



Initial Poverty and Social Analysis

July 2019

PRC: Loan to Maxwealth Financial Leasing Co. Ltd. (MWFL) for Industrial and Wastewater Treatment

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Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	People's Republic of China	Project Title:	Loan to Maxwealth Financial Leasing Co. Ltd. (MWFL) for Industrial and Municipal Wastewater Treatment Project
Lending/Financing Modality:	Loan	Department/Division:	Private Sector Operations Department/ Private Sector Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

ADB will provide a \$60 million loan (or its yuan equivalent) to MWFL to finance leases of municipal and industrial wastewater treatment plants (WWTPs) in the Zhejiang and Jiangsu regions, in the form of sales and lease back of wastewater treatment equipment and pipelines. The project is consistent with ADB's country partnership strategy, 2016–2020 for the PRC, as it will support the government's reform agenda to manage environmental challenges to reduce water pollution, and to finance private sector projects with innovative technologies and business models to support green cities development.^a The project is also aligned with ADB's Strategy 2030 and supports the two operational priorities: (i) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; (ii) making cities more livable.

B. Poverty Targeting:

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

ADB's loan to MWFL will help WWTPs have better access to financing and improve their capacity to treat municipal and industrial water.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The rapid economic development and massive urbanization in the PRC has exacerbated the country's water pollution problem. The PRC is the sixth largest country in the world and is also one of the most water stressed with per capita water resources of 2,100 m³ per year^b. In addition to the water scarcity problem, is the severity of surface and groundwater water pollution, as well as climate related events. Total wastewater discharge rose from 41.5 billion tons per year in 2000 to 69.5 billion tons per year in 2013,^c of which 60% of pollution in PRC is contributed by micro, small and medium sized enterprises (MSMEs). The problem is more acute in several coastal provinces such as Zhejiang and Jiangsu, where there are more developed private sector economies and a larger number of MSMEs. To cut costs, MSMEs have often discharged wastewater directly into the river or ground without any treatment, which has led to severe water pollution problems. Furthermore, places with a high concentration of MSMEs also attract a large number of migrant workers which adds to the significant environmental pressure. By financing equipment leasing for wastewater treatment plants (WWTPs), the project will help promote more environment-friendly and sustainable water resources management, benefiting all people of the PRC especially those in areas where MSME activities are booming. MWFL is the project's primary beneficiary, which will then support WWTPs' access to lease finance from MWFL. This project will ultimately benefit people through better water resource management.

2. Impact channels and expected systemic changes. Water is one of the most important resources. The PRC has big population with a huge requirement for water. Assistance to waste treatment facilities allows reuse of treated wastewater and contributes to abating water scarcity problems.

3. Focus of (and resources allocated in) the PPTA or due diligence. ADB team and environment and social consultants conducted due diligence on sample WWTP client and met with MWFL Staff to understand the environmental and social impacts of future WWTP transactions and MWFL's environment and social management system.

4. Specific analysis for policy-based lending. Not applicable.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Currently, 43.7% of MWFL's staff are female. While almost half of the staff are women, MWFL need to further enhance the female staff leadership and technical capacity. It was also noted that the company encouraged the women staff to establish their staff club to improve camaraderie and working relations. Activities such as staff outings has been organized by the women's club. MWFL will sponsor life skills trainings based on specific activities that may be identified by the women staff during their meetings. All women staff will be encouraged to participate without discrimination.

<p>MWFL provides social benefits to regular staff members that include pension insurance, medical insurance, maternity insurance, unemployment insurance, work injury insurance, and the social housing fund. MWFL has guidelines, procedures and standards for labor management. New staff are provided job trainings, including relevant laws, regulations and national standards, corporate culture, employee's benefits, annual work plan arrangement, goal responsibility pledges and their evaluation, amongst numerous issues. Each year, the Human Resource Department prepares an annual training plan. The Human Resource Department is also responsible for the women's affairs, including organizing activities during festivals and collecting their concerns. MWFL upholds gender equality and provides equal employment opportunities for men and women. MWFL strictly complies with the Law of the People's Republic of China on the Protection of Rights and Interests of Women.</p>
<p>2. Does the proposed project or program have the potential to make a contribution 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 There is a potential for MWFL to offer activities and programs to improve the welfare and capacity of its female staff.</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 The project is expected to enhance welfare of MWFL female staff.</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>
<p>III. PARTICIPATION AND EMPOWERMENT</p>
<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 of the project include the MWFL, its staff, and its clients. MWFL's WWTP clients 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? Given the nature of the transaction, participation of the poor and the vulnerable is not applicable.</p> <p>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? L <input checked="" type="checkbox"/> Information generation and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership With the limited scope of the project, there is limited space to promote collaboration with civil society organizations.</p> <p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>IV. SOCIAL SAFEGUARDS</p>
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No MWFL's wastewater treatment leasing business is not expected to involve new land acquisition and/or significant land acquisition and involuntary resettlement impacts as its leases are for wastewater treatment equipment and pipelines of wastewater treatment plants which have completed civil construction work. The lands have been allocated by the local governments to the wastewater treatment plant companies, most of them are state owned enterprises (SOEs). All land acquisition and resettlement are already completed by the government prior to MWFL's financing. For lease applications involving pipelines, MWFL will exclude lease projects involving construction of a new pipeline from the finance of the ADB loan.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p> <p>An ESMS compliant with ADB SPS requirement on involuntary resettlement will be adopted by MWFL. The ESMS will include the process of screening and categorization of impacts and carrying out of due diligence on the compliance of the past land acquisition with the national land and local laws and regulations.</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No ADB's loan to MWFL will mostly be used for potential WWTPs located in Zhejiang and Jiangsu provinces. In Zhejiang Province, Han people accounts for 99.1%, while ethnic minorities account for 0.9 % of the total population. In Jiangsu Province, Han people accounts for 99.5%, while ethnic minorities account for 0.5% of the total population. Development and operation of WWTPs of MWFL clients will not directly or indirectly affects the dignity, human rights,</p>

<p>livelihood systems, or culture of Indigenous Peoples or affect the territories or natural or cultural resources that Indigenous Peoples own, use, occupy, or claim as an ancestral domain or asset.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No See above explanation.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p> <p>MWFL will include in its ESMS a process of screening and categorization of potential direct or indirect impacts to IPs. The project will comply with ADB's Prohibited Investment Activity List, applicable national laws and regulations, and ADB's Safeguard Policy Statement (2009).</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design? <input type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? MWFL will comply with the national labor laws and will take measures to comply with the International Labor Organization's core labor standards.</p>
<p>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA 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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No ADB team and the environment and social consultants who carried out the environment and social assessment covered environment and social safeguards issues and other social aspects.</p> <p>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 due diligence? ADB team and the consultants conducted review of relevant documents and visit of one sample WWTP client to identify gaps and explore gap-filling measures, as required.</p>

^a ADB. 2016. *Country Partnership Strategy: Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila.

^b National Bureau of Statistics. National Database <http://data.stats.gov.cnhttp://data.stats.gov.cn>. (accessed on 6 June 2019).

^c G. Wu et al. 2018. *Evaluating the construction efficiencies of urban wastewater transportation and treatment capacity: Evidence from 70 megacities in China. Res Conservation Recycling* 128. pp. 373-381