



Initial Poverty and Social Analysis

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People's Republic of China - Asia Cube Wastewater Treatment Upgrade Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(updated prior to disclosure as of 25 March 2021)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.15
\$1.00	=	CNY6.53

ABBREVIATIONS

ADB	–	Asian Development Bank
CCW	–	China Cube Water Ltd
EIA	–	Environmental Impact Assessment
PRC	–	People's Republic of China
WWTP	–	wastewater treatment plant

NOTE

- (i) 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:	PRC: Asia Cube Wastewater Treatment Upgrade Project
Lending/Financing Modality:	Project Loan	Department/Division:	Private Sector Operations Department Private Sector Infrastructure Finance 2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy
<p>The Asian Development Bank (ADB) is proposing a loan of up to CNY230 million to China Cube Water Ltd. (CCW) for the Asia Cube Wastewater Treatment Upgrade Project. The project comprises the expansion of the treatment capacity and upgrade of treatment and discharge standards of nine CCW wastewater treatment plants (WWTP) in the provinces of Henan, Shaanxi, Heilongjiang, and Guangdong in the People's Republic of China (PRC). The project supports the strategic priorities of ADB's country partnership strategy for the PRC, 2021-2025 to strengthen climate resilience, address environmental degradation and achieve high-quality, green development.^a The project is also consistent with three operational priorities of ADB Strategy 2030:^b (i) making cities more livable by reducing pollution and supporting water quality improvements in ecologically sensitive river basins in the country through higher discharge standards of treated wastewater, (ii) accelerating progress in gender equality with measures designed to promote gender-sensitive solutions and gender-responsive infrastructure assets; and (iii) addressing remaining poverty and reducing inequalities by providing employment during the project's construction and operation phases.</p>
B. Poverty Targeting:
<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>The proposed investment is expected to contribute to the country's pollution and waste control measures, and the improvement of its water resource management. The operation of the project, servicing both industrial and residential sectors, where these treatment plants are located will ensure continuous and improved wastewater treatment services, and the continuous employment of its workforce.</p>
C. Poverty and Social Analysis
<p>1. Key issues and potential beneficiaries. Water is an essential resource, and the PRC is one of the most water-stressed countries in the world. Around 20% of the world's population reside in the PRC, but it only has 7% of the world's freshwater resources. Water scarcity is more serious in the Yellow and Huai River basins in the northern PRC, wherein 23% of the country's population reside but with only 6% of the country's total water resources.^c Rapid urbanization and water pollution has made this deficiency more difficult.^d Provincial governments along the river basins are increasingly introducing more stringent local wastewater treatment discharge standards, higher than the national requirements, in recognition of the critical nature of water security in these provinces. CCW operates nine wastewater treatment plants alongside Yellow River and Huai River in the provinces of Henan, Shaanxi, Heilongjiang, and Guangdong, receiving both industrial and domestic wastewater. The industries and households that these WWTPs serve, which is over two million people, are ensured of continuous access to improved wastewater management. CCW and all the nine sites, its employees, and its investors, will continue to benefit from this proposed project. The respective communities, the local government, and the broader public will also benefit from the environmental improvements resulting from the improved wastewater treatment.</p>
<p>2. Impact channels and expected systemic changes. Water reuse rates in all cities in PRC reached 20.9% in 2019.^e The upgrading of CCW's wastewater treatment plants will support the increase of the reuse rate of treated wastewater and will be a factor in diminishing water scarcity problems. Furthermore, improving the wastewater discharge standards will not further add to the country's current water pollution problems.</p>
<p>3. Focus of (and resources allocated in) the transaction TA or due diligence. ADB's due diligence will focus on the results of the social compliance audit that will be undertaken at the corporate and subproject levels.</p>
II. GENDER AND DEVELOPMENT
<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?</p> <p>PRC has a high rate of female labor force participation, which stood at 61.5% in 2018, compared with a global average of 47.3%.^f While PRC is showing strong female-to-male labor-force participation ratio (0.81) and high presence of women in professional and technical jobs (1.07), women continue to be under-represented in leadership, holding 20% of senior management positions.^g Given the progress on equal access to education, this is mostly due to culture considerations rather than adequately skilled women. In addition, the nature of work at wastewater treatment plants makes it difficult in terms of working conditions to reach better balanced participation. Although past laws and regulations have targeted sexual harassment before, the Civil Code through its Article 1010 is the first national law to place this specific duty on employers. Effective January 2021, it obliges companies to adopt measures</p>

for preventing and responding to sexual harassment in the workplace. These include channels for employee complaints, procedures for investigating complaints, and rules for disciplining wrongdoers.^h

