



Initial Poverty and Social Analysis

June 2019

Proposed Loan for People's Republic of China: Air Quality Improvement in the Greater Beijing– Tianjin–Hebei Region —Henan Cleaner Fuel Switch Investment Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 10 May 2019)

| | | |
|---------------|---|------------|
| Currency unit | – | yuan (CNY) |
| CNY1.00 | = | \$6.8275 |
| \$1.00 | = | CNY0.14 |

ABBREVIATIONS

| | | |
|------|---|--|
| ADB | – | Asian Development Bank |
| BTH | – | Beijing–Tianjin–Hebei |
| CSO | – | civil society organization |
| GDP | – | gross domestic product |
| MDG | – | Millennium Development Goal |
| MLS | – | Minimum living security |
| PPTA | – | program preparatory technical assistance |
| PRC | – | People’s Republic of China |
| RBL | – | results-based lending |

NOTE{S}

In this report, "\$" refers to US dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

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|-----------------------------|----------------------------|-----------------------|---|
| Country: | People's Republic of China | Project Title: | Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region— Henan Cleaner Fuel Switch Investment Program |
| Lending/Financing Modality: | Project Loan/RBL | Department/ Division: | East Asia Department/Sustainable Infrastructure Division |

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed program aims to improve air quality in Henan Province by supporting the switch from coal to cleaner fuel for residential, commercial, and industrial use. Henan Province is one of the major polluting provinces in the greater BTH Region. In 2018, coal accounted for 77.6% of primary energy in Henan as compared with the national average of 59.0%.

The program is aligned with the PRC's Action Plan on Air Pollution Prevention and Control. It supports the Thirteenth Five Year Plan (2016–2020) by accelerating low carbon transformation and environmental improvement. The project also supports the Poverty Reduction Program for China's Rural Areas (2011–2020), which promotes poverty reduction through environmentally friendly urbanization and balanced resource allocation. The program will contribute to realizing the Three-Year Action Plan for Henan Province to Combat the Blue Sky War (2018–2020). Finally, it is aligned with ADB's Country Partnership Strategy (2016–2020) for the PRC.

B. Poverty Targeting

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

The project will connect 1.2 million customers in Henan Province to cleaner fuel. All major city centers in Henan already have access to natural gas, therefore, the program will expand coverage in 110 rural counties. Poverty in Henan tends to be concentrated in rural areas. By the end of 2018, about 500,876 urban residents received urban MLS, whereas 1,171,321 rural residents received the rural MLS.^a The program will waive the connection fee for the 1.2 million customers, which will include poor and vulnerable households.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Henan is among the PRC's most populous provinces with 109.06 million inhabitants. It is also among the poorer provinces in the PRC. In 2017, GDP per capita was only 79% of the national average. Most low-income customers are concentrated in rural areas and use coal-based stoves and boilers for heating and cooking. This has serious repercussions in terms of (i) poor indoor air quality causing respiratory diseases, (ii) increased mortality due to carbon monoxide poisoning, (iii) fire-related injuries, and (iv) high fuel expenditure on coal. Poor customers tend to lack connections to the natural gas network since they cannot afford the initial installation fee. The program is expected to benefit 1.2 million customers in Henan Province directly through access to cleaner, safer, and more affordable energy. This figure includes poor and vulnerable customers. Indirectly, all residents of Henan Province will benefit from improved air quality.

2. Impact channels and expected systemic changes. The proposed program will construct gas transmission and distribution pipelines to deliver natural gas and biogas to 1.2 million customers, who rely heavily on coal for heating and cooking. The program will deliver the following benefits to the 1.2 million direct beneficiary customers: (i) reduced domestic fuel expenditure (expected savings range from CNY125–CNY724/year depending on current energy sources); (ii) time savings from more efficient cooking and water heating, which will benefit women who have a higher care burden (time savings are estimated at 3 hours and 40 minutes/day); (iii) improved respiratory health; and (iv) reduced fire-related accidents. The 1.2 million customers will be exempt from the initial installation fee, which will benefit poorer customers in particular. The biogas plant will purchase straw from the surrounding area and increase incomes of nearby rural customers who produce straw. Indirectly, all of Henan Province will benefit from improved air quality.

3. Focus of due diligence. The program preparation TA will include a safeguards systems assessment and a poverty and social analysis.

