



Initial Poverty and Social Analysis

February 2019

PRC: Climate Resilient and Smart Urban Water Infrastructure Project

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
PRC	–	People's Republic of China
SZWG	–	Shenzhen Water (Group) Company Limited
SZWIC	–	Shenzhen Water Investment Company Limited

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Peoples Republic of China	Project Title:	Climate Resilient and Smart Urban Water Infrastructure Project
Lending/Financing Modality:	General Corporate Finance Loan	Department/ Division:	Private Sector Operations Department Private Sector Infrastructure Division 2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed loan to Shenzhen Water (Group) Company Limited (SZWG) and Shenzhen Water Investment Company Limited (SZWIC) is aligned with the operational priorities outlined in the Asian Development Bank's (ADB) Strategy 2030 and the country partnership strategy to facilitate the government's reform agenda of managing climate change.^a These include (i) tackling climate change by fully integrating climate change adaptation into the project design and therefore contributing to increase climate finance targets; and (ii) making cities more livable by providing integrated and smart solutions to urban water management to increase the climate resilience of the urban population.^b

B. Poverty Targeting:

☒ General intervention ☐ Individual or household (TI-H) ☐ Geographic (TI-G) ☐ Non-income MDGs (TI-M1, M2, etc.)

The loan will finance a portfolio of climate resilient subprojects in third and fourth tier cities in the People's Republic of China (PRC). While cities generate most of the country's gross domestic product, they have through rapid urbanization also caused massive, adverse environmental degradation and severe strains on scarce resources at the core of the water, food and energy nexus.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. By the end of 2018, 59.6% of the PRC's 1.395 billion population permanently resided in urban areas. While poverty remains prevalent in rural PRC, 10.08 million urban residents, or 1.2% of the total urban population, received the government's minimum living allowance in 2018. ^b Poor rural to urban migrants are typically unrepresented in these official figures according to ADB's country partnership strategy, as most are ineligible for the social service entitlements and benefit of registered urban residents. Increasing water scarcity in urban PRC may also compound the potential for increased marginalization of urban poor and threaten economic inclusion and growth.

2. Impact channels and expected systemic changes. In addition to improving the resilience of the urban population, the local government benefits from the greening of the city; mitigation of urban floods; and improving environmental protection translating into revenues from improved land value capture after the completion of the project.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will consider beneficial social impacts from increased urban areas with reduced flood risk and integrated smart water management. Envisaged benefits include improved environmental protection generally but also cost and quality of service improvements for customers at the borrower level.

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? SZWG is a state-owned company (SOE) majority owned by the Shenzhen Municipal Government (55%). As an SOE, it seeks to operate in accordance with national laws and regulations governing gender inclusiveness in the workplace. While the PRC has a high rate of female labor force participation, men and women tend to cluster in certain occupational domains. As of January 2019, SZWG had 11,325 staff, of which 3,687 (32.6%) were women. At the headquarters in Shenzhen, 639 (27.8%) staff are women while in other subsidiaries 3,687 (32.6%) are women. Women are the majority in administrative departments. For instance, in January 2019, 73.3% of human resource department, 66.7% of information technology department, and 58.8% of audit department staff were women. At the same time, the equipment department and technical research and development center had an almost equal ratio of male and female staff; while the production and operation, and pipeline network and engineering departments, had majority male staff. For instance, only 18.5% of staff in the production and operation department are women. The analysis also found that in 2018, 28% of the total 150 new jobs went to women.

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 proposed project has the potential to contribute to greater diversification and an increase in the ratio of women in technical roles and receiving technical training. Due diligence will further explore opportunities for policy and procedural enhancements within SZWG to promote recruitment and retention of women employees. While the project team envisages achieving SZWG's commitment to some gender elements as part of the project, due

diligence includes a thorough gender assessment in order to assist in the development of additional measures that would see the project classified as effective gender mainstreaming.

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

☐ Yes ☒ No

The project is not expected to cause impacts that would widen gender inequality. Involuntary displacement impacts are anticipated; however, these are not expected to disproportionately adversely affect women or girls.

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. SZWG serves more than 20 million people across 18 cities in seven provinces in PRC with most of its business outside of Shenzhen being managed by SZWIC. The main stakeholders of the project are the local governments that engage with SZWG and SZWIC subsidiaries through concession agreements to manage water supply, wastewater treatment, drainage and land and waterway rehabilitation subprojects. Local governments typically participate either directly through joint ventures or indirectly through concession management arrangements.

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? Local governments are responsible for the development of master plans, components of which are implemented through concessions, supply of unencumbered land, and subsequent environmental and social approvals that may require participatory approaches to public consultation. Due diligence will assess the degree to which the borrower can and does engage in stakeholders and beneficiaries in the implementation of government concession projects.

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

☒ Information generation and sharing (M) ☐ Consultation (L) ☐ Collaboration (NA) ☐ Partnership (NA)

Civil society organizations would typically be involved during government planning and project tendering efforts prior to the involvement of the borrower. Due diligence will review the presence of civil society organizations with a direct interest in the construction and operation of integrated water management facilities by the borrower.

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

The participation of the poor and excluded in design of ADB financed subprojects would be achieved firstly through government planning processes and subsequent permissions granted for developments. In addition to these government-led processes, the borrower provides two-way communication to customers and stakeholders through its websites and telephone hotlines. Due diligence will assess the borrower's resources and capacities with regards to participation and empowerment.

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 proposed loan is for the development, upgrade/expansion and operation of government urban water infrastructure concessions including water treatment and distribution, wastewater treatment, and sponge city infrastructure (e.g. parks, wetlands, minor stormwater management). While SZWG is not directly responsible for subproject land acquisition, sponge city subprojects may require SZWG to undertake involuntary resettlement on the government's behalf or may need to manage residual impacts of past government-led involuntary resettlement. Due diligence will assess the extent to which SZWG may be exposed to such impacts and how it manages 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

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 SZWG subprojects are predominantly in eastern provinces with Han majority population and few distinct and vulnerable ethnic minority groups. While it is highly unlikely that ADB

financed subprojects would directly or indirectly impact such ethnic minority groups, due diligence will assess existing SZWG subprojects for the presence of such impacts.

3. Will the project require broad community support of affected indigenous communities? ☒ Yes ☐ No Given the initial B categorization, broad community support may be required on future ADB financed subprojects. The project team expects however based on documentation provided by SZWG that due diligence will find that no distinct and vulnerable ethnic minority groups have been impacted on past subprojects nor will they in future.

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 (L) ☒ Adhering to core labor standards (L) ☐ 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 _____

2. How are these additional social issues and risks going to be addressed in the project design? SZWG's potential future ADB financed subprojects are expected to have little impact on the local labor market beyond the generation of employment opportunities during construction and operation. Due diligence will include review of SZWG's human resource management policy and employment contracts for the provision of statutory benefits.

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? ADB has procured the services of social development consultants to assess the full spectrum of safeguards and social policy requirements during due diligence. In addition to a gender analysis, the social specialist will contribute to the corporate and site compliance audit, and subsequent recommendations for ESMS enhancements and training.

^a ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila; ADB. 2016. [Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020](#). Manila.

^b National Bureau of Statistics of China. 2019. [Statistical Communiqué of the People's Republic of China on 2018 National Economic and Social Development](#). Beijing.

Source: Asian Development Bank.