leasing industry requires further development, with a lease market penetration of 6.2% by the end of 2022.⁶

C. Industry Revenue and Performance

7. The leasing industry in the PRC has experienced significant growth in operating revenue over the past 5 years. According to the KPMG 2022 China Leasing Industry Survey Report, CBIRC-regulated financial leasing companies achieved a 5.09% increase in total operating revenue and the overall non-performing rate was 1.53%, which remained stable. Financial leasing companies regulated by the Ministry of Commerce achieved an 11.22% increase in total operating revenue and an overall non-performing rate of 1.78%, an increase of 0.19 percentage points from the beginning of 2022, as the proportion of risk assets continued to rise.⁷

D. Cost of Funding

8. The financial leasing companies regulated by the CBIRC benefit from significant funding flexibility because of their strong parent company linkage and access to the interbank market, enabling them to regularly secure low-cost funds. In contrast, financial leasing companies previously licensed by the Ministry of Commerce face challenges such as complex equity structures, limited financing channels, and the deterioration of asset quality following the pandemic, leading to relatively high funding costs.⁸

9. In 2023, financial leasing companies in the PRC issued various types of bonds totaling CNY746.82 billion. This issuance included CNY360.95 billion in credit bonds, comprising CNY107.81 billion in green bonds, and CNY385.87 billion in asset-backed securities. The implementation of loose domestic monetary policies in the PRC resulted in a significant reduction in the cost of bond issuance for financial leasing companies. This led to a structural divergence in the comprehensive funding costs within the financial leasing industry. As a result, the cost of

⁴ Huatai Securities. 2024. *Financial Leasing Bonds* (accessed 4 July 2024).

⁵ China Financial Leasing Alliance. 2023. *China Financial Leasing Industry Development Report CL100-2030*.

⁶ Shanghai Financial Leasing Industry Association. 2023. *Shanghai Financial Leasing Industry Report*.

⁷ KPMG China. 2023. *China-leasing-industry-survey-report-2023*.

⁸ The differences in asset quality in financial leasing companies stem from the variation in regulatory frameworks, business models, risk management practices, and portfolio compositions. For example: CBIRC-regulated financial leasing companies adhere to stricter capital requirements, risk controls, and reporting standards, contributing to better asset quality. MOF-regulated companies have more flexibility but face challenges in risk management due to less stringent regulatory oversight.

fundings for sectors associated with technological innovation and green finance is expected to decline further.⁹

E. Policies and Regulations

10. **2015–2019.** Since 2015, the Government of the PRC has further strengthened policy support to the financial leasing industry. In September 2015, the General Office of the State Council issued guidance underpinning the key role that leasing will play in economic development and stating that leasing will be an important tool in financing equipment investment and technology upgrades by 2020. In May 2016, the government revised its tax code to transition all business sectors from the business tax regime to a value-added tax regime. In addition to these policy developments, some key strategic government initiatives have also highlighted leasing as a key financing option, preparing the way for more supportive policies to come. On the other hand, International Financial Reporting Standard 16, which requires all leased assets and future lease payments to be included in the balance sheet of the lessee, was expected to be implemented in 2019 or soon thereafter. This reduced the attractiveness of leasing products for clients in certain industries, especially for large leasing transactions, such as aircraft, where balance sheet management is a key consideration in using leasing instead of bank credit for finance.¹⁰

11. **2019–2023.** The financial leasing industry is undergoing significant regulatory changes aimed at enhancing stability and sustainability. New regulations are expected to enforce stricter capital, leverage, and liquidity requirements, which will likely lead to consolidation as smaller, less compliant firms exit the market. This consolidation is anticipated to improve the overall credit quality and risk management within the industry.

12. In February 2022, the CBIRC issued Document No. 12,¹¹ which mandates stricter compliance supervision over financing leasing operations of financial leasing companies. According to Document No. 12, financial leasing companies are required to gradually reduce their leasing business involving structures from 2022 to 2024. By the end of 2022, the balance of leasing business involving structures must not exceed 75% of the balance at the end of 2021. Document No. 12 primarily restricts financial leasing companies' leasing business related to urban infrastructure, guiding them to prioritize risk mitigation through leased assets and to strengthen compliance management.

