



Initial Poverty and Social Analysis

Project Number: 50371-001
July 2017

VIE: Municipal Waste-to-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: Project Title:

Lending/Financing Modality: Department/ Division:

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 a portfolio of waste-to-energy (WTE) subprojects developed by China Everbright International Limited (CEIL, the borrower). Subprojects are based on concession agreements with various municipal governments in Viet Nam and are yet to fully identified.

The proposed project is an inclusive urban development project that will contribute to reducing air and land pollution and contribute to Viet Nam's energy self-sufficiency and renewable energy generation targets. Viet Nam's infrastructure and utilities (electricity and water) are struggling to keep pace with growth and urbanization. ADB's Country Partnership Strategy for Vietnam (CPS 2016-2020) notes that electricity demand has increased at an annual rate of almost 20% since 2000, twice as fast as the growth rate of the economy, and the intensity of energy consumption (the amount of energy used per unit of economic output) is also among the highest in the world. According to the 2015 Provincial Competitiveness Index survey, companies can experience up to 50 hours of power outages per month. Viet Nam's economic growth is closely linked to urbanization, with urban areas now accounting for roughly 70% of GDP. The urban population has grown from 12.8 million (19.5% of the total) in 1990 to 31 million (34.5%) in 2014. Urban residents experience the impacts of growing population density, weak urban transport, a lack of solid waste management, and unequal access to water and sanitation, and their increasing expectations regarding quality infrastructure and services are intensifying pressure on urban management.

The proposed project is aligned with Viet Nam's Orientation Plan for Urban Development 2010-2020 and contributes to its Socioeconomic Development Strategy 2011-2020 through the alignment of inclusive socialist-oriented economic growth with environmental protection and sustainable development. The plan includes targets for new businesses and manufacturing facilities to apply clean technology or be equipped with devices that help reduce pollution and waste treatment, and that 95% of regular solid waste, 85% of toxic waste and 100% of health waste will be managed in accordance with national standards. The proposed project is consistent with the Midterm Review of Strategy 2020, which (i) 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; and (ii) encourages support for private sector financing of public infrastructure that will in this case contribute to private sector participation in solid waste management activities that would help mitigate public health threats. The project is also aligned with the ADB's Country Partnership Strategy for Vietnam (CPS 2016-2020), which aims to help the country achieve more inclusive and sustainable growth. The specific activities ADB has committed to undertake include projects that improve the wastewater and solid waste management system of the country and increase renewable energy investments. It is also consistent with ADB's Energy Policy (2009), which prioritizes renewable energy development to reduce greenhouse gas (GHG) emissions and to help countries achieve energy self-sufficiency with equitable access to electricity for all.

B. Poverty Targeting

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

The municipal WTE subprojects are located in rapidly urbanizing cities. The CPS notes that large number of Viet Nam's urban population remain near poor, and are vulnerable to significant economic and environmental shocks. Urban poverty is also likely to be undercounted because housing, water, and sanitation costs are left out of official consumption and income poverty estimates. The CPS further notes that rapid industrialization and urbanization over the last decade has increased air pollution. Carbon dioxide emissions in Viet Nam have risen and are higher than in almost all other countries in the region. Through the proposed project, ADB will support development in these rapidly urbanizing cities by financing private sector-led combined solid waste management and renewable energy subprojects to improve access to energy, reduce land and air pollution and contribute to GHG emission reduction. Subprojects will also generate employment and trade within supply chains, as well as adding renewable electricity generation sources to the country's energy mix. Due diligence will assess how both the use of municipal solid waste and the addition of renewable electricity supply can affect income and non-income dimensions of poverty in the cities in which the borrower will operate concessions.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The CPS notes that poverty incidence in Viet Nam, however measured, has fallen rapidly since the early 1990s. The poverty rate based on a \$1.90 per day purchasing power parity declined from 50% in the early 1990s to an estimated 3% in 2015, meaning that close to 50 million people have risen out of poverty. 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 pollution reduction contributions and enhanced usage of renewable resources such as solid waste. Due diligence will consider poverty status in the cities in which the concessions will be operated.
2. Impact channels and expected systemic changes. Promotion of clean energy in Viet Nam's energy mix and pollution reduction by avoiding dumping of methane producing combustible waste material in uncapped open landfills. Subproject use of solid waste in controlled combustion will reduce air pollution and the borrower's subprojects will have a demonstration effect that will catalyze further systemic change in waste management and reuse.
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 CEIL's environmental and social management system (ESMS), requirements for localization of the ESMS in Viet Nam, and past performance of CEIL in undertaking impact assessments and implementing management plans. The consultant will investigate past performance at one proposed subproject site. Interviews with residents and government officials will be conducted during subproject construction.

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 and municipal solid waste management. The most relevant gender issue is access to employment and participation in subproject related business opportunities. As subprojects are located in cities, potential exists for men to take up the greater share of construction roles, therefore due diligence will assess opportunities for greater inclusive participation by women during 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 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 the borrower'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 city-level municipal governments that engage the borrower to manage their solid waste and generate electricity, and the national electricity distribution company that will off-take generated electricity. Municipal governments will typically participate in the project through the granting of land, supply of solid waste and usage of electricity that will require mutually acceptable decision making and consultation. Other stakeholders include companies in the supply chain that will provide solid waste feedstock. More generally, other project beneficiaries include the wider population in subprojects areas who will benefit from supply chain business opportunities, usage of electricity produced from a renewable source 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? WTE facilities incentivize the sourcing and use of municipal solid waste, and therefore contribute to better management systems that prioritize collection of waste from city households. Due diligence will investigate the extent to which the borrower can influence solid waste sourcing in each city to ensure that poor, vulnerable and excluded groups can benefit from improvements in solid waste collection.
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 city-level governments, solid waste 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 solid waste power plant 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

Subproject facilities are not expected to require significant involuntary economic and physical displacement. Due diligence will however explore how the borrower can ensure any project-related government-led land acquisition 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 While subproject facilities are not expected to require significant involuntary economic and physical displacement, government land grants for the purpose of each concession may produce involuntary displacement impacts on residents or land users that should be managed in accordance with ADB's Safeguard Policy Statement (SPS 2009). 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 are constructed in compliance with national law and the SPS. The borrower's subprojects are expected to be smaller in scale than previously funded CEIL WTE projects in the People's Republic of China (PRC), but as with earlier ADB funded WTE subprojects, the borrower 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. Similarly with past CEIL subprojects in the PRC, the borrower will be required to implement necessary supplementary action to ensure compliance with the SPS on these subprojects in Viet Nam.

2. What action plan is required to address involuntary resettlement as part of the 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

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

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No Prior to due diligence, the project team understands that the potential subprojects are located in urban and peri-urban areas of Vietnam's cities where no distinct or vulnerable ethnic minority groups can be adversely or beneficially affected. The CEIL ESMS does however contain adequate procedural guidance to ensure ethnic minority or indigenous groups can be identified, consulted and engaged to ensure adverse impacts are managed and beneficial impacts are maximized.

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

4. What action plan is required to address risks to indigenous peoples as part of the 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^(L) Adhering to core labor standards^(L) Labor retrenchment^(L)
 Spread of communicable diseases, HIV/AIDS^(NA) Increase in human trafficking^(NA) Affordability^(L)
 Increase in unplanned migration^(NA) Increase in vulnerability to natural disasters^(NA) Creating political instability^(NA)
 Creating internal social conflicts^(NA) 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? Yes 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 analysis of requirements for its localization in Viet Nam. 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.