

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	People's Republic of China (PRC)	Project Title:	Xiangtan Low-Carbon Transformation Sector Development Program
Lending/Financing Modality:	Sector Development Program (combined project and policy-based loans)	Department/Division:	East Asia Regional Department/ Sustainable Infrastructure Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Xiangtan, located 40 kilometers south of Changsha, the capital of Hunan Province, has a population of approximately 2.9 million and an urbanization rate of 60%–65%. An old industrial town with carbon-intensive and heavily polluting industrial plants, Xiangtan is undergoing rapid urbanization and industrial transformation. Its greenhouse gases (GHG) emissions profile has increased drastically from 26,270 to 50,560 kiloton carbon dioxide equivalent over the last decade. The GHG intensity—per capita and per unit of gross domestic product (GDP)—is significantly higher in Xiangtan than in Hunan province and the People's Republic of China (PRC). The Xiangtan municipal government is committed to changing their development course and aligning with the PRC's nationally determined contribution (NDC) target under the United Nations Framework Convention on Climate Change—achieving carbon peaking by 2030, or sooner with best efforts, and lowering CO₂ emission per unit of GDP by 60%–65% from 2005 levels. The Xiangtan municipal government issued a Low-Carbon City Pilot Implementation Plan, 2017–2030. The government of the PRC selected Xiangtan as a low-carbon city pilot and a pilot city of “two-oriented society comprehensive reform area,” aiming at sustainable socioeconomic development through resource conservation and environmental protection. The Hunan provincial government endorsed Xiangtan as the first smart city pilot and the first green GDP city pilot.

The Xiangtan low-carbon city transformation program is aligned with its efforts to implement a low-carbon, two-oriented society and smart, green GDP pilot city. It also aligns with Xiangtan's 13th Municipal National Economic and Social Development Plan for 2016–2020, which foresees increased employment and competitiveness as a result of investment in green growth. The program is consistent with ADB's country partnership strategy, 2016–2020 which aims to support the PRC in managing climate change to realize an ecological civilization. The country partnership strategy aims to support government efforts towards environmental sustainability, pollution control, and climate change mitigation and adaptation.

B. Poverty Targeting

☒ General intervention ☐ Individual or household (TI-H) ☐ Geographic (TI-G) ☐ Non-income MDGs (TI-M1, M2, etc.)

As urban flooding, drought, and heat stress have intensified and become more frequent in many PRC cities, Xiangtan experienced climate-induced risks and associated economic losses. A flood in 2015 resulted in direct economic loss of CNY74.7 million and affected 1,453 people. In 2017, floods in Hunan province affected over 12 million people, leaving 83 dead or missing and over 1.62 million relocated, and heavy rainfall triggered the most serious floods on record in many rivers, including the nearby Xiangjian River.^a

With a population of 2.9 million, Xiangtan is vulnerable to natural disasters, which tend to affect the poor most severely. By climate-proofing critical infrastructure, the investment component of the Xiangtan low-carbon transformation program will improve the city's physical resilience. Furthermore, the population as whole will benefit from improved public transportation and urban greening efforts, which will provide improved mobility, cooling effects, cleaner air, and enhanced livability. Lower income households that rely on public transport and bicycles stand to gain the most from improved public transport and bicycle lanes. Surveys during project preparation will provide poverty data for Xiangtan and estimated beneficiary numbers.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The direct beneficiaries of the project will be the residents of Xiangtan, who will benefit from improved public transportation systems and urban greening efforts. Those who live in the most critical flood risk zones, where ecosystem-based adaptation measures will be implemented, will benefit most directly from reduced risk. More broadly, all residents will benefit from improved mobility, cooling, cleaner air, and enhanced livability. Inclusive, accessible public infrastructure improvement inspired by human-centered design principles (e.g. bus stations that are gender-sensitive and age- and disability-inclusive) and actions promoting low-carbon lifestyles and participation should result in more civic engagement and higher quality of life for residents. The municipal government is committed to ensuring the affordability of both transport and energy to improve social inclusion. Recent poverty figures for Xiangtan are not available but will be obtained during program preparation.

2. Impact channels and expected systemic changes.

Direct impact channels include (i) reduced vulnerability to floods via critical infrastructure investments, (ii) improved mobility through more efficient public transport, and (iii) cleaner and cooler air via greening and green energy provision. Indirectly, Xiangtan's transition to a low-carbon growth model would contribute to the improved competitiveness, potentially resulting in more and/or better quality jobs.

