



## Initial Poverty and Social Analysis

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July 2018

### Proposed Loan People's Republic of China: Shanxi Technical and Vocational Education and Training Development Demonstration Project

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Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 9 July 2018)

Currency unit	=	yuan (CNY)
CNY1.00	=	\$0.1505
\$1.00	=	CNY6.6434

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
ICT	–	information and communication technology
PPP	–	public–private partnership
PRC	–	People’s Republic of China
PRF	–	project readiness financing
R&D	–	research and development
SMEs	–	small- and medium-sized enterprises
TA	–	technical assistance
TVET	–	technical and vocational education and training

## **NOTE**

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:	Shanxi Technical and Vocational Education and Training Development Demonstration Project
Lending/Financing Modality:	Project	Department/Division:	East Asia Department/Urban and Social Sectors Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Shanxi Technical and Vocational Education and Training (TVET) Development Demonstration Project aims to develop well-trained skilled workforce meeting the needs of three priority industries (equipment manufacturing, agricultural products processing, tourism) in the Xinzhou Municipality of Shanxi Province, by preparing and implementing priority industry development strategies and action plans which incorporate skills development, establishing TVET institutions which offer majors in line with the needs of priority industries, and implementing TVET system reform pilots. The project supports the Xinzhou Municipal Government's strategy of industry development-oriented poverty alleviation under its Thirteenth Five-Year Plan, focusing on the development of non-traditional industries in addition to traditional coal and mining industries, along with the development and reform of TVET to meet the needs of priority industries and alleviate poverty. The project is aligned with one of the strategic priorities set out in the Asian Development Bank's country partnership strategy, 2016–2020 for the People's Republic of China (PRC)—supporting inclusive economic growth.<sup>a</sup>

#### **B. Poverty Targeting**

General intervention  Individual or household (TI-H)  Geographic (TI-G)  Non-income SDGs (SDG1, SDG4, SDG8)

#### **C. Poverty and Social Analysis**

1. Key issues and potential beneficiaries. As part of the nationally designated Taihang and Luilang Mountain destitute concentrated area, Xinzhou is home to about 360,000 poverty-stricken people (11.0% of the total population), with the lowest gross domestic product per capita of CNY21,731 among Shanxi's 11 municipalities in 2015, and 11 out of its 14 counties classified as national poverty-stricken counties. Although a significant drop in the number of poverty-stricken people has been reported as a result of the government's poverty alleviation drive under the Thirteenth Five-Year Plan, 2016–2020, poverty still persists especially in rural areas where per capita household income is only about one-third of that in urban areas. The majority of TVET students, especially in secondary TVET, come from poor families, disadvantaged backgrounds, and rural areas, as they can receive TVET free of charge, often alongside other financial aid. The project will directly benefit students who will enroll in the Senior Technician School, Agriculture Vocational Education School, and Tourism Vocational Education School which offer quality TVET programs meeting the needs of three priority industries (equipment manufacturing, agricultural products processing, and tourism), and thereby increasing their employment prospects. Two of these industries (agricultural products processing and tourism) engage poor farmers and local communities who often suffer from lack of technical and business skills and access to technical and business support to upgrade their production and businesses and increase incomes. The project will directly benefit poor farmers and local communities with tourism resources by providing training for skills development and improving access to technical and business support through TVET institutions.

2. Impact channels and expected systemic changes. Direct impact channels will be (i) improved access to training, technical, and business support addressing the needs of poor farmers, farmer cooperatives, tourism-related small businesses, startups, entrepreneurs, and local communities; (ii) majors, curriculum, training materials, training methods, practical training facilities, and assessment developed in collaboration with industries; (iii) quality education and training resources made readily available through information and communication technology platforms; and (iv) upgraded knowledge, skills, and industry experiences of TVET teachers. (ii)–(iv) will help equip students with skills needed in the priority industries and increase their chance of getting employed. Expected systemic changes include (i) better coordinated policies and programs for priority industry and TVET development around skills development needs which will more effectively develop priority industries and enhance employment and economic opportunities; (ii) more diversified governance structures for TVET institutions, involving enterprises, industry associations, industrial parks, and vocational education groups; (iii) increased school–enterprise cooperation; (iv) strengthened internal and external quality assurance systems for TVET; and (v) other TVET system reforms. (ii)–(v) will enhance the quality and relevance of TVET, thereby benefiting TVET graduates with better chance of employment and providing enterprises and industries with skilled workforce they need.

3. Focus of (and resources allocated in) the transaction technical assistance (TA) or due diligence. The transaction TA will support the (i) review of current situations surrounding the poor, disadvantaged sex, children, and people

with disabilities, and other disadvantaged groups in terms of access to and completion of TVET, learning and labor market outcomes, and access to technical and business support, loans, and credits; (ii) assessment of benefits and negative impacts of the project on various stakeholders; (iii) identification of measures to mitigate negative impacts and enhance benefits; and (iv) preparation of a social development and gender action plan.

