

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional (Viet Nam, the People's Republic of China, and Indonesia)	Project Title:	High-Value Horticulture Development Project
Lending/Financing Modality:	Loan	Department/ Division:	Private Sector Operations Department / Office of the Director General

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed \$20 million loan facilities from Asian Development Bank (ADB) will support the Agripacific group for the expansion of its high-value horticulture business model in Viet Nam, the People's Republic of China (PRC), and Indonesia. It will support development of farms in the three countries through investments in climate-resilient technologies including construction of greenhouses, water harvesting, and drip irrigation. The project is aligned with ADB's Midterm Review of Strategy 2020, which emphasizes the need for ADB to support food security, agricultural productivity, and inclusive business.¹ The project is also fully aligned with ADB's Operational Plan for Agriculture and Natural Resources, 2015–2020, which recommends greater private sector agribusiness investment by ADB.² The project is consistent with ADB's country partnership strategy for Viet Nam, 2016–2020 outcome pillar 1 on promoting job creation and competitiveness. ADB will help to create more jobs and improve the global competitiveness of the economy through assistance to enhance the enabling environment for private sector development and promoting improved physical connectivity to develop supply chains within Viet Nam.³ The project is also consistent with ADB's country partnership strategy, 2016–2020 for the PRC. To support rural development for inclusive economic growth, ADB will assist the PRC in developing suitable methods to (i) modernize agriculture; (ii) promote circular agriculture through the value chain to reduce resource inputs and waste outputs, and control pollution; and (iii) improve food safety, including related infrastructure and capacity development. Through its private sector operations, ADB will support agribusiness projects that enhance productivity, inclusion of smallholder farmers in value chains, and food safety.⁴ The project is also aligned with the Indonesia country partnership strategy, 2016–2019⁵ objective of higher and more inclusive growth in which ADB support will contribute to prosperity and inclusion by helping to boost the rate of economic growth and by expanding opportunities for low-income households to participate in the growth process, as well as support rural infrastructure development and agricultural commercialization to help contribute to food security and boost rural incomes.

B. Poverty Targeting:

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

ADB's support for this project will help demonstrate replication of a successful high-value horticulture model in different developing countries. The project will support the application of climate adaptation practices in flower farms through investments in technologies such as construction of greenhouses, water harvesting, and drip irrigation facilities. The project will offer new job opportunities during construction and operations as well as engage additional contract farming households.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Agricultural development is key to eradicating poverty and creating conditions for sustainable and equitable growth in Asia and the Pacific since the majority of people still rely on agriculture for their livelihoods, and the majority of poor people live in rural areas. The project will help demonstrate operations of high-productivity agriculture and at the same time promote inclusion through engagement of smallholder contract farmers in a process that could be replicated. The development of new farms will create new opportunities for the local labor force during the construction and operations phases. The project will benefit (i) the local economy through improved agricultural production and marketing, (ii) potential smallholder contract farmers as they will gain more knowledge and experience in horticulture farming and improve their household incomes, and (iii) the local labor force through creation of new employment opportunities from the expanded farm operations.

¹ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

² ADB. 2015. *Operational Plan for Agriculture and Natural Resources: Promoting Sustainable Food Security in Asia and the Pacific in 2015–2020*. Manila (p. 15).

³ ADB. 2016. *Country Partnership Strategy: Viet Nam, 2016—Fostering More Inclusive and Environmentally Sustainable Growth Distribution*. Manila.

⁴ ADB. 2016. *Country Partnership Strategy: Transforming Partnership: People's Republic of China and Asian Development Bank, 2016*. Manila.

⁵ ADB. 2016. *Country Partnership Strategy: Indonesia, 2016—Towards a Higher, More Inclusive, and Sustainable Growth Path*. August. Manila.

2. Impact channels and expected systemic changes. The expansion of the farms will create new employment opportunities for the local labor force in the countries where the participating group companies are located. Agripacific's focus on increasing new contract farming arrangements with an additional 450 farmers will help improve the skills and knowledge of farmers through extension services offered by Agripacific as well as increase the incomes of the farmers.

3. Focus of (and resources allocated in) the PPTA or due diligence. ADB team conducted due diligence on one of the subsidiary companies to understand the environmental and social impacts of the project. In addition, a qualified and experienced external expert was engaged to conduct a corporate audit on the company's existing environment and social policy, procedures, and operations. The audit identified corrective actions required to ensure adequacy and compliance of the procedures and operations to the ADB SPS and other social requirements, including labor and gender aspects.