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?

Women in rural and suburban areas tend to have a higher incidence of respiratory diseases as a result of indoor air pollution from coal use. These traditional heating methods also result in a higher drain on women's time as they are generally in charge of cooking and heating. The program plans to address gender through (i) reducing women's time poverty through access to improved heating and cooking technology; and (ii) improved health outcomes as a result of cleaner and safer energy. The project will also increase access to economic opportunities for women through time savings, as well as direct employment in new jobs generated by the proposed program during construction and operation.

2. Does the proposed 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

Gender concerns and needs will be explored further through focus group discussions as a part of the gender analysis, and incorporated in the design of the program. Actions for addressing gender concerns will be included in the overall program action plan.

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

Yes No

The project is not expected to have any adverse impact on women and/or girls or widen gender inequality.

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 program, including beneficiaries and negatively affected people?

According to the initial assessment, the main stakeholders include Henan Provincial Government, Zhongyuan Yuzi Investment Group, the Yu-Tian New Energy Company, the City and County People's Government and related administrative institutions, residents, and vulnerable groups.

2. How can the program contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the program design require participation of the poor and excluded? Not applicable.

3. What are the key, active, and relevant CSOs in the project area? What is the level of civil society organization participation in the program design?

Information generation and sharing (M) Consultation Collaboration Partnership

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

Extensive public consultations will be conducted during project design, including stakeholders' workshops to address social safeguard and gender issues.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the program have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

The civil works under the RBL includes a 17 million cubic meter biogas production plant; 30,000 kilometer of gas pipeline; and about 36 units^b of regulatory and storage facilities. The construction of the biogas production plant and regulatory stations may require land acquisition of collectively owned land. The construction of the pipeline is only expected to cause temporary land acquisition and resettlement impacts. The project management office and implementing agencies are committed to avoiding involuntary resettlement and especially house demolition during site selection and project design to the extent possible. Due diligence will be conducted during project preparation to confirm this initial assessment. The program team will prepare a program safeguard system assessment in coordination with the government and other stakeholders. The program team will also assist the government and implementing agencies in preparing safeguard related program actions to be included in the overall program action plan to address any identified issues. Subprojects which are category A as per ADB's Safeguard Policy Statement (2009) will not be financed by the RBL.

2. What action plan is required to address involuntary resettlement as part of the PPTA or assessment?

Program Safeguard Systems Assessment (including due diligence for confirmed program's sites)

B. Indigenous Peoples Category A B C FI

1. Does the proposed program have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

The population of Henan Province is predominantly Han. According to the Henan Province Statistical Yearbook for 2018, by the end of 2017 the total population of Henan Province was 108.53 million, of which 1.5 million were ethnic minorities, accounting for 1.38% of the total population. The Hui people were the largest minority, accounting for 85.52% of the total minority population. The Hui people are the second largest minority in the PRC. They use the Han language and have equal power and social status as the Han people. They are well integrated and there are no significant socioeconomic differences between the Hui and the Han. The project will benefit 1.2 million customers with access to cleaner fuels. The ethnic minorities in the project area will benefit equally from cleaner fuel and better air quality. During site selection for the biogas production plant and regulatory and storage facilities, ethnic minority communities will be avoided. As such, the project is not expected to have any adverse impacts on ethnic minorities. Due diligence will be conducted during project preparation to confirm this categorization.

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 program require broad community support of affected indigenous communities? Yes No

The potential subprojects to be financed under the project would not have potential impact on indigenous people's communities.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or the program assessment 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 program design?

Creating decent jobs and employment (M) Adhering to core labor standards (L) Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability (M)
 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 program design?

The one-time cost for the installation of equipment inside homes (such as natural gas stove and natural gas boilers) for poor and vulnerable customers will be assessed during the TA stage). Recommended measures will be considered in program design.

VI. PPTA OR ASSESSMENT RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or program assessments) contain key information needed to be gathered during PPTA or the program assessment 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 the program assessments?
 6 person-months of a social development and safeguards specialist will be included to conduct the social due diligence during transaction TA implementation.

^a The average standard of MLS in Henan province is CNY532 per month per capita in urban area and CNY4,482 per year per capita in rural area.

^b According to the initial project proposal prepared by the Zhongyuan Yuzi Investment Group and the China Tian Lun Gas Holding Limited.