



# Initial Poverty and Social Analysis

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January 2018

## PRC: SME Finance in Underdeveloped Regions

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Asian Development Bank

## ABBREVIATIONS

SMEs	–	small and medium size enterprises
ZFL	–	Zhujiang Financial Leasing

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	People's Republic of China	Project Title:	SME Finance in Underdeveloped Regions
Lending/Financing Modality:	Financial Intermediary	Department/ Division:	Private Sector Operations Department / Private Sector Financial Institutions Division

<b>I. POVERTY IMPACT AND SOCIAL DIMENSIONS</b>
<p><b>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</b>          The leasing industry has been growing rapidly in People's Republic of China (PRC), ADB will provide a loan of up to \$60 million to Zhujiang Financial Leasing (ZFL) to expand its lease portfolio, majority of which are with small and medium-sized enterprises (SMEs) operating in the agriculture, health, education, tourism, clean energy and water sectors. The project is consistent with the country partnership strategy, 2016–2020 for the PRC, which prioritizes supporting inclusive economic growth, reducing poverty and inequality, and promoting private sector development through improving access to finance.</p>
<p><b>B. Poverty Targeting</b>  <input checked="" type="checkbox"/> General intervention   <input type="checkbox"/> Individual or household (TI-H)   <input type="checkbox"/> Geographic (TI-G)   <input type="checkbox"/> Non-income MDGs (TI-M1, M2, etc.)          The project will support the sustainable growth of the company's leasing operations, particularly in SME finance and green finance which will benefit ZFL's SME clients including those in underserved segments.</p>
<p><b>C. Poverty and Social Analysis</b></p> <p>1. Key issues and potential beneficiaries. The leasing industry is particularly suitable for financing small and medium size enterprises (SMEs), which typically lack eligible collateral required for bank finance. SMEs face significant barriers in accessing credit from financial institutions as banks have shown a preference in lending to state-owned enterprises and larger enterprises operating in priority sectors identified in domestic industrial policy. The project will directly benefit ZFL, a fully-owned subsidiary of Guangzhou Rural Commercial Bank, and ZFL SME clients.</p> <p>2. Impact channels and expected systemic changes. ZFL's development focus is reflected not only in its geographical coverage, but also its client profiles and target sectors: agriculture, health, education, in tourism, energy, and environmental protection.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will assess possible safeguard and social impacts of ZFL's portfolio and its capacity to manage the same.</p>
<b>II. GENDER AND DEVELOPMENT</b>
<p>1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Both employment and ownership of SMEs generally translate to increased economic activities and contribute to improved economic conditions for women. ZFL acts as a bridge to clients in its industry chains, providing channels to women employment and sharing employment information. It also has women-led SMEs as leasing clients.</p> <p>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?   <input checked="" type="checkbox"/> Yes   <input type="checkbox"/> No          The transaction will provide access to finance to women-managed or women-owned SMEs.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No          Due diligence will confirm the ZFL's policy on non-discrimination as well as in promoting equal employment opportunities.</p> <p>4. Indicate the intended gender mainstreaming category:  <input type="checkbox"/> GEN (gender equity)   <input type="checkbox"/> EGM (effective gender mainstreaming)  <input checked="" type="checkbox"/> SGE (some gender elements)   <input type="checkbox"/> NGE (no gender elements)</p>
<b>III. PARTICIPATION AND EMPOWERMENT</b>
<p>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 primary stakeholders in the project are ZFL's SME clients, which, due to the nature of the transaction, have limited opportunities to participate in the project design.</p> <p>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? Not applicable given the nature of the transaction.</p>

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?

N Information generation and sharing  N Consultation  N Collaboration  N Partnership

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 Not applicable given the nature of the transaction.

#### 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 ZFL's operations are low-risk and are expected to have minimal involuntary resettlement impacts as majority of its leases are for equipment or facilities (land and/or building).

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 ZFL's operations are low-risk and are expected to have minimal indigenous peoples impacts as majority of its leases are for equipment or facilities (land and/or building).

3. Will the project require broad community support of affected indigenous communities?  Yes  No ZFL has operations (tourism, education, hospitals, Chinese herbs cultivation) in Guizhou and Yunnan Province where there are ethnic minority autonomous prefectures. While ZFL's operation is market-driven, and neither promote nor discriminate against leasing to ethnic minorities.

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?

L Creating decent jobs and employment  L Adhering to core labor standards  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?

Due diligence will confirm ZFL's commitment to compliance with applicable national labor laws, as well as its capacity to demand the same from its clients.

#### 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 staff will conduct due diligence and assess poverty, social, and gender concerns relevant to the proposed project.