

# Environmental and Social Management System Arrangement (Draft)

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May 2015

## People's Republic of China: Gansu Featured Agriculture and Financial Services System Development Project

Prepared by the Financial Institutions and Gansu Provincial Department of Agriculture and  
Animal Husbandry for the Asian Development Bank.

**DRAFT**

**ENVIRONMENTAL AND SOCIAL  
MANAGEMENT SYSTEM**

**FOR THE**

**Bank of Gansu  
Bank of Lanzhou  
Yuzhong SPD Rural Bank**

Prepared by the Financial Institutions and Gansu Provincial Department of  
Agriculture and Animal Husbandry for the  
PRC: Gansu Featured Agriculture and Financial Services System Development  
Project

May 2015

## CURRENCY EQUIVALENTS

(as of 1 May 2015)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1613
US\$1.00	=	CNY6.1992

## ABBREVIATIONS

ADB	– Asian Development Bank	FI	– Financial Intermediary
ASME	– Agricultural Small and Medium Sized Enterprise	FIL	– Financial Intermediation Loan
BAAH	– Bureau Of Agriculture and Animal Husbandry	GRM	– Grievance Redress Mechanism
CPMO	– County Project Management Office	HH	– Household
DAAH	– Department of Agriculture and Animal Husbandry	IEE	– Initial Environmental Examination
DDR	– Due Diligence Report	LIEC	– Loan Implementation Environmental Consultant
DRC	– Development and Reform Commission	LISC	– Loan Implementation Social Consultant
EIA	– Environmental Impact Assessment	LURTF	– Land Use Rights Transfer Framework
EIAR	– Environmental Impact Assessment Report	MCC	– Micro-credit Company
EIRF	– Environmental Impact Registration Form	MEP	– Ministry of Environmental Protection
EIT	– Environmental Impact Table	NDRC	– National Development And Reform Commission
EM	– Ethnic Minority	PIAL	– Prohibited Investment Activities List
EMDP	– Ethnic Minority Development Plan	PMO	– Project Management Office
EMP	– Environmental Management Plan	PPMO	– Provincial Project Management Office
EPB	– Environmental Protection Bureau	PRC	– People's Republic of China
EPD	– Environmental Protection Department	RFSP	– Rural Financial Service Provider
ESMS	– Environmental And Social Management System	SPS	– Safeguard Policy Statement

This environmental and social management system is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

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**Mr. Jiang Yi**

**7 May 2015**

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**TA8417-PRC: Gansu Featured Agriculture and Financial Services System  
Development Project  
- Government's endorsement of the draft Environmental and Social  
Management System and for upload to the ADB public website**

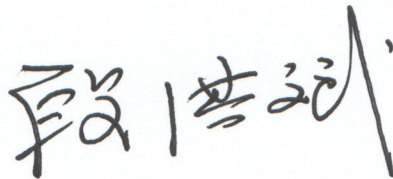
Dear Mr. Yi,

The draft environmental and social management system (ESMS) for the captioned project is currently being reviewed by the Gansu Provincial Government. This is to advise you that there is no objection to this draft document being posted on the Asian Development Bank (ADB) public website, following ADB's standard procedures. In case any public comments are received during the public review period, which affect the content of the ESMS, or for any questions the Government has on the draft documents, the Government and ADB will review these together to agree on actions to be taken.

Yours sincerely

Duan Qibin

PPMO Director

A handwritten signature in black ink, consisting of stylized Chinese characters, likely '段启斌' (Duan Qibin).

Director, Foreign Financed Project Management Office, Gansu Province Department  
of Agriculture and Animal Husbandry

Gansu Provincial Government

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## I. INTRODUCTION

1. This document is a template Environmental and Social Management System (ESMS) for three major financial intermediaries (FIs) of Gansu Province, and their associated sub-borrowers, as part of the Gansu Featured Agriculture and Financial Services System Development Project (the project). An ESMS is an internal management system implemented by a financial institution to manage the potential environmental and social impacts of its loans.

2. The project is to support agricultural production, and the strengthening of financial systems for agricultural borrowers, in 11 counties in south-east Gansu Province, the People's Republic of China (PRC). Agricultural and environmental issues in the project area include inefficient and/or outdated farming technology, limited water resources, drought, and excessive use of agricultural chemicals and plastic mulch.

3. The project is supported by a USD100 million loan from the Asian Development Bank (ADB) to the Gansu Provincial Government. The executing agency is the Gansu Department of Finance. Most of the loan<sup>1</sup> will be on-lent from the government to the three FIs. The FIs will on-lend the funds in two ways: (i) directly to end-borrowers; and (ii) to smaller financial institutions, "rural finance service providers" (RFSPs). In turn, the RFSPs will on-lend the funds to end-borrowers. The end-borrowers comprise agricultural enterprises, cooperatives, and farmers. All loan proceeds via the FIs will be used for agricultural purposes, including the establishment and/or expansion of cropping, fruit orchards, greenhouses, livestock production, market development (e.g. information access, sale promotion, marketing networks), branding (e.g. certification and trademark registration for featured products for enterprises and farmer cooperatives).

4. The three FIs for the project are the Bank of Gansu, Bank of Lanzhou, and Yuzhong SPD Rural Bank. These FIs have a mandate to promote agricultural and rural development. The Bank of Gansu will conduct the project in five counties (Huan, Jingchuan, Kongtong, Lingtai, Zhenyuan) in Pingliang and Qingyang Cities. The Bank of Lanzhou will work in five counties (Hezheng, Jishishan, Lintao, Min, Yongjing) in Dingxi and Linxia Cities. The SPD Rural Bank will work in Yuzhong County in Lanzhou City.

5. The environmental and social policy of this ESMS is to: (i) protect the environment and people in the project area which may be affected by the project, (ii) help the project FIs, Government of Gansu Province, and end-borrowers, to manage the project environmental and social risks, and (iii) support the project objectives of enhanced agricultural productivity and improved rural livelihoods.

6. The project will encourage and favor sub-projects which promote agricultural innovation, efficiency, and the sustainable use of water, soil, and energy. However, some sub-projects may result in impacts to surface water, groundwater, soil, air quality, noise levels, ecology, communities, physical cultural resources, and land use rights transfer. The identification, screening and management of such impacts are key objectives of the ESMS.

7. This is the first time any banking institution in Gansu Province has implemented an ESMS. The template ESMS is written in non-technical language and is simplified and tailored to the capacity of the FIs to implement an ESMS, which is currently low. It provides step-by-step procedures to assess and manage potential environmental and social impacts associated with sub-loan applications under the project. Each FI will prepare and implement an individual ESMS based on this template, with the support of the government and project.

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<sup>1</sup> A small portion of the loan will be retained by the government for capacity building purposes.

## **II. INSTITUTIONAL FRAMEWORK FOR THE ESMS**

### **A. Legislative and policy framework**

8. The project, including this ESMS, is being implemented within the context of relevant policies and laws of the PRC and policies of the ADB. Within the PRC, over 40 laws, regulations, standards and guidelines concerning agricultural production and natural resources management are relevant to this Project (Appendix 1). For the environment, these include environmental protection, planning, and impact assessment, water resources management, quality standards and guidelines for air, water, soil, and noise, disposal of solid waste, and protection of flora, fauna and cultural resources. For social issues, these include the management of land use rights transfer, involuntary resettlement, and protecting the rights of women.

9. The ESMS complies with the requirements of the ADB Safeguard Policy Statement (SPS, 2009). The SPS comprises three operational policies, for the environment, indigenous peoples, and involuntary resettlement. These seek to avoid, minimize, or mitigate adverse environmental and social impacts. Under the SPS, projects categorized “financial intermediation loan” (FIL) require the preparation of an ESMS, which includes: environmental and social policies; screening, categorization, and assessment; document preparation requirements and review procedures; organizational structure and staffing including skills and competencies in environmental and social areas; training requirements; and monitoring and reporting.

### **B. Definition of terms used**

10. This section provides the definitions of key terms used in the ESMS.

Affected person. A person directly or indirectly affected by a sub-project activity.

Agricultural base (or production base). Translation of a Chinese term which refers to (i) a large farming area growing crops on a contract or employment basis, or (ii) an agro-processing area. Agencies working in an agricultural base comprise farmer cooperatives, enterprises, or a group of farm households.

Agricultural extension technician. Staff of Bureau of Agriculture and Animal Husbandry (BAAH) which provides technical advice to farmers on agricultural practices. See Section II.C for role in Project.

Agricultural small and medium-sized enterprise (ASME). Defined by the PRC Ministry of Industry and Information Technology and NDRC as: small enterprise – annual revenue CNY<5 million; medium enterprise – annual revenue CNY5–200 million.

CPMO environmental officer and CPMO social officer. Qualified officers appointed by the CPMOs. See Section II.C for role in Project.

County project management office (CPMO). There are 11 CPMOs, one in each of the 11 Project counties. The CPMOs will operate for the entire 15 years of the project.

End-borrower. The final loan recipient. For this Project these are ASMEs, farmer cooperatives and farmers.

Executing agency. The provincial agency responsible for the project, the Gansu Provincial Department of Finance.

Featured agriculture. A Chinese term for agricultural plant varieties or livestock which are adapted to the growing and/or raising conditions (e.g. climate, soils) of a given area and have potential for high market value. Defined for this Project as medicinal plants, potatoes, fruit and vegetables, tree seedlings, and livestock.

Financial intermediary (FI). An entity that provides finance as its principal or subsidiary function. There are three FIs for this Project: Bank of Gansu; Bank of Lanzhou; and, Yuzhong SPD Rural Bank. They will channel the project loan proceeds between the Government of Gansu Province and the end-borrowers.

Financial intermediary loan (FIL). Loan from ADB to FIs. The project is FIL modality, although the loan is provided from ADB to the executing agency rather than directly to the three FIs.

Grievance redress mechanism (GRM). A mechanism to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the project's environmental or social performance. See Section IV.

Implementing agency. An agency which implements the project activities. The project implementing agencies are the 11 BAAHs in Pingliang and Qingyang Cities (Huan, Jingchuan, Kongtong, Lingtai, Zhenyuan), Dingxi and Linxia Cities (Hezheng, Jishishan, Lintao, Min, Yongjing), Yuzhong in Lanzhou City, and the three project FIs (Bank of Gansu, Bank of Lanzhou, Yuzhong SPD Rural Bank).

Involuntary resettlement. Defined by the SPS (2009) as: physical displacement (relocation, loss of residential land, or loss of shelter) and/or economic displacement (loss of land, assets, access to assets, income sources, or means of livelihoods), as a result of: (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas.

Indigenous Peoples.<sup>2</sup> Defined by ADB's SPS (2009) as: a distinct, vulnerable, social, and cultural group. Safeguards are triggered if a project directly or indirectly affects the dignity, human rights, livelihood systems, culture or cultural resources of such groups.

Land use rights transfer. Leasing or renting farmland use rights without any change in the land ownership and/or the agricultural use.

Loan implementation environmental consultant (LIEC) and social consultant (LISC). External environment and social specialists hired under the loan implementation consultancy services. See Section II.C for roles in Project.

PPMO environmental officer and social officer. Qualified officers appointed by the PPMO to assist the PPMO, FIs, RFSPs, and end-borrowers to establish and implement the ESMS. See Section II.C for role in Project.

Provincial project management office (PPMO). Situated within the Gansu Department of Agriculture and Animal Husbandry (DAAH). See Section II.C for role in Project.

Safeguards Commitment Letter (SCL). An agreement ancillary to the loan agreement signed between an FI and sub-borrower or RFSP, whereby the sub-borrower undertakes to use its loan to carry out the subproject (or, in the case of RFSPs, to onlend) in accordance with: (i) the approved subproject design; (ii) in compliance with all

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<sup>2</sup> The PRC Government prefers uses the term "ethnic minorities" and these may trigger ADB's safeguard requirements in accordance with the above definition.



requirements in the ESMS; and (iii) which gives the FI the right under applicable PRC law to exercise remedies against the sub-borrower or RFSP under the loan agreement.

Rural Financial Service Provider (RFSP). Local-level FIs that provide loans in rural areas. Examples: village and township banks (VTBs), micro-credit companies (MCCs), and rural mutual cooperative (RMC). The RFSPs are the sub-borrowers of loan proceeds from the FIs. The RFSPs on-lend the loan proceeds to end-borrowers.

Sub-project. Any agricultural activity financed by a sub-loan under the project.

### **C. Roles and responsibilities specifically for this ESMS**

11. This section identifies the roles and responsibilities of the agencies in implementing the ESMS.

Agricultural extension technician. Staff of BAAH which provides technical advice to farmers on agricultural practices. For the project, will be involved in Step B of the ESMS procedure (Section III) to improve the agricultural design of sub-projects and provide training to farmers, the technicians of agricultural enterprises, farmers cooperatives, FIs and RFSPs (Section IV).

County project management office (CPMO). The 11 CPMOs are set within the BAAHs.. They report to the county leading group. PPMO guides and coordinates the CPMOs. For safeguards, the role of the CPMOs will include: (i) assist FIs to implement the ESMS; (ii) establish and implement the GRM at county level and apply it to all sub-projects; (iii) facilitate training related to safeguards and project design; (iv) receive and compile ESMS progress reports from the FIs and provide them to the PPMO.

CPMO environmental officer and CPMO social officer. Role: (i) work with the FIs, RFSPs and end-borrowers in the counties to implement ESMS and GRM; (ii) submit semi-annual safeguard progress reports to PPMO. See terms of reference in Appendix 5. One officer each in each of the 11 CPMOs i.e. total of 22 officers.

End-borrower. Role: (i) work with the FI or RFSP to complete the screening, categorization, and sub-project design; (ii) provide the FI and PMO access to the sub-project designs and sites; and (iii) implement any environmental or social conditions required as part of the sub-loan (see Section III).

Executing agency. Role: (i) establish, manage, and reconcile the imprest account; (ii) review, approve, and submit loan withdrawal applications to ADB; (iii) manage and supervise loan repayment; (iv) ensure timely provision of counterpart fund contributions; (v) overall Project performance, accountability, and reporting to the government and ADB; and (vi) through the PPMO, review and strengthen the agricultural, environmental and social design of all sub-loan applications before approval by the FIs.

Financial intermediary (FI). Role: (i) establish and implement the ESMS; (ii) integrate the ESMS within the FI business procedures; (iii) appoint an FI Environmental Manager and Social Manager to oversee the ESMS; (iv) monitor and report compliance of end-borrowers with the safeguard conditions of each sub-loan.

FI environmental manager and FI social manager. Roles: (i) work closely with FI and RFSP loan officers and end-borrowers to implement the ESMS; (ii) report to CPMOs and PPMO on progress with ESMS implementation; (iii) support CPMOs and PPMO to implement the GRM. See terms of reference in Appendix 5.

FI loan officer. Role includes: (i) receive and review sub-loan applications against ESMS steps A-F (Section III), working with end-borrower, FI environmental and social managers, CPMO and other agencies as necessary; (ii) document the results of Steps A-F for each sub-loan application in the FI ESMS database; (iii) liaise with end-borrower, CPMO and other agencies as necessary to ensure relevant safeguard approvals and design considerations are achieved; (iv) provide information as requested by FI environmental and social managers to assist them in compiling ESMS progress reports and/or responding to queries from PPMO and ADB.

