

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	People's Republic of China	Project Title:	Low-Carbon District Heating Supply in Hohhot in Inner Mongolia Autonomous Region
Lending/Financing Modality:	Project	Department/Division:	East Asia Department Energy Division

<b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b>
Targeting classification: General intervention
<b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b>
The project supports the Twelfth Five-Year Plan, 2011–2015 of the People's Republic of China (PRC), which emphasizes resource conservation and environmental protection, and gives priority to improving energy efficiency and developing cleaner energy sources. The project is consistent with the Asian Development Bank's (i) Energy Policy (2009), <sup>a</sup> which emphasizes energy efficiency and access to energy for all, and recognizes the district heating subsector as an area of intervention for energy efficiency improvement and access to modern heating services, contributing to better quality of life for all; and (ii) country partnership strategy, 2011–2015, <sup>b</sup> which focuses on the strategic pillar of energy efficiency in district heating systems.
<b>B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence</b>
<p>1. Key poverty and social issues.</p> <p>Hohhot, the capital of Inner Mongolia Autonomous Region, is located in northern PRC, where winter temperatures drop to as low as –40°C and subzero temperatures typically last for 6 months of the year. Adequate heating is essential in such a harsh winter climate. Heating is also a major cause of increased outdoor and indoor air pollution during winter months. Residents that are not connected to modern and efficient centralized district heating depend on coal-based stoves or small, inefficient coal-fired neighborhood boilers that lack emission control equipment. Low-income households using coal-based stoves for heating face risks of (i) respiratory diseases caused by poor indoor air quality, (ii) death from carbon monoxide poisoning, (iii) fire accidents, and (iv) catching colds because of imbalanced room temperature. The project aims to establish a zero-coal, low-carbon heating system by installing gas-based centralized district heating system with wind power integration in the project area. Once the project is operational, it will enable the removal of 50 boilers in 29 small boiler houses, and 421,400 coal-fire household stoves, thereby improving indoor and outdoor air quality. Improved air quality will decrease the risk of acquiring respiratory and other diseases, which have higher impact on the sick, children, elderly, and poor people. The project will inclusively extend cleaner, reliable, safer, and affordable heating services to the residents in the project area regardless of income group, age, gender, and ethnicity.</p> <p>2. Beneficiaries.</p> <p>The project will benefit 294,500 households or 883,500 people (30% of Hohhot's total population), of which 271,500 households are currently connected to either small, inefficient coal-based neighborhood boilers or coal-fired household stoves, and 23,000 are new households. Among the beneficiary households, 20.8% will be urban residents in the near future, 71.5% will be urban villagers, and 7.8% will be migrants. By income level, 4.9% of the households are poor (14,570 households) and 24.8% are the low-income group.<sup>1</sup> In addition, the project will benefit 18 schools with about 12,000 students, 35 kindergartens with about 4,000 children, and 12 hospitals.</p> <p>3. Impact channels.</p> <p>The project will bring multiple direct benefits to the poor and vulnerable groups by (i) reducing the number of cases involving people suffering from respiratory diseases by improving indoor and outdoor air quality; (ii) reducing indoor carbon monoxide poisoning by providing safer district heating services; (iii) reducing heating expenditure by switching from household stoves to centralized energy-efficient heating system; (iv) supporting a better medical environment by providing cleaner and reliable heating services to hospitals; (v) improving living conditions through adequate, reliable, and affordable heating services; and (vi) supporting a better school environment during winter by providing cleaner and reliable heating services. Free heating services will be offered to 14,570 poor households, or 5% of total beneficiaries. Also, the project will provide a limited number of jobs (50 positions during the construction period) to the poor, which may help support their income.</p> <p>4. Other social and poverty issues.</p> <p>Other concerns raised by the poor are (i) access to better and affordable housing, (ii) employment opportunities, and</p>

<sup>1</sup> Defined as those covered by Dibao (the minimum living allowance program).

