SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country: People’s Republic of China  Project Title: Integrated Development of Key Townships in Central Liaoning

Lending/Financing Modality: Project  Department/Division: East Asia Department Urban and Social Sectors Division

I. POVERTY ANALYSIS AND STRATEGY

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy
The Integrated Development of Key Townships in Central Liaoning project will contribute to poverty reduction by removing infrastructure constraints, addressing environmental concerns, promoting sustainable economic growth, protecting public health, and supporting institutional reform in seven key townships in central Liaoning Province. Located in northeastern People’s Republic of China (PRC), Liaoning has experienced economic growth since 1980 that is slower than other provinces because of resource depletion and a painful transition from an economy dominated by state-owned heavy industries to one of light industries and services. The project’s focus of promoting agglomerated urbanization is in line with the PRC rural poverty reduction strategy for 2011–2020, which recognizes urbanization as an important poverty reduction intervention, and aligns with the poverty reduction strategy for the urban poor, as it will facilitate urbanization, industrial development, and job generation.

The project is consistent with the PRC country partnership strategy, 2011–2015 because it (i) supports sustainable urban development with a focus on the relatively underdeveloped western and northeastern regions, (ii) makes markets work more efficiently through urban infrastructure development, (iii) promotes environmental sustainability, and (iv) contributes to inclusive growth. The project will (i) improve mobility and access to basic services in the seven project townships; (ii) create 2,520 jobs during implementation and directly employ 161 workers during operation, with the target of 20% of the jobs going to women and 15% to the poor, as stated in the design and monitoring framework and loan assurances; (iii) protect the environment, with the environmental management plan and loan assurances outlining actions for environmental protection; (iv) improve living standards, as air quality and traffic improvements will enhance public health and safety and boost access and mobility; (v) provide skills training; and (vi) support gender inclusion, as it has been designed to be categorized effectively mainstreaming gender.

B. Poverty Analysis
1. Key issues. Liaoning Province is a relatively developed region in the PRC, with natural resource-based industrialization and consequent urbanization. By 2010, rural poverty incidence was officially recorded at 5.6%, which was higher than the national average of 2.8%, and the urban poverty incidence was 4.6%, or close to the national average of 4.5%. Using rural income data against the new poverty line of CNY2,300 adopted by the PRC in 2011, the incidence of rural poverty in Liaoning Province may have increased to 11.3% in 2011. Urban unemployment has remained high, at 4%–5%, and urban poverty has also remained high in resource-depleted cities. Urban poverty rates in several of project cities are quite high: 18.5% in Fuxin and 16.5% in Tieling in 2010. The incidence of urban poverty in subproject counties ranged from 2.5% to 14.0% in 2010, averaging 9.8%, which is double the national average of 4.5% and the Liaoning average of 4.6%. The dynamic of rural resource depletion and increased urbanization has prompted increased numbers of the rural poor to move to urban areas, where they often lack skills and access to jobs. Designing socially inclusive urban development policies and actions is needed to ease the transition and ensure that urban areas achieve the goals of harmonious development.

The project will contribute to poverty reduction in subproject areas by (i) complementing and enhancing the governments’ ongoing pro-poor livelihood improvement programs to transform shantytowns and construct low-rent apartments; (ii) providing direct employment to the rural and urban poor during construction and operation; (iii) generating economic and employment opportunities for the urban and rural poor through urban expansion and secondary and tertiary sector development; (iv) reducing environment-related diseases by improving sewage systems and replacing coal-fired stoves for heating; (v) providing a heating subsidy to the poor; and (vi) implementing the social development action plan (SDAP) and gender action plan (GAP).

2. Design features. The design has attempted to minimize land acquisition and resettlement. Project assurances include the employment of local labor, especially vulnerable groups and women. The SDAP outlines actions for employment, skills training, and public consultation. An urban road safety program, public transport planning and management, facilitated pedestrian and other nonmotorized transport, and district heating subsidies for the poor are included in the SDAP. Leadership training to support social inclusion in urban planning for the project cities is included as a special feature of the project. Training will be based on a review of successful urban management and development practices in the PRC and elsewhere, which are relevant to the townships, including initiatives to promote social inclusion and equitable access to the new economy, particularly for the urban poor and rural migrants.