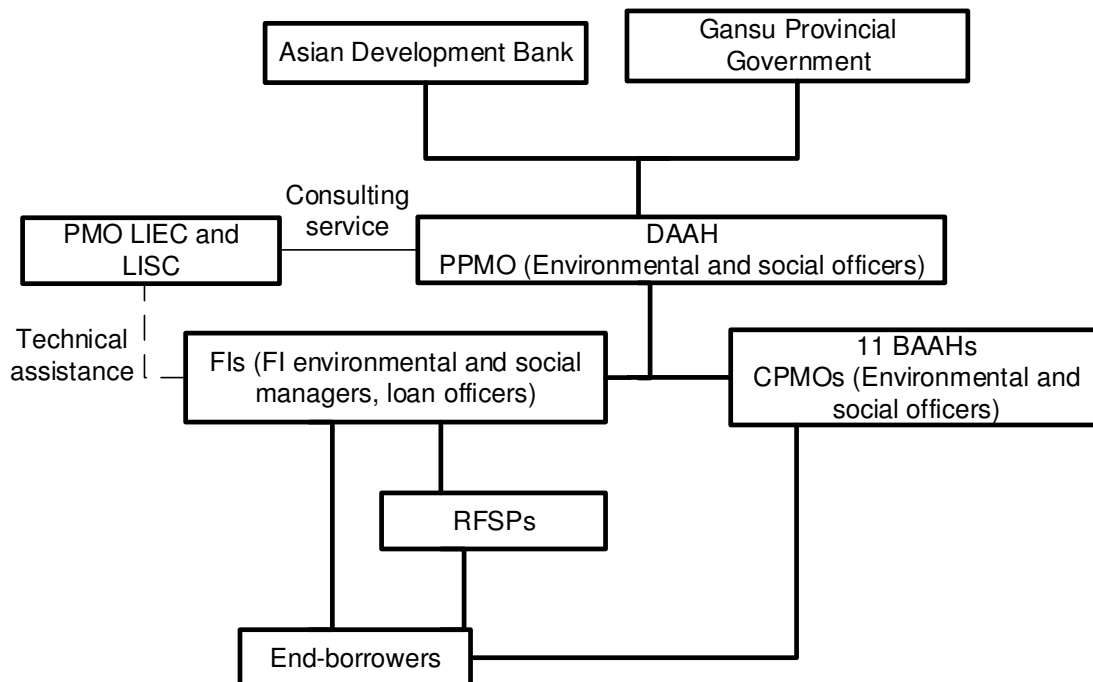
Loan implementation environment consultant (LIEC) and loan implementation social consultant (LISC). Roles: (i) assist the FIs to establish and implement the ESMS; (ii) assist the RFSPs to adapt and implement the ESMS; (iii) assist the PMO to establish and implement the GRM. See terms of reference in Appendix 5.

Provincial project management office (PPMO). Role: (i) coordinate and support the FIs to establish and implement the ESMS; (ii) support the CPMOs in their work with the FIs and RFSPs for the ESMS; (iii) ensure that all approved sub-projects comply with the agreed safeguards and designs; (iv) submit semi-annual safeguard progress reports (including progress with the ESMS, GRM, and safeguard training) to ADB; and (v) oversee the implementation of the project GRM. The PPMO will operate for the entire 15 years of the project.

PPMO environmental officer and PPMO social officer. Role: work with the CPMOs and FIs to implement the ESMS and GRM. See terms of Reference in Appendix 5.

Rural financial service provider (RFSP). Role: (i) establish and implement the ESMS; (ii) same responsibility for implementation as the three FIs but at a local level. The RFSPs for the project were not yet identified at the time of ESMS preparation.

12. The relationship among the project agencies for the ESMS is shown in Figure II.1.



**Figure II.1: Organization Chart of the project Agencies for the ESMS.** Note: “senior loan officer” refers to the FI environmental and social managers.

#### **D. What the project will and will not support**

13. The Government of Gansu Province, the three FIs, and the RFSPs that will be involved in this Project, agree to the following terms and restrictions on the use of the project funds.

14. The FIs and RFSPs WILL ONLY SUPPORT sub-projects which:

- Have minimal or no environmental impacts. Sub-projects must meet the ADB definition of “Category B” or “Category C” for the Environment. “Category A” activities are excluded (Worksheet 1–Appendix 3);
- have all relevant domestic environmental approvals and/or land permits, as well as for any associated facilities or operations;
- have a clearly defined geographic location;
- are clearly based on participatory consultation and agreement with other stakeholders, especially affected persons [for sub-projects involving multiple parties and lands];
- do not result in changes to land ownership (e.g. from village land to other categories) or official land use category (e.g. from agricultural to other land use); and,
- demonstrate compliance with the project ethnic minority development plan (EMDP) and/or social and gender action plan (SGAP) (Appendices 7 and 8 respectively), especially in Jishishan and Hezheng Counties.

15. The FIs and RFSPs WILL ENCOURAGE AND FAVOR sub-projects which demonstrate the sustainable use of natural resources, including:

- water use efficiency;
- sustainable water supply;
- soil conservation practices;
- energy efficiency;
- recycling of plastic mulch;
- reduced use of agricultural chemicals;
- improved pest control methods e.g. integrated pest management;
- sourcing of store animals from local farmers(economic benefit);
- sourcing of feedstock from local farmers (economic benefit);
- biogas generation as part of waste treatment;
- manure processed as organic fertilizer;
- production, processing and marketing of local special products;
- adoption of traditional ethnic practices e.g. embroideries of Bao'an and Salar ethnic minority groups;
- involvement and/or support to women, the poor, and/or ethnic minorities.

16. The FIs and RFSPs WILL NOT FUND any activities which:

- are listed in the ADB Prohibited Investment Activity List (Appendix 2);
- may cause significant and irreversible impacts to the environment i.e. meet the definition of ADB “Category A” for Environment;
- are located in or next to a designated water source protection zone, protected area, cultural heritage site, or critical natural habitat;
- involve large-scale landscape alteration e.g. quarrying, or terracing on slopes greater than 25°;
- involve land acquisition;

- involve demolition of residential or private commercial buildings;
- involve involuntary resettlement, and which meet the definition of ADB “Category A” or “Category B” for resettlement; and,
- have significant direct or indirect negative impacts on vulnerable ethnic minorities (“Category A”).

17. Application of the ESMS procedures is described in Section III.

### **III. IMPLEMENTATION OF THE ESMS – SIX STEPS**

18. This section describes six steps to implement the ESMS. The steps are conducted for all sub-loan applications. The six steps are: A–screening; B–improving the sub-project design for agricultural, environmental and social benefits; C –categorization; D–assessment; E–safeguard implementation; and F–monitoring and reporting. Steps A to D are conducted as part of the due diligence before a sub-loan is approved. Steps E to F are conducted during implementation of the sub-project. All steps are conducted by the FI or RFSP loan officers and Environmental and Social Managers, working with the end-borrower, PMO Environment and Social Officers, and Loan Implementation Consultants. Information disclosure, public consultation, and participation of affected persons, are key requirements under PRC laws and the ADB Safeguard Policy Statement (2009). Information disclosure and public consultation are included under Steps D - E.

19. The six steps are to be performed by the FIs, except where stated otherwise. The steps are summarized in Figure III.2.

#### **STEP A: SCREEN TO IDENTIFY POTENTIAL IMPACTS**

##### **First filter – compliance with national and international laws and regulations**

- A.1. Does the sub-loan application include any activities prohibited under PRC laws?
- A.2. Does the sub-loan application include any activities on the ADB Prohibited Investment Activity List (Appendix 2)?
- A.3. Does the end-borrower have existing or pending lawsuits for violation of PRC laws related to environment or land?
- A.4. If the answer is “yes” to any of the above: reject the application, or, invite the end-borrower to re-apply after the application has been re-designed to meet compliance.
- A.5. If the answer is “no” to all of the above, continue with the next steps.

##### **Second filter – environmental and social screening**

- A.6. Meet with the loan applicant and conduct a site visit.
- A.7. Complete Worksheets 1-4 in Appendix 3 (environment, land acquisition, resettlement, land use rights transfer, ethnic minorities).
- A.8. Proceed to Step B. Note: do not proceed until Step A is fully completed.
- A.9. Document all applications, whether they pass Step A or not. Include them in the progress reports to the CPMO.
- A.10. The FI pays for the cost of Step A (i.e. mainly the work time of the FI loan officers).
- A.11. Do not proceed to Step B until Step A is fully completed.

#### **STEP B: PROMOTE SUSTAINABLE AND CLIMATE SMART AGRICULTURE**

- B.1. Worksheet 5 in Appendix 3 identifies the types of agricultural practices the project

aims to support. Identify those relevant to the loan application. Improve the proposed sub-project design to achieve sustainable and climate-smart agricultural design which meets the practices in Worksheet 5. **Note:** This step is primarily led by the county BAAH agricultural extension technicians, working with the end-borrower, and in consultation with the CPMO environmental officers and LIEC as necessary.

B.2. Check with the end-borrower (and if necessary the CPMO) that Step B.1 has been conducted.

B.3. Include the design measures for sustainable and climate smart agriculture in the sub-loan conditions (see Step D).

B.4. Include all information in Step B in the progress reports to PPMO and CPMOs.

B.5. Do not proceed to Step C until Step B is fully completed.

### **STEP C: CATEGORIZE THE LEVEL OF POTENTIAL IMPACTS**

C.1. Use the information in Step A to identify the level of potential environmental and social impacts and therefore the “impact category” of the sub-project, according to ADB and PRC criteria.

#### **First categorization – environment (ADB criteria)**

C.2. ADB applies three impact categories to Projects: A, B, or C. See definitions in Worksheet 1 of Appendix 3. In Worksheet 1, complete the final column in the table. Assign the ranking A, B, or C to each potential impact relevant to the loan application.

C.3. Using these results, circle the summary impact category underneath the table. Clearly state the reasons for this conclusion.

C.4. The project will only work with Category B or C sub-projects. Preferably Category C. If the final category is A, reject the application, or, invite the end-borrower to re-apply after it has been re-designed to meet B or C level.

#### **Second categorization – environment (PRC criteria)**

C.5. The PRC defines three classes of impact assessment and reporting (based on scale, investment level, and environmental sensitivity): comprehensive environmental impact assessment report (EIAR; high potential impacts); environmental impact table (EIT; moderate potential impacts) and environmental impact registration form (EIRF; low potential impacts). See definitions in Table 2 in Appendix 1.

C.6. Use Table 2 in Appendix 1 to identify which category the loan application is within.

C.7. The project can work with a sub-project in any of these classes. Sub-projects classed as EIT or EIRF are preferred as they may have lower environmental impacts.

#### **Third categorization – involuntary resettlement**

C.8. ADB applies three impact categories to Projects: A, B, or C. Screening and categorization standards are defined in Worksheets 2 and 3 in Appendix 3.<sup>3</sup> Use these worksheets to assess the sub-project category as A, B, or C.

<sup>3</sup> See also: <http://www.adb.org/site/safeguards/safeguard-categories>

C.9. Reject all sub-loan applications for sub-projects which are Category A or B. These include sub-projects which cause physical displacement and/or economic displacement/losses which result from involuntary acquisition of land or involuntary restriction of land use.

#### **Fourth categorization – indigenous peoples (ethnic minorities)**

C.10. ADB applies three impact categories to Projects: A, B, or C. Screening and categorization standards are defined in Worksheet 4 in Appendix 3.<sup>4</sup> Use these worksheets to assess the sub-project category as A, B, or C.

C.11. The project area includes Dongxiang, Bao'an, Salar and Hui ethnic minority residents.

C.12. Reject all sub-loan applications for sub-projects which are Category A, or, invite the end-borrower to re-apply after it has been re-designed to meet compliance.

C.13. If the subproject is Category B, the PPMO and/or CPMO social officer will guide the end-borrower to prepare a simplified ethnic minority development plan (set of actions) to ensure culturally appropriate management of the subproject.

#### **Fifth categorization –land use rights transfer<sup>5</sup> issues**

C.14. Any subproject that involves land with an existing or proposed land use rights transfer (LURT) agreement will be reviewed by the related CPMO and FI loan officer and checked with township agricultural station. Use Worksheet 5 in Appendix 3 to determine whether there are any issues or pending disputes. If the answer is “yes”, reject the application, or, invite the end-borrower to re-apply after all such issues have been legally settled and such evidence is provided in accordance with the LURT Framework in Appendix 6.

C.15. The FI pays for the cost of Step C. This should primarily be the work time of the FI loan officers to meet the end-borrower and conduct a site visit.

C.16. Include all information in Step C in the progress reports to PPMO and CPMOs.

C.17. Do not proceed to Step D until Step C is fully completed.

### **STEP D: IMPACT ASSESSMENT, MITIGATION, AND SUB-PROJECT APPROVAL**

#### **Environmental assessment**

D.1. If the sub-project is ADB Category B for environment, an Initial Environmental Examination (IEE), including Environmental Management Plan (EMP), is required.

D.2. If the sub-project is ADB Category C for environment, only the preparation of the relevant PRC environmental assessment (EIAR, EIT, EIRF; see Step C) is required.

D.3. Advise the end-borrower: (i) it is the responsibility of the end-borrower to arrange and pay for the IEE, EIAR, EIT or EIRF; (ii) the assessment must be prepared by an

<sup>4</sup> See also: <http://www.adb.org/site/safeguards/safeguard-categories>

<sup>5</sup> See Section II.B for definition of “land use rights transfer”.

accredited EIA institute; (iii) the assessment will be submitted to the FI (or RFSP) and PPMO for review; (iv) for an IEE, the content will include the details listed in Appendix 4 and include an English-language version; (v) for an IEE, PPMO will submit the draft to ADB for review and approval; (vi) for the EIAR, EIT or EIRF, the contents will be in Chinese-language only and will be submitted to the EPB for approval.

D.4. All domestic environmental assessment documents require the review and approval of the relevant county bureaus, including the Environment Protection Bureau (EPB).

D.5. If the end-borrower for a “Category B” sub-project wishes to proceed, arrange a meeting between the FI, PMO Environment and Social Officers, and end-borrower, and agree on: (i) the assessment process; and (ii) any changes in sub-project design to achieve water and energy efficiency and climate smart agriculture. The FI will provide and (if necessary) pay for a venue for the meeting. For attendance and transport to/from the meeting, each party will pay for their own costs.

D.6. The end-borrower proceeds with preparation of the IEE (with EMP) and/or EIAR, EIT, or EIRT. The end-borrower is responsible for all costs of preparing the documents, including field surveys, baseline monitoring, and public consultation (see below).

### **Social assessments and preparation of mitigation actions**

D.7. If the sub-project is ADB Category B for indigenous peoples, a simplified ethnic minority development plan (EMDP) is required. Advise the end-borrower: (i) it is the responsibility of the end-borrower to prepare the EMDP in accordance with the ethnic minority development framework in Appendix 7. If the sub-project is ADB Category C but involves vulnerable ethnic minorities, this subproject should be included in the ethnic minority monitoring plan.

D.8. (i) If the proposed sub-project involves land use rights transfer, the end-borrower must prepare a LURT agreement in accordance with the LURT Framework, and submit a copy to the related CPMO and FI. (ii) If the proposed land has been the subject of any previous land transfer, the end-borrower must submit the LURT agreement and related evidence to confirm there are no pending disputes. Such due diligence will be done in accordance with the LURT Framework.

D.9. The subprojects should be implemented in accordance with the project Social and Gender Action Plan (SGAP; Appendix 8). For the actions in the SGAP that are relevant to the subproject activities, the FI will ensure the end-borrower implements them and reports on results, with assistance from the CPMO and LISC.

D.10. Include all relevant requirements (action) of the SGAP and EMDP, in the safeguard conditions of the contract for the sub-loan.

### **Information disclosure and public consultation and participation**

D.11. For all sub-projects, regardless of impact category, check with the end-borrower if they have publicized the proposed project within the project area.

D.12. If the answer is “no”, then inform the end-borrower that he or she must:

- publicize the basic project details – location, activities, potential impacts, contact details for the end-borrower and FI and CPMO Environmental and Social Officers;
- publicize these details **for at least 10 days** to enable the general public sufficient time to submit any verbal or written comments;



- use disclosure materials and media which local communities near the project area can access e.g. signboard or poster in the village, website.
- at the end of the disclosure period, summarize any public comments received (by the FI, CPMO and/or end-borrower); and,
- address these comments in the EIT or EIRF or social action plans.

D.13. The end-borrower pays for the cost of the distribution materials.

D.14. For sub-projects which are Category C for environment, involuntary resettlement and indigenous peoples, the above is sufficient.

D.15. For sub-projects which are Category B for environment or indigenous peoples, ensure that the end-borrower undertakes information disclosure to the local community and meaningful public consultation. Instruct the end-borrower to tailor the scope and extent of information disclosure and public consultation to reflect the nature of the sub-project and potential impacts, working also with the CPMO Environment and Social Officers and EIA institute. The EIA institute preparing the IEE will coordinate the information disclosure and public consultation. The end-borrower will be responsible for the information disclosure and public consultation of the EMDP and relevant SDAP actions. The end-borrower pays for the costs and addresses any comments received.

D.16. Ensure that the end-borrower has: (i) submitted the draft IEE and/or EMDP to the PPMO and CPMO for disclosure on the PMO websites; and (ii) publicized the draft IEE (or at least a Chinese-language summary) and/or EMDP in the local media and/or village boards.<sup>6</sup>

D.17. Obtain and verify copies of the following documents for the sub-project:

- county EPB approval and requirements;
- CPMO concurrence of final sub-project design; and,
- ADB approval of sub-projects, as defined below.