13. In October 2023, the National Financial Regulatory Administration (formerly known as CBIRC) issued Document No. 8,¹² which encourages direct leasing and limits the proportion of sale-and-leaseback transactions. This document notes that financial leasing companies should optimize their business structure by increasing the share of direct leasing. It sets quantitative targets for reducing the proportion of sale-and-leaseback transactions: the proportion of new sale-and-leaseback business in 2024 should be 15 percentage points lower than in the first three

⁹ China Banking Association. 2022. *China Financial Leasing Industry Development Report (2022)*.

¹⁰ ADB. 2019. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Maxwealth Financial Leasing Co., Ltd. for the Industrial and Municipal Wastewater Treatment Project in the People's Republic of China*. Sector Review (accessible from the list of linked documents in Appendix 2).

¹¹ China Banking and Insurance Regulatory Commission. 2022. *No. 12 [2022] of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Compliance Supervision of Financial Leasing Companies' Financing Lease Business*.

¹² National Financial Regulatory Administration. 2024. *Notice on Further Strengthening the Supervision of Local Financial Organizations issued as Jinfa [2024] No. 8*.

quarters of 2023. The goal is to achieve a proportion of no less than 50% of annual new direct leasing business by 2026.

14. In January 2024, the National Financial Regulatory Administration (formerly known as CBIRC) published a consultation paper,¹³ revising the rules governing financial leasing companies. The paper introduces new measures on capital, leverage, and liquidity management of supervisee lessors and targets to improve the sector's corporate governance and risk management practices, including imposing stricter requirements on major shareholders and mandating more transparent financial reporting.

¹³ National Financial Regulatory Administration. 2024. *Notice on Public opinions on the Rules on Financial Leasing Companies (for Consultation)*.

APPENDIX 2: Detailed Assessment of Design and Monitoring Framework Indicators

[CONFIDENTIAL INFORMATION DELETED]

ADB = Asian Development Bank; m³ = cubic meters; MWFL = Maxwealth Financial Leasing Co., Ltd.; WWTP = wastewater treatment plant.

Source: Asian Development Bank (Independent Evaluation Department).

APPENDIX 3: Results and Ratings for Project Contributions to Private Sector Development and ADB Strategic Development Objectives—Financial Intermediaries

Results Area	Actual Achievements	Rating	Justification	Potential Future Achievements	Risk
1. Financial institution and sub-borrower private sector development effects					
1.1 Improved skills (i) Improved credit skills in the participant financial institution (ii) Contribution via the participating financial institution to improved sub-borrower skills in operation of their businesses, e.g., via appropriate loan conditions, advisory services by the banks	Not applicable	Not applicable	The project did not include any technical assistance for improving MWFL and sub-borrower skills.	Not applicable	Not applicable
1.2 Improved standards Improved standards and practices regarding corporate governance and transparency; stakeholder relations; or environment, social, health, and safety in participating financial institutions or sub-borrowers	The project helped MWFL establish an ESMS, which applied not only to ADB-funded leases but to all MWFL WWTP transactions. This, in turn, helped the sub-borrowers improve their E&S standards.	Satisfactory	The project helped improve the E&S standards of MWFL and its sub-borrowers.	MWFL may apply the ESMS to non-WWTP transactions.	Medium. After the project, MWFL may decide not to apply the ESMS to future WWTP transactions.
1.3 Innovation Innovative ways of offering banking services (including new products,	The project did not introduce any new products,	Less than satisfactory	The project did not offer innovative ways of banking services.	None	None

Results Area	Actual Achievements	Rating	Justification	Potential Future Achievements	Risk
services, and technologies)	services, or technologies.				
1.4 Catalytic element Mobilizing or inducing more local or foreign market financing or foreign direct investment for the supported financial institution or sub-borrowers	MWFL was subsequently able to obtain loans from new sources, including local branches of foreign banks and overseas branches of Chinese banks, larger-size bond issues, and complementary loans from regional banks for the second ADB project.	Satisfactory	The project helped induce more market financing for MWFL.	MWFL may continue to get more local or foreign market financing.	Medium. MWFL may revert to borrowing short-term from commercial banks.
1.5. Improved business performance Expanded lending with good portfolio and sub-borrower performance; expansion of market share	MWFL experienced strong asset growth and good asset quality.	Satisfactory	Although ADB financing was limited, it still contributed to MWFL's expanded lending.	As MWFL shifts to more SME-leasing, its profit margins and asset growth are expected to increase further.	Low. As MWFL shifts to more SME-leasing, its nonperforming lease ratio is expected to increase, but not significantly. This is also offset by higher profit margins.
2. Private sector development effects beyond financial intermediaries and sub-borrowers					