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

Gender analysis and profiling of the sponsor will be conducted as part of the due diligence to determine the project's gender measures. Assessment will notably look at the enabling working environment for female employees and gender responsive infrastructure assets.

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.

From initial stakeholder analysis, CCW's stakeholders are government authorities, its investors, and local communities and companies that benefit from its water treatment activity. Consultations with local communities has been undertaken as part of the environmental impact assessment process for each of the nine plants. The land acquisition process for each was undertaken by respective local government authorities. Due diligence will include an assessment of CCW's capacity and resources for managing stakeholder engagement.

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?

Each WWTP company is responsible for managing community grievances received during construction and operation. Based on initial information, in case a community grievance is received, the company will report to local government to seek resolution. Due diligence will assess the grievance mechanism is being effectively operated at the corporate and subproject levels, through review of any records of grievances received, and interviews with responsible personnel at each level designated to address community grievances.

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

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 project will support the expansion of the capacity of CCW's nine wastewater treatment plants. Tranche one covering upgrades and expansion, are within the current area of the existing plants and do not require new land acquisition. All the offsite pipelines, as well as the pump houses that either were or will be constructed, are built, managed and maintained by the local governments. Thus, no temporary land acquisition is directly involved in CCW's subprojects. Tranche two may cover a potential expansion of the Xianyang WWTP which may require acquisition of immediately adjacent land by the government. Based on initial information, displacement impacts from this land acquisition will likely be non-significant. Due diligence will explore through the social compliance audit the potential for CCW to enhance its environmental and social management system with a procedure for the management of involuntary displacement impacts in accordance with ADB policy requirements for non-sovereign corporate finance clients.

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

The project's upgrade and expansion of wastewater treatment plants is not envisaged to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of Indigenous Peoples or affects the territories or natural or cultural resources that Indigenous Peoples own, use, occupy, or claim as their ancestral domain.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

<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 transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment (L) <input checked="" type="checkbox"/> Adhering to core labor standards (L) <input checked="" type="checkbox"/> Labor retrenchment (L)</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><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?</p> <p>CCW' s compliance with the PRC Labor Code and related policies, as well as measures to adhere to core labor standards will be reviewed during due diligence.</p>
<p>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</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 transaction TA or due diligence?</p> <p>ADB has engaged external consultants to conduct the Environment and Social Compliance Audit at the corporate and subproject levels. A member of ADB's project team joined the consultants during WWTP site visits. At ADB headquarters, the project team will conduct due diligence to review CCW's social and gender-related policies and procedures, and their implementation.</p>

^a ADB. 2021. *Country Partnership Strategy: People's Republic of China, 2021–2025—Toward High-Quality, Green Development*. Manila.

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

^c ADB. 2018. *Managing Water Resources for Sustainable Socioeconomic Development*. Manila.

^d ADB. 2016. *Meeting the Wastewater Challenge in the People's Republic of China: Project Result/Case Study*. Jinan.

^e Stantec. 2021. *CCW Technical Due Diligence: A Draft Report*. 25 February 2021.

^f ADB. 2019. [Inclusive Growth in the People's Republic of China: A Deep Look at Men and Women's Work Amid Demographic, Technological, and Structural Transformations](#), ADB East Asia Working Paper Series, No. 23. Manila.

^g McKinsey & Company. 2018. [The Power of Parity: Advancing Women's Equality in Asia Pacific](#). McKinsey Global Institute.

^h Longarino, D. December 2020. Will China's Civil Code Finally Get Companies to Take Fighting Sexual Harassment Seriously? – The Diplomat