D.18. ADB prior written non-objection of sub-projects will be obtained by the PPMO for:

- the first sub-loan made in each of the 11 Project counties;
- the first IEE and EMDP for each of the three agricultural sub-project categories listed in Worksheet 5 of Appendix 3 – open field production bases, greenhouse and plastic tunnel bases, and, livestock production; and,
- any sub-loan larger than (i) USD1 million (for enterprises and cooperatives) and (ii) USD100,000 (for farm households).

D.19. Do not proceed to Step E until Step D is fully completed.

D.20. **Note:** for sub-projects which are under recurring loans (e.g. a three-year activity funded by a new sub-loan each year), these procedures for information disclosure are only required for the first sub-loan, **as long as there are no new activities of any kind under the subsequent sub-loans.**

## STEP E: IMPLEMENT SAFEGUARD MEASURES

E.1. For the sub-loan contract with the end-borrower, prepare a Safeguard Commitment Letter, which lists all measures to be implemented by the end-borrower for mitigation,

<sup>6</sup>The IEE will be submitted to ADB in English language. It will be based on the domestic environment assessment documents prepared in Chinese language.

monitoring and reporting from the environmental assessments, SGAP, and/or EMDP as relevant.<sup>7</sup>

E.2. The end-borrower begins the sub-project, including the measures in the Safeguard Commitment Letter. The end-borrower is responsible for paying these costs.

E.3. For sub-projects which are “Category B” for environment, inform the end-borrower that if they hire a contractor: (i) the EMP, GRM, and Safeguards Commitment Letter must be included in the bidding documents; (ii) the contractor must agree to fulfill the EMP, GRM, and Safeguards Commitment Letter as a condition of accepting the contract, and should include the costs in their tender.<sup>8</sup>

E.4. For sub-projects which “Category B” for indigenous peoples, the end-borrower must implement the EMDP.

E.5. Support the PMO Environmental and Social Officers to implement the Grievance Redress Mechanism throughout the implementation stage (see Section IV).

## **STEP F: MONITORING AND REPORTING**

F.1. Monitor whether the end-borrower is implementing the measures in the Safeguards Commitment Letter.

F.2. Develop and maintain an internal FI recording system for the results of Steps A-F for each sub-loan application and approved sub-project. This should be a simple database (e.g. in excel).<sup>9</sup>

F.3. For sub-projects which require an IEE, an environmental monitoring plan is described in the EMP. This should be implemented by the end-borrower. The results should be reported to the FI at the frequency described in the EMP.

F.4. The PPMO is responsible for project-wide monitoring of EMDP and SGAP implementation. The Loan Implementation Consultants will help the PPMO to develop the monitoring and reporting mechanism.

F.5. During at least the first two years of the project, the following agencies meet every six months, and then at least annually from year 3 onwards:

- FI and end-borrower meet, to review progress against the sub-loan contract conditions in the Safeguards Implementation Commitment; and,
- FI, PPMO, CPMOs and relevant county bureaus, meet, to review safeguard compliance of all the sub-projects being supported and lessons learned.

F.6. The FI submits a semi-annual ESMS progress report to the CPMO. Submission dates: for the report on January-June – submit by 31 July latest; for the report on July-December – submit by 31 January latest. For RFSPs, provide six-monthly ESMS progress reports to the relevant FI.

<sup>7</sup>Environmental impact mitigation measures are found in the environmental management plan (EMP) of the IEE (for category B sub-projects) and Chapters 9 and 10 of the EIAR and EIT respectively. Social actions for inclusion as loan conditions are identified in Step D (paragraphs D.8–D.11).

<sup>8</sup> The bidding documents will show if the contractor has included costs for these conditions. A construction supervision company will monitor contractor performance.

<sup>9</sup> A draft sample spreadsheet has been provided to the FIs.

F.7. The CPMO submits a semi-annual safeguard progress report to the PPMO, which includes progress with FI's ESMS, GRM and safeguard training. Submission dates: for the report on January-June – by 15 August latest; for the report on July-December – by 15 February latest (i.e. two weeks after FIs submit their reports to the CPMO).

F.8. The PPMO submits a semi-annual safeguard progress report to ADB, which includes progress with each FI's ESMS. Submission dates: for the report on January-June – by 31 August latest; for the report on July-December – by 28 February latest (i.e. two weeks after CPMOs submit their reports to the PPMO).

F.9. The reporting procedure is shown in Figure III.1.

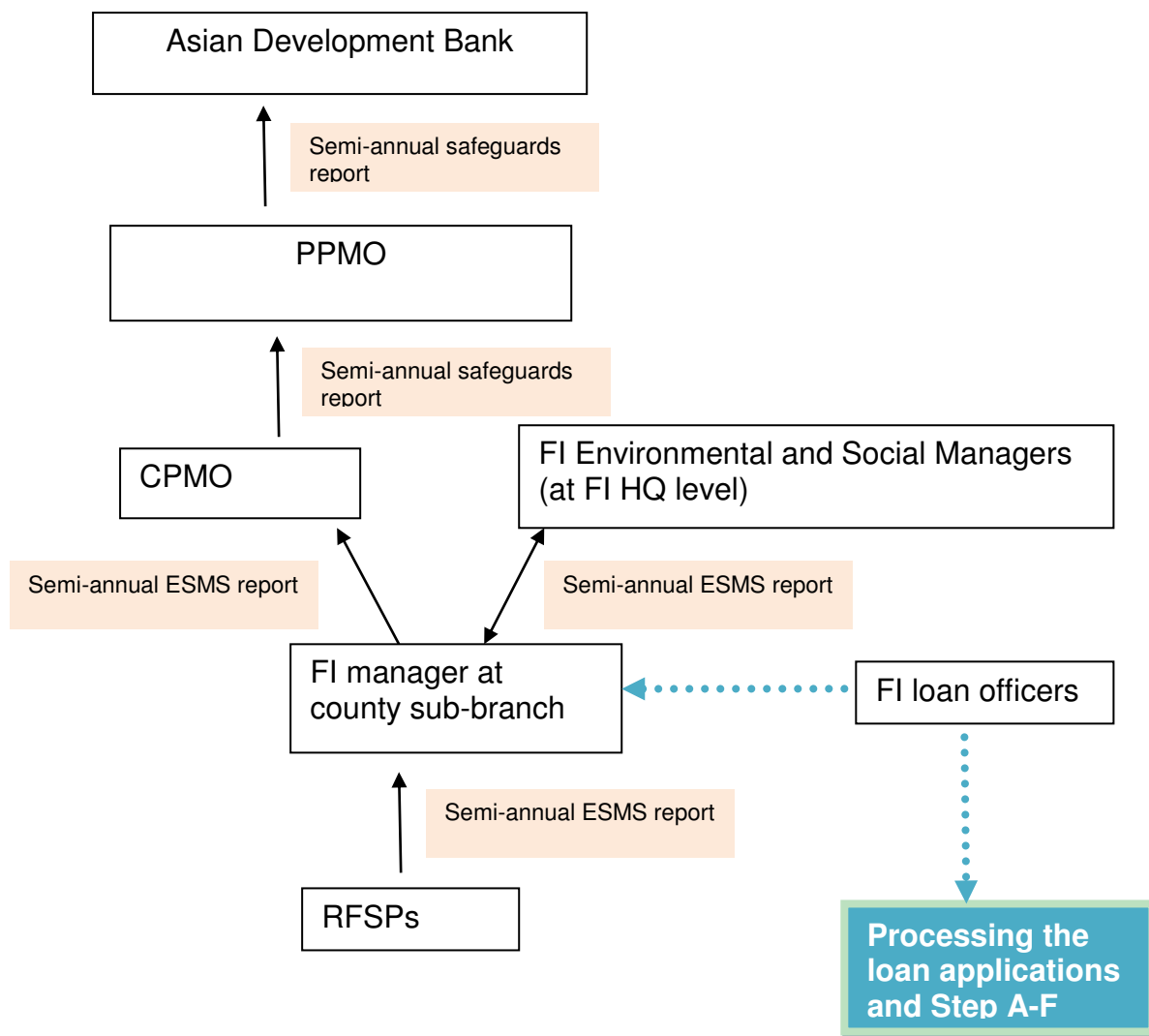
F.10. The FI or RFSP pays for the costs of internal FI monitoring and reporting. The PMO pays for the costs of preparing semi-annual progress reports to ADB.

F.11. **Penalties.** The failure of an end-borrower to implement the environmental and social requirements set out in the sub-loan conditions will result in penalties e.g. sub-loan foreclosure, accelerated repayments, and/or other measure deemed appropriate by the FI and under PRC law.

**Table III.1: Reporting Plan for ESMS**

<b>Report</b>	<b>Timing</b>	<b>Responsibility</b>
For environment category B sub-project, report on results of monitoring plan (in EMP)	As required in the EMP monitoring plan	End-borrower submits to FI
For indigenous peoples category B sub-project, report on results of EMDP implementation	As required in the EMDP	End-borrower submits to FI
RFSP semi-annual ESMS report	Semi-annual. For January-June: by 15 July. For July-December: by 15 January	RFSP submits to FI
FI semi-annual ESMS report, including SGAP	Semi-annual. For January-June: by 31 July. For July-December: by 31 January	FI submits to CPMO
CPMO semi-annual safeguard report to PPMO, including SGAP	Semi-annual. For January-June: by 15 August. For July-December: by 15 February	CPMO to PPMO
PPMO semi-annual safeguard report to ADB	Semi-annual. For January-June: by 31 August. For July-December: by 28 February	PPMO submits to ADB. ADB reviews and discloses on ADB website

ADB = Asian Development Bank, CPMO= county project management office, EMP = environmental management plan, ESMS = environmental and social management system, FI = financial intermediary, PPMO = provincial project management office, RFSP = rural financial service provider.



**Figure III.1. Reporting procedures for the ESMS.** RFSP = rural financial service provider, FI = financial intermediary. Note: internal FI reporting arrangements between the county sub-branch and headquarters will be clarified by each FI in their individual ESMS's.

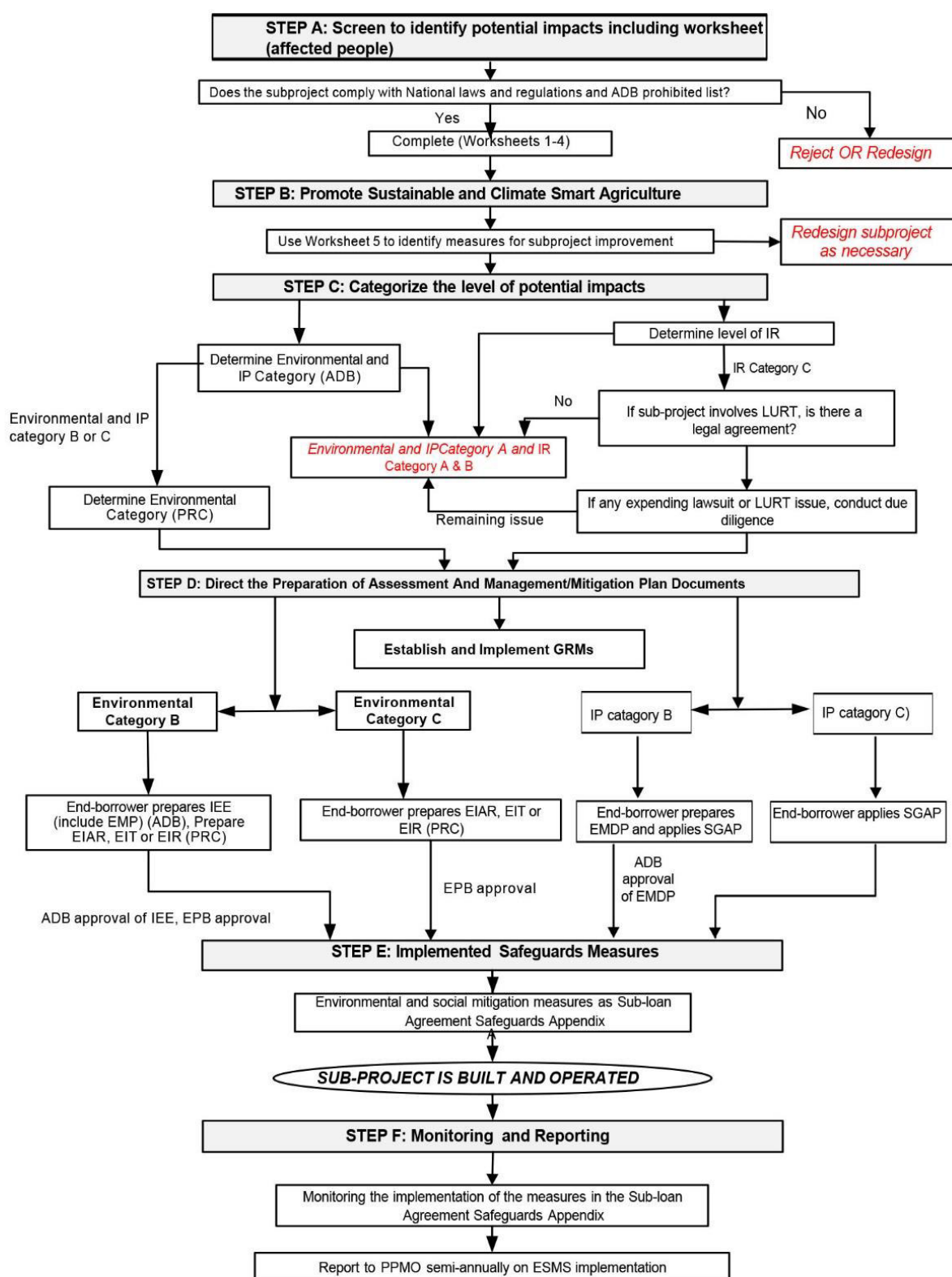


Figure III.2. Steps A–F of the ESMS. See Section III.A for details.

## **IV. INTEGRATION OF THE ESMS INTO FI BUSINESS PROCEDURES**

### **A. Existing procedures**

20. The loan assessment and approval procedures of the three FIs are mandated by Banking Regulation No.2 [General Loans]1996, issued by the People's Bank of China. The procedures are the same for each FI, as follows.

21. When a loan application is received by the FIs, it is categorized as for “operating capital” or a “project”. If the loan is for a project (i.e. new construction or expansion or intensification of existing development – as defined in *Decision on the Investment System Reform, GuoFa [2004], No. 2*, State Council) a feasibility study report (FSR) approved by the Development and Reform Commission (DRC; provincial or county level depending upon scale) is required. Before DRC will approve a FSR, an environmental assessment, approved by the environment protection department or bureau, must be obtained. The environmental approval is appended to the DRC approval.

22. The senior loan officer at the FI branch receiving the application checks whether the proposed project has the DRC and environmental approvals. The findings are reviewed by the manager of the loan review unit of the branch. Above an investment threshold, which varies between the FIs, the FSR and DRC approval is reviewed by the FI head office loan committee. Loan processing does not proceed without the DRC and environmental approvals. Copies of the DRC and environmental approvals are held by the FI.

23. As required under the PRC *Management Regulations for Checking and Accepting Completed Installations of Environmental Protection of Construction Projects*, within three months of project completion, the EPB assesses if the project has been constructed in compliance with the environmental approval conditions. The FIs are not involved in this. If the project is not compliant, the end-borrower is instructed by EPB to take corrective actions. Without this it will not obtain final environmental approval and cannot become operational.

24. Monitoring by the FI during the duration of lending focuses on the loan repayments. This includes site visits and meetings with the management and chief accountant of the end-borrower, one to two times in the first month and subsequent inspections dependent on the risk judgment of the FI loan officers.

### **B. Integrating the ESMS**

25. The FIs have clarified that there are no existing policies or practices within their operations which would constrain the adoption and implementation of the template ESMS. This was an important factor considered by the FIs in deciding to participate in the project.

26. To integrate the ESMS into the FI business procedures, each FI will deliver a formal Presidential Directive with bank stamp, to all project municipal and county branches. This will be completed at least three months prior to receiving any loans from the project. This period also includes prior review and approval of each FI's ESMS by the PPMO and ADB.

