

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	People's Republic of China	Project Title:	Bank of Xingtai Green Finance Development Project
Lending/Financing Modality:	Financial Intermediation Loan	Department/Division:	East Asia Department Public Management, Financial Sector, and Regional Cooperation Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: general intervention

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The project will lead to increased lending volume in green finance subprojects in Xingtai city and the surrounding areas in Hebei province, and contribute to the developmental and environmental objectives of the People's Republic of China (PRC). The project does not directly address the national poverty reduction strategy but tackles the environmental impacts related to the national poverty reduction strategy and the country partnership strategy for the PRC, 2016–2020 of the Asian Development Bank (ADB).¹

B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence

- Key poverty and social issues.** Potential subprojects are in such areas as biomass power generation, biofuel production, waste-to-energy investment, plastic replacement (e.g., biodegradable material production), green buildings, and environment-friendly upgrades to relevant components of industrial production lines. These subprojects will have a limited impact on involuntary resettlement. There are no indigenous peoples in the potential industrial sites identified by the government. The subproject construction and operation and maintenance (O&M) work will likely create employment and income for the local population, including women. The improved environmental quality will (i) lead to reduced levels of carbon dioxide, sulfur oxides, nitrogen dioxide, particulate matter 2.5 micrometers or less in diameter, and particulate matter 10 micrometers or less in diameter; and (ii) reduce the human risk of heart and lung diseases, aggravated asthma, and other respiratory symptoms; and (iii) significantly improve the quality of life of all residents in Xingtai city and the surrounding areas in Hebei province. The responsible and sustainable finance concept (reflected in the promotion of green finance) and the associated environment, social, and governance (ESG) framework developed under the project will put a special focus on poverty and social impacts.
- Beneficiaries.** Through improved environmental conditions, the project will benefit all people in Hebei province, including the poor and socially excluded. The construction and O&M work will provide direct benefits through local employment, including for the poor and vulnerable groups in any subproject areas. The ESG framework will apply to the implementation of all subprojects and will strengthen their social responsibility and environmental sustainability.
- Impact channels.** Qualified green finance (e.g., complying with the national and international taxonomies) will provide successful business models for other commercial banks, particularly other city, and rural commercial banks, to develop their own green finance capacities. The improved ESG adoption will lower the overall subproject compliance and commercial risks. The construction and O&M work will create employment and income for local residents, including women and vulnerable groups.
- Other social and poverty issues.** The People's Bank of China (the central bank) and China Banking and Insurance Regulatory Commission will use the ESG framework to help monitor the progress of the green finance subprojects. The ADB environmental and social safeguard management system (ESMS) will improve subproject safeguard compliance with international best practices. The gender action plan (GAP) will improve gender equality institutionally (within the Bank of Xingtai) and for the subprojects.
- Design features.** The project design intends to improve the overall environmental conditions in Hebei province and adjacent provinces, which benefits the general population in those locations.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. The project is a sovereign financial intermediation loan that relends the ADB funds from the Government of the PRC to the Hebei Provincial Government to the Xingtai City Government to the Bank of Xingtai for financing eligible green finance subprojects. During project preparation, the project team conducted due diligence, including visits to five subproject sites, and undertook consultations with the subproject sponsors on issues pertaining to subprojects' environmental impact and resettlement. No local communities were consulted because the subproject sites are all located on special-purpose commercial lands in designated industrial zones that have no resettlement issues but this will be subject to further screening and assessment during project implementation to reconfirm. During the project's implementation, the participatory approach is expected to continue following the project administration manual and relevant legal agreements. For environment and resettlement category B subprojects, ADB will require the Bank of Xingtai to carry out regular site visits to undertake consultations (e.g., with subproject sponsors, local communities, and civil society) directly or indirectly with affected people. The implementation requirements will be in compliance with national and/or ADB

¹ ADB. 2016. *Country Partnership Strategy: People's Republic of China, 2016–2020—Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila.

requirements on grievance redress mechanism, resettlement compensation, labor standards, and/or gender equality, among others.

