



Initial Poverty and Social Analysis

Project Number: 53298-001
November 2021

Regional: Louis Dreyfus COVID-19 Climate-Resilient Smallholder Farmer Recovery Project

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ABBREVIATIONS

| | | |
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| ADB | – | Asian Development Bank |
| ESMS | – | environmental and social management system |

NOTE

- (i) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

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| Country: | Regional (IND, INO, PAK, THA, VIE) | Project Title: | Louis Dreyfus COVID-19 Climate-Resilient Smallholder Farmer Recovery Project |
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|--------------------------------|---------------------------|-------------------------|--|
| Lending/Financing Modality: | General Corporate Finance | Department/ Division | Private Sector Operations Department / Office of the Director General |
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I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed loan of up to \$100 million to Louis Dreyfus Company B.V. (LDC) will finance its working capital needs for the sustainable procurement of coffee, cotton, and rice from smallholder farmers affected by the coronavirus disease (COVID-19) pandemic in five project countries (India, Indonesia, Pakistan, Thailand, and Viet Nam). The transaction is in line with ADB's Strategy 2030 of increasing its financing for agribusiness and promoting gender equality in at least 75% of the number of ADB's committed operations by 2030. The transaction is also aligned with the operational plan for Private Sector Operations, 2019-2024, which calls for working with tier-1 agribusiness companies because of their potential to have far-reaching impact. The project is consistent with ADB's country partnership strategies for the five project countries mentioned above which include the promotion, and support, of private sector investments, including agribusiness, to support economic recovery and growth.

B. Poverty Targeting

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

LDC's continuous purchase for its coffee, cotton and rice inventory will indirectly contribute to sustaining the livelihoods of around 50,000 coffee, cotton and rice farmers in India, Indonesia, Pakistan, Thailand, and Viet Nam, who are experiencing the adverse economic impacts brought about by the COVID-19 pandemic.

C. Poverty and Social Analysis

1 **Key issues and potential beneficiaries.** The COVID-19 pandemic has significantly impacted the economy, including sharp declines in domestic consumption resulting to supply-side disruptions to production and trade, and decreases in business sales.^a Financing LDC's working capital needs will support LDC to continuously purchase coffee, cotton, and rice in India, coffee in Indonesia, cotton and rice in Pakistan, rice in Thailand, and coffee and rice in Viet Nam, and will indirectly contribute to the livelihood of more or less 50,000 smallholder farmers affected by the COVID-19 pandemic. The direct beneficiaries of the project include LDC, its various workers across the five countries, and the aggregators who supply coffee, cotton, and rice to LDC. The aggregators pool the commodities from several sources, including smallholder farmers who indirectly benefit from this project.

2. **Impact channels and expected systemic changes.** ADB financing will support LDC in continuously procuring the crucial commodities from their aggregators, who will then be able to continue purchasing the commodities from their suppliers including smallholder farmers. Thus, the project will be able to indirectly contribute to sustaining the livelihoods of the coffee, cotton, and rice farmers in the five project countries who are experiencing the severe impacts of the COVID-19 pandemic to their livelihoods.

3. **Focus of (and resources allocated in) the transaction TA or due diligence.** Identify the poverty and social issues that need to be carefully reviewed during the project design, and the potential components and measures that should be considered. Environmental and social documents prepared by the client will be reviewed by the ADB E&S team. ADB due diligence will focus on LDC's compliance with national laws and identification of gaps with the ADB SPS requirements, and its systems and processes in managing social risks and/or impacts of its operations. LDC's labor policies and practices, compliance with national labor laws, and gender responsiveness will be assessed and validated.

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? Women make vital contributions to agriculture across Asia and the Pacific, comprising between 40 and 50% of the agriculture labor force in East and Southeast Asia and 30% in South Asia.^b Still, women have fewer assets (land, livestock, human capital), and less access to inputs (seeds, fertilizer, labor, finance) and services (training), despite their significant involvement in farming. If women farmers simply had the same access as men to productive resources their agricultural yields would increase by 20% to 30% reducing the number of undernourished people in the world by 100 to 150 million.^c Emerging evidence on the impacts of COVID-19 shows that women disproportionately bear the resulting socio-economic hardships.^d COVID-19 has further exacerbated the constraints that women face, risking widening the gender gap in investments, productivity, and incomes. COVID-19 also resulted in increased unpaid domestic and care work for women, which in normal times already averages three times as much as men.^e