27. **This Directive will:**

- i. officially recognize the ESMS as FI policy in the project counties from the date of the Directive;
- ii. instruct all loan officers administering loan funds under this project that the ESMS steps are now part of loan assessment and approval procedures;

- iii. identify by name and position the managerial and review arrangements for steps and decisions taken while implementing the ESMS;
- iv. confirm that breaches of environmental and social loan conditions by end-borrowers will be treated by the bank in the same way as breaches in other loan conditions – attracting similar penalties;
- v. confirm the working relationship between the FI and PPMO and its loan implementation consultants;
- vi. ensure the wide dissemination within the FI of Chinese-language ESMS documents;
- vii. instruct branch offices to print copies of the ESMS Workbook (Appendix 3) for loan officers to use in the field and fill out as part of their duties; and,
- viii. commit to the training plan in the ESMS by facilitating FI officers attendance at training courses as required.

28. At least three months before the first sub-loan disbursement by the FIs, each FI will nominate senior staff as the FI environment and social managers, and operations staff, who will be responsible to establish and implement the ESMS. The senior staff will oversee the ESMS implementation progress and guide the ESMS process in the branches. They will work directly with loan officers in the county branches to guide their activities, undertake regular checks of ESMS implementation internally, and participate in the training. They will consolidate the ESMS progress reports prepared by the branches and submit them to the relevant CPMO.

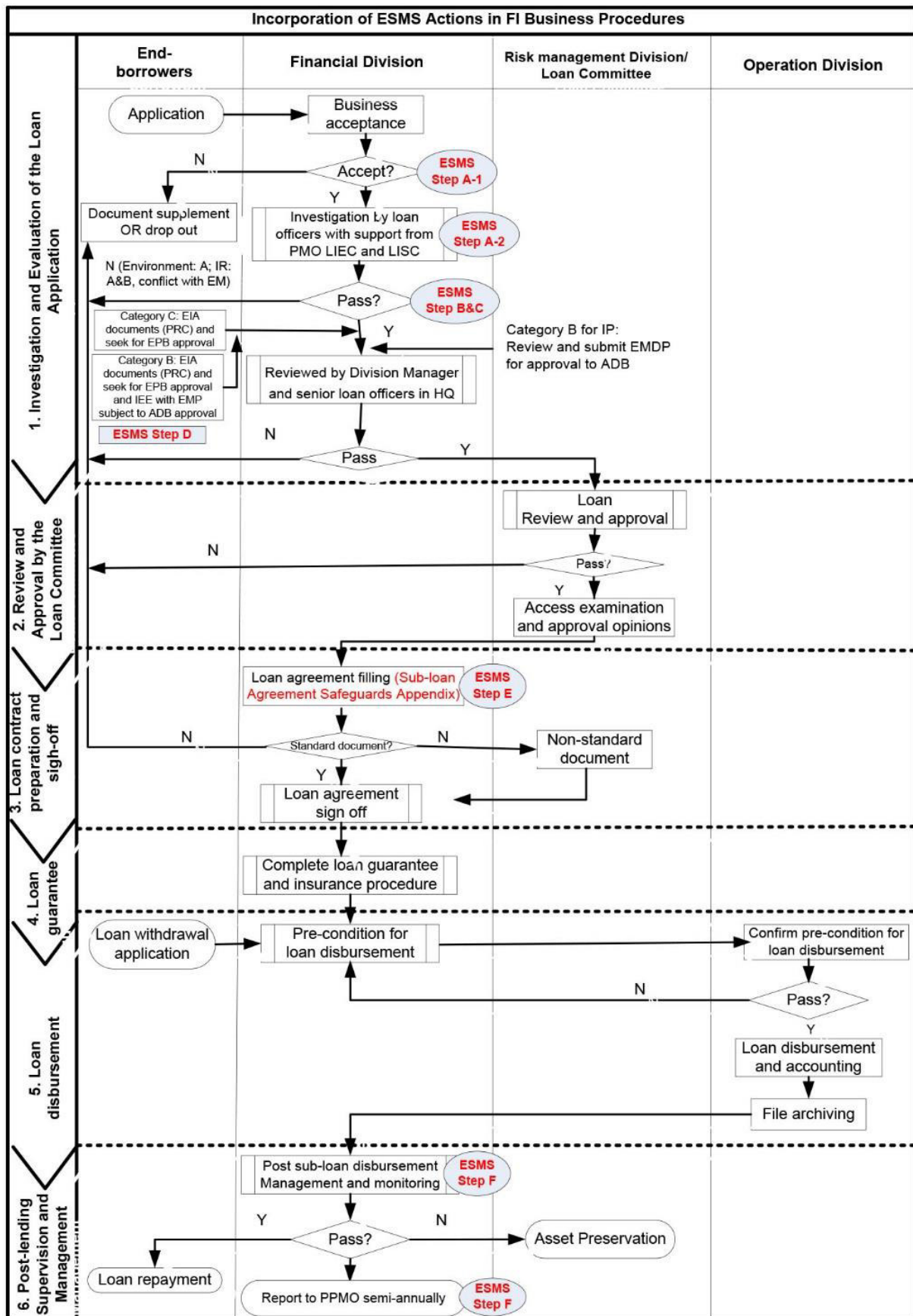
29. Upon receipt of a loan application, senior loan officers of the FI branch's Financial Division will commence loan assessment. The screening and categorizing will be integrated into the initial site visit and due diligence examination of the sub-loan application. After the end-borrower has completed the required assessments, impact mitigation measures and social/ethnic minority actions will be formulated as contractual conditions and signed by the end-borrower as Safeguards Commitment Letter. The same FI officers of the branch's Financial Division will check if the measures have been fully and properly undertaken as part of their post-loan disbursement monitoring.

30. Where a sub-project needs to be redesigned, the FI staff will discuss with the end-borrower and consult with the PMO to guide the re-design. After re-design, the application will progress step by step through the bank and ESMS procedures as before.

31. A generalized diagram of the existing procedures of the three FIs, and the entry points for Steps A–F of the ESMS (Section III) is shown in Figure IV.1.

32. For at least Year 1 of the project, the FIs will receive technical support from the LIEC and LISC to establish and implement their ESMS.

33. From Year 2 onward, it is expected that each FI will recruit an FI Environmental Manager and FI Social Manager to implement the ESMS.



**Figure IV.1. Integration of the ESMS in the Business Procedures of FIs.** SCL = safeguard commitment letter.



## **V. GRIEVANCE REDRESS MECHANISM**

34. The project includes a Grievance Redress Mechanism (GRM) to identify, address and resolve any public concerns for environmental and/or social issues of the project activities. The GRM comprises a series of steps to receive, document, and address the concerns of any affected persons. The GRM is accessible to all members of the community. Multiple entry points are available, as well as multiple ways to convey issues/ grievances including face-to-face meetings, written complaints, telephone conversations, e-mail, and social media. The GRM will be implemented for the 15 year life of the project.

35. The GRM will be established and managed by the 11 CPMOs for the project and overseen by the PPMO. The CPMOs will establish the framework of the GRM in each county at least three months before loan effectiveness by: (i) instructing the other agencies on their responsibilities in the GRM; (ii) establishing a simple registry to document and track grievances (including forms to record complaints and how they have been resolved); and (iii) publicizing the GRM on its website, project sites, and among local communities. When a sub-loan to an end-borrower is approved the CPMO will also publicize the GRM in the sub-project locality, including signposts at the sub-project site, to ensure that local communities are aware of the GRM and its contact points.

36. The FIs and RFSPs will support the CPMOs to implement the GRM, including immediate reporting to the CPMOs of any grievance issues identified.

37. Other key agencies that will support the CPMOs to implement the GRM are the county EPBs, county BAAH (and their land transfer centers),<sup>10</sup> township governments, and village committees.

38. The CPMO will provide progress reports on the GRM to the PPMO, for inclusion in the semi-annual environmental and social progress reports to ADB.

39. The CPMO Environmental and Social Officers coordinate the GRM and work directly with the nominated FI (and RFSP) staff responsible for the ESMS, to handle complaints and implement corrective actions.

40. The following scheme outlines the main elements of the GRM. It will be reviewed during project implementation by the LIEC and LISC and revised if necessary.

41. The procedure for the GRM involves two pathways: one for environmental issues (two stages) and social (ethnic minority and LURT) issues (four stages) (Figure V.1). Upon receiving a complaint, a project agency will report it immediately to the CPMO. The CPMO environment and social officers will assess which GRM (environment or social) is to be applied.

### **42. Environmental Issues (two stages).**

Stage 1 (maximum 10 days): Affected person or groups submit a written or oral complaint to any project agency or other relevant institutions as they wish. The agency attempts to resolve the complaint directly with the affected person. Within five working days of receiving the complaint, the agency provides clear advice to the affected person on the proposed corrective action and when it will be taken. The action, if agreed by the affected person, will be implemented within 5 days of this advice.

In all cases the agency immediately advises the CPMO, who documents the complaint.

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<sup>10</sup> The center has procedures and staff to deal with issues related to land use rights transfer.

The CPMO will send progress reports on the GRM to PPMO for semi-annual reporting.

Stage 2 (maximum 10 days): If the complaint is not resolved in Stage 1, CPMO convenes a meeting of stakeholders (e.g. FI, RFSP, end-borrower, EPB, BAAH and affected person, as appropriate) no later than 5 days after receipt of the complaint in Stage 1. Corrective actions and a time schedule are identified in the stakeholder meeting. The actions are implemented within 5 days of this meeting.

**43. Land use rights transfer issues (four stages).**

Stage 1 (maximum 15 days): Complaints are submitted to the village committee. In case of an oral appeal, the village committee shall make a written record. The village committee shall make a decision to resolve the problem within 15 days.

Stage 2 (maximum 15 days): If the affected person is dissatisfied with Stage 1, they may file an appeal to the township agricultural station (or township government). The agricultural station shall make a decision to resolve the problem within 15 days.

Stage 3 (maximum 15 days): If the affected person is dissatisfied with Stage 2, they may file an appeal to the county BAAH and CPMO, who shall resolve the issue within 15 days.

Stage 4 (no set duration): If the affected person is dissatisfied with Stage 3, they may file for arbitration in the Rural Land Use Rights Transfer Disputes Tribunal for final resolution.

At each stage, the receiving agency will report the complaint, and progress resolving it, to the CPMO. The CPMO will send consolidated reports on GRM activity to the PPMO for semi-annual reporting.

Based on the PRC *Law on Mediation and Arbitration of Rural Land Contract Disputes*, charges for disputes arbitration of rural land contracts are not allowed. Reasonable expenses will be paid by the local government.

**44. Ethnic minority safeguard issues<sup>11</sup> (four stages).**

Stage 1: If the affected people are dissatisfied with the EMDP or the Project, they can make either oral or written complaint to the village committee or cultural leaders; if they use verbal complaints, the community committee or cultural leader should handle and record it. Complaints will be addressed within 2 weeks.

Stage 2: If the complainant is not satisfied with the result of the first phase, he/she can appeal to the township government after receiving the result; the township government should make decision within 2 weeks.

Stage 3: If the complainant is not satisfied with the result of the second phase, he/she can appeal to the CPMO after receiving the result; the CPMO should make decision within 30 days.

Stage 4: If the complainant is not satisfied with the results of any above phases, he/she can appeal to the government departments applying for administrative reconsideration after receiving the result.

**45. At any time in the GRM, affected persons may contact the local courts and/or ADB East Asia Department. The GRM does not affect public rights under the PRC *Regulations***

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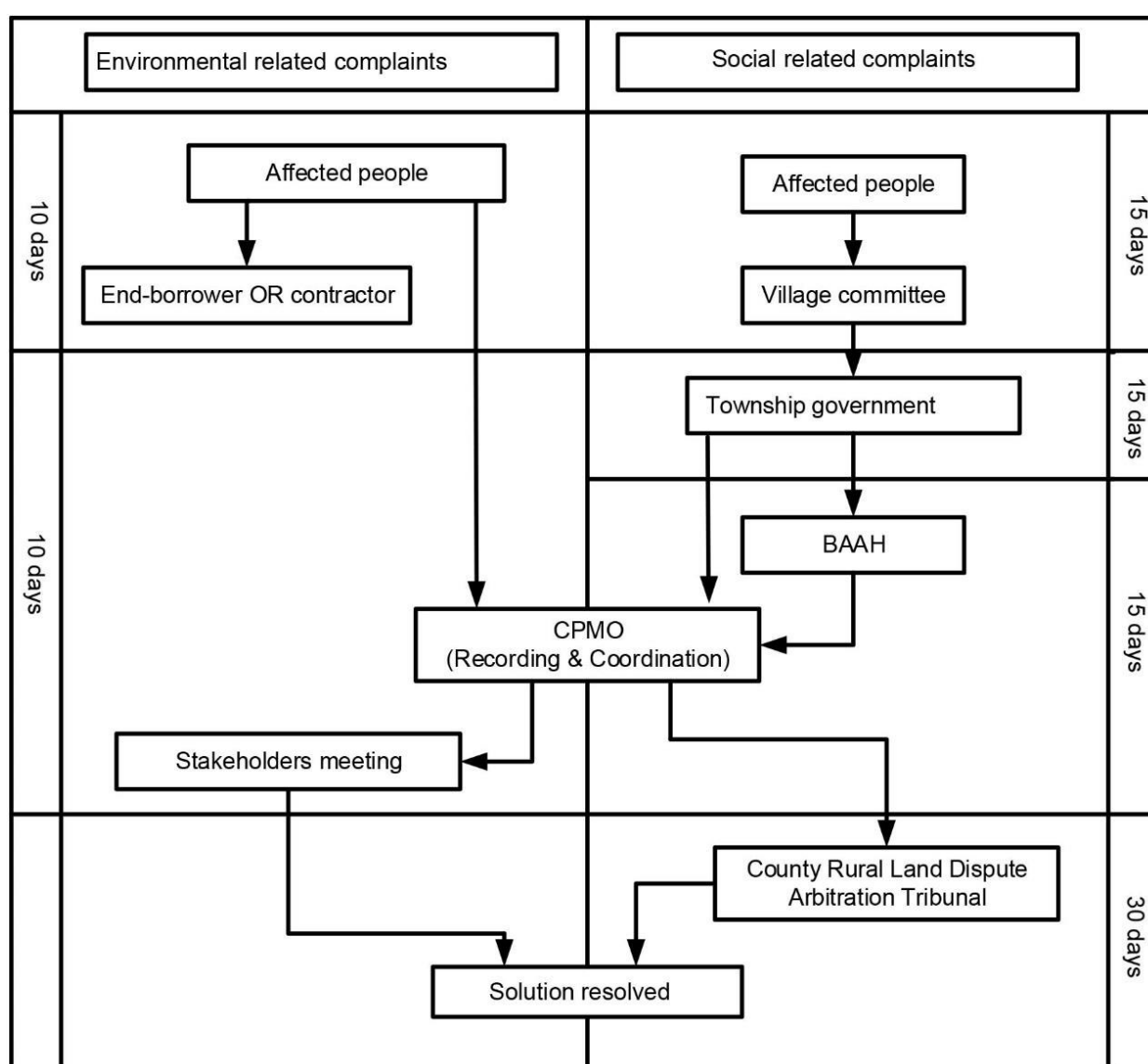
<sup>11</sup> <http://www.adb.org/Accountability-Mechanism/default.asp>.

on *Letters and Visits* (Appendix 1), which requires a complaint acceptance mechanism at all levels of government and protects complainants from retaliation. If the complaint is still unresolved after all stages, the affected person and/or PPMO may refer to the ADB Accountability Mechanism.<sup>12</sup>

46. All stages of the GRM are time-bound with maximum periods set for advising, finding and implementing corrective actions. All complaints and processes are documented and reported to the ADB in the semi-annual PPMO safeguard progress reports.

47. The cost of record-keeping and coordination is paid by the PPMO. The relevant FI staff shall pay close attention to sub-project design and implementation to ensure that complaints are minimized.

48. The GRM will remain valid throughout the 15 years of PPMO operations for the project.



**Figure V.1: The project Grievance Redress Mechanism**

Note: BAAH = Bureau of Agriculture and Animal Husbandry, CPMO = County Project Management Office.

<sup>12</sup> See: [www.adb.org/accountability-mechanism](http://www.adb.org/accountability-mechanism)

## VI. CAPACITY BUILDING AND TRAINING

49. The capacity of the FIs to establish and implement the ESMS is currently low. Prior to the project, none of the three FIs had any staff qualified in environmental or social management or safeguards. The PPMO and CPMOs will work with the FIs and RFSPs to implement the ESMS over the 15 years of the project life. The project includes a training program (Table VI.1) to build capacity of the FIs and RFSPs, with the aim that the FIs can independently conduct the following without ADB support after the first five years of the project: (i) implement the ESMS; (ii) understand the principles and practice of environmental and social impact assessment in the agriculture sector; and (iii) recognize the importance of value-added design for agricultural improvement and efficient use of natural resources, and, effectively facilitate the inclusion of these features in sub-projects. Most training will occur within the first five years of the project. Training will be conducted by the Loan Implementation Environment (LIEC) and Social (LISC) Consultants (see terms of reference in Appendix 5) and BAAH agricultural extension technicians.