Results Area	Actual Achievements	Rating	Justification	Potential Future Achievements	Risk
2.1 Private sector expansion and institutional impact 2.1.1 Contribution to an increased private sector share and role in the economy 2.1.2 Contribution to expanded lending in the financial system 2.1.3 Improved access to formal credit and banking services in the economy	The project helped MWFL grow its leasing assets significantly during the loan period. This contributed to expanded lending in the financial system.	Satisfactory	Despite the small loan amount to MWFL, the project contributed to expanded lending in the financial system, particularly financial leasing.	MWFL should continue to grow and contribute to private sector expansion.	Low
2.2 Competition Enhanced competition in the market segment among local banks or other types of financial institutions (including new product and service offerings, local currency products) and/or contribution to increased competition in key sub-borrower markets	MWFL offers an additional financing option to industrial and municipal WWTPs.	Satisfactory	The project contributed to expanded lending capacity in financial leasing.	MWFL will continue to grow and offer competitive financial leasing services.	Low
2.3 Demonstration effects Replication of new ways of offering effective banking services to WWTPs by other banks or institutions	The project did not demonstrate any new ways of offering financial services to WWTPs.	Less than satisfactory	It was a typical financial leasing to WWTPs.	None.	None

Results Area	Actual Achievements	Rating	Justification	Potential Future Achievements	Risk
2.4 Linkages Contribution to local savings and deposit mobilization via networks of participant bank(s); contribution to notable upstream or downstream link effects to sub-borrowers' businesses in their industries or the economy	There were no linkages to local savings and deposit mobilization. It is estimated that of the annual treatment capacity of the 9 WWTPs of 231.8 million m ³ , 17.0 million m ³ annually cater to industrial wastewater treatment capacity.	Satisfactory	Improved access to industrial clean water supply has positive spillover effect on investment and growth.	Continued provision of clean water for industrial purposes.	Low
2.5 Catalytic element Contribution to mobilization of other local or international financing for financial institutions with WWTP business, and by positive demonstration to market providers of debt and risk capital to WWTPs.	None	Less than satisfactory	There was no evidence that the project contributed to mobilization of other local or international financing for financial institutions with WWTP business.	None	None
2.6 Affected laws, frameworks, regulations Contribution to (i) improved laws, regulations, and inspection affecting WWTP financing; or (ii) a more enabling environment for WWTPs via lobby	No laws or regulations were improved as a result of the project.	Not applicable	Improving laws and regulations was not an objective of the project.	Not applicable	Not applicable

Results Area	Actual Achievements	Rating	Justification	Potential Future Achievements	Risk
activity, policy dialogue, or otherwise					
3. Contributions to other ADB strategic development objectives					
3.1 Inclusion Increased availability or reduced cost of financial services for the poor and other disadvantaged groups Indirect inclusion benefits generated by subprojects and/or borrowers through forward and backward linkages to poor, female, or rural entrepreneurs; the provision of services or products for the poor, women, and rural populations; and employment of such groups	Proceeds of the ADB loan were onlent to WWTPs and did not increase availability or reduce cost of financial services for the poor and other disadvantaged group.	Less than satisfactory	The project did not result in any increased availability or reduced cost of financial services or clean water.	None	None
3.2 Job creation Creation of additional sustainable jobs or self-employment Distinguish between jobs created within the supported financial intermediary, sub-borrowers, and beyond	No additional jobs were created.	Less than satisfactory	The project did not result in the creation of new jobs.	None	None

Results Area	Actual Achievements	Rating	Justification	Potential Future Achievements	Risk
3.3. Environmental sustainability Contribution to reductions in greenhouse gas emissions and other environmental improvements through relevant lending policies and practices and targeting allocations for borrowers with environmentally beneficial investments	Annual treatment capacity of the 9 WWTPs funded by the project was 231.8 million m ³ . According to MWFL, the quality of treated water also improved from Level B to Level A. ^a	Satisfactory	The project contributed to environmental improvements, specifically in increasing the volume and quality of treated wastewater.	Although MWFL is leasing more to SMEs, it continues to lease to WWTPs.	Low. Deterioration of the equipment obtained might result in the worsening of the quality of the water.
3.4. Regional integration Project contributions to regional cooperation and integration by facilitating trade or cross-border financial transactions	The project did not contribute to regional cooperation and integration.	Not applicable	Regional integration was not an objective of the project.	Not applicable	Not applicable
3.5 Any other project development outputs and outcomes	None	None	None	None	None
4. Overall rating		Less than Satisfactory			