2. Civil society organizations. The Bank of Xingtai will work with the subborrowers to carry out consultations with civil society organizations during project implementation as part of the subproject environmental and social safeguard review process.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

☒ (M) Information gathering and sharing ☒ (M) Consultation ☐ Collaboration ☐ Partnership

4. Participation plan. ☐ Yes. ☒ No.

Consultations will be carried out with relevant subproject stakeholders, including representatives of affected people and civil society organizations, on environmental and social safeguards issues. Because of the nature of the financial intermediation loan, under which multiple subprojects are funded, a project participation plan is not required, but a subproject participation plan may be required, depending on the nature of the subproject.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: effective gender mainstreaming

A. Key issues. In the PRC's commercial banking sector, especially for smaller regional banks (vs. larger state banks), such as city commercial banks, rural commercial banks, and rural cooperatives, gender mainstreaming is limited. Female staff are outnumbered by their male counterparts, especially in positions with more seniority and responsibilities. In general, females lack access to training, promotion, and other career opportunities. Female entrepreneurs do not receive special preferences.

B. Key actions. Gender assessment was conducted during project preparation. Findings included the following:

- (i) The Bank of Xingtai has a good track record in terms of employment and promotion of women, but believed that it could do more to increase the ratio of women in senior management roles. Women make up 55.2% of Bank of Xingtai employees in total, 40.2% of mid-level managers, and 53.4% of lower-level managers. Many of the female mid-level managers are directors (general managers and deputy general managers) of core departments in the bank's headquarters, such as corporate banking, personal banking, planning and finance, risk management, auditing, operations, and human resources (HR). However, among senior managers (board members, president, and vice presidents) only two (14%) are women.
- (ii) The Bank of Xingtai's HR policy and HR development plan lack explicit reference to gender equality in recruitment, remuneration, gender-related welfare, promotion, and training. Even though the principle of gender equality is implemented in most HR processes, ADB has observed that gender was a factor in assigning work and allocating new posts, which is contrary to the principle of fair competition.
- (iii) The Bank of Xingtai complies with national, provincial, and municipal regulations, including maternity leave benefits. However, there is no dedicated committee in the labor union, as commonly observed in international financial institutions, for the promotion of gender equality and protection of the rights and interests of female employees.
- (iv) The Bank of Xingtai encourages career development of women, as evidenced by the paths of female managers who were promoted from entry-level positions. However, the bank recognizes that structural and cultural aspects, such as the double burden of paid work and family care, limit opportunities for women at work.
- (v) The Bank of Xingtai has no corporate social responsibility policies that include the promotion of gender equality. However, in 2019, the Bank of Xingtai, through its HR department, began collaborating with the municipal women's federation of Xingtai City.
- (vi) Few commercial banks in the PRC have explicitly integrated gender considerations in their financing and credit decisions.

As a part of the gender assessment, Bank of Xingtai's management and staff expressed interest in enhancing capacity and institutional arrangements to improve gender mainstreaming at the corporate level and in lending. To address the gender assessment's finding, the project will (i) contribute to the Bank of Xingtai's institutional strengthening through the development of a gender-sensitive HR policy, (ii) improve the Bank of Xingtai's gender mainstreaming in lending by developing gender-sensitive lending procedures and products, and (iii) introduce gender-sensitive features in existing loan facilities. The benefits of integrating a gender equality dimension include (i) enhancing the Bank of Xingtai's market reputation and advancing corporate sustainability, (ii) attracting and retaining female talent, (iii) improving corporate profitability, and (iv) playing a demonstrative role for other city commercial banks and rural commercial banks in the PRC.

☒ Gender action plan ☐ Other actions or measures ☐ No action or measure

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: ☐ A ☐ B ☐ C ☒ FI

1. Key impacts. While the proposed five subproject sites were visited during project preparation show that they are located on special-purpose commercial lands in designated industrial zones that have no resettlement issues, the necessary subproject screening, assessment, and approval will be carried out in accordance with the ESMS during project implementation. Any subproject classified as category A will not be financed by the project.