**Table VI.1: Five-year training program for the ESMS and agricultural improvement. Includes a mid-term review of the ESMS and grievance redress mechanism in Year 3.**

Target audience	Training	Trainer	Year 1	Year 2	Year 3	Year 4	Year 5	Cost (CNY x10,000)
FIs, RFSPs	<b>Establish and maintain the ESMS</b>	LIEC, LISC	Full-time	tbc	tbc	tbc	tbc	tbc
PPMO, CPMOs, FIs	<b>Establish and maintain the GRM</b>	LIEC, LISC	Full-time	tbc	tbc	tbc	tbc	tbc
PPMO, CPMOs, FIs, RFSPs, BAAH technical staff	<b>Implement ESMS Steps A–F</b> —screening, design, categorization, impact assessment, and inclusion of safeguards into sub-loan contracts (mitigation, monitoring, reporting, SGAP, EMDP, land transfer)	LIEC, LISC*	Full-time	12	tbc	4	8	78
PPMO, CPMOs, FIs, RFSPs	<b>ESMS monitoring and reporting</b> —spreadsheet data, FI reporting to PMO, PMO reporting to ADB	LIEC, LISC*	Full-time	6	tbc	2	4	32
PPMO, CPMOs, FI loan officers	<b>Introduction to environmental and social impact assessment</b> in the agriculture sector – open field and greenhouse cultivation, orchards, and livestock production	LIEC, LISC	Full-time	4	tbc	2	2	32
FIs, RFSPs, end-borrowers, including women	<b>Introduction to agricultural principles and improved techniques</b> —crop nutrition, pest management, soil conservation, irrigation, animal housing, welfare, disease control, waste management	BAAH agricultural extension technicians	Full-time	Full-time	Full-time	Full-time	Full-time	In-kind support
FIs, RFSPs, PPMO, CPMOs	<b>Mid-term review of ESMS and GRM</b> —progress, challenges, lessons learned	LIEC, LISC	0	0	tbc	0	0	In-kind support

BAAH = bureau of agriculture and animal husbandry (11 counties), CPMO = county project management office, ESMS = environmental and social management system, FI = financial intermediary (the 3 banks of the project), GRM = grievance redress mechanism, LIEC = loan implementation environmental consultant, LISC = loan implementation social consultant, PPMO = provincial project management office, RFSP = rural financial service provider. tbc = to be confirmed (depending on the number of end-borrowers requiring training).

\*Training by the LIEC and LISC will mainly be in Years 1-2 then transfer to the CPMOs and FIs in Years 3-5 for subsequent training of any RFSPs new to the project.

## **VII. PROJECT ASSURANCES**

50. The following project assurances are agreed between the PPMO, FIs, and ADB. Terms of reference for the positions described below are in Appendix 5.

- (i) The PPMO will appoint a PPMO Environmental Officer and PPMO Social officer to assist the FIs and RFSPs to establish and implement the ESMS.
- (ii) The 11 CPMOs will each appoint one Environmental Officer and one Social officer to assist the FIs and RFSPs establish and implement the ESMS at the county level.
- (iii) The PPMO will recruit at least one Loan Implementation Environmental Consultant (LIEC) and one Loan Implementation Social Consultant (LISC), to assist the PPMO, CPMOs, FIs, and RFSPs to establish and implement all aspects of the ESMS, at the provincial, county, and sub-project levels.
- (iv) The LIEC and LISC will be recruited for a minimum of 14 and 10 months respectively for the first 30 months of the project. The need to extend consultant support for the FIs will be reviewed after about 18 months of project implementation.
- (v) Each FI will: (i) appoint an Environmental Manager and Social Manager. These will be existing managerial staff in the FI; (ii) assign the responsibility of daily implementation of the ESMS to existing FI loan officers. This approach – of appointing existing, non-qualified FI staff to implement the ESMS, supported by loan implementation consultants – will be jointly reviewed by the FIs, PPMO and ADB after about 18 months of project implementation. If the review finds the approach is unsuccessful, then the FI(s) will recruit qualified staff to implement the ESMS.
- (vi) The FIs will ensure that the personnel responsible to implement the ESMS, including senior staff who will be appointed as the FI Environmental and Social Managers, and loan staff who will implement the ESMS on a daily basis, are recruited or appointed at least three months before the first loan disbursement from the project to the FI. The PPMO and CPMOs will ensure that the PPMO and CPMO Environmental Officers and Social Officers are recruited or appointed at least three months before loan effectiveness.
- (vii) The PPMO, FIs, and RFSPs will adhere to the guidelines for this ESMS described in Section II.D. Specifically, sub-loan applications which the project will support, will favor and promote, and will not support.
- (viii) The FIs will ensure that all screening, categorization, and assessment of loan applications as per this ESMS is conducted before final approval of a sub-loan.
- (ix) The FIs will ensure that any relevant measures to avoid, reduce and/or mitigate environmental and/or social impacts are included in the Safeguards Implementation Commitment signed by the end-borrower.
- (x) The FIs will participate in the training provided by the project for implementation of the ESMS and sustainable agriculture.
- (xi) The PPMO, CPMOs and FIs will screen all RFSPs wishing to participate in the project, including assessment of: (i) existing capacity for environmental and social corporate responsibility; (ii) willingness to establish the ESMS and participate in training for the ESMS and sustainable agriculture.

- (xii) The PPMO and FIs will ensure that all RFSPs involved in the project adhere to the guidelines in Section II.D. This requirement will be included in the contractual agreements between the FIs and RFSPs. For at least the first two years of project implementation, ADB will also review the ESMS's prepared by the RFSPs. The need for ADB's continued review for any RFSPs joining the project in the third year onward will be assessed in the project mid-term review, and will depend on the capacity of the FIs and PPMO at that stage to independently review the ESMSs.

## APPENDIX 1. LEGISLATION AND POLICIES

**Table 1: PRC Laws and Regulations on Agriculture, Environment and Social Issues Relevant to the ESMS**

<b>Laws, Regulations and Standards</b>	<b>Relevance to Project</b>
<b>ENVIRONMENT PROTECTION AND PLANNING and LAND USE MANAGEMENT</b>	
Law on Environmental Protection (1989)	Sub-projects avoid any significant environmental impact.
Law on Land Administration (1998, amended 2004)	Sub-projects comply with provincial, county and local land use plans, which are made to protect and develop land resources.
Law on Prevention and Control of Pollution from Environmental Noise (1996)	Noise during construction and operation of the proposed sub-projects to be mitigated or avoided.
Technical standard of preventing pollution for livestock and poultry breeding (HJ/T81-2001)	Livestock sub-projects will design waste treatment facilities according to this standard.
<b>ENVIRONMENTAL IMPACT ASSESSMENT</b>	
Law on Environmental Impact Assessment (2002)	Overarching law for EIA, setting out procedures for EIA and approvals needed before construction.
Directory for the Management of Different Categories of Construction Project Environmental Impact Assessment, (MEP Order No. 2), 1 October 2008	Defines assessment and reporting requirements for three EIA classes, based on scale, investment level, and environmental sensitivity: comprehensive environmental impact assessment report (EIAR); environmental impact table (EIT); and, environmental impact registration form (EIRF). See Table 2. All sub-projects are expected to require EIT or lower.
Environmental Impact Assessment Public Participation Interim Guideline, (MEP Announcement No. [2006], 28)	Guideline and requirement for conducting public participation and consultation during the environmental impact assessment of a sub-project
Circular on Strengthening the Management of Environmental Impact Assessment for Construction Projects Financed by International Financial Organizations, (MEP Announcement No. [1993], 324)	Project funds are sourced from an international organization (ADB), the provisions of this circular apply for aspects of the environmental impact assessment.
Technical Guidelines for Environmental Impact Assessment: General Program (HJ 2.1-2011)	Guideline for conducting EIA preparation. Provides information on the scope and content of environmental impact assessment.
Guidelines for Environmental Impact Assessment: Atmospheric Environment (HJ 2.2-2008)	Guideline for air pollution prediction and analysis for sub-projects where gaseous emissions are a potential impact.
<b>WATER</b>	
Law on Water (1988, last amended 2002)	Regulation and management of water resources.
Provisions on Administration of the Prevention and Control of Pollution in the Protected Zones of Drinking Water Sources (1989)	Sets aside areas adjoining drinking water sources to protect water quality. Sub-projects should not be within or bordering these zones.
Measures on Monitoring of Pollutant Discharge Outlets Entering Rivers (2004)	Environmental monitoring in the wastewater discharge outlet may be required for the sub-project if necessary.
Regulations for Water Extraction Permitting and Collection of Water Resource Fees (2006)	Sub-projects need to obtain water resource extraction permission from local BWR before accessing water resource.
Integrated Wastewater Discharge Standard (GB 8978-1996)	Requirements for wastewater discharge.
Technical Guidelines for EIA – Groundwater Environment (HJ 610-2011)	Guideline for groundwater pollution prediction and analysis for impact assessments.
Quality Standard for Groundwater (GB/T 14848-93)	Standards for groundwater quality which must be maintained.
Discharge Standard for Municipal Wastewater (CJ 3082-1999)	Wastewater should not be discharged to municipal wastewater treatment plant if indicators exceed the limits in this standard.
Environmental Quality Standard for Surface Water (GB 3838-2002)	Assigns a water quality class to waterbodies according to their use. There are 5 classes, ranging from I (drinking water) to V (industrial use only). Waterbodies in sub-projects will be classed to assess the permitted use of the water and discharge of wastewater.
Law on Prevention and Control of Water Pollution (1984, last amended 2008)	Enabling legislation for rules and regulations preventing water pollution.
Implementing Rules of the Law on the Prevention and Control of Water Pollution (2000)	Rules and regulations for the treatment and discharge of wastewater.
Control Standard for Pollutants in Sludge for Agricultural Use (GB 4284-84)	Quality standards for biogas sludge used in agriculture production
<b>SOIL</b>	

Water and Soil Conservation Law (2010, amended 2011)	Provisions to combat soil erosion and land degradation in construction and agriculture. Under this law, Gansu Province has released two regulations: <i>Solution of Gansu Province for Implementation of Water and Soil Conservation Law and Measures for Gansu province for Combatting and Control of Desertification</i>
<b>AIR</b>	
Law on Prevention and Control of Air Pollution (1987, last amended 2000)	Enabling legislation for rules and regulations preventing air pollution.
Emission Standards for Odor Pollutants (GB 14554-1993)	Limits for odors from enterprises and activities.
Integrated Emission Standard for Air Pollutants (GB 16297-1996)	Limits for air pollutants emission from enterprises and activities.
Technical Guidelines for Fugitive Emission Monitoring of Air Pollutants (HJ/T 55-2000)	Guidance on how to predict and measure air pollutants for environmental impact assessments.
Ambient Air Quality Standard (GB 3095- 1996) (last amended 2000)	Standards for ambient air quality of an area (urban, rural, industrial etc)
<b>SOLID WASTE</b>	
Law on Prevention and Control of Environmental Pollution by Solid Wastes (2004)	Requirements for solid waste handling and disposal. To be used for management measures in sub-projects.
Classification and Assessment Standards for Municipal Solid Waste (CJJ/T 102-2004)	Solid waste quality and contamination limits for a range of permissible disposal options.
<b>FLORA, FAUNA, AND CULTURAL RESOURCES</b>	
Wild Animal Protection Law, 2004	Protection of listed fauna and flora. Sub-projects must ensure they do not threaten any animals on the lists.
Cultural Relics Protection Law, 2002	Procedures to record, protect any relics found during construction.
<b>SOCIAL SAFEGUARDS</b>	
Law on Protection of the Rights and Interests of Women, December 2005	Protection of employment, welfare, occupational health and workplace equality of women; equal rights for allocation of farmland and approval of housing sites in rural areas. These rights endure after marriage or divorce.
Regulations on the Exercise of Autonomy in Jishishan County (1991)	Requires county government to assist ethnic minorities for political, economic and cultural development, living conditions, respond to problems, and ensure freedom of religious belief.
Decree 431– Regulation on Letters and Visits (2005); Decree 34 – Measures on Environmental Letters and Visits (2006)	Codifies a complaint acceptance mechanism at all levels of government and protects the complainants from retaliation.
<b>LAND</b>	
Land Contract Law for Rural Areas, 2003	Legislative requirements covering all land contract signing.
Law on Arbitration and Dispute over Management of Contracted Rural Land	Enabling law setting up an arbitration system for disputes in land transfers.
Administration Methods on Rural Land Use Rights Transfer, Ministry of Agriculture, 2005	Land transfers to follow this guideline.
Arbitration Rules of Disputes over Management of Contracted Rural Land, Ministry of Agriculture and State Forestry Administration, 2010	Provides rules and procedures for resolving disputes in cases of land transfer.
Gansu Province Notified about Actively and Steadily Push Forward the Rural Land Contract Management Rights Transfer Work, GanZheng Ban Fa [2009] No. 130, August 2009	Rural land transfer service covering city, towns, villages. Includes model demonstration, procedure by Agricultural and Pastoral Office to guide contract signing between two parties, fair and transparent land transfer, and project legal rights.
Gansu Province Rural Land Contracting Right of Substitute Subsidies with Rewards Fund Management Interim Measures, 2009	Reward funds for county (city, district) with a good performance on land transfer.
Gansu PDAAH & PDF on the Issuance of the Notice about 2011 Rural Land Contract Management Rights Transfer to Support the project Application, May 2011	Rural land transfer market system covering city, towns, villages. Strengthens management and service for land transfer; sets up arbitration system of land transfer disputes to protect farmer rights; guides market players like farming cooperatives, leading enterprise, specialized households, etc. to land transfer.
Notice of Qingyang City's Transfer of Rural Land Contract Management Rights, Qing Zheng Fa [2009] No. 84, June 2009	Rural land contracting management right transfer in Qingyang is based on the following process: (i) information collection; (ii) information disclosure; (iii) docking with counterparty; (iv) contract signing; (v) contract authentication; (vi) registration land transfer; (vii) documentation; (viii) contract performance monitoring; (ix)



	disputes mediation and arbitration.
Opinions on Support for the Transfer of Rural Land Contract Management Rights in Qingshui County's Government of Gansu Province, Qing Zheng Fa [2012] No.93, November 2012	This advises on government support available to entities which transfer land to increase the scale of agriculture. Government can provide discount loans for business entities registering as professional cooperative and later can apply for Project support.
On the Issuance of the Notice about the Implementing Regulations of Transfer of Rural Land Contract Management Rights in Lanzhou City, June 2011	[Rural land contracting management right transfer in Lanzhou City is based on the following process: (i) information collection; (ii) information disclosure; (iii) docking with counterparty; (iv) contract signing; (v) contract authentication; (vi) registration land transfer; (vii) documentation; (viii) contract performance monitoring; (ix) disputes mediation and arbitration. Farmer professional cooperative engaging in large scale plantation and agricultural infrastructural construction will have priority support.
<p>Suggestions from Lanzhou Municipal People's Government "About Accelerating Rural Land Contract Management Rights Work", March 2011;</p> <p>The Trial Procedures of Rural Land Contract Rights Management in Min County, Min Zheng Ban Fa [2010] No. 78, May 2010;</p> <p>Kongtong District Rural Land Contracting Right Management Approach, District Zheng Ban Fa [2011] No. 32, March 2011;</p> <p>Yongjing Rural Land Contract Rights Management Method (tentative), July 2014</p>	The following principles apply for land transfer: (i) equal consultation, legal, voluntary and orderly; (ii) unchanged of nature of land ownership and agricultural purpose; (iii) land transfer duration cannot exceed that of land contract; (iv) transferee is capable of agricultural management; (v) giving priority to the member of collective economic organization under the same condition. Provide negotiation and mediation guidelines in cases of dispute.
Provincial, county and local land use plans	Plans to be consulted to ensure that proposed sub-projects are not prohibited or constrained in the site locality and do not cause land use conflicts with adjoining uses.

**Table 2. PRC EIA documentation requirements for agricultural activities.** Note: these requirements will be updated when the new PRC EIA regulations (2015) come into effect.