II. SOCIAL ANALYSIS AND STRATEGY

A. Findings of Social Analysis
Key issues. The project will (i) improve air quality in urban areas by replacing 15 small coal-fired boilers and 2,300 heating stoves by 2015, and by installing a district heating network supplied by a combined heat and power plant, which will benefit the health of 18,000 inhabitants in Sihe town by reducing emissions of total suspended particles by 5,543 tons per year.
sulfur dioxide by 302 tons, and nitrogen oxide by 743 tons; (ii) improve wastewater management by establishing two treatment plants in Shenbei new district, which will benefit the health of 53,000 inhabitants by reducing 5-day biochemical oxygen demand by 1.62 tons per day, suspended solids by 2.40 tons, ammonia nitrogen by 0.32 tons, and total phosphorus by 0.04 tons; and (iii) improve the current urban road network and its safety by constructing or rehabilitating urban roads and bridges, which will improve transportation for 790,000 inhabitants in six townships, and by providing road safety design features and awareness training. The project will benefit 1.54 million people by 2020, according to local development plans, including 0.81 million residents currently living in the participating townships, of whom 9.9% are poor.

**Impacts on health and safety.** Residents surveyed in 2010 suffered mostly from respiratory tract infections, coughs, flu, pneumonia, and tuberculosis. All households in Sihe town still use unsafe heating stoves, which can cause health problems and even carbon-monoxide poisoning. Wastewater treatment will reduce the pollution load on the environment and improve the health of residents. Improvements in the transport network will facilitate mobility and access and improve safety.

**Affordability.** Tariffs will be imposed on local residents for the Fuxin (Sihe town) district heating subproject. Current urban residents are basically able to afford the current tariff of CNY26 per square meter (m²) for district heating, as it is very close to the cost of coal-fired stoves; while the urban poor under the urban minimum living standard security program (MLSSP) will be subsidized and pay only CNY5/m² for up to 14 m² per person. With the subsidy, the heating cost will equal 3.5% of the minimum income of impoverished households. The project will provide 2,300 rural households with district heating, and all poor rural households that become urban residents will be covered by the urban MLSSP before the 2013 heating season and will then be subsidized for district heating. Current local residents for the Shenbei wastewater treatment subproject can afford the existing water tariff of CNY1.8 per ton for water supply and CNY0.6 per ton for wastewater treatment. For the urban poor under the MLSSP, the current water tariff equals 1.1% of monthly minimum income. Affordability will be assessed and subsidies provided to poor residents if water tariffs increase.

**Labor reemployment.** Small boilers employ 15 workers as part-time operators during the heating season; they work full time in their main positions during the off season. The operations of the small coal-fired boilers will cease when the expanded district heating network is commissioned. No workers will be left unemployed, as all workers will keep their main positions in their original enterprises or institutions.

### B. Consultation and Participation

1. **Summary of the consultation and participation (C&P) process during project preparation**

   Intensive consultations with local government agencies were carried out by the executing agency and the consultants during pre-feasibility and feasibility studies in August–December 2011 regarding subproject components and design standards. Project preparatory technical assistance consultants undertook a socioeconomic survey during October 2011 that surveyed 259 urban and rural households in five out of the seven subproject areas, conducting seven consultation meetings with government agencies, eight community focus group discussions, four female group meetings, and four key informant interviews for case studies. More than 700 participants were consulted, and their opinions and suggestions were reflected in the poverty and social assessment, SDAP, and GAP. During the preparation of resettlement plans for six subproject areas, two or three consultation meetings were organized for each subproject and over 250 affected households were interviewed, consulting 1,000 people. During the preparation of the environmental management plan, 712 participants were surveyed in two rounds of public consultation, and 88 representatives of institutions and local residents participated in consultation meetings during October and November 2011.

2. **What level of C&P is envisaged during the project implementation and monitoring?**

   - Information sharing
   - Consultation
   - Collaborative decision making
   - Empowerment

3. **Was a C&P plan prepared?**

   - Yes, included in resettlement plans, the environmental management plan, the SDAP and the GAP.
   - No

### C. Gender and Development

**Gender Mainstreaming Category: Effective gender mainstreaming**

**Key issues.** The poverty and social assessment indicated that females strongly support the project and anticipate benefits such as an improved living environment, new employment opportunities, and reduced time burdens and incidence of preventable illness. Reduced pollutants and improvements to air and water quality will benefit women’s health and reduce time spent caring for sick family members. The project will also reduce time tending to heating stoves after district heating services commence. Improvements to the road network and traffic management will benefit residents by improving access to public facilities, means of transport, and mobility, and by improving traffic safety. Focus group discussions revealed that women control household utility budgets and are more aware of and responsible for the impacts of increased costs. Women felt it was important for them to participate in public consultations and hearings on heating and water tariff reform and for local government to offer heating and water subsidies to poor households to ensure they can afford the services.

