



Initial Poverty and Social Analysis

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People's Republic of China: Ping An Leasing Micro, Small, and Medium-Sized Enterprises Energy Efficiency Improvement Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 21 June 2022)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1494
\$1.00	=	CNY6.6925

ABBREVIATIONS

ADB	–	Asian Development Bank
E&S	–	environmental and social
GHG	–	greenhouse gas
MSMEs	–	micro, small, and medium-sized enterprises
PAI	–	Ping An Insurance (Group) Company of China, Ltd.
PAIFL	–	Ping An International Financial Leasing Co. Ltd.
PRC	–	People's Republic of China
SPS	–	Safeguard Policy Statement
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Ping An International Financial Leasing Co. Ltd. ends on 31 December.
- (ii) In this report, “\$” refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	People's Republic of China	Project Title:	Ping An Leasing Micro, Small, and Medium-Sized Enterprises Energy Efficiency Improvement Project
Lending/Financing Modality:	Loan	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 transaction comprises (i) an A loan of up to \$100,000,000 (or its yuan equivalent) and (ii) a B loan (or complementary loan) of up to \$100,000,000 (or its yuan equivalent) to Ping An International Financial Leasing Co. Ltd. (PAIFL), which is a subsidiary of the Ping An Insurance (Group) Company of China, Ltd. ADB proceeds will be used to support PAIFL's lease finance of energy-efficient equipment to micro, small, and medium-sized enterprises (MSMEs) engaged in the business of machinery and equipment manufacturing, metal parts processing, textile processing, leather processing, and printing. ADB's support for this transaction is consistent with the 14th Five-Year Plan (2021-2025) set out by the Government of the People's Republic of China (PRC) toward the attainment of sustainable growth. The project will particularly support PRC's efforts to achieve the mandatory targets of reducing energy intensity by 13.5% and carbon intensity by 18% over the period 2021–2025, as highlighted in the 14th Five-Year Plan.^a The project aligns with ADB's country partnership strategy for the PRC, 2021-2025, which focuses on reducing climate change vulnerabilities, promoting low-carbon development, and enhancing access to finance of private companies, particularly MSMEs.^b Further, it responds to two operational priorities of ADB's Strategy 2030: (i) tackling climate change, building climate change and disaster resilience, and enhancing environmental sustainability; and (ii) accelerating progress in gender equality.^c

B. Poverty Targeting:

☒ General Intervention ☐ Individual or Household (TI-H) ☐ Geographic (TI-G) ☐ Non-Income MDGs (TI-M1, M2, etc.)
Comprising 99% of total enterprises in the PRC, MSMEs are an important source of growth, innovation, and employment generation. However, their potential to grow and adopt energy efficiency options to increase competitiveness is often constrained by limited access to financial services. The proposed project will contribute to expanding MSMEs' access to lease finance for energy-efficient equipment. This is expected to result in the reduction of greenhouse gas (GHG) emission associated with the energy-intensive production activities of MSMEs. Therefore, the project will also help address climate change-related risks disproportionately affecting the poor population.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. PRC has made considerable progress in poverty reduction marked by the eradication of extreme poverty in November 2020. However, as climate change threatens to set back gains in poverty alleviation, it is critical for the country to pursue measures that will prevent further environmental degradation associated with energy-intensive production. Due to predominant use of outdated equipment, MSMEs are on average 40% less energy-efficient compared relatively with large enterprises in similar sectors.^d By enhancing access of MSMEs to energy-efficient equipment, the project will contribute to the country's pursuit of low carbon development and in turn help optimize poverty reduction efforts.
2. Impact channels and expected systemic changes. The capacity of MSMEs to adopt energy-efficiency measures is generally constrained by limited resources. They are often unable to access relevant financial products offered by banks due to lack of hard assets as collateral. Financial leasing presents a viable financing solution for MSMEs to tap energy efficiency options. The project will enable PAIFL to diversify its funding base and improve its capacity to scale-up its lease financing of energy-efficient equipment to MSMEs. This in turn will help catalyze the potential of MSMEs to propel innovation, employment generation, and economic growth.
3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will examine the potential environmental and social impacts of PAIFL's existing and future MSME lease portfolio. The company's policies and procedure for screening and managing potential E&S risks associated with MSME lease transactions will be assessed to determine alignment with the requirements of ADB's Safeguard Policy Statement (2009) and to ensure compliance with applicable national laws and regulations.
4. Specific analysis for policy-based lending. Not applicable