Type of sub-project	EIAR	EIT	EIRF
Agricultural reclamation	>5,000 mu; not affecting any environmentally sensitive area	All other agricultural reclamation	N/A
Farmland leveling Project	N/A	Affecting an environmentally sensitive area	Not affecting environmentally sensitive areas
Agricultural base Project	Affecting an environmentally sensitive area	Not affecting environmentally sensitive areas	N/A
Forest harvesting	Clear felling	Selective logging or thinning	N/A
Preventing and controlling sand erosion	N/A	All	N/A
Livestock farm	Pigs >3,000 inventory Cattle >600 inventory Dairy cow >500 inventory Poultry >100,000 inventory	All other livestock farms	N/A
Breeding facility	Equivalent to sheep inventory of >5,000	Equivalent to 500 – 5,000 sheep inventory	Equivalent to ≤500 sheep inventory

Source: Directory for the Management of Different Categories of Construction Project Environmental Impact Assessment. EIAR = environmental impact assessment report; EIT = environmental impact table; EIRF = environmental impact registration form. N/A = not applicable.

## APPENDIX 2. ADB LIST OF PROHIBITED INVESTMENT ACTIVITIES

The use of ADB funds is strictly prohibited for the following activities (ADB Safeguard Policy Statement, 2009).

1. Production or activities involving harmful or exploitative forms of forced labor<sup>13</sup> or child labor.<sup>14</sup>
2. Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans, such as (a) pharmaceuticals,<sup>15</sup> pesticides, and herbicides,<sup>16</sup> (b) ozone-depleting substances,<sup>17</sup> (c) polychlorinated biphenyls<sup>18</sup> and other hazardous chemicals,<sup>19</sup> (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,<sup>20</sup> and (e) transboundary trade in waste or waste products.<sup>21</sup>
3. Production of or trade in weapons and munitions, including paramilitary materials.
4. Production of or trade in alcoholic beverages, excluding beer and wine.<sup>22</sup>
5. Production of or trade in tobacco.
6. Gambling, casinos, and equivalent enterprises.
7. Production of or trade in radioactive materials,<sup>23</sup> including nuclear reactors and components thereof.
8. Production of, trade in, or use of unbonded asbestos fibers.<sup>24</sup>
9. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
10. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

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<sup>13</sup> All work or services not voluntarily performed i.e. extracted from individuals under threat of force or penalty.

<sup>14</sup> Employment of children whose age is below the host country's statutory minimum age of employment, or, in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" ([www.ilo.org](http://www.ilo.org)).

<sup>15</sup> A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

<sup>16</sup> A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

<sup>17</sup> A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

<sup>18</sup> A group of highly toxic chemicals. Likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

<sup>19</sup> A list of hazardous chemicals is available at <http://www.pic.int>.

<sup>20</sup> A list is available at <http://www.cites.org>.

<sup>21</sup> As defined by the Basel Convention; see <http://www.basel.int>.

<sup>22</sup> Does not apply to project sponsors who are not "substantially involved" in these activities i.e. the activity concerned is ancillary to a project sponsor's primary operations.

<sup>23</sup> Does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

<sup>24</sup> Does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.

### APPENDIX 3. WORKBOOK FOR SCREENING AND CATEGORIZING SUB-PROJECTS

**This workbook comprises five worksheets. The worksheets are to be filled out by FI staff in consultation with the end-borrower.**

The workbook can be printed out and carried into the field by FI staff, for site assessments and discussions with end-borrowers. The workbook is retained by the FI and/or RFSP in their records for each sub-loan application.

Each sub-project<sup>25</sup> is recorded in a separate workbook. Complete the details below.

<b>Name of FI or RFSP</b>	
<b>Sub-project title</b> (name of entity)	
<b>Name of sub-loan applicant</b>	
<b>Name of end-borrower</b> (if same as applicant write "as above")	
<b>Information on the proposed sub-project</b>	
<b>Proposed sub-project activity</b>	
<b>County</b>	
<b>Town/Township</b>	
<b>Village</b>	
<b>Date of site visit</b>	
<b>Name of assessor</b>	
<b>Geographic coordinates</b> (if available)	
<b>If the sub-project is a production base</b> <b>(otherwise write "not applicable"):</b>	
Area of production base	
# farmer households involved	
#farmers involved	
# poverty households involved	
# poverty people involved	
# EM households involved	
# EM people involved	
Name of ethnic minority group*	
# women involved	
<b>Notes:</b>	

EM = Ethnic minority, FI= Financial intermediary, RFSP = Rural financial service provider.

\* specify one of Bao'an, Dongxiang, Salar, or Hui.

<sup>25</sup>For a sub-project to be implemented by a farmer cooperative or ASME, the worksheets will be recorded as a separated workbook. For a production base to be established by farmer households, the worksheets will be recorded based on production base, not individual households.

## WORKSHEET 1: Rapid Environmental Assessment Checklist

1. Answer the first question (“Will it happen?”) assuming that no mitigation measures will be conducted. The purpose is to identify potential impacts.
2. If the answer is “Yes” then fill out the next two columns, “is it irreversible?” and “can it be minimized?”
3. If the answer is “No” then place a “C” in the final column.
4. The first three columns (“will it happen?”, “is it irreversible?”, “can it be minimized?”) should be filled out by discussions with the end-borrower and a site inspection.
5. The final column refers to the ADB categories “A”, “B” and “C” for environmental impacts. They are defined below. Use these definitions to decide on the category.

**Category A.** Sub-project likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. Impacts may extend beyond the sub-project sites. Environmental impact assessment (EIA) including environmental management plan (EMP) is required. Examples: conversion of wetlands; sub-projects in or next to protected areas; large scale pollution of water resources.

**Category B.** Potential adverse environmental impacts are site-specific, few if any are irreversible. In most cases mitigation measures can be designed more readily than for Category A sub-projects. Initial environmental examination (IEE) including EMP is required. Examples: crop farming on land already used for the same crop type; farming which does not result in increased pressure on water resources.

**Category C.** Sub-project likely to have minimal or no adverse environmental impacts. EIA or IEE not required. Environmental implications need to be reviewed. Examples: construction of small offices, financing, training, or planning activities.

Screening and Impact Questions	Will it happen? Y/N	If YES		ADB Category
		Is it irreversible? Y/N	Can it be minimized?	
<b>SUB-PROJECT SITING</b>				
Is sub-project in or next to (i) a cultural heritage site, (ii) a protected area, (iii) wetland or (iv) special area for protecting biodiversity?				
Is siting of the sub-project likely to be affected by climate conditions including extreme weather related events such as floods, droughts, storms, landslides?				
<b>POTENTIAL ENVIRONMENTAL IMPACTS</b>				
Will the sub-project cause...				
• damage to historical/cultural areas or physical cultural resources?				
• disturbance to precious ecology (e.g. sensitive or protected areas)?				
• alteration of surface water hydrology of waterways resulting in increased sediment in streams affected by increased soil erosion at construction site?				
• deterioration of surface water quality due to silt runoff and sanitary wastes from worker-based camps and chemicals used in construction?				
• increased air pollution due to sub-project construction and operation?				
• noise and vibration due to sub-project construction				

Screening and Impact Questions	Will it happen? Y/N	If YES		ADB Category
		Is it irreversible? Y/N	Can it be minimized?	
or operation?				
• generation of solid waste and/or hazardous waste?				
• use of chemicals?				
• generation of wastewater during construction or operation?				
In land leveling and other earthworks as necessary will there be:				
• construction dust and erosion				
• loss of micro-habitat for local biodiversity				
• changes to local drainage				
In the upgrade or establish irrigation system, including wells, canals, pipes. Installation of quota irrigation systems will there be:				
• Unsustainable use of local water resources				
• Water use conflicts				
• Cumulative impacts on limited water resource				
For construction of livestock pens and other livestock structures (to comply with <i>Gansu Provincial Livestock Production Plot Construction Standard</i> ) will there be problems with:				
• location (too close to residences / waterways)				
• construction impacts - dust, noise				
• operational impacts – noise, odor				
In electricity use for machinery, greenhouses, pumps, ventilation will there be:				
• GHG emissions from electricity use				
• GHG emissions and flue gas emissions from on-site electricity generator				
In the establishment of on-site wells for process water and drinking water will there be:				
• unsustainable use of local water resources				
• water use conflicts				
• cumulative impacts on limited water resource				
For handling, transport, storage of materials and inputs of seeds, seedlings, fertilizers, chemicals will there be:				
• application of chemicals and fertilizer not carefully managed - increased volumes enter soil and water				
• noise, dust, pollution from haulage, handling and storage of materials				
• extensive residue of plastic mulch material in soil and water				
• loss of crop diversity and self-sustaining household plots				
• use or introduction of non-native species for seeding				
In the collection, treatment, disposal / reuse processes built as part of the facilities will there be:				
• pollution of land and rivers from wastewater disposal or via land application as liquid fertilizer				
• contamination of soil and groundwater, especially from livestock waste, feed, or fertilizer				

**Overall conclusion on Environment Category (circle one):**

**A**

**B**

**C**

**Reason for conclusion:**

**Notes**

## WORKSHEETS 2 – 4: Land Acquisition, Involuntary Resettlement, Land Use Rights, Ethnic Minorities

Does the subproject involve physical changes to the land or changes to land user rights (land adjustment within the group or formal land use rights transfer to a third party?) If no, skip to Worksheets 4 and 5. If yes, proceed to Worksheets 2, 3, and 4.

Yes ☐

No ☐

What is the current status of land ownership and land use rights of the land to be used?

- 1) **Ownership:** state-owned farm ☐; collective land ☐  
 2) **User rights:** enterprise ☐; cooperative ☐; village/group ☐; or household ☐

### WORKSHEET 2: Land Acquisition and Involuntary Resettlement Checklist

Probable Involuntary Resettlement Effects	Yes	If Yes, give number of affected persons and households	No
Will there be land acquisition for this sub-project?*			
Will there be loss of land use rights due to change in land use resulting from the sub-project (e.g., expanded village road)?			
Has the land for the sub-project been acquired in the past 3 years?** If so, provide results of due diligence in the "Notes" section			
Will there be residential house demolition causing loss of shelter to people due to land acquisition or construction activities?			
Will there be any temporary occupation of land that affects the land, housing, assets or livelihoods/business of people?			
Will there be losses of crops, trees, graves and fixed assets?			
Will people lose access to natural resources, communal facilities and services?			
If land use is changed, will it have an adverse impact on social and economic activities?			
Will access to land and resources owned communally or by the state be restricted?			

\* Check if there will be land acquisition per local development planning (especially urban development planning).

\*\*If "yes", due diligence is required to determine if the sub-project should be excluded e.g. if there are outstanding land acquisition and/or resettlement issues. If there is temporary land occupation with insignificant impact, a "due diligence" assessment shall be prepared.

**Overall conclusion on Involuntary Resettlement Category (circle one):**

**A**

**B**

**C**

**Note:** for a subproject to be approved for FI loan, it should be category C and any due diligence for prior land acquisition should confirm there are no remaining issues.

**Reason for conclusion:**

**Notes:**

### WORKSHEET 3: Land Use Rights Transfer Impact Checklist

Will sub-project require land use rights transfer or is there a pre-existing land use rights transfer agreement? (Y/N) If yes, complete form. If no, leave form blank.

Types of activity*	Cooperatives involved	Enterprises involved	Production bases involved	HHs involved	Farmland area (mu)
<b>Total</b>					

\*Cropping, animal processing etc. HH=household.

#### Land use rights transfer (LURT) agreement

New LURT agreement	Yes	No	If no, explain
Has the agreement been prepared in accordance with the LURT Framework in Appendix 6?			
Has third party due diligence been conducted? If yes, give results in the "Notes" section.			
Has the agreement been endorsed by the Township Agriculture Station or higher authority?			
Has the agreement been signed by all affected households?			
Has the agreement been signed by at least 70% of spouses?			

Pre-existing LURT agreement	Yes	No	If no, explain
Was the agreement prepared in accordance with the LURT Framework in Appendix 6?			
Has third party due diligence been conducted? If yes, give results in the "Notes" section.			
Was the agreement endorsed by the Township Agriculture Station or higher authority?			
Has the agreement been signed by all affected households?			
Has the agreement been signed by at least 70% of spouses?			
Are there any outstanding issues? If yes, give details in the "Notes" section.			

#### Overall conclusion on LURT Agreement

Agreement is in place and acceptable (in accordance with LURT Framework) ☐

Agreement requires further due diligence ☐

Agreement requires resolution of outstanding issues ☐

Agreement is not acceptable (not in accordance with LURT Framework) ☐

**Reason for conclusion:**

**Notes:**



## WORKSHEET 4: Ethnic Minorities Impact Checklist

**Will sub-project involve any ethnic minorities? (Y/N) If yes, complete form. If no, leave blank.**

**Name of ethnic minority (usually Dongxiang, Bao'an, Salar or Hui People):<sup>26</sup>**

Include consideration of: (i) magnitude of impact (including customary rights for use and access to land and/or resources, socioeconomic status, cultural and communal integrity, health, education, livelihoods, social security, indigenous knowledge); (ii) the vulnerability of the affected community.

Potential Impacts to Ethnic Minorities (EM)	Yes /No	If Yes, give number of affected persons and households
Will the subproject directly or indirectly benefit or target EM households?		
Will the subproject affect the livelihood systems of EM households? (e.g., food production, natural resource management, crafts, trade, employment)		
Is there commercial development of the cultural resources and knowledge of the EM?		
Is there commercial development of natural resources (e.g. forests, grasslands, hunting grounds) in customary lands under use, that would impact the livelihoods or cultural, ceremonial, and/or spiritual uses by the EMs?		
Will the subproject involve a pre-existing or new land use rights transfer agreement?		

Proposed activities	No. of villages	No. of EM households	EM population	Beneficial and/or Adverse Impacts
1.				
2.				
3.				
4.				
5.				

**Overall conclusion on Indigenous Peoples Category (circle one):**

**A**

**B**

**C (monitored)**

**C (no monitoring)**

**Note:** Category A subprojects will be excluded or redesigned. Category B subprojects will require the end-borrower to prepare an ethnic minority development plan (EMDP) in accordance with the Ethnic Minority Development Framework in Appendix 7. Category C requires no ethnic minority specific actions but measures in the SGAP (see Appendix 8) will be applied and monitored. Some subprojects that require no specific ethnic minority actions may still require monitoring of results.

**Reason for conclusion:**

**Notes:**

<sup>26</sup> Dongxiang, Bao'an and Salar only occur in Jishishan Autonomous County and Hezheng County and are generally more vulnerable than Hui, but this needs to be confirmed at the sub-project level.

## WORKSHEET 5: Sustainable Agricultural Design and Best Practice

**This worksheet is to improve the agricultural design and operation of the sub-project.** The FIs and RFSPs will encourage and favor loans which demonstrate the sustainable use of resources and energy savings, including: efficiency of water and/or energy use; recycling of plastic mulch; soil conservation practices and principles; reduced use and proper disposal of agricultural chemicals and their packaging; improved pest control methods; local sourcing of livestock and feed store animals; biogas generation as part of animal waste treatment; manure processed as organic fertilizer.