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? The project is categorized as effective gender mainstreaming. In 2015, Agripacific employed around 3,000 people across Asia, of whom 60% were women. Agrivina, Agripacific's main subsidiary, had 2,155 full-time employees in Viet Nam. During peak seasons (Vietnamese New Year, Flower festival, etc.), Agrivina typically employs at least 500 additional seasonal workers. The audit noted that Agrivina is committed to complying with the Vietnam Labor Code and Vietnam Trade Union Law. Workers shared that they feel there is no discrimination between men and women related to recruitment, wages and benefits, trainings, and working conditions. A number of key positions such as director of human resources and head of trade union are held by women.

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?

☒ Yes ☐ No Agripacific will implement a gender action plan that includes measures such as (i) increase the proportion of women employees from 60% in 2015 to 65% in 2020, (ii) increase the proportion of women in management and supervisory position from 53% in 2015 to 63% in 2020, (iii) enhance the group's human resource policy to include provisions on gender equality in recruitment and salary and to prohibit sexual harassment in the work place, (iv) provide separate toilets and bathrooms for men and women workers, improve women's dormitory rooms, and establish a day care facility in the Daron farm.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No The project will benefit women through increase in employment opportunities and improvement of facilities for the women staff.

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.

The potential project stakeholders include landowners, communities, local leaders, nearby communities, local government units, and contract farmers. Agripacific will incorporate in its environmental and social management system (ESMS) the process of engagement with various stakeholders. Agripacific will also provide agriculture extension services to its potential contract farmers.

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? Agripacific will incorporate in its environmental and social management system (ESMS) the process of engagement with various stakeholders including landowners, communities, local leaders, nearby communities, local government units, and contract farmers.

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?

☒ Information generation and sharing ☐ Consultation ☐ Collaboration ☐ Partnership

The opportunity to involve civil society organizations is limited, as the project will be dealing with expanding flower farms and distribution facilities. However, the ESMS of the group will include a procedure to consult with various stakeholders, assign a staff member to help implement consultation activities, and address any concerns from stakeholders, including civil society organizations, if any.

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? ☐ Yes ☒ No

The project will involve smallholder farmers to be part of the contract farming activities of the Project, which is expected to result in better incomes for their household.

V. 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 Agripacific will support its group companies to expand their flower farms in the Lam Dong province of Viet Nam and the Yunnan province of the PRC, establish a flower farm in Indonesia, and will also expand its contract farming arrangements with smallholder farmers. The group companies plan to lease additional lands in Viet Nam, PRC, and Indonesia. For Viet Nam, Agrivina prefers to lease state-owned land to minimize involuntary resettlement impacts. For the PRC and Indonesia, the group companies will conduct the planned land procurement in accordance with the Agripacific ESMS satisfactory to the requirements of the ADB Safeguard Policy Statement (SPS) (2009).

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix

☒ Environmental and social management system arrangement ☐ None

Agripacific will develop and adopt its ESMS which will consider the respective relevant national and local laws and regulations applicable to the Agripacific group operations in Viet Nam, the PRC, and Indonesia. The ESMS will include resettlement policy principles and procedures. Investment activities that are category A for involuntary resettlement will be excluded from ADB financing.

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

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? ☐ Yes ☒ No The flower farm expansions will be carried out in the Lam Dong province of Viet Nam, the Yunnan province of the PRC, and in Indonesia. For Viet Nam, it is unlikely that the farm expansion in Da Lat will impact indigenous people as Da Lat is mostly inhabited by the Kinh or Viet people and the company prefers to lease state-owned land. Meanwhile, the expansion of the flower farm in the PRC is planned to be around Kunming city in Yunnan province, where a number of ethnic minorities and indigenous peoples live. The project may have limited impacts on indigenous peoples in the area.

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No .

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

☐ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ Social Impact matrix

☒ Environmental and social management system arrangement ☐ None

Agripacific will adopt an ESMS that will include indigenous peoples screening procedures in the ESMS. Investment activities that are category A for indigenous peoples will be excluded from ADB financing.

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 ☒ Adhering to core labor standards ☐ 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? Agripacific group companies and their contractors will comply with national labor laws and, pursuant to ADB's Social Protection Strategy (2001), will take measures to comply with internationally recognized core labor standards.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

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?

☒ Yes ☐ No The terms of reference of the external expert who carried out the environment and social audit report covered environment and social safeguards issues and other social dimensions including labor and gender.

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? An external expert was engaged to carry out environment and social audit of the company and its existing operations. ADB team also participated in the due diligence mission.