2. Strategy to address the impacts. An ESMS has been prepared in accordance with PRC laws and regulations and ADB's Safeguard Policy Statement (2009) to guide the Bank of Xingtai with the screening, categorization, and

review procedures. The ESMS also covers the establishment of a grievance redress mechanism, monitoring and reporting, and organizational arrangements with clear roles and responsibilities.

3. Plan or other Actions.

- | | |
|--|--|
| <input type="checkbox"/> Resettlement plan | <input type="checkbox"/> Combined resettlement and indigenous peoples plan |
| <input type="checkbox"/> Resettlement framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input checked="" type="checkbox"/> Environmental and social management system | <input type="checkbox"/> Social impact matrix |
| <input type="checkbox"/> No action | |

B. Indigenous Peoples

Safeguard Category: ☐ A ☐ B ☐ C ☒ FI-C

1. **Key impacts.** The population in Hebei Province is mostly Han. No ethnic minorities are known to be living in or near the industrial sites in Hebei Province. Any subproject classified as category A or B will not be financed by the project.

Is broad community support triggered? ☐ Yes ☒ No

2. **Strategy to address the impacts.** An ESMS has been prepared in accordance with PRC laws and regulations and ADB's Safeguard Policy Statement to guide the Bank of Xingtai with the screening, categorization, and review procedures. The ESMS also covers the establishment of a grievance redress mechanism, monitoring and reporting, and organizational arrangements with clear roles and responsibilities.

3. Plan or other actions.

- | | |
|--|--|
| <input type="checkbox"/> Indigenous peoples plan | <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan |
| <input type="checkbox"/> Indigenous peoples planning framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input checked="" type="checkbox"/> Environmental and social management system | <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary |
| <input type="checkbox"/> Social impact matrix | |
| <input type="checkbox"/> No action | |

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market

1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).

☒ (M) unemployment ☐ underemployment ☐ retrenchment ☒ (M) core labor standards

The relevance is limited, as there are no significant adverse labor issues associated with the project. The project will support local employment and ensure that core labor standards are adhered to during any civil works, if relevant.

2. **Labor market impact.** Civil works such as construction and other contractual work will likely generate employment opportunities in subproject sites. Per prior experiences, these labor-intensive jobs are unlikely to trigger labor disputes in Hebei province. However, ADB will ensure that the Bank of Xingtai monitors the civil works and related contractor work.

B. Affordability

There are no direct affordability issues.

C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): not applicable.

☐ Communicable diseases ☐ Human trafficking ☐ Others (please specify) _____

2. **Risks to people in project area.** Potential subprojects are located on special-purpose commercial lands in designated industrial zones that have no resettlement issues. In other case, the ESMS will be triggered and ADB safeguard requirements will be complied.

VI. MONITORING AND EVALUATION

1. **Targets and indicators.** The project will track the volume of ADB financing to green finance subprojects as well as the leveraged counterpart finance from the Bank of Xingtai and private sector and commercial finance institutions. In addition, ADB will monitor and review subprojects' environmental and social safeguard compliance and the number of women that benefit from the actions listed in the GAP.

2. **Required human resources.** The project will include a capacity development component, funded by the Bank of Xingtai, to provide for a series of institutional development needs. The Bank of Xingtai has committed to provide the necessary HR, and ADB will monitor this process.

3. **Information in the project administration manual.** The project administration manual has provided the instructions to follow the ESMS and the GAP. The Hebei Provincial Government shall, or shall cause Xingtai City Government or Bank of Xingtai to, furnish to ADB periodic reports on the execution of the Project pertaining to ESMS and GAP.

4. **Monitoring tools.** The project performance management system will monitor and evaluate the project information and data to ensure that planned interventions achieve the desired results, including key outcome indicators. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported semi-annually through the Bank of Xingtai's semi-annual progress reports and/or after each ADB review missions. These semi-annual reports will provide information necessary to update ADB's project performance reporting system. Based on Bank of Xingtai's semi-annual review reports, Bank of Xingtai will also submit a consolidated annual monitoring and evaluation reports to ADB during the project implementation period.

Source: Asian Development Bank.