Initial Poverty and Social Analysis

June 2019

People’s Republic of China: Proposed Multitranche Financing Facility Inner Mongolia Regional Cooperation and Integration Promotion Investment Program

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CURRENCY EQUIVALENTS
(as of 25 April 2019)

Currency unit – yuan (CNY)
CNY1.00 = $0.14876
$1.00 = CNY6.72190

ABBREVIATIONS

ADB – Asian Development Bank
BCP – border crossing point
BEZ – border economic zone
CAREC – Central Asia Regional Economic Cooperation
CBEZ – cross-border economic zone
FIL – financial intermediation loan
IMAR – Inner Mongolia Autonomous Region
MFF – multitranche financing facility
PMO – project management office
PRC – People’s Republic of China
RCI – regional cooperation and integration
RPG – regional public goods
SME – small and medium-sized enterprise
SPS – sanitary and phytosanitary
TRTA – transaction technical assistance

NOTE

In this report, "$" refers to US dollars.

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### INITIAL POVERTY AND SOCIAL ANALYSIS

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## I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed MFF is consistent with ADB’s Country Partnership Strategy (CPS) for the People’s Republic of China (PRC) 2016–2020.

### B. Poverty Targeting

☑️ General Intervention □ Individual or Household (TI-H) □ Geographic (TI-G) □ Non-Income MDGs (TI-M1, M2, etc.)

The proposed MFF will increase cross-border trade and investment by improving cross-border infrastructure and connectivity, and support local businesses through financing and business development services, particularly for small and medium enterprises (SME) not only in Inner Mongolia Autonomous Region (IMAR), but also in the neighboring border areas of Mongolia.

### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The proposed MFF will benefit the border areas of IMAR, where the local income levels are lower than the national and provincial average. The MFF will also benefit the residents and businesses in the neighboring border provinces in Mongolia which are also very poor. The MFF is expected to generate more business and employment opportunities for the border areas in IMAR and Mongolia.

2. Impact channels and expected systemic changes. Direct impact will be to improve credit access and provide various business development services for SMEs and border area residents, including women traders. Higher-income job opportunities will also be generated for local workers including those from the Mongolia side. Indirect impacts will be to improve environment for doing business, particularly for SMEs and border area residents.

3. Focus of (and resources allocated in) the transaction technical assistance (TA) or due diligence. About $10,000 from the TA will be allocated for analyses of poverty- and social-related issues including indigenous people development, business development services for SMEs and small traders, and protection of labor rights especially for women and foreign workers.

## II. GENDER AND DEVELOPMENT

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

   The key gender issues are lack of diversified employment opportunities for women. They share more responsibility for unpaid household work which reduces their time for paid employment or income-generating activities. Relatively poor health care services in the border areas with limited equipment and dedicated treatment facilities, especially for women’s health care, is also an important gender issue that needs to be addressed. The proposed MFF will have direct and indirect positive impact on the women residing the border areas of IMAR and Mongolia by increasing trade and employment opportunities for women traders and workers in these areas. Equal participation and consultation with women will be ensured during project design.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women’s access to and use of opportunities, services, resources, assets, and participation in decision making?

   ☑️ Yes □ No Please explain

   The MFF will directly and indirectly help empower women by improving physical infrastructure such as child care facilities and female health care services, enhancing access to financial services for SMEs, and providing training for small border traders and local and female workers.

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

   □ Yes ☑️ No Please explain

   The MFF will have positive social impacts on women by improving working environment, providing credit access, improving their job skills through training, and generating higher-income jobs. Potential negative impacts such as abuse
of labor rights of women and HIV concerns will need to be properly addressed during design and implementation stages of the MFF.

4. Indicate the intended gender mainstreaming category:
☐ GEN (gender equity) ☒ EGM (effective gender mainstreaming)
☐ SGE (some gender elements) ☐ NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.
The main stakeholders of the proposed MFF are governments in IMAR at provincial, prefectural, and county levels; border control agencies including customs, quarantine, and immigration authorities; and trader and transport operators from both IMAR and Mongolia’s border provinces, many of which are local SMEs, market vendors and laborers, and people that may be displaced by the development of infrastructure and other facilities in and surrounding the border economic zones. Project design will include stakeholder consultations with these groups to identify impediments to cross-border trade, transport and investment, and in addressing other concerns.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?
The proposed MFF will help engage and empower the local people by improving their access to finance, raising their skill level, improving the policy environment for local SMEs, improving working and living conditions for local and foreign laborers, and generating higher-income jobs for them.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?
☒ Information generation and sharing (M) ☐ Consultation (M) ☐ Collaboration ☐ Partnership
From the project formulation stage, the project team has consulted All China Women Federation to seek information on gender issues in border areas and reflected suggestions in the subproject design. Opportunities for involving more civil society organizations will be sought during project preparation and implementation.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? ☒ Yes ☐ No
Many people in the border areas are relatively poor. This MFF will be a good opportunity to raise the income levels. However, there also needs to be targeted skills training and employment programs.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category ☐A ☒ B ☐C ☐ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☒ Yes ☐ No
The MFF will involve the development of physical infrastructure such as roads, buildings, and logistics facilities. However, most of the project sites are in the remote area where most lands are owned by the government or acquired from local residents. The potential impact of subprojects under tranche 1 is expected to be minimal as relocation or resettlement of local residents are not required. However, the potential negative impacts on displaced people will be assessed, and mitigation measures implemented.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?
☐ Resettlement plan (for Tranche 1) ☒ Resettlement framework (for MFF) ☐ Social impact matrix
☐ Environmental and social management system arrangement ☐ None

B. Indigenous Peoples Category ☐A ☐ B ☒ C ☐ FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? ☐ Yes ☒ No
Mongolians are the second largest ethnic group in the area. The project will directly benefit communities in the project areas regardless of ethnicity. No adverse impacts on the ethnic minority group are expected.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? ☐ Yes ☒ No

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No
4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?
☐ Indigenous peoples plan (for Tranche 1) ☐ Indigenous peoples planning framework (for MFF) ☐ Social Impact matrix
☒ Environmental and social management system arrangement ☐ None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?
☒ Creating decent jobs and employment (H) ☒ Adhering to core labor standards (M) ☐ Labor retrenchment
☒ Spread of communicable diseases, including HIV/AIDS (M) ☒ Increase in human trafficking (M) ☒ Affordability
☐ Increase in unplanned migration ☐ Increase in vulnerability to natural disasters ☐ Creating political instability
☒ Creating internal social conflicts (M) ☒ Others, please specify
☒ Increasing illegal trade

2. How are these additional social issues and risks going to be addressed in the project design?
The MFF will create higher-paying job opportunities for the local and Mongolian workers from the border areas. The MFF will provide training and other services to the workers. The Framework Financing Agreement will include covenants regarding adherence to core labor standards. Other social risks will be assessed and included in the ethnic minority development plan.

VI. TRTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the TRTA (or other due diligence) contain key information needed to be gathered during TRTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact; (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?
☒ Yes ☐ No
About $100,000 from the TA will be allocated for analyses of these issues.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence?
One international social safeguards specialist for 2 person-months, one national resettlement specialist for 2 person-months, and one national indigenous peoples specialist for 2 person-months.