<p>(iii) education and medical services. The local government is committed to supporting low-income households by (i) providing 28,318 apartments that will be connected to the central heating system for low-income households, which can serve about 10% of total population in the project area; (ii) providing skills training and a job vacancy referral system; and (iii) upgrading the education and medical services and providing a subsidy to make them affordable for the poor.</p> <p>5. Design features. The project is designed to provide cleaner, more reliable, safer, and more affordable heating services to the residents, who depend on coal-based stove or small, inefficient neighborhood coal-fired boilers for heating.</p>
<p><b>II. PARTICIPATION AND EMPOWERING THE POOR</b></p>
<p>1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation. Representatives of 16 communities, 7 community clinics, 14 local government agencies and social institutions, 210 households, and 12 small boiler houses in the project area were consulted through meetings, focus group discussions, and household surveys. Generally, there is a high level of public support for heating service improvements, so the beneficiary communities were very supportive.</p> <p>2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. Civil society has no specific role in the project. Instead, the Hohhot Chengfa Heating Company, which is the implementing agency, has direct communication with the communities.</p> <p>3. Explain how the project ensures adequate participation of civil society organizations in project implementation. The project does not need to involve civil society organizations in project implementation.</p> <p>4. What forms of civil society organization participation are envisaged during project implementation? The following applies to the beneficiary communities. <input checked="" type="checkbox"/> Information gathering and sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>5. Will a project-level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable? <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. A plan is not required.</p>
<p><b>III. GENDER AND DEVELOPMENT</b></p>
<p>Gender mainstreaming category: No gender elements</p>
<p><b>A. Key issues.</b> The project will provide access to a cleaner, safer, and more affordable heating service to about 441,750 women, including 8,000 female students. Also, the project is committed to provide 50% of the 280 permanent positions created under the project for women. In addition, the project will conduct energy conservation campaigns targeting women and students in collaboration with the local women's federation at least twice during the project implementation period.</p>
<p><b>B. Key actions.</b> The project does not include any design to promote gender equality and women's empowerment as no gender issues are relevant to the project. <input type="checkbox"/> Gender action plan <input checked="" type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p>
<p><b>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</b></p>
<p><b>A. Involuntary Resettlement</b> <span style="float: right;"><b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</span></p> <p>1. Key impacts. A total of 52.69 hectares of government-owned waste land are allocated by the municipal government for the locations of three heat sources. This does not entail permanent or temporary physical displacement or economic displacement. Heating pipelines will be laid underground within existing rights of way, and heat exchangers will be installed in the designated area within the apartments or commercial buildings.</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other Actions. <input checked="" type="checkbox"/> No action</p>

<b>B. Indigenous Peoples</b>	<b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Key impacts. The project will be implemented in a large urban area, where there is no significant difference in lifestyle or socioeconomic status between individuals of the ethnic majority (Han) and minorities (Mongol). No Mongol villages are located in the project area. No one is affected by the land acquisition. Thus, the project does not have adverse impacts on ethnic minorities. All urban residents in the project area, regardless of ethnicity (18% of beneficiaries are Mongol), will benefit from the project.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>2. Strategy to address the impacts. Not applicable.</p>	
<p>3. Plan or other actions. <input checked="" type="checkbox"/> No action</p>	
<b>V. ADDRESSING OTHER SOCIAL RISKS</b>	
<b>A. Risks in the Labor Market</b>	
<p>1. Relevance of the project for the country's or region's or sector's labor market <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input checked="" type="checkbox"/> (L) retrenchment <input checked="" type="checkbox"/> (L) core labor standards</p>	
<p>2. Labor market impact. A total of 132 seasonal workers will be affected once the Hohhot Municipal Government closes small boiler houses. Skills training will be provided to affected workers and the implementing agency is committed to retain as many of these workers as possible, as long as they meet the required skill level. A labor retrenchment and reemployment plan is in Appendix 1 of the project administration manual. A lack of adherence to the core labor standards is expected to be at low risk. The standard assurance on core labor standards will be included in the project agreement.</p>	
<b>B. Affordability</b>	
<p>The heating tariff will be kept at the current level initially, and then gradually adjusted to the cost-recovery level depending on the income level of the beneficiaries. In the meantime, the local government will pay for urban environment improvement through a natural gas subsidy to the heating company to compensate for the difference in fuel cost between coal and natural gas. The poor (5% of beneficiaries), will be exempted from the heating connection fee and tariff, and the cost will be shared by the local government and the heating company. Heating costs are about 8% of the annual income of low-income stove-using households. It is estimated that the cost will be reduced to 6% after they are connected to the centralized heating system. Therefore, affordability will not be an issue for the project.</p>	
<b>C. Communicable Diseases and Other Social Risks</b>	
<p>1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> (L) Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____</p> <p>2. Describe the related risks of the project on people in project area. Standard assurance on the spread of communicable diseases is included in the project agreement.</p>	
<b>VI. MONITORING AND EVALUATION</b>	
<p>1. Targets and indicators: There are no performance targets that address poverty reduction and inclusive social development because the project's targeting classification is general intervention.</p> <p>2. Required human resources: A social specialist (2 person-months of national consultant services) is allocated to support the implementing agency.</p> <p>3. Information in the project administration manual: Compliance with labor retrenchment plan and social impact will be included in the monitoring reports.</p> <p>4. Monitoring tools: Monitoring tools, such as collection of secondary data, household surveys, and key informant interviews, will be used.</p>	

<sup>a</sup> Asian Development Bank (ADB). 2009. *Energy Policy*. Manila.

<sup>b</sup> ADB. 2012. *Country Partnership Strategy: People's Republic of China, 2011–2015*. Manila.

Source: Asian Development Bank.