



Initial Poverty and Social Analysis

October 2019

PRC: Proposed Loan to Citic Financial Leasing Co. Ltd. for Solar Energy Finance Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 28 October 2019)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1415
\$1.00	=	CNY7.0657

ABBREVIATIONS

ADB	–	Asian Development Bank
CFL	–	Citic Financial Leasing
ESMS	–	environment and social management system
PRC	-	People's Republic of China

NOTE

In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="People's Republic of China"/>	Project Title:	<input type="text" value="Proposed Loan to Citic Financial Leasing Co. Ltd. (CFL) for Solar Energy Finance"/>
Lending/ Financing Modality:	<input type="text" value="Loan"/>	Department/ Division:	<input type="text" value="Private Sector Operations Department
Private Sector Financial Institutions
Division"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>Asian Development Bank's (ADB) proposed \$70 million senior secured loan to CFL will be used to finance solar power projects in the People's Republic of China (PRC). CFL's financing to solar power plant will contribute to the attainment of PRC's goal to improve its environment and manage climate change through the utilization of renewable energy source. It will also respond to the aim of PRC's 13th Five-Year Plan 2016-2020 in promoting energy conservation, emissions reduction, and low carbon development to help address climate change while encouraging greater private sector participation.^a The proposed loan is consistent with the ADB's country partnership strategy for PRC (2016-2020) specifically on the management of the environment. It will support ADB's strategy 2030's operational priority of tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability.^b</p>
<p>B. Poverty Targeting</p> <p><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.)</p> <p>ADB's loan to CFL will encourage development and operations of solar power plants which will continuously address PRC's agenda to shift to renewable energy from coal-fired power plants in producing electricity. The agenda aims to abate air pollution which has been causing health risks to the population.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries. Health risk issues due to air pollution is attributed mainly to PRC's long-time reliance on coal-fired power plant to produce electricity. The 2018 report of World Health Organization stated that 61 in every 100,000 population in PRC have tuberculosis. Health issues and challenges affect the productivity of the population and may cause unemployment due to disability which may result to greater poverty if not mitigated. PRC's 2017 poverty statistics revealed that 30.5 million population were living under the national poverty line. Though the project will directly provide benefits to CFL, as it will support CFL's financial leasing to solar power plant operators, the utilization of renewable energy to produce electricity such as solar power plants will provide benefit to wider population because it will contribute in addressing PRC's problem on air pollution and in achieving a healthier environment.</p> <p>2. Impact channels and expected systemic changes. The project will support the production of electricity from solar energy through the solar power plant operators who will access financing from CFL. This is consistent with PRC's effort to shift dependence from coal-fired power plant to renewable energy source and in taking measures to mitigate the impact of climate change and pursue environmentally sustainable socio-economic development.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. The due diligence of ADB environmental and social (E&S) safeguards team is focused on the review of existing and future portfolio and audit of existing environmental and management system (ESMS) of CFL to manage the E&S risk and impacts in providing lease financing to solar power plant operators.</p> <p>4. Specific analysis for policy-based lending. Not applicable</p>

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? About 45% of CFL's employees are women. However, at the senior and middle management level, women are underrepresented with only 2 of the 6 senior management positions and 3 of the 15 middle management positions are occupied by women. This relates to the state of women in PRC's labor force that despite high employment participation rate, women employees generally occupy lower-paying positions as compared to men.^c

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 CFL will strengthen its human resource programs to improve the skills and capacity of women employees.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? Yes No Women employees of CFL will benefit from the programs to be implemented.

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. CFL and its employees will directly benefit from the proposed project. CFL clients, solar power plant operators, will also benefit from the proposed project but will have limited participation in the development of project design.

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? CFL will engage with local government and communities hosting the solar power plants during lease application review and approval process and also during post-approval monitoring.

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 (L) 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 The nature of the project does not involve participation of the poor and excluded.

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 CFL's lease financing to solar power plants may result to low risk/ less significant involuntary resettlement impact. Leasing involves the solar farms and substations but excludes the transmission line connecting to the national grid. CFL provides lease financing to solar power plants that are developed on leased land whose acquisition is usually completed by the government before financing.

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 (treated 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 CFL will not use ADB proceeds to finance solar power plants that will entail impacts on Indigenous Peoples.

3. Will the project require broad community support of affected indigenous communities? Yes No
 The proposed project will exclude financing of solar power plants that will impact Indigenous Peoples.

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 (M) 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? The proposed project will ensure CFL’s compliance with national labor laws and adherence to international core labor standards. The ESMS to be adopted by CFL will include enhancement of existing procedure in evaluating and monitoring its clients’ compliances on these laws and standards.

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 and consultants reviewed existing processes and procedures of CFL to evaluate and monitor E&S impacts, performance, and compliances with relevant national laws and regulations of solar power plants lessees.

^a ADB. 2018. *Strategy 2030: Achieving A Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila

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

^c ADB. 2016. *Country Partnership Strategy: People’s Republic of China, 2016-2020 – Transforming Partnership: People’s Republic of China and Asian Development Bank - Gender Analysis (Summary)*. Manila