ADB = Asian Development Bank; E&S = environmental and social; ESMS = environmental and social management system; m³ = cubic meters; MWFL = Maxwealth Financial Leasing Co., Ltd.; SME = small and medium-sized enterprise; WWTP = wastewater treatment plant.

^a As defined by the Integrated Wastewater Discharge Standard and the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants, Level A refers to higher quality treated wastewater with stricter discharge limits for pollutants such as biochemical oxygen demand, chemical oxygen demand, suspended solids, and nutrients like nitrogen and phosphorous. Level B usually indicates less stringent standards compared to Level A, allowing for higher concentrations of pollutants in the treated wastewater,

Source: Asian Development Bank (Independent Evaluation Department).

APPENDIX 4: Maxwealth Financial Leasing Co., Ltd. Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity (CAMEL) Analysis

[CONFIDENTIAL INFORMATION DELETED]

APPENDIX 5: Maxwealth Financial Leasing Co., Ltd. Profile and Financial Summary

A. History and Ownership

1. The project company, Maxwealth Financial Leasing Co., Ltd. (MWFL), was established in 2015. It is a leasing company regulated by the National Financial Regulatory Administration (formerly the China Banking and Insurance Regulatory Commission or CBIRC). It is headquartered in Ningbo City, Zhejiang Province. Although MWFL is licensed to operate throughout the People's Republic of China (PRC), its business focuses on Jiangsu and Zhejiang provinces, with selected coverage in Beijing, Guangdong Province, and Shanghai.

2. MWFL is a wholly owned subsidiary of Bank of Ningbo (BON), a city commercial bank registered in the city of Ningbo. BON was established in 1997 as the Ningbo Commercial Bank. In 2007, it changed its name to Bank of Ningbo and listed its shares on the Shenzhen Stock Exchange. There were some changes in the composition of the ownership of BON from 2018 to 2023, but the main shareholders are still Ningbo Development & Investment Group Co., Ltd., Oversea-Chinese Banking Co., Ltd., and Youngor Group Co., Ltd. (Table A5.1). Ningbo Development & Investment Group Co. and Ningxing Ningbo Asset Management Co., Ltd. are fully owned by the Ningbo municipal government. [CONFIDENTIAL INFORMATION DELETED]

Table A5.1: Bank of Ningbo Co., Ltd. Largest Shareholders, 2018 and 2023

(%)

Shareholder	Holding as of 31 Dec 2018	Holding as of 31 Dec 2023
Ningbo Development & Investment Group Co., Ltd.	21.60	18.74
Oversea-Chinese Banking Co., Ltd.	20.00	18.69
Youngor Group Co., Ltd.	15.25	10.00
Hong Kong Securities Clearing Company Ltd.	(...)	4.57
Huamao Group Co., Ltd.	4.73	2.47
Ningbo Fubang (Holdings) Ltd.	2.81	1.82
Singapore Overseas-Chinese Banking Co., Inc.	(...)	1.33
Ningbo Shanshan Co., Ltd.	2.27	(...)
Ningxing Ningbo Asset Management Co., Ltd.	1.34	1.29
Ningbo Rail Transit Group Co., Ltd.	(...)	1.19
Central Huijin Asset Management Co., Ltd.	1.34	1.14
National Social Security Funds 101 Group	1.24	(...)

Source: Bank of Ningbo Annual Reports 2018 and 2023.

B. Financial Highlights

3. MWFL exhibited rapid growth from 2019 to 2023. Total assets grew from CNY35.9 billion in 2019 to CNY117.9 billion in 2023, representing a compound annual growth rate (CAGR) of 35% (Table A5.2). Net lease receivables, which accounted for 91%–93% of total assets

throughout the 5-year period, increased from CNY33.1 billion to CNY108.4 billion during the period, representing a similar CAGR of 34%.