3. Focus of (and resources allocated in) the transaction TA or due diligence.

During project preparation, the TA will carry out social surveys and campaigns relevant to low-carbon actions and lifestyles. Survey results will be reflected in the human-centered design for outputs 1, 2, and 3. Consultants with communication and behavior change; and human-centered design expertise will be engaged to support the project preparation.

4. Specific analysis for policy-based lending.

A wide range of policy assessments will be carried out and fed into the design of tariff reforms to ensure appropriate pricing for utilities and public services. The tariff reforms aim to incentivize the efficient use of resources and energy. Important policy reform areas include new policy measures like parking fees and green procurement policy. Social surveys will support the design of tariff reforms and elicit feedback on potential policy design and reforms. The city of Xiangtan is committed to ensuring the affordability of utilities and public services. Proposed reforms will be analyzed with affordability and social inclusion in mind. During project preparation, data will be gathered on poverty and energy consumption and expenditure.

II. GENDER AND DEVELOPMENT

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

There are several gender issues at the intersection of urban development, transport, climate resilience, and disaster risk. The project will carefully consider accessibility and safety to ensure the gender-inclusive design of public transport and urban greening. Women are disproportionately affected by disaster risk; efforts to climate-proof critical infrastructure should reduce women's vulnerability to climate events.

2. Does the proposed project or program have the potential to contribute 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

During project preparation, gender impacts related to green urban development, transport, climate resilience and disaster risk will be explored in more detail for the specific case of Xiangtan. A gender action plan will be prepared.

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

☒ Yes ☐ No

Policy reforms could potentially have an adverse impact on energy prices and/or the employment structure in Xiangtan. The provincial and municipal governments are committed to enhancing social inclusion, and gender dimensions will be explored in more detail during project preparation to ensure gender-sensitivity.

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.

During project preparation, consultations will involve key stakeholders including provincial and municipal authorities, youth groups, women's groups, consumer associations, and residents of Xiangtan. The program's human-centered design approach entails participatory research and co-design for outputs 1 and 2. Feedback gathered through ethnographic research with residents will form the basis for the proposed designs. Public authorities will be consulted through a series of policy dialogues to scope and determine specific locations for investment and necessary policy reforms. Other external stakeholder groups will be engaged through social surveys and campaigns. Residents will be invited to share feedback through surveys and campaign activities.

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 human-centered design will be careful to include vulnerable groups including women, people with disabilities, and the elderly to ensure outputs 1 and 2 are gender-, age-, and disability-inclusive. The policy reforms under output 4 may trigger tariff increases that could adversely affect the poor. The social surveys will be careful to adequately sample poor households to enable the modeling of poverty impacts from increased utility and public service fees.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?

Relevant CSOs will be identified during project preparation.

M Information generation and sharing **M** Consultation **M** Collaboration **M** Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? ☒ Yes ☐ No

The policy reforms may trigger tariff increase in utilities and public services that impact the poor. The social surveys will be careful to adequately sample poor households to enable the modeling of poverty impacts resulting from increased utility and public service fees.

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 specific locations and activities of the civil works under outputs 1 and 2 will be determined during project preparation. All locations will be subject to screening and due diligence. Policy actions under the policy-based loan (PBL) are not expected to involve involuntary resettlement impacts. A matrix on environmental or social impact of policy actions will be prepared during project preparation.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

☒ Resettlement plan ☐ Resettlement framework ☒ Social impact matrix (for PBL)
☐ 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

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

The project is located in a highly urbanized area where the presence of ethnic minorities is not significant. Specific data will be obtained during project preparation to confirm that no ethnic minorities will be negatively affected by the program. Policy actions under the PBL are not expected to involve involuntary resettlement impacts. A matrix on environmental or social impact of policy actions will be prepared during project preparation.

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 transaction TA or due diligence process?

☐ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ 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 ☐ Adhering to core labor standards ☐ Labor retrenchment
☐ Spread of communicable diseases, including HIV/AIDS ☐ Increase in human trafficking ☒ Affordability
☐ Increase in unplanned migration ☐ Increase in vulnerability to natural disasters ☐ Creating political instability
☐ Creating internal social conflicts ☐ Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design?

Social surveys will gather data to enable modeling of poverty impacts of proposed reforms. Consultations will explore social issues and risks relevant to the residents of Xiangtan.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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

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 transaction TA or due diligence?

Consultants will be engaged to support activities related to communication and behavior change, human-centered and socio-economic surveys. The budget at this stage is \$55,000.

^a Xinhua. 2017. 83 Dead or Missing after Central China Floods. http://www.xinhuanet.com/english/2017-07/09/c_136430128.htm.