Initial Poverty and Social Analysis

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People’s Republic of China: Bank of Qingdao Blue Finance Project

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country: People's Republic of China  
Project Title: Bank of Qingdao Blue Finance Project

Lending/Financing Modality: Financial Intermediary  
Department/Division: Private Sector Operations Department/Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed Bank of Qingdao Blue Finance Project is aligned with the People’s Republic of China’s (PRC) approach to address environmental degradation and natural resource management to combat climate change and biodiversity loss. The project also supports ADB’s Strategy 2030 Operational Priority 3 (tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability), and country partnership strategy to assist PRC in its efforts to achieve high-quality green development. Specifically, the country partnership strategy mentions managing natural resources and conserving biodiversity, reducing air, water, soil, and marine pollution, and mainstreaming environmental infrastructure through private sector solutions. In addition, the blue finance project aligns with ADB’s Action Plan for Healthy Oceans and Sustainable Blue Economies and ADB’s Ocean Finance Initiative.

B. Poverty Targeting:

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

After years of high economic growth and maximizing output without full consideration of the natural environment, the impacts of environment degradation fall disproportionally on the poor and vulnerable who are dependent on forests, water, wetlands and fields for their livelihoods. It is estimated that overfishing affects 55% of PRC fish stocks and almost a third of total global plastic waste enters the oceans via PRC. Biodiversity conservation and ecosystem preservation efforts are therefore vital for sustainable development and poverty reduction. In this regard, the proposed Bank of Qingdao blue bond will finance (i) sustainable shipping and port logistics sectors; (ii) fisheries & seafood processing sectors; (iii) ocean-friendly chemicals and plastic related sectors; (iv) ocean and water-friendly products; (v) water supply and treatment sector; and (vi) sustainable tourism services.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The potential direct beneficiaries are the Bank of Qingdao, and the Shandong province companies that will access blue financing from the following sectors: shipping and port logistics, fisheries and seafood processing, ocean-friendly chemicals and plastics, ocean and water-friendly production, water supply and treatment, and sustainable tourism. Indirect beneficiaries are the companies’ employees, other financial intermediaries that may adopt the blue financing modality, and the general population of the Shandong province that are affected by environmental degradation.

2. Impact channels and expected systemic changes. ADB will be investing in blue bonds issued by the Bank of Qingdao. Funds generated will be used to finance activities that will promote sustainable use of waters and marine resources in Shandong province. Pipelined activities including water treatment plants, seawater desalination, facility for biodegradable polymers and ecosystem restoration will benefit residents of the Shandong province through management of wastewater and improvement of water supply. ADB, together with IFC will also be supporting the Bank of Qingdao in further developing the Blue Finance Framework for all financial intermediaries in Shandong province.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will focus on Bank of Qingdao’s systems processes on IR and IP to determine if these are compliant with ADB Safeguards Policy Statement of 2009. Policies on human resources, capacity building, and stakeholder engagement including grievance redress mechanism will also be assessed. Past performance of the Bank of Qingdao will also be reviewed, particularly their green financing facility.

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?

The People’s Republic of China’s growth and development has led to notable socio-economic progress however gender inequality remains in areas such as poverty, women’s access to assets (including land), employment rates, pay gaps, and gender-based violence. Women form a disproportionately large share of the world’s unbanked population with 56 percent of all those without a bank account are women. In PRC in 2017, 80% of the population had access to bank accounts with approximately 200 million adults still outside the formal financial system, with a slightly lower outreach ratio for women (76%). PRC is a global leader in aquaculture and one of the largest fish-producing countries in the world. Approximately 14 million people are employed in the sector and women account for 20% of the total professional workforce, with about 1.6 million women employed full time in production and post-harvest work. Larger
aquaculture companies tend to employ more male than female workers, with male employees comprising more than 70%, and up to 95% of the fixed workforce.\(^1\)

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 access to and use of opportunities, services, resources, assets, and participation in decision-making? ☒ Yes ☐ No

During gender due diligence potential gender measures which will be examined may include: a pilot incorporating a gender lens into its lending process, training for credit officers on evaluating potential investments using a gender lens, development of marketing material targeted at female clientele and/or training modules for credit officers on how to better serve female borrowers.

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:

<table>
<thead>
<tr>
<th>GEN (gender equity)</th>
<th>EGM (effective gender mainstreaming)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGE (some gender elements)</td>
<td>NGE (no gender elements)</td>
</tr>
</tbody>
</table>

### III. PARTICIPATION AND EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The main stakeholders of the project are the Bank of Qingdao, the companies that will access blue financing, and Shandong people involved in fisheries and marine activities.

2. Who are the key, active, and relevant CSOs in the project area? Blue Ribbon Ocean Protection Association, Shandong Ocean Industry Association, and Shandong Smart Ocean Engineering Association.

3. Are there issues during project design for which participation of the poor and vulnerable is important? ☐ Yes ☒ No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? Prior to approval of proposals for blue financing, activities that will trigger Category B for IR or IP will be required to conduct stakeholder consultations. In addition, all activities to be financed by the blue bonds will have to install a grievance redress mechanism to solicit feedback from various stakeholders.

5. What level of CSO participation is planned during the project design?

| ☒ Information generation and sharing (L) ☐ Consultation ☐ Collaboration ☐ Partnership |

### 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

While the Bank of Qingdao requires borrowers to have prior land use rights certificates for any land to be used for their activity, there is also need to check compliance with national and local regulations on involuntary resettlement as part of the Bank of Qingdao’s due diligence.

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 (treated as C)

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

Proposed activities for blue financing will exclude Category A and B and will not affect distinct and vulnerable Indigenous Peoples.

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

The project will not result to commercial development of the cultural resources and knowledge of Indigenous Peoples, physical displacement from traditional or customary lands, and commercial development of natural resources within customary lands.

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  
- [x] Adhering to core labor standards (L)  
- [ ] Labor retrenchment  
- [ ] Spread of communicable diseases, including HIV/AIDS (L)  
- [ ] 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? An ESMS will be developed to also address possible issues relating to core labor standards.

### 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?

- [x] Yes  
- [ ] No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? Consultants based in PRC were engaged to provide support in coordinating with the client and in translating documents related to environmental and social safeguards.

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