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?
While the People's Republic of China's (PRC) growth has led to notable socio-economic progress, gender equality is on the decline in areas such as gender and poverty, women's access to assets including land, physical and sexual harassment, and employment and pay gaps.^e Chinese law prohibits sexual harassment in the workplace, but the legal code does not define sexual harassment clearly, nor does it specify punishments, deflecting these tasks on employers.^f Gender disparities affect Chinese women's access to finance. For instance, female account ownership at a financial institution or with a mobile-money-service provider, is lower for women than men (76% vs 84%).^g With the rapid rise in female entrepreneurship and the country's prosperous digital economy, more women have stepped up to participate in the high-tech domain.^h Furthermore, Chinese women tend to be more open to energy efficiency than men. A recent study indicates that male-dominated families use more energy and are less likely to buy energy-efficient products than female-dominated families. When women constitute the main decision-maker for household expenditures and for purchases of large-scale commodities for the household, daily energy consumption is significantly lower and households tended to go green.ⁱ Even though the study was household based, it is arguably also to be expected that women would be prone to green adoption with the right purchase conditions.
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
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
☐ Yes ☒ No
The project has strong potential to promote access to credit, and in particular to green loan financing, for women entrepreneurs and women-led businesses. Gender due diligence will look at PAIFL's customer value proposition to increase gender inclusivity in its lending and services, as well as the support the project can provide to enhancing gender equality at the company and promoting an inclusive and gender aware work environment.
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 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 are PAIFL, its employees, and PAIFL's MSME lessees, and suppliers of energy-efficient equipment to be leased to MSMEs. Due diligence will review PAIFL's grievance redress mechanism and relevant stakeholder engagement activities.
2. Who are the key, active, and relevant CSOs in the project area? Due diligence will determine any relevant CSOs in the areas, where PAIFL is operating. It may be noted though that CSO participation is not expected due to the nature and scope of the project.
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? The project will have few opportunities for participation beyond immediate stakeholders given the nature of the project. However, due diligence will confirm that the company's policies and practices on information disclosure and stakeholder engagement, including grievance redressal, are in accordance with national laws and regulations and ADB requirements, as applicable.
5. What level of CSO participation is planned during the project design?
 Information generation and sharing NA Consultation NA Collaboration NA Partnership

IV. SOCIAL SAFEGUARDS

- A. Involuntary Resettlement Category** ☐ A ☐ B ☐ C ☒ FI treated as C
1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☐ Yes ☒ No
Considering the nature and scale of the lease transactions to MSMEs and the type of equipment, involuntary land acquisition that may result in physical or economic displacement is not envisaged. Due diligence will review if PAIFL has adequate procedures to screen for potential involuntary resettlement risks in the business activities of MSME lessees.
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

<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI treated as C</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The project does not target nor discriminate distinct and vulnerable indigenous peoples.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Potential MSME lessees are likely located in industrial or commercial zones where there are no indigenous peoples communities.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Project activities are not anticipated to result in commercial development of cultural resources and knowledge of distinct and vulnerable ethnic minority groups, displacement of such groups from their traditional land, or commercial development of any natural resources within customary land.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p align="center">V. OTHER SOCIAL ISSUES AND RISKS</p> <p>1. What other social issues and risks should be considered in the project design? <input checked="" type="checkbox"/> Creating decent jobs and employment (L) <input checked="" type="checkbox"/> Adhering to core labor standards (L) <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? Due diligence will review PAIFL's compliance with national labor laws and regulations. The company will also take measures to comply with the international core labor standards, pursuant to ADB's Social Protection Strategy (2001).</p>
<p align="center">VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</p> <p>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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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? The project team will undertake due diligence in accordance with ADB requirements.</p>

- ^a Government of the People's Republic of China (PRC). 2020. [The 14th Five-Year Plan \(2021-2025\) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035](#). Beijing.
- ^b Asian Development Bank (ADB). 2022. [Country Partnership Strategy for People's Republic of China, 2021–2025: Toward High-Quality, Green Development](#). Manila
- ^c ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, and Resilient and Sustainable Asia and the Pacific](#). Manila.
- ^d International Finance Corporation. 2012. [Study on the Potential of Sustainable Energy Financing for Small and Medium Enterprises in China](#). Washington DC.
- ^e United Nations System in PRC and UNWomen. [Gender Equality in PRC's Economic Transformation](#). 2015
- ^f China Briefing. 2018. [Sexual Harassment under China's Law: What Employers Need to Know](#).
- ^g World Bank. 2017. [Global Findex database 2017](#). Washington D.C.
- ^h State Council Information Office. 2019. [Equality development sharing: The development and progress of women's cause in the past 70 years in China](#).
- ⁱ J. Wang, R. Long, H. Chen, Q. Li. 2021. [Are female-dominated families more energy-saving? Evidence from Jiangsu Province, China](#). School of Economics and Management, China University of Mining and Technology, Xuzhou, China
- Source: Asian Development Bank