**Key actions.** Measures included in the project design to promote gender mainstreaming and integrated as a GAP.

- Gender action plan
- Other actions or measures
- No action or measure

Actions for enhancing gender impacts include (i) the fair and equitable participation and consultation of women during project design and implementation, with at least 30% of participants being women; (ii) gender-sensitive capacity building in the executing and implementing agencies; (iii) providing women with jobs in project construction, with 20% of laborers being women; (iv) prioritized employment opportunities for women in heat exchange stations, with 20% of the positions for women, and newly opened bus routes, with 20% of positions for women; (v) training on non-farm employment skills, with 30% of participants being women; (vi) training on leadership for social transition, with 30% of participants being women; and (vii) conducting road-safety awareness activities, with 30% of participants being women.
### III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Significant/Limited/No Impact</th>
<th>Strategy to Address Issue</th>
<th>Plan or Other Measures Included in Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involuntary resettlement</td>
<td>Significant</td>
<td>The resettlement plans for six subprojects were prepared in accordance with the government regulations and ADB’s Safeguard Policy Statement (2009) and disclosed to affected people and the public. A total of 3,762 people from 1,076 households and 339 people from 29 enterprises will be affected by land acquisition and resettlement. Internal and external monitoring arrangements will be put in place.</td>
<td>Resettlement plan</td>
</tr>
<tr>
<td>Indigenous peoples</td>
<td>No Impact</td>
<td>The project is indigenous peoples category C. The assessment conducted during the project preparatory technical assistance found no adverse impacts on ethnic minority communities. Project components are located on the outskirts of urban areas, where some ethnic minority households have migrated and became assimilated into the urban population. These ethnic minority households are quite well off and will benefit from the project. About 79 ethnic minority households will suffer land acquisition and resettlement impacts, and it was confirmed that none of them is vulnerable. Resettlement plans include adequate provisions to mitigate these impacts.</td>
<td>No action</td>
</tr>
<tr>
<td>Labor</td>
<td>Limited</td>
<td>The project will create 2,520 jobs during implementation and 161 permanent jobs during operation, with 20% targeted for local women and 15% for the poor. The 15 workers affected by the closure of small boiler houses will retain their existing main positions in enterprises or institutions. Project loan assurances ensure compliance with core labor standards.</td>
<td>Others, SDAP</td>
</tr>
<tr>
<td>Unaffordability</td>
<td>Limited</td>
<td>Existing heating and water subsidies to the poor will be maintained, or increased if the tariffs increase, to ensure affordability for the poor.</td>
<td>Other</td>
</tr>
<tr>
<td>Other Risks and/or Vulnerabilities</td>
<td>Limited</td>
<td>HIV/AIDS prevention and public awareness for all employees of contractors will be covered in the bill of quantities and contracts. All contractors will establish a channel with the Center for Disease Control in the project areas and receive necessary assistance from it.</td>
<td>Other</td>
</tr>
</tbody>
</table>

### IV. MONITORING AND EVALUATION

Are social indicators included in the design and monitoring framework to facilitate monitoring of gender and social development activities and/or social impacts during project implementation? Yes ☒ No

Indicators include per capita disposable income, unemployment, jobs during project implementation and operation, and training events.

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*a* "Township" in this context includes cities (Gaizhou and Xinmin), urban districts (Shenbei and Waitoushan), counties (Heishan and Huanren), and townships (Sihe town in Fuxin).


*c* Several cities in central Liaoning were formed following resource development: Benxi and Anshan for iron and steel, and Fuxin and Fushun for coal mining.


*f* Being under the official urban minimum living standard security program is the definition of poverty. The minimum living standard is CNY229–380/month/person in project cities.

*g* District heating for 90 m² at CNY26/m² costs CNY2,340, while coal-fired stove for the same area would require 3 tons of coal at CNY700/ton, or CNY 2,100.

*h* Using the monthly tariff of CNY14.4 per household (6 tons of water per month at CNY2.4/ton) and monthly minimum income of CNY1,320 per urban poor household with three members.

Source: Asian Development Bank estimates.