**Use the worksheet to identify which features below are most suitable for the sub-project. Instruct the end-borrower to work with the BAAH agriculture extension officers and CPMO Environmental Officer to include these as relevant in the sub-project design.**

Base and Operation	Sustainable agriculture key features
<b>Open field production bases:</b> medicinal plants e.g. Angelica, edible lily; vegetables e.g. cucumber, eggplant, pepper, tomato, celery, virus-free seed potatoes; tree seedling nurseries and tree crops	
<b>Land preparation and leveling</b>	<b>Soil conservation principles including:</b> (1) shallow ploughing and ripping; (2) fallow or green manure inter-cropping; (3) terrace-forming on slopes; (4) check dams on drainage swales; (5) gully head protection
<b>Irrigation facilities:</b> wells, canals, irrigation pipes, water use quota system and monitoring	<b>Water saving technologies including:</b> (1) pipe irrigation system rather than open canal; (2) drip or sprinkler irrigation systems; (3) irrigation system maintenance
<b>Production materials</b>	<b>Including:</b> (1) certified seed and seedlings sourced; (2) certified inorganic fertilizer; (3) organic fertilizer; (4) certified pesticides; (5) plastic mulch which is part of the BAAH recycling program
<b>Production practices:</b> soil preparation, sowing, crop nutrition, pest management, harvesting	<b>Including:</b> (1) organic manures; (2) organic mulches; (3) minimum tillage; (4) chemical waste disposal plan
<b>Technical support</b>	<b>The following technical support must be accessible:</b> (1) crop-specific land preparation; (2) cultivation standard; (3) fertilization; (4) irrigation; (5) pest and disease control; (6) management techniques.
<b>Greenhouse and plastic tunnel bases:</b> vegetables	
<b>Land preparation and leveling</b>	<b>Soil conservation principles including:</b> (1) shallow ploughing and ripping; (2) fallow or green manure inter-cropping; (3) terrace-forming on slopes check dams on drainage swales; (4) gully head protection
<b>Construction:</b> green-houses: thick brick / soil walls, steel frame, water tank. Plastic tunnels: steel frame, water tank	<b>Including:</b> UV resistant plastic sheeting with life span 3-5 years – <b>and</b> a clear strategy for disposal and/or recycling of the plastic sheeting
<b>Irrigation facilities:</b> wells, pump equipment, pipes, sprinkling system	Irrigation sustainability demonstrated by seasonal water balances
<b>Electricity supply</b>	<b>Including:</b> (1) use of VFD controllers on pumps; (2) building design for passive heating and cooling; (3) use of site landscaping for cooling
<b>Production materials</b>	<b>Including:</b> (1) integrated pest management; (2) certified seeds and seedlings; (3) certified inorganic fertilizer; (4) organic fertilizer; (5) pesticides
<b>Technical support</b>	<b>See “Technical Support” above.</b>
<b>Livestock production bases:</b> sheep and cattle	
<b>Sheep pens, cow houses</b>	To comply with <i>Gansu Provincial Livestock Production Plot Construction Standard</i>
<b>Forage storage</b>	To comply with <i>Gansu Provincial Livestock Production Plot Construction Standard</i>
<b>Livestock</b>	To be sourced from local farmers, for local economic benefit
<b>Water supply and use</b>	Water balances and water efficient design features, to confirm sustainability
<b>Feedstock</b>	To be sourced from local farmers, for local economic benefit
<b>Electricity supply</b>	<b>Including:</b> (1) use of VFD controllers on pumps; (2) building design for passive heating and cooling; (3) use of site landscaping for cooling
<b>Waste management</b>	<b>Including:</b> (1) biogas units for collected wastewater; (2) water treatment and retention ponds; (3) manure processed to organic fertilizer
<b>Technical support</b>	<b>The following technical support must be accessible:</b> (1) construction of sheep pens, cow houses, storages; (2) set up disinfection and detection system; (3) guide, supervise wastewater and manure treatment system construction and operation; (4) guide, supervise on feeding techniques and disease control; (5) epidemic prevention - incorporate in PRC Epidemic Prevention Program

## **APPENDIX 4. OUTLINE OF AN INITIAL ENVIRONMENTAL EXAMINATION REPORT**

Under the ADB Safeguard Policy (SPS, 2009), an initial environmental examination report is required for all Projects classified as “Environment Category B”. This appendix provides the outline for an initial environmental examination report. No “Category A” Projects will be supported by the loan.

### **A. Executive Summary**

This section describes concisely the critical facts, significant findings, and recommended actions.

### **B. Policy, Legal, and Administrative Arrangement**

This section discusses the national and local legal and institutional arrangement within which the environmental assessment is carried out. It also identifies Project-relevant international environmental agreements to which the country is a party.

### **C. Description of the project**

This section describes the proposed Project; its major components; and its geographic, ecological, social, and temporal context, including any associated facility required by and for the project (for example, access roads, power plants, water supply, quarries and borrow pits, and spoil disposal). It normally includes drawings and maps showing the project's layout and components, the project site, and the project's area of influence.

### **D. Description of the Environment (Baseline Data)**

This section describes relevant physical, biological, and socioeconomic conditions within the study area. It also looks at current and proposed development activities within the project's area of influence, including those not directly connected to the project. It indicates the accuracy, reliability, and sources of the data.

### **E. Anticipated Environmental Impacts and Mitigation Measures**

This section predicts and assesses the project's likely positive and negative direct and indirect impacts to physical, biological, socioeconomic (including occupational health and safety, community health and safety, vulnerable groups and gender issues, and impacts on livelihoods through environmental media, and physical cultural resources in the project's area of influence, in quantitative terms to the extent possible; identifies mitigation measures and any residual negative impacts that cannot be mitigated; explores opportunities for enhancement; identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions and specifies topics that do not require further attention; and examines global, transboundary, and cumulative impacts as appropriate.

### **F. Analysis of Alternatives**

This section examines alternatives to the proposed Project site, technology, design, and operation—including the no Project alternative—in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. It also states the basis for selecting the particular Project design proposed and, justifies recommended emission levels and approaches to pollution prevention and abatement.

### **G. Environmental Management Plan**

This section deals with the set of mitigation and management measures to be taken during Project implementation to avoid, reduce, mitigate, or compensate for adverse environmental impacts (in that order of priority).

### **H. Conclusion and Recommendation**

This section provides the conclusions drawn from the assessment and provides recommendations.

## **APPENDIX 5. TERMS OF REFERENCE FOR ESMS POSITIONS**

### **PPMO AND CPMO ENVIRONMENT OFFICERS**

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#### **I. BACKGROUND**

The Gansu Provincial Government will apply an Asian Development Bank (ADB) loan to implement the Gansu Featured Agriculture and Financial Services System Development Project. Loan proceeds will be channeled through financial intermediaries (FIs) to end-borrowers (farmers, cooperatives and agro-enterprises) in 11 counties. To oversee the project implementation, a provincial project management office (PPMO) has been established in the Gansu Department of Agriculture and Animal Husbandry (DAAH), and county PMOs have been established in the 11 county Bureaus of Agriculture and Animal Husbandry (BAAHs). An Environmental and Social Management System (ESMS) has been developed by the government and FIs. Each FI will establish the ESMS within their business procedures. The ESMS is the key guiding document to assess and manage the potential environmental and social impacts of sub-projects. This is the first ESMS to be conducted by FIs in Gansu Province. The PPMO and 11 CPMOs will each appoint or recruit a full-time environmental officer to help establish and implement the project safeguards, including the ESMS. These terms of reference describe the requirements for this position.

#### **II. SCOPE AND DURATION OF WORK**

The officers will work on behalf of the PPMO and CPMOs and coordinate with counterpart environmental and social managers in the project FIs, to implement the ESMS and other environmental safeguards. The positions are for at least the first five years of the project.

#### **III. QUALIFICATIONS**

The officers will have: (i) an undergraduate degree or higher in environmental management or related field; (ii) at least five years of experience in environmental management, monitoring, and/or impact assessment; (iii) ability to communicate and work effectively with local communities, contractors, and government agencies; (iv) ability to analyze data and prepare technical reports; (v) willingness and health to regularly visit the sub-project sites; and (vi) ideally, proficiency in spoken and written English.

#### **IV. DETAILED TASKS**

The officers will have a detailed understanding of the ESMS and relevant laws and regulations and ADB requirements for the supporting documents to be produced (rapid assessment checklists and categorization documents). Working closely with the PPMO and CPMO Social Officers, FI environmental and social managers, and other agencies, the officers will:

1. Distribute the Chinese language version of the ESMS to all relevant agencies, including the FIs, RFSPs, at least three months before the ADB loan comes into effect.
2. Assist the FIs, RFSPs, and all other relevant agencies to establish and implement the ESMS.
3. Conduct meetings with FIs, RFSPs, and other agencies as necessary to ensure they understand their specific responsibilities described in the ESMS.
4. Provide training to FIs, RFSPs, end-borrowers, and other Project agencies as necessary to facilitate implementation of the ESMS.
5. Assist FIs to ensure that candidate Sub-projects are correctly categorized and comply with the selection criteria for environment.
6. With the PPMO and CPMO Social Officers, implement the project grievance redress mechanism (GRM), including: (i) instruct the other Project agencies on their responsibilities in the GRM; (ii) establish a simple registry system, to document and track grievances received (including forms to record complaints and how they have been resolved); and (iii) prepare reports on progress of the GRM for inclusion in the semi-annual environmental and social monitoring and progress reports to ADB.
7. Prepare semi-annual environmental progress reports for the PPMO to submit to ADB.

#### **V. REPORTING REQUIREMENTS**

Semi-annual reports on the implementation and progress of the ESMS should be submitted to ADB within 2 months after each reporting period, using a template provided by ADB or a domestic format reviewed and approved by ADB.

## **PPMO AND CPMO SOCIAL OFFICERS**

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### **I. BACKGROUND**

The Gansu Provincial Government will apply an Asian Development Bank (ADB) loan to implement the Gansu Featured Agriculture and Financial Services System Development Project. Loan proceeds will be channeled through financial intermediaries (FIs) to end-borrowers (farmers, cooperatives and agro-enterprises) in 11 counties. To oversee the project implementation, a provincial project management office (PPMO) has been established in the Gansu Department of Agriculture and Animal Husbandry (DAAH), and county PMOs have been established in the 11 county Bureaus of Agriculture and Animal Husbandry (BAAHs). An Environmental and Social Management System (ESMS) has been developed by the government and FIs. Each FI will establish the ESMS within their business procedures. The ESMS is the key guiding document to assess and manage the potential environmental and social impacts of sub-projects. This is the first ESMS to be conducted by FIs in Gansu Province. The PPMO and 11 CPMOs will each appoint or recruit a full-time social officer to help establish and implement the project safeguards, including the ESMS. These terms of reference describe the requirements for this position.

### **II. SCOPE AND DURATION OF WORK**

The officers will work on behalf of the PPMO and CPMOs with counterpart environmental and social managers in the project FIs, to implement the project ESMS. The officer will report directly to the PPMO. The positions are for at least the first five years of the project.

### **III. QUALIFICATIONS**

The officers will have: (i) an undergraduate degree or higher in applied social science; (ii) at least five years of experience in social management, monitoring, and/or impact assessment; (iii) ability to communicate and work effectively with local communities, contractors, and government agencies; (iv) ability to analyze data and prepare technical reports; (v) willingness and health to regularly visit the sub-project sites; and (vi) ideally, proficiency in spoken and written English.

### **IV. DETAILED TASKS**

The officers will have a detailed understanding of the ESMS and the supporting documents to be produced (land acquisition/resettlement and ethnic minority people impact checklists, categorization forms, land use rights transfer framework, social and gender action plan). Working closely with the PPMO and CPMO Environment Officers, FI social managers, and other agencies, the officer will:

1. Distribute the Chinese language version of the ESMS to all relevant agencies, including the FIs, RFSPs, at least three months before the ADB loan comes into effect.
2. Assist the FIs and all other relevant agencies to establish and implement the ESMS.
3. Meet with the FIs and other agencies as necessary to ensure they understand their specific responsibilities described in the ESMS.
4. Provide training to FIs and other Project agencies as necessary to implement the ESMS.
5. Assist FIs to ensure that candidate Sub-projects are correctly categorized and comply with the social selection criteria.
6. With the PPMO and CPMO Environment Officers, implement the project grievance redress mechanism (GRM), including: (i) instruct the other Project agencies on their responsibilities in the GRM; (ii) establish a simple registry system, to document and track grievances received (including forms to record complaints and how they have been resolved); and (iii) prepare reports on progress of the GRM for inclusion in the semi-annual environmental and social monitoring and progress reports to ADB.
7. Prepare semi-annual social progress reports for the PPMO to submit to ADB.
8. Provide social and gender indicators and targets for the project performance monitoring system.
9. Regularly visit sub-projects where there are special social or ethnic issues, impacts or benefits.
10. Prepare semi-annual social progress reports, and other ESMS issues that may arise.

### **V. REPORTING REQUIREMENTS**

Semi-annual monitoring reports on the implementation and progress of the ESMS should be submitted to ADB within 2 months after each reporting period, using the template provided by ADB or a domestic format reviewed and approved by ADB.

## **FINANCIAL INTERMEDIARY – ESMS PERSONNEL**

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### **I. BACKGROUND**

The Gansu Provincial Government will apply an Asian Development Bank (ADB) loan to implement the Gansu Featured Agriculture and Financial Services System Development Project. Loan proceeds will be channeled through financial intermediaries (FIs) to end-borrowers (farmers, cooperatives and agro-enterprises) in 11 counties. To oversee the project implementation, a provincial project management office (PPMO) has been established in the Gansu Department of Agriculture and Animal Husbandry (DAAH), and county PMOs have been established in the 11 county Bureaus of Agriculture and Animal Husbandry (BAAHs). An Environmental and Social Management System (ESMS) has been developed by the government and FIs. Each FI will establish the ESMS within their business procedures. The ESMS is the key guiding document to assess and manage the potential environmental and social impacts of sub-projects. This is the first ESMS to be conducted by FIs in Gansu Province. Each FI will recruit or appoint specific staff to be responsible for implementing the ESMS. This will include: two senior staff members in the FI headquarters as the “FI Environment Manager” and “FI Social Manager” respectively, as well as FI loan officers in the county sub-branches, who will implement the ESMS on a daily basis. These terms of reference describe the requirements for the FI environment manager and environmental roles for the loan staff.

### **II. SCOPE AND DURATION OF WORK**

The FI Environment and Social Managers and loan officers, will work together and with the PPMO and CPMO Environment and Social Officers, and other relevant personal, to implement the ESMS. Duration: entire Project (15 years).

### **III. QUALIFICATIONS<sup>27</sup>**

The FI Environment and Social Managers will have: (i) an undergraduate degree or higher in a relevant field; (ii) ability to compile and prepare progress reports, including critical review and checking of reports and data from county branches; (iii) at least some familiarity with environmental, social, agricultural, and/or natural resource management; (iv) preferably, proficiency in spoken and written English. The FI loan officers implementing the ESMS will have demonstrated ability to: (i) communicate and work effectively with local communities, contractors, and government agencies; (ii) analyze data and prepare technical reports; at least some familiarity with environmental, social, agricultural, and/or natural resource management (iii) willingness and health to regularly visit the sub-project sites.

### **IV. DETAILED TASKS**

FI Environmental Manager, FI Social Manager, FI loan officers:

1. Develop a high level of familiarity with the ESMS and range of supporting documents to be produced (environmental and social checklists, categorization forms, PRC EIT table, land use rights transfer framework, social and gender action plan, etc).
2. Implement the ESMS at all levels of the FI, from daily implementation with end-borrowers at county level to overall coordination and reporting at FI headquarters.

FI Environmental Manager and FI Social Manager:

3. Ensure quality assurance and control for implementation of the ESMS, for the environmental and social components of the ESMS respectively.
4. Lead the integration of the ESMS in the FI business procedures.
5. Report on ESMS progress to FI senior management.
6. Represent the FI regarding the ESMS, in discussions with the PPMO and CPMOs and other relevant agencies.
7. Support the PPMO and CPMOs to implement the safeguard-related training for the FI staff.

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<sup>27</sup>The original TOR for the managerial positions was written for recruitment of an external specialist and included at least five years of experience in environmental and social management, monitoring, and/or impact assessment. This was removed after agreement the managerial positions would be filled by existing, non-qualified FI staff who would be supported by the loan implementation consultants.

8. Review the ESMS progress reports provided by the FI county-sub-branches, and compile these, along with other relevant information (e.g. results of safeguard-related staff training) into semi-annual reports to be submitted to PPMO and CPMOs.

FI loan officers:

9. Implement Steps A–F of the ESMS for each sub-loan application under the project, working with the end-borrowers, BAAH, CPMO and other agencies as relevant.
10. For sub-projects categorized as environment Category B, ensure that the end-borrower prepares an initial environmental examination (see Appendix 4).
11. Instruct and guide end-borrowers on their requirements under the ESMS. Including: (i) coordination with CPMOs, agricultural technicians and/or other relevant agencies to re-design (or relocate) sub-projects to comply with the ESMS; (ii) assist in the training of end-borrowers to facilitate implementation of the ESMS.
12. During the implementation phase of sub-projects, liaise with end-borrowers to ensure all safe-guard related conditions of the sub-loans (as stated in the Safeguard Commitment Letter attached to the sub-loan) are being met.
13. Support the PPMO and CPMOs to implement the project grievance redress mechanism (GRM) at the local level, and help ensure that potentially affected communities know about the GRM before the sub-project commences.
14. Support the PPMO and CPMOs to implement the safeguard-related training for the FI staff.
15. Prepare semi-annual ESMS progress reports and submit them to the FI environmental and social managers..

## **V. REPORTING REQUIREMENTS**

From the FI to the PPMO and CPMOs: semi-annual ESMS reports, using a template provided by ADB or a domestic format reviewed and approved by ADB.

