



Initial Poverty and Social Analysis

Project Number: 49211-001
October 2016

PRC: China Everbright Renewable Energy 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:	China Everbright Renewable Energy Project
Lending/Financing Modality:	General Corporate Finance	Department/ Division:	Private Sector Operations Department Infrastructure Finance Division 2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed project will finance the design, construction and operation of the China Everbright Greentech Limited (the borrower) portfolio of biomass, integrated biomass and household waste-to-energy (WTE), solar and wind power subprojects in the PRC. The proposed loan is ADB's third transaction with subsidiaries of China Everbright International Limited (CEIL). The proposed project contributes to the 13th Five-Year Plan of the PRC (2016–2020), which emphasizes resource conservation and environmental protection and gives priority to improving rural energy using renewable sources. The proposed project will also contribute to the National New Urbanization Plan (2014), which requires infrastructure upgrading and public services improvement in rural areas to reduce the urban-rural income and living conditions gap. The proposed project is closely aligned with (i) the Midterm Review of Strategy 2020, which identifies environmentally sustainable growth as a priority for helping developing member countries move toward a low-carbon growth path by improving energy efficiency and introducing renewable energy; (ii) the PRC's country partnership strategy (2016–2020), which supports inclusive urban-rural development and pollution control; and (iii) ADB's Energy Policy (2009), which prioritizes renewable energy development and access to energy for all.

B. Poverty Targeting

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

The biomass and solar subprojects are primarily located in regional urban and peri-urban towns and cities that are service centers for outlying rural populations. The wind power subprojects are primarily located in outside of any community. ADB will support development in these regions by financing private sector-led renewable energy subprojects to improve access to energy and develop integrated biomass and household waste-to-energy, solar and wind facilities. Subprojects will generate employment and trade within supply chains, as well as contribute to pollution reduction by avoiding agricultural waste burning in the open and adding more wind and solar electricity generation subprojects to the energy mix. Due diligence will assess how both the provision of biomass sources and additional reliable back-up electricity supply can affect income and non-income dimensions of poverty in regions that the project borrower will operate concessions. The due diligence will evaluate potential incremental revenue to the farmers and contributions to poverty alleviation.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The primary beneficiaries of the project are the borrower, its contractors, host local communities that will benefit during project construction and operation, and the wider population that will benefit from potential additional revenue from sales of biomass, pollution reduction contributions and enhanced usage of renewable resources such as agricultural waste, wind and solar radiation. Due diligence will consider poverty status in the regions in which the concessions will be operated.

2. Impact channels and expected systemic changes. Promotion of clean energy in the PRC energy mix and pollution reduction by avoiding agricultural waste burning in the open. The use of biomass in controlled combustion will reduce air pollution while providing additional income to farmers supplying feedstock. Facilitation of the efficient handling and treatment of biomass and household waste and improvement of farmers' quality of life through an additional income source.

3. Focus of (and resources allocated in) the due diligence. Extensive terms of reference have been prepared for project due diligence. It includes review of the borrower's environmental and social management system (ESMS) and past performance in undertaking impact assessments and implementing management plans. The consultant will investigate past performance at selected subprojects and conduct interviews with residents and government officials.

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? The project is multi-sector, cutting across renewable electricity generation, waste treatment and agriculture. The most relevant gender issue is access to employment and participation in subproject related business opportunities. As subprojects are located in urban and peri-urban areas, potential exists for men to take up the greater share of construction and operation roles. Due diligence will assess opportunities for greater inclusive participation by women during construction and operation of subprojects.

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?
 Yes No Please explain. There is very little opportunity for the project borrower to promote gender equity beyond what it already does in providing equal opportunity in employment, however due diligence will assess opportunities for greater inclusive participation by women.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No Please explain. Due diligence will determine company's policies on providing equal opportunities for women across its operations, including its contractors.

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 main stakeholders of the project are the municipal governments that engage the project borrower to generate electricity and manage the handling and treatment of biomass and household waste. Local governments typically participate through household waste treatment and power purchase agreements that require mutually acceptable decision making and consultation. Other stakeholders include farmers and intermediary logistics companies that provide biomass feedstock. More generally, other project beneficiaries include the wider population in subprojects areas who will benefit from supply chain business opportunities and pollution reduction.

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? Biomass facilities buy agricultural waste as feedstock and therefore provide an additional opportunity for income for farmers. Pollution reduction through avoiding open agricultural waste burning, especially in peri-urban areas, will also contribute to improvements in population health.

