



Initial Poverty and Social Analysis

Project Number: 55106-001
November 2021

Regional: ECOM COVID-19 Smallholder Farmer
Climate Resilience and Livelihood Support Project

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ECOM	–	ECOM Agroindustrial Corp. Limited and its subsidiaries
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

Country:	Regional (India, Indonesia, Papua New Guinea, Viet Nam)	Project Title:	ECOM COVID-19 Smallholder Farmer Climate Resilience and Livelihood Support Project
Lending/Financing Modality:	Corporate Finance	Department/ Division:	Private Sector Operations Department Office of the Director General

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project is aligned with Asian Development Bank's (ADB) Strategy 2030, which calls for ADB to "scale up its financing for agribusiness" and "promote gender equality in at least 75% of the number of ADB's committed operations by 2030." It 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 widespread impact. The project is consistent with ADB's country partnership strategies for India, Indonesia, Papua New Guinea (PNG), and Viet Nam which include the expansion of nonsovereign operations, including agribusiness, to support diversified economic growth. With coronavirus disease 2019 (COVID-19) pandemic causing disruptions on international trade and supply chains, lowering of commodity prices and deterioration of labor market, the project will be supporting smallholder farmers and vulnerable sectors at a time when there is an increased risk of falling below the poverty line. This is particularly crucial to above-mentioned countries that are reliant on commodity exports, and vulnerable to shocks and price fluctuations.

B. Poverty Targeting:

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

The project will contribute to sustained offtake of coffee and cocoa beans from smallholder farmers in four countries negatively affected by disruptions caused by COVID-19 in agricultural supply chains and resultant economic contractions. Sustaining offtake will contribute to preserving farming operations and livelihoods during the pandemic.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The project seeks to address the economic impact of the COVID-19 pandemic on smallholder farmers, who will be the end-users/beneficiaries of the project. Disruption of agricultural supply chains, coupled with economic contraction stemming from COVID-19 have drastically reduced farmers' sales volumes and prices because of market closures and the shrinking number of and demand from traders, leaving smallholder farmers exposed to declining purchasing power, increasing amounts of food loss, falling prices, and other disturbances. Prolonged lockdowns add to the financial burden of farmers as loan payment due dates approach, payments are missed, or loans grow. The impact is most severe on smallholder farmers with little savings from harvests and returns from earlier sales. On average, annual income of smallholder farmers in the following countries are as follows: India \$1,054, Indonesia - \$1,967, and Vietnam - \$6,609.

2. Impact channels and expected systemic changes. Impact channels are farm to market supply chains managed by ECOM Agroindustrial Corp. Limited and its subsidiaries (ECOM) through which coffee and cocoa beans are sourced from farmers and technical and financial support services are delivered by ECOM along with income from sales. Farmers rarely have alternative buyers and cocoa and coffee constitute one of their few high-value cash crops. ECOM technical support helps maximize the value of the crop, but also assists in the development of other high value crops while creating water efficiencies and promoting climate resiliency.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Based on information provided by ECOM, farmers in their supply chain receives \$293-3,288 per hectare net revenue for coffee depending on the country and variety. Due diligence will look into social safeguards and social protection issues in relation to farmers and aggregators in ECOM's supply chains. ECOM's ESMS, existing certification and traceability programs, and tools and procedures will be reviewed to see if these are adequate to safeguard farmers, IPs and vulnerable groups support.

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 essential 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.^a Despite their significant involvement in farming, women have fewer assets and less access to inputs and technology. When women farmers have better access to technical training and the necessary inputs, they are more likely to adopt good agricultural practices and improve their productivity.^b COVID-19 has further exacerbated the constraints that women farmers face, risking widening the gender gap in investments, productivity and incomes. Strengthening women's participation

in high-value crops such as coffee and cocoa is likely to have a positive impact on women's incomes and access to opportunities for empowerment while also improving product quality and volumes for the businesses.^c

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

Due diligence will identify potential gender mainstreaming measures that may be incorporated in the project design. Gender measures to be explored with ECOM may include training women on farming best practices and financial literacy and sustaining the number of women in ECOM's supplier base and workforce.

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 main stakeholders are ECOM, its employees and the farmers in the supply chain. The project will provide liquidity support to ECOM to enable the company to continue purchasing coffee and cocoa from smallholder farmers. No changes in the operations of ECOM is expected that would require stakeholder participation. Prior to certification process, ECOM conducts an orientation to potential partner farmers on the certification process and company standards, requirements, and use of farmers' data to allow farmers to decide voluntarily if they would proceed with the program.

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? ECOM has an onboarding procedure for smallholder farmers where company standards are presented. Farmers voluntarily deciding to become an ECOM supplier and are subject to a certification program which requires compliance to certain agricultural practices, ES requirements, including labor standards. ECOM meanwhile provides technical trainings, hybrid crops and community support.

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?

Information generation and sharing Consultation Collaboration Partnership

Civil society organizations might be involved in the conduct of a Technical Assistance (TA) for farmer-to-farmer knowledge transfer. Relevant CSOs will be identified during the implementation of the TA.

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? Yes No The project is limited to provision of liquidity support.

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 ADB loan proceeds will not be used to acquire land. The rooftop solar power system will be installed in an existing facility. ECOM has adequate policies and procedures in place to identify and manage land-related impacts in its operations and can ensure ADB loan proceeds will only be utilized for purchase of raw materials.

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 ECOM purchases coffee from individual farmers who may be members of ethnic minority groups in Viet Nam. While ECOM has adequate policies and procedures in place to identify and manage IP-related impacts in its operations and can ensure ADB loan proceeds will only be utilized for purchase of raw materials, ADB will explore opportunities to further enhance benefits to distinct and vulnerable ethnic minority groups from participation as a supplier to ECOM.

3. Will the project require broad community support of affected indigenous communities? Yes No The project involves the procurement of coffee and cocoa from existing smallholder farmers across four countries.

<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>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<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 (L) <input checked="" 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</p> <p><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? These will be addressed through the ESMS of ECOM and the certification program of ECOM's partners.</p>
<p>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<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?</p> <p><input checked="" 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? Following interim guidance for due diligence during the COVID-19 pandemic, ADB staff will undertake poverty, social, and gender analysis.</p>

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

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

^c Food and Agricultural Organisation, KIT Royal Tropical Institute and Twin.2019. *Changing the terms of women's engagement in cocoa and coffee supply chains*. Rome