



Initial Poverty and Social Analysis

Project Number: 54459-001
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People's Republic of China: Zhujiang Financial Leasing Small and Medium-Sized Enterprises Finance Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 27 January 2021)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1547
\$1.00	=	CNY6.4652

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	-	coronavirus disease
ESMS	–	environmental and social management system
PRC	–	People's Republic of China
SMEs	-	small and medium-sized enterprises
ZFL	-	Zhujiang Financial Leasing Company Limited

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:	Zhujiang Financial Leasing Small and Medium-Sized Enterprises Finance Project
Lending/Financing Modality:	Loan	Department/ Division:	Private Sector Operations Department Financial Institutions Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Asian Development Bank (ADB) intends to provide a follow-on loan to Zhujiang Financial Leasing Company Limited (ZFL) to fund lease contracts with small and medium enterprises (SMEs) in the People's Republic of China (PRC). The existing loan to ZFL was approved by the ADB's Board of Directors in 2018 to expand ZFL's services to SMEs in PRC's less developed regions. The proposed project will strengthen the reach of ZFL in areas outside Beijing, Shanghai, Shenzhen, and Guangzhou cities. It is consistent with ADB's country partnership strategy for PRC, 2021-2025, which emphasizes the need to support private companies, including SMEs, access to financing.^a

B. Poverty Targeting

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

The proposed project will provide continuous support to the growing leasing operations of ZFL, particularly to SME clients, including those in underserved segments.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The continued and accelerated growth of SMEs in the PRC is hampered by limited financial access to support the sustainability of business activities. Despite the government's support and intervention, the number of companies that closed their business and canceled their registration has been increasing from 0.51 million in 2014 to 0.79 million in 2015, 0.98 million in 2016, 1.24 million in 2017, and 1.81 million in 2018.^b Bank loans are an important source of financing for SMEs but their access is constrained due to credit conditions such as collateral requirements, and usually resort to alternative financing channels such as lease financing (footnote b). The proposed project will provide continuous direct benefits to ZFL and the SME clients within the sectors of education, agriculture, culture and tourism. The proposed project intends to support SMEs operating within Guangdong Province who experienced significant challenges due to the coronavirus disease (COVID-19) pandemic.

2. Impact channels and expected systemic changes. The proposed follow-on transaction is expected to sustain the lease operations of ZFL and provide continuous economic and employment opportunities to PRC's working population, including the poor and vulnerable.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will review the existing and future portfolio of ZFL and the implementation of its environmental and social management system (ESMS), focusing on SMEs funded using ADB's proceeds. The review will also include the assessment of ZFL's system to evaluate the environmental and social impacts of non-ADB-funded leasing activities.

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?

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% although the rate has been falling steadily for the past 3 decades along with diminished employment opportunities for women and a resurgence of traditional stereotypes about women's work.^c Women are still seen as primary caregivers and expected to prioritize caring for their families over their careers.^d Sexual harassment at the workplace remains a pervasive problem in the country.^e Even though PRC's recent Civil Code obliges companies to adopt measures preventing sexual harassment at the workplace, enforcement remains a challenge.^f

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

A gender analysis will be undertaken to determine the potential gender measures which may include greater inclusion of women in a corporate internship program, professional development opportunities for female staff and/or anti-sexual harassment policy and training.

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	
<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.</p> <p>ZFL's SME clients are the main stakeholders of the proposed project. Due to the nature of the transaction, stakeholders 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?</p> <p>ZFL's engagement with its clients and relevant stakeholders, including the implementation of the grievance redress mechanism, will be reviewed during the due diligence process.</p> <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?</p> <p><input checked="" type="checkbox"/> Information generation and sharing (L) <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not applicable given the nature of the transaction.</p>	
IV. SOCIAL SAFEGUARDS	
A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI	
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The lease portfolio of ZFL involving SMEs is expected not to have significant involuntary resettlement impacts. The majority of the leases are for equipment or facilities. However, its tourism business segment includes transactions with urban redevelopment corporations operating cultural attractions adjacent to large cities under a sale-and-leaseback financing model where the real estate property rights is the subject of the lease. The current ESMS of ZFL includes the procedure to review land-related documents to assess the extent of physical and economic displacement impacts of the potential lease financing. ZFL does not use ADB loan proceeds to SMEs involved in business activities with Category A impacts.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>	
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI	
<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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</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 ZFL has operations in Guizhou and Yunnan provinces where there are ethnic minority autonomous prefectures, as well as in Inner Mongolia Autonomous Region. While its operation is market-driven, it neither promotes nor discriminates against leasing to ethnic minorities.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The ESMS of ZFL includes the procedure to assess the impacts of SME's business activities on Indigenous Peoples during the processing of lease applications. ZFL screens out lease activities with Category A impacts on Indigenous Peoples.</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>	
V. OTHER SOCIAL ISSUES AND RISKS	
<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 (M) <input type="checkbox"/> Adhering to core labor standards (L) <input type="checkbox"/> Labor retrenchment</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 <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? Due diligence will assess ZFL's compliance with national labor laws and core labor standards. The current evaluation and monitoring system of ZFL to ensure similar compliance of its clients will also be reviewed.</p>	
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT	
<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</p>	

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?

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

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- ^a Asian Development Bank (ADB). 2021. *Country Partnership Strategy People's Republic of China, 2021–2025: Toward High-Quality, Green Development*. Manila.
- ^b Organisation for Economic Co-operation and Development (OECD). 2020. *Financing SMEs and Entrepreneurs 2020: an OECD Scorecard*. Paris.
- ^c 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.
- ^d Connelly, Dong, Jacobsen & Zhao. 2018. "[The Care Economy in Post-Reform China: Feminist Research on Unpaid and Paid Work and Well-Being](#)". *Feminist Economics*, 24:2, 1-30.
- ^e Yifu, Dong. 2019. "[What is the Role of the Law in Combating Sexual Harassment in the Workplace? — Lessons for China's Evolving Anti-Sexual Harassment Legislation](#)". *Yale Law School Paul Tsai China Center*. 2019. New Haven.
- ^f Durham, Mathew. 2021. "[China's New Civil Code and Its Impact On Sexual Harassment In The Workplace](#)". *Mondaq*, (Accessed 26 February 2021).

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