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?
 Information generation and sharing (L) Consultation (M) Collaboration Partnership
 The subprojects will require consultation and negotiation with local governments, feedstock suppliers, construction and operation affected communities and supply chain businesses. Due diligence will assess the presence of any civil society organizations with an interest in biomass, household waste treatment, wind and solar facilities in the borrower's local areas of influence.

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 While subproject facilities are not expected to require significant involuntary economic and physical displacement, past ADB funded subprojects of the borrower have reported positive beneficial impacts from subproject related resettlement. Due diligence will explore how the borrower has ensured past government-led resettlement activity has appropriately engaged and empowered the poor and excluded.

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 The past ADB funded WTE subprojects (known as Phase 1 and Phase 2) that are currently part of CEIL's portfolio have required land acquisition and house demolition that was undertaken by the local governments prior to award of concessions to construct and operate plants. Of the ADB funded municipal WTE plants under project 43901 (Phase 1), all produced involuntary economic and physical displacement impacts, and one (the Zhenjiang plant) required the relocation of 222 households affecting 562 persons. Similarly, the Nanjing WTE plant to be ADB funded under project 46906 (Phase 2) required physical displacement from rural collective land of 146 households affecting 539 persons for the plant site and demolition of 430 houses affecting 1,587 persons within the plant site and the 1 kilometer buffer zone. The CEIL ESMS, which applies to its subsidiaries, includes measures to ensure that ADB funded greenfield and existing facility expansion subprojects that have earlier required government-led land acquisition and house demolition are constructed in compliance with national law and SPS SR2. This latest project 49211 (Phase 3) is predominantly focused on funding the design, construction and operation of integrated household and biomass WTE subprojects, with a lesser proportion of loan proceeds dedicated to wind and solar subprojects. These Phase 3 subprojects are expected to be smaller in scale than previously funded WTE projects and some may be expansions of existing facilities. As with project 46906 (Phase 2) subprojects, CEGE will

likely be required to prepare a resettlement planning report for ADB review and approval for each subproject following procedures set out in its ESMS. As with past CEIL subprojects, CEGE will be required to implement required supplementary action to ensure compliance with SPS SR2. While CEIL and its subsidiaries have provided assurance that past government-led land acquisition occurred in compliance with national law, due diligence will investigate the extent of procedural compliance in sample projects and provide instructive corrective action if necessary in the borrower's ESMS for future ADB financed subprojects.
2. What action plan is required to address involuntary resettlement as part of the due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 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 Prior to due diligence, the project team understands that preexisting subprojects are located in urban and peri-urban areas where no distinct or vulnerable ethnic minority groups have been adversely or beneficially affected. Due diligence will confirm if future subprojects will maintain this siting trend. 3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No This matter will be further assessed during due diligence. 4. What action plan is required to address risks to indigenous peoples as part of the due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None
V. OTHER SOCIAL ISSUES AND RISKS
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 checked="" type="checkbox"/> Labor retrenchment ^(L) <input type="checkbox"/> Spread of communicable diseases, HIV/AIDS ^(NA) <input type="checkbox"/> Increase in human trafficking ^(NA) <input checked="" type="checkbox"/> Affordability ^(L) <input type="checkbox"/> Increase in unplanned migration ^(NA) <input type="checkbox"/> Increase in vulnerability to natural disasters ^(NA) <input type="checkbox"/> Creating political instability ^(NA) <input type="checkbox"/> Creating internal social conflicts ^(NA) <input type="checkbox"/> Others, please specify _____ 2. How are these additional social issues and risks going to be addressed in the project design? The project borrower provides comprehensive employment contracts for its employees and ensures that its construction contractors provide equal pay for equal work. Due diligence will review contracts and supply chain arrangements for compliance. Due diligence will also assess electricity affordability in each subproject's area of influence.
VI. DUE DILIGENCE RESOURCE REQUIREMENT
1. Do the terms of reference for the diligence contain key information needed to be gathered during 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
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? Environmental and social due diligence will involve a corporate audit of the borrower's ESMS and inspection of four existing facilities. A technical adviser has been contracted and will report on SPS compliance, community health and safety, land acquisition, ethnic minorities, gender, labor and stakeholder engagement.

Sources: ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila; ADB. 2009. *Energy Policy*. Manila.