



# Initial Poverty and Social Analysis

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August 2018

PRC: Proposed Loan  
Far East Horizon Limited  
Healthcare Finance in Underdeveloped Provinces

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Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 11 September 2018)

|               |   |            |
|---------------|---|------------|
| Currency unit | – | yuan (CNY) |
| CNY1.00       | = | \$0.1459   |
| \$1.00        | = | CNY6.8559  |

## **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:        | Healthcare Finance in Underdeveloped Provinces   |
| Lending/Financing Modality: | Financial Intermediary     | Department/ Division: | Private Sector Operations Department<br>Private Sector Financial Institutions Division |

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed loan to Far East Horizon Limited (FEH), through its PRC financial leasing subsidiary International Far Eastern Leasing Co., Ltd. (IFEL), will use the ADB loan proceeds to finance medical equipment and investments in the 12 least developed provinces<sup>a</sup> located in the central and western regions of PRC while the ADB A loan will be exclusively used for county hospitals serving the population where healthcare standards are significantly below urban areas. The project will finance the lease or purchase of modern medical equipment, as well as hospital fixed-asset investments (e.g. construction, expansion or refurbishment of hospital buildings or associated medical facilities) through sale and leaseback transactions.<sup>b</sup> The proposed loan is aligned with the ADB's Strategy 2030 in (i) addressing remaining poverty and reducing inequalities; (ii) promoting rural development by improving the accessibility, quality, and coverage of government and private health-care services; and (iii) accelerating progress in gender equality<sup>c</sup>. It is also consistent with ADB's operational plan for the health sector which emphasizes the need to strengthen the quality of health care services<sup>d</sup>. The project will contribute to the realization of the country partnership strategy for PRC 2016-2020 which highlights the role of private sector in ensuring accessibility to social development which includes health and education<sup>e</sup>, which is also in compliance with PRC government's prioritization of developing county hospitals to solve the problem of regional and urban-rural imbalance in healthcare resources.

#### B. Poverty Targeting:

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

The project will help address the accessibility of quality healthcare services especially to the rural population in the 12 least developed provinces located in the central and western regions of PRC, with per capita annual disposable income at least 20% below the national average.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Poverty in PRC is experienced by 3.1% of its population. 2017 data of World Bank accounts for a total of 30.46 million Chinese living below the national poverty line<sup>f</sup>. Poor communities are predominant in rural areas of central and western provinces. Income disparities in urban and rural areas also reflects disparities in the accessibility of quality healthcare services. The reported healthcare expenditure per capita in 2014 was CNY3,558 in urban areas and CNY1,412 in rural areas. Healthcare spending in PRC's regions also varies with higher spending per capita in eastern regions (CNY4,152 in 2015) than in central regions (CNY2,550) and western regions (CNY2,550). The loan will finance hospitals in lower-tier cities in the target provinces while the A loan will be deployed for the narrower purposes and be exclusively used for county hospitals. Population residing within or near the focused hospitals will greatly benefit from the modernization of medical equipment and improvement of hospital facilities.

2. Impact channels and expected systemic changes. ADB's assistance will provide opportunities for FEH to widen its financial services through leasing and investment to hospitals in underserved areas. Through this assistance, FEH intends to contribute in the improvement of health service standards in rural areas and will provide opportunities for county hospitals to upgrade their equipment and facilities to provide quality healthcare services to underserved rural population, consistent with PRC's goal to achieve universal access to basic health services.

3. Focus of (and resources allocated in) the transaction TA or due diligence. The due diligence process will assess FEH's existing and likely future portfolio that ADB financing will be directed to as well as the corresponding social risks and impacts.

### 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? FEH is a company that gives equal opportunities in employment and practices anti-discrimination in the workplace and in the recruitment process. The retention rate of women employees in FEH and measures to respond to the welfare and developmental needs of women employees will remain as key gender issues that FEH will continue to address through the project.

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 is anticipated to provide sustained employment opportunities for women through the implementation of measures that will contribute to employment retention, career growth and in ensuring that the development need of women employees will be addressed.

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 FEH that will be relevant to the proposed project are: investors, customers, employees, government and supervisory institutions, partners (suppliers), community and the public.

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? FEH will continue to have an open communication with stakeholders through e-mail, hotline service, and official website. The company will continuously communicate updates to the public through the publication of annual sustainability report and will reach-out to project area-specific stakeholders through the conduct of consultation and participation activities in relation to the environmental impact assessment process.

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? Engagement with CSOs will not be required considering the nature of the proposed project.

(L) Information generation and sharing  Consultation  Collaboration  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

There will be no anticipated issues on the participation of poor and excluded during project design. FEH has already established a system to communicate with the stakeholders and the same will be applied for the proposed project.

### IV. SOCIAL SAFEGUARDS

**A. Involuntary Resettlement Category**  A  B  C  FI (treated as C)

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?  Yes  No The proposed project will involve lease or purchase of healthcare equipment and construction/ development of hospitals and associated facilities which are not expected to result to involuntary land acquisition. FEH will not use ADB financing in sale and leaseback transactions that will use sale proceeds for construction or expansion of hospital buildings or associated medical facilities on newly procured land that will entail physical or economic displacement.

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 (teared as C)

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 The proposed project will not likely to cause significant impacts to distinct and vulnerable Indigenous Peoples (IP) groups. Activities or transactions that will be involved in the proposed project will not affect IP's socio-cultural beliefs and practices or their livelihood systems and will not result in commercial development of their cultural and natural resources, and displacement from their ancestral domain.

3. Will the project require broad community support of affected indigenous communities?  Yes  No The proposed project will unlikely to entail significant impacts to distinct and vulnerable IPs.

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     (H) 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? Compliance of FEH with PRC's Labor Law (1995) and Labor Contract Law (2008) as well as existence of labor/ human resources policy. Its implementation will be confirmed during due diligence.

#### 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 assess the poverty, social, and gender aspects of the proposed project during due diligence and will assess the existing system of FEH in terms of managing social risks and compliance with applicable laws.

<sup>a</sup> 12 least developed provinces are defined as the provinces with the 12 lowest per capita disposable income among the 3 provinces of the PRC as of 2017.

<sup>b</sup> Under a sale and leaseback transaction, the hospital sells its existing medical equipment to FEH and obtains the finance in the form of sale proceeds. At the same time, it signs a financial lease contract with FEH to leaseback the equipment. The hospital may use the new finance from FEH for fixed assets investments.

<sup>c</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila.

<sup>d</sup> ADB. 2015. *Operational Plan for Health, 2015-2020*. Manila.

<sup>e</sup> ADB. 2015. *Country Partnership Strategy: People's Republic of China, 2016-2020*. Manila.

<sup>f</sup> World Bank. 2018. *Poverty and Equity Brief: East Asia & Pacific – China*.

[http://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global\\_POVEQ\\_CHN.pdf](http://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_CHN.pdf).