



Initial Poverty and Social Analysis

October 2019

PRC: Bank of Xingtai Green Finance Development Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 25 October 2019)

Currency unit	–	Yuan (CNY)
CNY1.00	=	\$0.1415
\$1.00		CNY7.069

ABBREVIATIONS

ADB	–	Asian Development Bank
ESG	–	environment, social, and governance
ESMS	–	environment and social management system
FIL	–	financial intermediation loan
GAP	–	gender action plan
PRC	–	People's Republic of China

NOTE

In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

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

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project will lead to an increased lending volume in green finance subprojects in Xingtai City and the surrounding areas in Hebei Province, and contribute to the People's Republic of China's (PRC) developmental and environmental objectives. In this connection, the project does not directly address the national poverty reduction strategy but addresses the environmental impact related to (i) national poverty reduction strategy and (ii) PRC Country Partnership Strategy.

B. Poverty Targeting

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

The project will finance such subprojects as industrial transformation and upgrade, as defined by national and international standards. This could potentially include subprojects in renewable energy, energy efficiency, and emission reduction technologies, and/or their related components. These subprojects will have a limited impact on involuntary resettlement. There are no indigenous people in the potential industrial sites identified by the government. The subproject construction, operation and maintenance work will likely create employment and income to local population including women. The improved environmental quality will lead to reduced levels of carbon dioxide, sulfur oxides, nitrogen dioxide, particulate matters with a diameter of less than 2.5 micrometers, and particulate matters with a diameter of less than 10 micrometers, and reduce the human risk to heart and lung diseases, aggravated asthma, and other respiratory symptoms, and significantly improve the quality of life to all residents in Xingtai City and the surrounding areas in Hebei Province. The developed responsible and sustainable finance and the associated environment, social, and governance (ESG) framework will put special focus on poverty and social impacts.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The project is general intervention, all people in the Hebei Province including the poor and the socially-excluded will benefit from the improved environmental conditions. The construction, operations and maintenance work could potentially provide direct benefits through local employment, including poor and vulnerable groups in the subproject areas. The ESG framework will apply to all subproject implementation and strengthen their environment and social responsibility and sustainability.

2. Impact channels and expected systemic changes. The subproject list is yet to be confirmed. However, qualified green finance work 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 will lower the overall subproject compliance and commercial risks. Again, the construction, operation and maintenance work will create employment and income to local residents including women and vulnerable groups.

3. Focus of (and resources allocated in) the transaction TA or due diligence. 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 environmental improvement subproject. The Asian Development Bank (ADB) environment and social safeguard management system (ESMS) will improve subproject safeguard compliance with international best practices. The gender action plan (GAP) will also improve institution (Bank of Xingtai) and subproject gender equality. The project does not have a strategy to directly address poverty and social issues. The project design intends to improve the overall environmental conditions in the Hebei Province and beyond, which benefits the general population.

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?

In the PRC's commercial banking sector, especially for regional banks (e.g., city commercial banks, rural commercial banks, and rural cooperatives), gender mainstream is still limited. Female staff is outnumbered by their male counterparts especially with increasing ranks and responsibilities. As a total number, females lack access to training, promotion, and other career opportunities. In terms of lending products, female entrepreneurs are not particularly targeted for improved access to finance.

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

Following the initial due diligence, the proposed project will design a gender action plan to (i) contribute to Bank of Xingtai 's institutional strengthening through the development of a gender-sensitive human resources policy; (ii) improve Bank of Xingtai 's gender mainstreaming in lending by developing gender-sensitive lending procedures and products; (iii) introduce gender-sensitive features in existing subproject facilities. The benefits of integrating a gender equality dimension include: (i) enhancing Bank of Xingtai's market reputation and advance corporate sustainability, (ii) attracting female talents and retaining female talents, (iii) improve corporate profitability, and (iv) playing a demonstrative role to other city commercial banks and rural commercial banks in the PRC.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? ☐ Yes ☒ No

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 project is a sovereign financial intermediation loan that relends the ADB funds from the Government of the PRC to Hebei Provincial Government to Xingtai City Government to Bank of Xingtai for financing eligible green finance subprojects. The main stakeholders are local enterprises. During the project preparation, the project team conducted due diligence including visits to five subproject sites, and conducted the necessary consultations with the subproject companies on issues pertaining to subproject's environmental impact and resettlement. No local communities were consulted because they were all in designated industrial and commercial zones. During the project's implementation, the same participatory approach is expected to continue, in compliance with the project administration manual and relevant legal agreements. For environment and resettlement category B subprojects, ADB will require Bank of Xingtai to carry out regular site visits to ensure proper consultations (e.g., with subproject sponsors, local communities, and civil societies when relevant) directly or indirectly with affected people and members of grievance redress committee, in compliance with the national and/or ADB requirements on emission, grievance redress mechanism, resettlement compensation, labor standards, and/or gender equality, among others.

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?

During the due diligence stage, the identified enterprises are located in allocated industrial sites with no affected people in or near the sites.

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?

☒ (M) Information generation and sharing ☒ (M) Consultation ☐ Collaboration ☐ 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 identified enterprises are located in allocated industrial sites with no affected people in or near the sites.

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

It is expected that industrial and commercial manufacturing subprojects could potentially trigger involuntary resettlement. On the subproject criteria, any subproject classified as Category "A" will not be financed by the Project.

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

☒ 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

Due to the regional-focused operation of the Bank of Xingtai (a city commercial bank in Hebei Province) and little-known indigenous people in the Xingtai City and Hebei Province, the proposed project will not likely affect indigenous people.

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No

Due to the regional-focused operation of the Bank of Xingtai (a city commercial bank in Hebei Province) and little-known indigenous people in the Xingtai City and Hebei Province, the proposed project will not likely affect indigenous people.

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 _____

None

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

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?

Staff consultant resources are allocated, including a gender consultant, an environment consultant, and a social safeguard consultant.