



Initial Poverty and Social Analysis

Project Number: 49084-001
October 2015

PRC: SME Industrial Wastewater and Sludge Treatment Project

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project's report and recommendation of the President.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	PRC	Project Title:	SME Industrial Wastewater and Sludge Treatment Project
Lending/ Financing Modality:	GCF	Department/Division:	PSOD/PSIF2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project is consistent with Strategy 2020, which identified infrastructure and environment as two of the five core areas of ADB's operational focus. Regarding infrastructure, the project is in line with the strategy's focus on sanitation, and waste management. The project also aligns with the strategy's objective of promoting private sector development. The project contributes to environmentally sustainable growth by mitigating water pollution and health threats.

The project directly addresses two of the three development goals of the PRC country partnership strategy¹ and aligns with the country partnership strategy's affirmation of natural resource and urban development as priority sectors. It strongly complements ADB's current initiatives in wastewater treatment and water pollution control in the PRC. The project is also consistent with the PRC country partnership strategy for inclusive and environmentally sustainable development. Private sector development remains a key driver of change.

B. Targeting Classification

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

The Project is classified as general intervention as the project will enhance environment and mitigate pollution in the PRC.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Under the PRC's 12th Five Year Plan (2011- 2015) for national urban wastewater treatment and reuse infrastructure construction, the Government aims to increase the wastewater treatment rate to 30% in towns, from 2010 level of less than 20%. The SME sector generates over 60% of China's gross domestic products (GDP) and provides around 80% of its urban jobs. However, the majority of SMEs in China are using dated production technologies and equipment with poor performance, low efficiency, and high water consumption.² 80% of SMEs has pollution issues in their industry process and SMEs contribute to 60% of the PRC's pollution sources.³ The primary beneficiaries of the project are the company itself, contractors, host local communities, which will generally benefit during project construction and operation, and population who will benefit from the wastewater and sludge treatment system.

¹ ADB. 2012. *Country Partnership Strategy, People's Republic of China 2011-2015*. Manila.

² ESD China Limited. 2012. *Study on the Potential of Sustainable Energy Financing for Small and Medium Enterprises in China*. Shanghai.

³ Li Huifeng. 2009. *Discussion on Management of SME Environmental Pollution*. Beijing.

2. Impact channels and expected systemic changes. The project will mitigate pollution in the PRC and increase the private sector investment in wastewater and sludge treatment.

3. Focus of (and resources allocated in) the PPTA or due diligence. The team will review resources of key wastewater and sludge treatment inputs such as land for plants construction and operation, the readiness and reliability of pipelines, pump stations. The project will be in compliance with local laws and regulations as well as the requirements of ADB's safeguard policy statement (SPS) and other social dimensions on gender and core labor standards.

4. Specific analysis for policy-based lending. N/A

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? No gender elements (NGE) is anticipated during construction and operation through jobs and training opportunities offered to local women. The opportunities will be discussed further with the client during due diligence.

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? The project is not anticipated to contribute to the promotion of gender equity and/or empowerment of women.

Yes No Please explain. If yes, a gender action plan should be prepared during PPTA or due diligence.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? The Project is not expected to cause any specific cultural or social impact upon or exclude any socioeconomic group, including women, from benefiting from the project.

Yes No Please explain If yes, actions and measures should be prepared during PPTA or due diligence.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) 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. Potential stakeholders include contractors, national and local government, regulatory agencies, and host local communities. The project affected persons might be involved with land acquisition and they will participate through community consultations conducted by the company.

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? Consultation will be

conducted by the company with the relevant stakeholders, especially the project affected persons, including the poor and vulnerable groups in the project areas.

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? The level of civil society organization participation in the project design will be determined during due diligence. The borrower will conduct consultation with them.

M Information generation and sharing H Consultation L Collaboration N/A
Partnership

Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in the ADB's Guide to Participation.

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 Please explain.

Details of the consultation and participation activities and grievance and dispute resolution will be explained in the corporate audit and ESMS.

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 Due to land ownership restriction under the PRC law, the land acquisition might be taken place for wastewater treatment plants construction and operation. However, it is expected not to be significant, and if needed, is normally carried out by the municipal governments.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? The company will be requested to address involuntary resettlement in compliance with ADB's SPS (2009) and its ESMS.

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 There are no ethnic minorities in the locations where the company owns its wastewater treatment plants.

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 will not have any impacts on Indigenous Peoples.

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

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? The company will be requested to address indigenous peoples in compliance with ADB's SPS (2009) and its ESMS.

- 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?

- H Creating decent jobs retrenchment H Adhering to core labor standards Labor
 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 _____

Indicate high (H), medium (M), low (L) for selected boxes

2. How are these additional social issues and risks going to be addressed in the project design? Construction and operation of the project are expected to generate jobs for the local residents, including women. The company will mobilize competent consultant to work on developed TOR to address additional social issues in the design phase.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?

Yes No If no, please explain why. There is no PPTA under private sector project but there was a TOR developed and the client will mobilize competent consultant to cover social safeguards issues and other social dimension.

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? Due diligence will be undertaken by staff.