4. MWFL has two main types of clients: state-owned enterprises (SOEs) and small and medium-sized enterprises (SMEs). [CONFIDENTIAL INFORMATION DELETED]

Table A5.2: Maxwealth Financial Leasing Co., Ltd. Statement of Financial Position, 2019–2023
(CNY million)

Balance Sheet Item	2019	2020	2021	2022	2023
Lease receivables—gross	34,125.7	50,767.4	71,900.0	91,069.3	112,300.8
Lease receivables—net	33,149.9	49,001.0	69,372.8	87,746.7	108,429.7
Cash and bank balances	2,476.7	4,147.4	4,309.3	6,474.3	7,092.7
Fixed assets—net	2.2	8.1	54.9	187.9	123.3
Other non-earning assets	320.0	602.3	986.4	1,573.8	2,232.0
Total Assets	35,948.8	53,758.7	74,723.4	95,982.7	117,877.8
Domestic short-term borrowings	21,660.9	31,783.0	53,245.3	53,126.8	86,034.2
Other liabilities	5,238.8	8,748.5	12,303.7	14,553.8	12,656.2
Long-term borrowings and bond issues	5,050.1	7,512.3	1,372.4	18,888.7	6,648.8
Total Liabilities	31,949.8	48,043.8	66,921.4	86,569.3	105,339.3
Total Equity	3,999.1	5,714.9	7,802.0	9,413.5	12,538.5
Total Liabilities and Capital	35,948.8	53,758.7	74,723.4	95,982.7	117,877.8

Note: Numbers may not sum precisely because of rounding.

Source: Maxwealth Financial Leasing Co., Ltd. audited financial statements.

5. Despite the 5-year loan from the Asian Development Bank (ADB), MWFL's total long-term loan borrowings (including bond issues) represented only 16% of total liabilities in 2019, while short-term borrowings accounted for a much bigger share of 68%. This worsened in 2023, when MWFL's long-term borrowings dropped to only 6% of total liabilities while short-term borrowings increased to 82%.

6. MWFL interest income grew more than four-fold from CNY1.5 billion in 2019 to CNY6.7 billion in 2023 for a CAGR of 46% (Table A5.3). Interest expense, on the other hand, grew at a slower pace (33% per year). As a result, net interest income grew by 57% during the same period. [CONFIDENTIAL INFORMATION DELETED]

7. The loan loss provision did not increase greatly, from CNY413 million in 2019 to CNY679 million in 2023, for a CAGR of only 13%. Operating expenses, however, grew significantly at a CAGR of 76% during the same period, with the highest jump at 151% from 2019 to 2020 (CNY107 million to CNY268 million).

Table A5.3: Maxwealth Financial Leasing Co., Ltd. Income Statement, 2019–2023
(CNY million)

Income Statement	2019	2020	2021	2022	2023
Interest Income	1,476.4	2,580.6	3,837.5	5,435.5	6,740.3
Interest Expense	(775.2)	(1,145.4)	(1,803.2)	(2,198.1)	(2,441.2)
Net interest income	701.2	1,435.3	2,034.3	3,237.4	4,299.1
Net fee and commission income	411.2	579.5	601.3	449.2	237.5
Other operating income	5.5	1.3	10.5	1.5	15.7
Total operating income	1,117.9	2,016.1	2,646.1	3,688.1	4,552.3
Less operating expenses	(106.8)	(267.9)	(416.9)	(698.3)	(1,018.2)
Pre-provision income	1,011.1	1,748.2	2,229.2	2,989.8	3,534.1
Loan loss provision	(413.7)	(790.6)	(778.6)	(831.6)	(679.1)
Income after loss provisions	597.4	957.6	1,450.6	2,158.2	2,855.0
Net nonoperating income	(1.2)	(1.7)	0.6	(5.8)	(20.2)
Pre-tax income	596.1	955.9	1,451.2	2,152.4	2,834.7
Taxes	(148.0)	(240.1)	(364.1)	(540.6)	(709.7)
Net Income	448.1	715.8	1,087.1	1,611.8	2,125.0

() = negative, MWFL = Maxwealth Financial Leasing Co., Ltd.

Note: Numbers may not sum precisely because of rounding.

Source: Maxwealth Financial Leasing Co. Ltd. Audited Financial Statements