

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	REG	Project Title:	Spice Value Chain Development Project
Lending/ Financing Modality:	Corporate loan	Department/Division:	PSOD/PSIF1/PSIF2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project will enhance the development of inclusive and sustainable spice value chains in India and Cambodia. The Project will include possible components of (i) construction of a manufacturing facility for steam sterilized whole and ground spices in India; (ii) development of a manufacturing facility and marketing/distribution network for seasonings products in India; (iii) expansion of laboratories in India and commercializing major patentable products by 2017 to scale up this segment; (iv) expansion of organic farming and promotion of a contract farming model in Cambodia where Akay has purchased and rehabilitated 720 hectares and for which capital expenditures will be needed for (a) drip irrigation systems, (b) extension of black pepper cultivation, (c) expansion of drying yard, and (v) construction of an extraction plant to be located in Cambodia to facilitate exports. The project is consistent with Strategy 2020's objective of supporting agriculture and scaling-up private sector development and private sector operations in all operational areas¹. The project is also fully aligned with ADB's agriculture sector strategy. In particular, the Operational Plan for Sustainable Food Security (2009) recommends an "expanded partnership with the private sector" in order to attract "more direct investments in productivity enhancement, agro-processing, agro-retailing and other nonfarm rural business." The project addresses the operational plan's objective of "increasing synergy and value addition in the backward and forward linkages along the food and agriculture value chain." Improved linkages along the value chain would not only enhance productivity, employment opportunities, exports and regional trade, but also food security for the poor in both rural and urban areas.²

This proposed project is in line with Country Partnership Strategies (CPS) of India and Cambodia, where Akay has a strong presence. CPSs regard investment in agriculture and agribusiness as a tool to promote inclusive growth. The India CPS (2013-2017) emphasizes job creation, environmental sustainability, and regional connectivity. While the Cambodia CPS (2011-2013) calls for an "enhanced agricultural productivity and diversification". The project will directly contribute to these outcomes in both countries.

B. Targeting Classification

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

The Project is classified as General Intervention as the project will support Akay's long term investments in spice value chain in Asia. The global spice market is valued at around \$60 billion, and ADB will support Akay for its investment in the production and processing of spice products in India (i.e., sterilized spice plant, spice seasonings plant, and expansion of spice-based nutraceuticals plant) and Cambodia (i.e., the expansion of organic spice farming and contract farming, and spice extraction plant).

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The project will help Akay increase the amount of value-added spice products in India and Cambodia. It is expected that the project will create at least 200 non-farm jobs

¹ ADB. 2008. *Strategy 2020*. Manila.

² ADB. 2009. *Operational Plan for Sustainable Food Security in Asia and the Pacific*. Manila.

in rural areas. Over 30,000 farmers through contract farming will be increased, among 50% of who are expected to be women. Thus, the project will contribute directly to poverty reduction in the rural areas. The primary beneficiaries of the project include Akay, farmers in India and Cambodia. Host local communities will be generally benefitted during project construction and implementation.

2. Impact channels and expected systemic changes. The project will contribute to poverty reduction in rural areas by including farmers in the formal agriculture value chains in India and Cambodia and enhanced international trade by boosting exports of value-added spice products. The project will encourage private sector investment in agriculture value chains.

3. Focus of (and resources allocated in) the PPTA or due diligence. During due diligence, the project team will access and review: (i) Akay's safeguard management capacity to address the risks and impacts of its business operations; (ii) Akay's compliance record with applicable laws and regulations through review of selected on-going projects; (iii) the potential conversion of forestland to commercial land (e.g., organic spice farm); and (iv) the land acquisition for the 720 hectare farm in Cambodia and its rehabilitation process. Other social dimensions such as gender benefits and core labor standards will be also addressed. The project will be in compliance with local laws and regulations as well as the requirements of ADB's SPS, especially safeguard requirements 2 on involuntary resettlement, and safeguard requirements 3 on Indigenous Peoples.

4. Specific analysis for policy-based lending. N/A

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? Gender categorization of Some Gender Elements (SGE) is anticipated since during construction and operation of spice value chain facilities, opportunities for advancing gender can be initiated through jobs offered to local women. This will be discussed in detail with the company during due diligence, including Akay's gender responsiveness policy, and sex disaggregation of current employees.

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? The project is not anticipated to contribute to the promotion of gender equity and/or empowerment of women.

Yes No Please explain. If yes, a gender action plan should be prepared during PPTA or due diligence.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? The Project is not expected to cause any specific cultural or social impact upon or exclude any socioeconomic group, including women, from benefiting from the project.

Yes No Please explain If yes, actions and measures should be prepared during PPTA or due diligence.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) 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. Potential stakeholders include value-added spice products customers (i.e., businessmen, importers, exporters, and residential people), national and local

government, regulatory agencies, contractors and host local communities. The project might affect some persons through land acquisition, and they will participate in community consultations which are conducted by the company.

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? Consultation and information sharing will be conducted by the company with the relevant stakeholders, especially the affected persons, the poor and vulnerable groups and farmers through contract farming activities.

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? The local and national NGOs are anticipated to be interested in the project and the company will conduct consultation with them.

H Information generation and sharing H Consultation L Collaboration N/A Partnership

Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in the ADB's Guide to Participation.

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 Please explain.

Details of the consultation and participation activities and grievance and dispute resolution will be explained in the audit and ESMS.

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 The subprojects in India and Cambodia will be taken place either on government land or privately owned land, including a special economic zone in Cambodia. The company will be requested to address involuntary resettlement impacts in compliance with ADB's SPS (2009) and its ESMS. The company will do screening of subprojects. The Resettlement Plan(s) will be developed by the company for ADB's review and concurrence.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? Since there is no PPTA for private sector project, the company will be requested to address involuntary resettlement in compliance with ADB's SPS (2009) and its ESMS. Due diligence will focus on areas which are identified during corporate and project level audit, including the land acquisition for the 720 hectare farm in Cambodia and its rehabilitation process, which will not be funded by ADB but can be an associated facility of a subproject.

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 Based on the preliminary review, it is anticipated that the subprojects in India and Cambodia will not significantly impact indigenous peoples. However, if due diligence reveals there are any, relating to spice value chain facilities and farm equipment/contract farming, the company will be requested to address indigenous peoples impacts in compliance with ADB's SPS (2009) and its ESMS. The company will do screening of subprojects. The IPP(s) will be developed by the company for ADB's review and concurrence.

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 avoidance and/or mitigation measures of impacts on indigenous peoples will be reflected in ESMS.

3. Will the project require broad community support of affected indigenous communities? Yes No Please explain. The screening exercise will exclude subprojects with significant impacts on indigenous peoples from ADB financing.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? Since there is no PPTA for private sector project, the company will be requested to address indigenous peoples in compliance with ADB's SPS (2009) and its ESMS. Due diligence will focus on areas which are identified during corporate and project level audit.

- 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?

- H Creating decent jobs H 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 _____

Indicate high (H), medium (M), low (L) for selected boxes

2. How are these additional social issues and risks going to be addressed in the project design? Construction and operation of the project are expected to generate jobs for the local residents. The company will use gender and social protection checklists to gather information. It is anticipated that the project will generate jobs for local residents.

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 (vi) other social risks. Are the relevant specialists identified?

Yes No If no, please explain why. There is no PPTA under private sector project. However, the client developed a TOR and will mobilize competent consultant to cover social safeguards and other social dimension issues.

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? Due diligence will be undertaken by staff.