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 access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No
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 EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The main stakeholders of LDC are its employees and the aggregators. The aggregators can be an individual, a cooperative or a company. The project will provide funding support to enable LDC to continuously purchase coffee, cotton, and rice from smallholder farmers from the five project countries through its aggregators. This transaction also targets increasing the current number of smallholder farmers.
2. Who are the key, active, and relevant CSOs in the project area? LDC currently has cooperatives as aggregators. Similar with the other aggregators, these cooperatives pool the crops from the farmers then deliver the products they've gathered to LDC.
3. Are there issues during project design for which participation of the poor and vulnerable is important?
 Yes No If yes, what are these issues?
4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues?
LDC currently has cooperatives as aggregators. Similar with the other aggregators, these cooperatives gather the crops from the farmers then deliver these products to LDC. Cooperatives are known to be people-centered and are usually controlled and run by its members, thus fair and just pricing for the products of the farmers, wherein some of these farmers may also be their members, may be ensured. LDC uses non-governmental organization (NGO) information portals to identify potential issues in their supply chains. LDC also regularly interacts with NGOs to obtain their inputs on possible non-compliances with LDC's sustainability commitments and principles.
5. What level of CSO participation is planned during the project design?
M Information generation and sharing _L_ Consultation ___ Collaboration ___ Partnership

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
LDC's preferred mode of land acquisition is through lease. The lands where LDC's current physical assets (coffee processing mills and storage facilities) which were all built and owned by LDC, are all under lease. LDC also does not own any farmland where the crops are planted. LDC has an environmental and social management framework in place that can adequately identify and manage land-related impacts of its operations. ADB funding will not be used for activities classified as Category A or B for involuntary resettlement therefore is not envisaged to result in any involuntary resettlement impacts.
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
2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

LDC currently does not record any information on the ethnicity of its farmer-suppliers. In principle, however, LDC does not source goods from indigenous land. Still, LDC's Global Coffee Code of Conduct requires that suppliers respect the rights of indigenous communities, including land rights and the right of free, prior and informed consent (FPIC). For cotton, LDC has partnered with various organizations, such as the Better Cotton Initiative (BCI) and the Internal Labour Organization (ILO) to ensure sustainability in its supply chain. BCI follows various principles and criteria to ensure that cotton is produced sustainably, including respecting the rights of indigenous peoples and consulting and negotiating with them through FPIC. For rice, LDC has not come across procurement from indigenous peoples in its supply chain. Nevertheless, LDC discusses potential supply chain issues with local partners, including representatives from the ILO, which is responsible for the Indigenous and Tribal Peoples Convention, 1989 (No. 169).

3. Will the project require broad community support of affected indigenous communities? Yes No
Impacts on indigenous peoples are not anticipated, thus, broad community support is not required.

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 (L) Adhering to core labor standards (M) 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 project aims to increase the number of farmers and the number of company workers it engages. LDC has an Employee Handbook and a Group Code of Conduct that highlights its condemnation of child and forced labor and various forms of discrimination. These principles are also ingrained in LDC's Sustainable Development Policy that covers its own workers (whether full-time or part-time, permanent, temporary, or seasonal) and those in its supply chain. LDC also manages its supply chain through its commodity-specific Code of Conduct.

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 the participation plan during the transaction TA or due diligence?

As this is an indirect COVID-19 response project, the project team will conduct the poverty, social and/or gender analysis.

Sources: Asian Development Bank and Louis Dreyfus Company B.V.

^a ADB. April 2021. [Macroeconomic Impact of COVID-19 in Developing Asia](#). Manila.

^b Food and Agricultural Organisation of the United Nations. 2017. Regional Gender Strategy and Action Plan 2017-2019 for Asia and the Pacific. Bangkok.

^c Food and Agricultural Organisation of the United Nations. 2011. *The State of Food and Agriculture 2010-11*. Rome.

^d Wenham C, Smith J, Morgan R. *Covid-19: the gendered impacts of the outbreak*. Lancet. 2020;395(10227):846-8.

^e UN Women. 2020. *Policy brief: The impact of COVID-19 on women*. New York.