## 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?

Unlike other provinces and municipalities in the PRC where female enrollment in TVET is generally lower than male enrollment, more female students enroll in TVET (about 51% in 2016) than male students in Xinzhou. Likewise, women account for 54% of TVET teaching staff, which is higher than in other parts of the PRC. As part of poverty and social analysis, the reason for lower male enrollment in TVET and the smaller proportion of male teaching TVET will be examined, along with other dimensions, including opportunity gaps in training, promotion, and managerial responsibilities between female and male teachers and management staff; and salaries of TVET teachers, particularly technical course teachers, compared to those of technicians and other employees in the three priority industries. Among the three industries, the equipment manufacturing industry employs women the least, while the tourism industry employs women the most. The agricultural products processing industry appears balanced in terms of employing women and men. The poverty and social analysis will include an examination of gender issues in career choice, recruitment, salaries, career progression, and managerial responsibilities in the three industries, as well as in access to technical and business support, training, loans, and credits for small businesses, startups, and entrepreneurs.

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's access to and use of opportunities, services, resources, assets, and participation in decision making?  Yes  No

The project will identify measures to enhance economic opportunities for women in priority industry development strategies and action plans, developing training programs and/or courses targeting women, and ensuring women's participation in training programs and/courses. A social development and gender action plan will be prepared under the transaction TA.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes  No

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 TVET institutions, including teachers and managers; enterprises, especially, small- and medium-sized enterprises, industrial associations, industrial parks, and vocational education groups in the three priority industries; students and their families; farmers, farmer cooperatives, and agricultural technicians; tourism-related business startups, entrepreneurs, local communities, tourism site management entities, and administrators; and managers and technicians of equipment manufacturing enterprises. They will be consulted through interviews, focus group discussions, and workshops.

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?

The quality and relevance of TVET are critical for TVET graduates (mostly coming from poor families, disadvantaged groups, and rural areas) to get employment. Measures to enhance the quality and relevance of TVET, including the promotion of school-enterprise cooperation and sharing of quality educational and training resources through ICT platforms, will be included in the project design. Moreover, the agricultural products processing and tourism industries to be supported through TVET will engage poor farmers and local communities. Their skills development needs will be addressed through the development of targeted training programs and/or courses. Systems for technical and business support will also be strengthened through the training of technicians and cooperation with TVET institutions.

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 (H)  Consultation (M)  Collaboration (L)  Partnership (L)

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed?  Yes  No

Students and their families, and trainees will be consulted to identify measures to make TVET more accessible to youth and adults, and to improve their chance of getting employed in better-paying jobs. Similarly, farmers,

cooperatives, tourism-related small businesses, local communities, and entrepreneurs will be consulted to identify their skills development needs and gaps in systems for technical and business support and training.

#### 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 project will involve involuntary acquisition of land plots (farmland in use and no longer in use) collectively owned by villages, resulting in economic displacement. As part of due diligence, socioeconomic survey and valuation of affected assets will be conducted to identify potential impacts on affected people, and compensation and other measures for them.

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

Under the transaction TA, the possibility of public-private partnerships (PPPs) to design, build, manage, and operate practical training facilities, laboratories, and other facilities will be explored. If the project support for PPPs are confirmed, a resettlement framework will be prepared to guide the screening, planning, implementation, and monitoring of resettlement activities.

##### 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 indigenous peoples in Xinzhou as per ADB Safeguard Policy Statement.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?  Yes  No

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 transaction TA or 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 (M)  Adhering to core labor standards (L)  Labor retrenchment  
 Spread of communicable diseases, including HIV/AIDS (L)  Increase in human trafficking  Affordability (L)  
 Increase in unplanned migration  Increase in vulnerability to natural disasters  Creating political instability  
 Creating internal social conflicts  Others, please specify \_\_\_\_\_

2. How are these additional social issues and risks going to be addressed in the project design?

The project will contribute to the creation of decent jobs and employment by supporting small- and medium-sized enterprises in the three priority industries through skills development. Compliance with core labor standards and dissemination of information on the risk of communicable diseases, including HIV/AIDS will be included in the project agreement. The project will support mainly secondary TVET which is affordable, as tuition fees are exempted.

#### VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

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?

- 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 transaction TA or due diligence?

Two person-months of national social development and gender specialist will be engaged under the transaction TA to conduct poverty, social, and gender analysis, and prepare a social development and gender action plan.

<sup>a</sup> Asian Development Bank. 2016. *Country Partnership Strategy: People's Republic of China, 2016–2020*. Manila.