

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	People's Republic of China	Project Title:	Sustainable Dairy Farming and Milk Safety 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 project will support Inner Mongolia Saikexing Breeding and Biotechnology Group's (SKX) investment plan over the 2017–2018 period, which will promote and demonstrate modern dairy farming with improved environmental sustainability and product safety. The project is consistent with the 2015 strategic orientations for the agriculture sector provided by the Central Committee of the Communist Party of China and the PRC government as a contribution to the country's Thirteenth Five-Year Plan's (2016–2020).<sup>1</sup> The project is also consistent with ADB's country partnership strategy, 2016–2020 for the PRC.<sup>2</sup> Inclusive economic growth is one of the strategic priority areas in the CPS and also for private sector operations. ADB will support agribusiness projects that enhance productivity, inclusion of smallholder farmers in value chains, and food safety. In supporting rural development for inclusive economic growth, ADB will support the PRC to develop suitable approaches to (i) modernize agriculture; (ii) promote circular agriculture through value chain to reduce resource inputs and waste outputs, and control pollution; and (iii) improve food safety, including related infrastructure and capacity development.

#### B. Targeting Classification

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

The project will help SKX set a benchmark in terms of environmental and food safety practices for the dairy industry in the PRC. It will contribute to the development of dairy industry in the PRC and will help fill in the increasing domestic demand for dairy products and support national food security. The support to expand new dairy farms will contribute in creating new employment opportunities and other sources of income for workers in the rural areas where the farms will be developed.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. PRC's dairy local production and consumption gap has been growing over the years. A big source of the country's dairy supply was through importation. The development of the domestic dairy industry will help fill in the local demand and will support national food security. Support to the project is envisaged to benefit the dairy industry, consumers, and dairy farms' local host communities, which will generally benefit from employment opportunities during project construction and operations. New company dairy farms will create job opportunities and farmers will also benefit from selling their produce for the feed requirements of the dairy farms.

2. Impact channels and expected systemic changes. The project will promote and demonstrate modern dairy farming and milk processing with improved environmental sustainability and product safety. Proposed development of new dairy farms will also create new employment opportunities to workers in the surrounding rural areas; SKX's workforce is expected to increase from 2,000 in 2015 to about 2,600 in 2020. The number of farmers selling their produce for the feed requirements of the dairy farms is also

<sup>1</sup> Central Committee of the Communist Party of China and Government of the PRC. 2015. *Resolutions on Accelerating Agricultural Modernization by Enhancing Revolution and Innovation*. Beijing.

<sup>2</sup> ADB. 2016. *Country Partnership Strategy: People's Republic of China, 2016–2020*. Manila.

expected to reach 17,500 in 2020.

3. Focus of (and resources allocated in) the PPTA or due diligence. ADB team conducted due diligence 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 is expected to identify 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. 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? Some gender elements (SGE) is anticipated as women workers and staff maybe engaged during construction and operations. The company has agreed to measures to improve employment opportunities and welfare for women workers to be engaged in the project including increasing the share of women's employment in the company from 31% in 2015 to 35% in 2020 and inclusion of a sexual harassment clause in the company's human resource policy.

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 will employ qualified women workers and staff in the project. Measures to promote welfare of women will be explored and undertaken during construction and operations phase.

Yes     No

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

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 consumers, contractors, national and local government, regulatory agencies, and host local communities. SKX is expected to conduct meetings and negotiations with villages that SKX will identify for possible land leasing for its new dairy farms.

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 meetings will be conducted by the company with the relevant stakeholders, including the villages where the lands will be leased.

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 opportunity to involve civil society organizations is limited, as the project components will only focus on (i) environmental capex, (ii) food safety capex, and (iii) modern dairy farm expansion capex. The company will provide relevant information to CSOs, as needed.

M  Information generation and sharing  Consultation  Collaboration  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 mechanism will be explained in the environmental and social management system.

#### 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

Involuntary resettlement impacts are not envisaged as SKX will avoid basic farmlands and forestlands and will lease state-owned lands or unused and waste lands from land owners and villages on a willing lessor-willing lessee basis. SKX will also ensure that the construction and operation of various facilities (including required buffer zones) will not require any physical or economic displacement. In unavoidable cases where basic farmland will be used, village collectives typically provide replacement lands to ensure that livelihoods of village households will not be affected.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? The company will be requested to address involuntary resettlement in compliance with ADB's SPS (2009) and the company's ESMS.

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

Impacts on Indigenous Peoples are unlikely and SKX's operations are not expected to have impacts on identity, culture, and natural resource based livelihoods. The provinces of Hebei, Shanxi, Shandong, and Henan are not ethnic minority concentrated areas. In the Autonomous Regions of Inner Mongolia and Ningxia Hui, majority of the people are Han but there are also ethnic minorities such as the ethnic Mongolian (17%) and the ethnic Hui (35%) residing in these regions, respectively. In these 2 autonomous regions, SKX will avoid leasing lands being used for grazing or temporary shelter by the ethnic minority groups. SKX employs a number of people from ethnic minority groups and will continue to offer job opportunities to willing and qualified labor force including those from ethnic minority groups which may benefit them in terms of additional income and new livestock breeding skills and information.

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

#### V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs                       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? During the construction and operations phase of the project, there will be job opportunities for the local labor force. The company and its contractors will comply with the national labor laws and will take measures to comply with the relevant international 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 (vi) other social risks. Are the relevant specialists identified?

Yes                       No    If no, please explain why.    There was a terms of reference of the external expert who did 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?    ADB staff conducted a due diligence and an external expert was tasked to carry out environment and social audit of the company and its existing operations.