



# Initial Poverty and Social Analysis

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Project Number: 54287-001  
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## PRC: Expanding Access to Finance for Farmers and Micro Entrepreneurs Project

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**Asian Development Bank**

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CFM	–	CD Finance Management Co., Ltd.
CPS	–	Country Partnership Strategy
PRC	–	People's Republic of China

## **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:	Expanding Access to Finance for Farmers and Micro Entrepreneurs Project
Lending/Financing Modality:	Financial Intermediary	Department/Division:	Private Sector Operations Department/ Private Sector Financial Institutions Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project is a \$40 million Asian Development Bank (ADB) loan to CD Finance Management Co., Ltd. (CFM) for microloans to farmers and micro entrepreneurs engaged in livestock, fish and crop farming and micro industries such as production and processing, transportation and wholesale and retail trade. At least 60% of the which should be disbursed to women sub-borrowers. The project is aligned with ADB's support to developing member countries and private sector companies' recovery from the COVID-19 pandemic. The project is also consistent with Country Partnership Strategy (CPS) (2016-2020) strategic priorities and ADB Strategy 2030's operational goal of scaling up private sector development and private sector operations.<sup>a</sup>

#### B. Poverty Targeting

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

The project is classified general intervention and is designed to provide funding support to CFM.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. ADB's CPS notes that although People's Republic of China (PRC) has achieved its Millennium Development Goal of reducing income poverty, it is still ranking second-largest national concentration of poverty globally and 70.17 million people still lived below the rural poverty line of CNY2,300 per annum.<sup>b</sup> To address this issue as well as to mitigate the impacts of Covid-19, the project will provide capital and funding to CFM to support lending to farmers and micro entrepreneurs start and maintain agriculture and other business activities in the rural areas
2. Impact channels and expected systemic changes. ADB's long-term funding will support the CFM's business plan to support rural recovery and improve economic resilience.
3. Focus of (and resources allocated in) the transaction TA or due diligence. Desktop due diligence will assess the CFM's performance in terms of implementation of its existing environmental and social policies and procedures.

### 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 is considered an agricultural country, and it is estimated that about a quarter of the rural households receives over 80% of their cash income from farming.<sup>c</sup> Women account for more than 60% of the rural labor force and perform most of the agriculture work.<sup>d</sup> However, they are often marginalized because of lower education and the lack of access to skills and information.<sup>e</sup> Micro finance institutions have an important role of accelerating rural financial innovation to address the skill and information gaps, predominant for rural women. Cost reduction of rural financial services and bridging the gaps in rural financial services in some areas will also be key to achieve sustainable rural development for all.

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

CFM covers rural provinces where it can be extremely hard for local population to access any services including financing. Serving almost 1 million customers, of which women account for 46%, CFM has been able to improve its outreach by empowering villagers to become microfinance officers and have a better understanding of its client's needs through increased proximity. The project will look to build on CFM customer value proposition to increase gender inclusivity in its lending and services to rural households and women micro entrepreneurs.

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. The stakeholders of the project include the CFM and its local branches/cooperatives, and rural women borrowers.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? CFM's environmental and social management system includes provisions and procedures for stakeholder engagement, community consultation and grievance resolution.

<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? The nature of project limits the opportunities to engage civil society organizations.</p> <p><input 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</p> <p>Potential issues related to the participation of the local communities will be assessed during audit and due diligence.</p>
<b>IV. SOCIAL SAFEGUARDS</b>
<p><b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI-C</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No ADB-financed sub-loans by CFM to farmers and micro entrepreneurs engaged in livestock, fish and crop farming and micro industries such as production and processing, transportation and wholesale and retail trade are not expected to entail any involuntary resettlement impacts.</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. 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  <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI-C</p> <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 type="checkbox"/> Yes <input checked="" type="checkbox"/> CFM's business activities are unlikely to entail direct or indirect impacts on Indigenous Peoples' (IP) dignity, human rights, livelihood systems, culture or impact the territories or natural or cultural resources that IP's own, use, occupy, or claim as an ancestral domain or asset.</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</p> <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  <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> Adhering to core labor standards (L) <input type="checkbox"/> Labor retrenchment  <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability  <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? The impact of the project on local labor markets is minimal. CFM's operations will comply with the national labor laws and will take measures to comply with the relevant core labor standard.</p>
<b>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
<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? Not applicable.</p> <p><input 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? ADB Team will conduct environment and social desk review of the company and its existing operations.</p>

<sup>a</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>b</sup> ADB. 2016. *Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila.

<sup>c</sup> Landesa. 17-Province Survey Final Report. 2018. *Findings from the Seventeen-Province Survey on Farmers' Land Rights in China Land Contracting Rights, Transfers, Takings, and Urbanization*.

<sup>d</sup> Permanent Mission of the People's Republic of China to the UN Office at Geneva and other International Organizations in Switzerland. *Gender Equality and Women's Development in China*. (accessed 13 August 2020)

<sup>e</sup> ADB. January 2016. *Country Partnership Strategy: People's Republic of China and Asian Development Bank, 2016–2020. Gender Analysis (Summary)*. Manila.