An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project’s report and recommendation of the President.
INITIAL POVERTY AND SOCIAL ANALYSIS

Country/Project Title: People’s Republic of China: Small Hydropower Project
Lending/Financing Modality: Direct Loan and Equity Investment Department/Division: PSOD/PSIF2

I. POVERTY ISSUES

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

1. Based on the country poverty assessment, the country partnership strategy and the sector analysis describe how the project would directly or indirectly contribute to poverty reduction and how it is linked to the poverty reduction strategy of the partner country.

ADB’s country strategy for the PRC is based on five development objectives: (i) promoting equitable and inclusive growth, (ii) making markets work better, (iii) improving the environment, (iv) promoting regional cooperation, and (v) private sector development and operations. The Project will indirectly contribute to poverty reduction by supporting (ii) and (iii) and the Government’s strategic priorities for energy and the environment as set forth in the 11th Five-Year Plan. The Project serves as an important catalyst for the overall economic growth in PRC particularly in the less-developed rural area and central and western regions.

B. Targeting Classification

1. Select the targeting classification of the project:
   - General Intervention
   - Individual or Household (TI-H)
   - Geographic (TI-G)
   - Non-Income MDGs (TI-M1, M2, etc.)

2. Explain the basis for the targeting classification:

Small HPPs will increase electricity supply in poor remote rural areas in central and western regions. Availability of sustainable and reliable power supply in these areas would significantly stimulate the local economies thereby increasing income and livelihood development opportunities of the rural poor.

C. Poverty Analysis

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed? N/A

2. What resources are allocated in the PPTA/due diligence? N/A

3. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

None. Power generated by the small HPPs will be sold to the State and the Southern grid.

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

The increased electricity supply will benefit the people in the rural area, about 50% of which rely on small HPPs for reliable, affordable electricity supply. The Project will also provide significant additional tax revenue to the local governments, which may be utilized to accelerate economic development. The retail and power plant output tariffs in the PRC are fixed by the price bureau according to the guidance issued by the National Development and Reform Commission.

2. What are the potential needs of beneficiaries in relation to the proposed project? None.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them? None.

B. Consultation and Participation

1. Indicate the potential initial stakeholders.

The project is an equity investment to establish a holding company. For specific investment components to be funded under the direct loan, consultation and participation activities will be undertaken following the guidance set forth in the Social Safeguards Framework.
2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations, etc.)?

The project is an equity investment to establish a holding company. Due diligence will cover consultation and participation activities undertaken for existing portfolio small HPPs. Sanchuan’s Social Safeguards Framework will be disclosed to the general public through ADB’s website.

3. What level of participation is envisaged for project design?

☐ Information sharing  ☑ Consultation  ☐ Collaborative decision making  ☐ Empowerment

4. Will a C&P plan be prepared? ☐ Yes  ☒ No Please explain.

Consultation and participation activities for future investments will be outlined in the relevant project document.

C. Gender and Development

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project/program?

No gender issues are expected. Gender aspects of land acquisition and resettlement, if any, will be addressed in each resettlement plan prepared in accordance with ADB’s policy requirements and the agreed Social Safeguards Framework.

2. Does the proposed project/program have the potential to promote gender equality and/or women’s empowerment by improving women’s access to and use of opportunities, services, resources, assets, and participation in decision making?

☑ Yes  ☐ No Please explain. Availability of sustainable and reliable power supply is expected to ease the workload of women in remote rural area by providing energy for cooking and lighting purposes.

3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?

☐ Yes  ☒ No Please explain

The Project is not expected to cause any specific cultural or social impact on or exclude any socioeconomic group, including women, from benefiting from the Project.

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Nature of Social Issue</th>
<th>Significant/Limited/No Impact/Not Known</th>
<th>Plan or Other Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involuntary Resettlement</td>
<td>The direct loan may finance future investments that may involve land acquisition and resettlement.</td>
<td>Significant.</td>
<td>☐ Full Plan  ☐ Short Plan  ☑ Resettlement Framework  ☐ No Action  ☐ Uncertain</td>
</tr>
<tr>
<td>Indigenous Peoples</td>
<td>Small HPPs may be acquired or developed in Yunnan Province where there are many ethnic groups.</td>
<td>Significant.</td>
<td>☐ Plan  ☑ Other Action  ☑ Indigenous Peoples Framework  ☐ No Action  ☐ Uncertain</td>
</tr>
<tr>
<td>Labor</td>
<td>☑ Employment Opportunities  ☐ Core Labor Standards</td>
<td>No impact.</td>
<td>☐ Plan  ☑ Other Action  ☐ No Action  ☐ Uncertain</td>
</tr>
<tr>
<td>Affordability</td>
<td>No impact. Power will be sold to the grid.</td>
<td>No impact.</td>
<td>☐ Action  ☐ No Action  ☐ Uncertain</td>
</tr>
<tr>
<td>Other Risks and/or Vulnerabilities</td>
<td>HIV/AIDS  ☐ Human Trafficking  ☐ Others (conflict, political instability, etc.), please specify</td>
<td>None.</td>
<td>☐ Plan  ☑ Other Action  ☐ No Action  ☐ Uncertain</td>
</tr>
</tbody>
</table>

IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s?

☑ Yes  ☐ No If no, please explain why. Qualified ADB staff will conduct due diligence on social issues.

2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence?

☐ Yes  ☒ No If no, please explain why. Qualified ADB staff will conduct due diligence on social issues.