INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	PRC	Project Title:	Proposed Loan to Yingda International Leasing for Healthcare Finance in Underdeveloped Regions
Lending/ Financing Modality:	FI	Department/Division:	PSOD/PSFI

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project's impact will be an improvement of the medical and health service system in the less developed regions of the PRC, thus reducing the regional disparity in healthcare standard, widening access to quality healthcare, and allowing benefits from economic development to be more equally shared among the population. The improvement of hospital facilities at county level will directly benefit the rural populations in the surrounding areas by reducing the need for long distance travel to city hospitals. By supporting the growth of young financial leasing companies, the project will also have the impact of financial sector development. Despite rapid growth in recent years, the PRC's financial leasing industry is still in early development. Access to finance remains a challenge for most leasing companies, particularly for longer tenor loans.

The project supports two priorities identified by the mid-term review of Strategy 2020: (i) poverty reduction and inclusive economic growth; and (ii) private sector development and operations. It is consistent with the PRC CPS, which emphasizes inclusive and sustainable growth and targeted interventions in the financial sector.

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 improve the medical and health service in the less developed regions in the PRC.

C. Poverty and Social Analysis

1. In 2013, the PRC spent 5.6% of its gross domestic product (GDP) on healthcare. This share was still well below the global average of 8.7%.[1] Even though the healthcare system in PRC experienced dramatic changes. Before 1978, the rural population had access to basic health services under cooperative medical schemes managed by agricultural communes, while the urban population was largely covered by work-unit-based health insurance directly or indirectly provided by the government. The initial growth of healthcare spending from the 1980s primarily came from increases in out-of-pocket spending (i.e. direct payment for services at the point of

[1] WHO. 2015. *Global Health Observatory (GHO) data*. Geneva. Available at: http://www.who.int/gho/health_financing/total_expenditure/en/. The global average refers to 2012 data.

healthcare delivery), and private spending as a share of total health spending shot up from 20.4% in 1978 to 60% in 2001. In rural areas, the dissolution of cooperative medical schemes caused insurance coverage levels to drop to 7% by 1999.[2] The majority of the population in the PRC did not have health insurance between 1980 and 2000. Supply-side subsidies typically covered less than 10% of the costs of medical service providers, with the rest covered by direct payments from uninsured patients and profits generated from sales of prescription medicines.

2. Impact channels and expected systemic changes. The project will be used to finance hospital facilities in the central and western regions of the PRC. The majority of hospitals financed will be county hospitals, which serve local residents as well as rural population in the surround areas, while the rest will be those located in lower tier cities (i.e. excluding provincial capital cities). The project will finance the lease of modern medical equipment as well as hospital fixed assets investments through sale and lease back transactions.

3. Focus of (and resources allocated in) the PPTA or due diligence. Poorer provinces receive some financial support from central government, but such support is inadequate and there are still large differences in health spending. As a result, the healthcare facilities are poorer in the less developed central and western regions. The team will review resources of healthcare facilities in the project areas. 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 the project life as the project is expected to benefit all patients, including women

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:

[2] Eggleston, K. 2012. *Health Care for 1.3 Billion: An Overview of China's Health System.* Standard University Working Paper Series on Health and Demographic Change in the Asia-Pacific.

☐ 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 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 construction, expansion or refurbishment of hospital buildings or associated facilities. 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 adverse impacts on ethnic minorities from activities of the company.
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 H☒ 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 ___________________

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 assign capable staff to implement its ESMS 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 the project team will do due diligence 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.