## **LOAN IMPLEMENTATION ENVIRONMENTAL CONSULTANT**

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### **I. BACKGROUND**

The Gansu Provincial Government will apply an Asian Development Bank (ADB) loan to implement the Gansu Featured Agriculture and Financial Services System Development Project. Loan proceeds will be channeled through financial intermediaries (FIs) to end-borrowers (farmers, cooperatives and agro-enterprises) in 11 counties. To oversee the project implementation, a provincial project management office (PPMO) has been established in the Gansu Department of Agriculture and Animal Husbandry (DAAH), and county PMOs have been established in the 11 county Bureaus of Agriculture and Animal Husbandry (BAAHs). An Environmental and Social Management System (ESMS) has been developed by the government and FIs. Each FI will establish the ESMS within their business procedures. The ESMS is the key guiding document to assess and manage the potential environmental and social impacts of sub-projects. This is the first ESMS to be conducted by FIs in Gansu Province. To assist the PPMO, County PMOs (CPMOs) and FIs, the project will recruit a Loan implementation Environmental Consultant (LIEC) to help establish and implement the ESMS. These terms of reference describe the requirements for the LIEC.

### **II. SCOPE AND DURATION OF WORK**

External position recruited as an independent special or through a firm. The specialist will report directly to the PPMO. Duration: at least 14 person-months, within the first 30 months of project implementation.

### **III. QUALIFICATIONS**

The specialist will have: (i) an undergraduate degree or higher in environmental management or related field; (ii) at least 10 years of experience in environmental management, monitoring, and/or impact assessment; (iii) familiarity with ADB Project management requirements and national environmental management procedures; (iv) ability to communicate and work effectively with local communities, contractors, and government agencies; (v) ability to analyze data and prepare technical reports; (vi) willingness and health to regularly visit the sub-project sites; and (vii) proficiency in spoken and written English.

### **IV. TASKS**

Working closely with the PPMO and CPMO Environmental Officers, FI Environment Managers and other relevant personnel and agencies, the consultant will assist in all aspects of the implementation of the project ESMS. The consultant will:

1. Ensure that the steps of the ESMS are incorporated into the business procedures of individual FIs.
2. Deliver training in (i) ESMS procedures for screening, categorizing and assessing environmental impact; (ii) the setting and monitoring of environmental safeguards in loan conditions; and (iii) ESMS record-keeping and reporting.
3. Assist the FIs to establish and publicize the grievance redress mechanism (GRM) for sub-projects, ensuring that the GRM publicity is appropriate to the scale and complexity of the sub-project and includes, as a minimum, the disclosure of all contact persons for lodging complaints.
4. Review the operation of the GRM for a range of sub-projects and locations and make revisions to GRM procedures as required.
5. Conduct regular checks on ESMS compliance by the FIs: review ESMS workbooks, undertake site visits as required, identify problems, and propose necessary corrective action.
6. Tailor the ESMS procedures, if necessary, to suit the operational practices and business systems of RFSPs.
7. Assist the PPMO to prepare semi-annual project monitoring progress reports for submission to ADB within 2 months after each reporting period.

### **V. REPORTING REQUIREMENTS**

Assist the PPMO and FIs to prepare their safeguard reporting requirements.



## **LOAN IMPLEMENTATION SOCIAL CONSULTANT**

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### **I. BACKGROUND**

The Gansu Provincial Government will apply an Asian Development Bank (ADB) loan to implement the Gansu Featured Agriculture and Financial Services System Development Project. Loan proceeds will be channeled through financial intermediaries (FIs) to end-borrowers (farmers, cooperatives and agro-enterprises) in 11 counties. To oversee the project implementation, a provincial project management office (PPMO) has been established in the Gansu Department of Agriculture and Animal Husbandry (DAAH), and county PMOs have been established in the 11 county Bureaus of Agriculture and Animal Husbandry (BAAHs). An Environmental and Social Management System (ESMS) has been developed by the government and FIs. Each FI will establish the ESMS within their business procedures. The ESMS is the key guiding document to assess and manage the potential environmental and social impacts of sub-projects. This is the first ESMS to be conducted by FIs in Gansu Province. To assist the PPMO, County PMOs (CPMOs) and FIs, the project will recruit a Loan implementation Social Consultant (LISC) to help establish and implement the ESMS. These terms of reference describe the requirements for the LISC.

### **II. SCOPE AND DURATION OF WORK**

External position recruited as an individual or through a firm. The specialist will report directly to the PPMO. Duration: at least 10 person-months, within the first 30 months of project implementation.

### **III. QUALIFICATIONS**

The specialist will have: (i) an undergraduate degree or higher in social, gender, or related field; (ii) at least 10 years of experience in social management, monitoring, and/or impact assessment; (iii) familiarity with ADB Project management requirements and national social management procedures; (iv) ability to communicate and work effectively with local communities, contractors, and government agencies; (v) ability to analyze data and prepare technical reports; (vi) willingness and health to regularly visit the sub-project sites; and (vii) proficiency in spoken and written English.

### **IV. TASKS**

Working closely with the PPMO and CPMO Social Officers, FI Social Managers and other relevant personnel and agencies, the consultant will assist in all aspects of the implementation of the project ESMS. The consultant will:

1. Ensure that the steps of the ESMS are incorporated into the business procedures of individual FIs and RFSPs.
2. Deliver training in (i) ESMS procedures for screening, categorizing and assessing social impacts; (ii) the setting and monitoring of social safeguards in loan conditions; and (iii) ESMS record-keeping and reporting.
3. Assist the FIs to establish and publicize the grievance redress mechanism (GRM) for sub-projects, ensuring that the GRM publicity is appropriate to the scale and complexity of the sub-project and includes, as a minimum, the disclosure of all contact persons for lodging complaints.
4. Review the operation of the GRM for a range of sub-projects and locations and make revisions to GRM procedures as required.
5. Conduct regular checks on ESMS compliance by the FIs: review ESMS workbooks, undertake site visits as required, identify problems, and propose necessary corrective action.
6. Tailor the ESMS procedures, if necessary, to suit the operational practices and business systems of RFSPs.
7. Assist the PPMO to prepare semi-annual project monitoring progress reports for submission to ADB within 2 months after each reporting period.

### **V. REPORTING REQUIREMENTS**

Assist the PPMO and FIs to prepare their safeguard reporting requirements.

## APPENDIX 6. LAND USE RIGHTS TRANSFER FRAMEWORK

### 1. Main Principles

This Land Use Rights Transfer Framework (LURTF) is to help the project FIs and end-borrowers mitigate, monitor and report, potential negative impacts caused by land use rights transfer, and to satisfy the requirements of ADB's SPS (2009). The LTF guiding principles are:

- (i) Equality, voluntary, legal procedure, and, fair compensation. Equality means both of parties have equal legal status. Voluntary means the transfer of land contracting management right must be completely voluntary for both parties, and one party shall not force another party to transfer or accept transfer of land. Legal procedure means that land use rights transfer must be concluded per legal procedure with legal agreement. Fair compensation means the transferred land shall be compensated at negotiated market price.
- (ii) Unchanged ownership and agricultural use of transferred land. Land use rights transfer means transferring use right, not ownership, therefore ownership of transferred land shall remain unchanged. Yet future users of transferred land shall not change the agricultural land use nature, i.e., shall not convert transferred land for non-agricultural uses.
- (iii) Priority to fellow-community members. Under the same conditions, priority shall be given to members of the collective economic organization (community) to obtain land use rights through transfer.
- (iv) Government's direction and administration. Department of agriculture of county government shall direct and administrate legal transfer of rural land
- (v) Conflict resolution through GRM. The grievance redress system of Project counties shall be used to resolute complaints and conflicts, if any.

### 2. Legal Framework

All sub-projects must comply with the PRC Rural Land Contract Law and Rural Land Management Right Transfer Management Method, other relevant policies of Gansu Province and local governments, and ADB's SPS. These are listed in Appendix 1. Key laws and policies are as follows:

- (i) Law of the People's Republic of China on Land Contract in Rural Areas – no change of collective ownership; no change of agricultural land use (not allowed to convert farmland into construction land for establishment of permanent structures).
- (ii) Administration Methods on Rural Land Use Rights Transfer, Ministry of Agriculture of PRC, relevant regulations of Gansu provincial and Project county governments:
  - Land use rights transfer duration without the land contract period;
  - Negotiated settlements between transferor and transferee;
  - Land use rights transfer per legal procedures;
  - Standard contract (with endorsement by a third party if transferor and transferee feel necessary).
  - Official registration and documentation for land use rights transfer.
  - If necessary, the township agricultural station endorses the contract.
- (iii) PRC Law on the Mediation and Arbitration of Rural Land Contract Disputes, and relevant implementation methods of Gansu provincial and Project county governments – mediation and arbitration of disputes per a bottom-up Grievance Redress Mechanism (GRM).
- (iv) ADB's SPS – meaningful consultations; negotiated settlements; establishment and functioning of a GRM; record-keeping; and; independent monitoring.

In addition, the best practices in the project area also have good applications for the land use rights transfer under the project, such practices include:

- Land use rights transfer period of 5-10 years, within the land contraction period (1998-2028);
- Land use rights transfer rate (or land rental rate) calculated in equivalent output value of grain

- (wheat); this protects transferees from price fluctuations;
- Endorsement of land use rights transfer contract.

### 3. Legal Procedures of Land use rights transfer

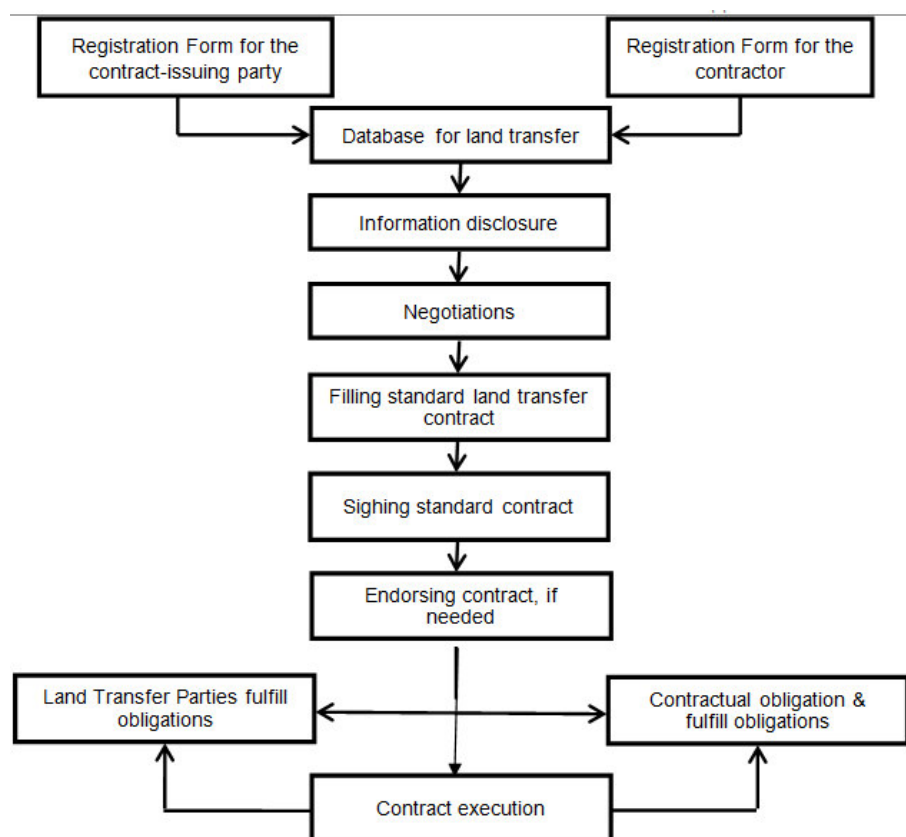
Legal procedures are as follows (also the following chart):

- (i) Information collection. Farmers with intention to transfer land present the details of the land, like location, area, usage, and reference price to village committee, which will then report to the township agricultural station. They can also entrust the contracted or intermediary organizations to transfer their land, and the letter of attorney will be issued by land transferee, illustrating the entrusted matters, authority and deadlines, etc., with the signature of the principal.
- (ii) Information disclosure. Township agricultural station, after collecting data, will sort out information about land use rights transfer of different villages and establish a database. The sorted information will be disclosed timely by means of network, radio, newspapers, board, electronic display, and etc. The township station will also report to the county (district) agricultural bureau for updating land use rights transfer databases.
- (iii) Negotiation between transferor and transferee. With the arrangement of township agricultural station, both sides negotiate about the land use rights transfer conditions and price based on the principle of equality, voluntariness and mutual benefiting.
- (iv) Signing land use rights transfer contract. When both parties agree on conditions and price, township agricultural station provides 4-5 copies of a standard contract<sup>28</sup> (the fifth copy for endorsement, if needed), for both parties to sign. Township agricultural station also endorses the contract.
- (v) Endorsing land use rights transfer contract. If needed, the township agricultural station endorses the contract.
- (vi) Registration for land use rights transfer. Township agricultural station registers the land use rights transfer information timely and exactly, and submits the relevant materials to the county agriculture bureau<sup>29</sup> for documentation.
- (vii) Documentation. County agricultural bureau documents all relevant materials for land use rights transferred. CPMO has easy access to the documentation as it is within the agricultural bureau.

Supervising contract implementation. Both parties should perform the contract positively, and township agricultural station supervises the contract execution. In case of conflicts or disputes, the township station will timely report to the county station, and the latter will inform CPMO synchronously.

<sup>28</sup> Standard contract was developed by the provincial agricultural department.

<sup>29</sup> CPMO is also within the agricultural bureau.



**Land Use Rights Transfer Procedure Chart**

#### **4. Institutional Arrangement and Responsibility**

According to relevant laws and regulations, county agricultural bureau and township agricultural stations should manage and guide rural land use rights transfer in their administrative areas.

##### Responsibilities of municipal agricultural bureau:

- (i) publicity rural land use rights transfer policies;
- (ii) direct the land use rights transfer legally and orderly;
- (iii) guide disputes arbitration and resolution;
- (iv) strengthen and standardize rural land use rights transfer; and (v) put forward solutions to problems in land use rights transfer, and develop a new mechanism for land use rights transfer.

##### Responsibilities of county agricultural bureau:

- (i) direct rural land use rights transfer and contracting;
- (ii) set up a service center for land use rights transfer, and establish information network platform, on line trading and/or open trading of land to be transferred;
- (iii) accept, manage and guide the application from rural land use rights transfer agencies;
- (iv) settle the disputes; and (v) provide consultation services for land use rights transfer policies.

##### Responsibilities of township agricultural station:

- (i) information collection, analysis and disclosure, land use rights transfer can be carried out at county or at the township;
- (ii) providing a standard contract for parties who have reached agreements on contract conditions and terms, and assisting them to sign contract signing;
- (iii) functioning as a third party to endorse the signed contract, if requested by land use rights transferor and transferee;
- (iv) formulating a system for registering the rural land use rights transfer, and record the relevant information timely and exactly;

- (v) documenting land use rights transfer materials; (vi) investigating and rectify the illegal land use rights transfer; (vii) settling disputes about rural land use rights transfer; (viii) guide and administrate land use rights transfer legally; and, (ix) providing consultancy services.

#### Responsibilities of village committee:

- (i) information collection and classification on land use rights transfer, to be reported to township agricultural station; and (ii) assisting township in settling disputes.

#### Responsibilities of CPMO:

- (i) supervising contract execution; and
- (ii) participating in conflict/dispute resolution at county level if not resolved at township level.

### **5. Land Use Rights Transfer Contract**

Land use rights transfer contract shall include the following clauses:

- (i) names and domiciles of two parties;
- (ii) location, borders, area and quality of the land for transferring;
- (iii) term of transfer and dates of beginning and completion;
- (iv) ways of transfer;
- (v) usage of land;
- (vi) rights and obligations of two parties;
- (vii) land use rights transfer expense and method of payment;
- (viii) handling of appurtenance and relevant facilities after expiry of contract;
- (ix) liabilities for breach of the contract;
- (x) method of conflict resolution;
- (xi) other clause that both parties thought necessary;
- (xii) stamping of endorsing agency; and
- (xiii) date of contract conclusion.

Contract used in the project, as well as in Gansu Province, is normative, which is prepared by the Gansu Department of Agriculture and Animal Husbandry.

### **6. Measures to Safeguard Interests of Contract Parties**

The following measures will be taken to safeguard the interests of contract parties:

- (i) In case of severe damage of transferred land due to natural disasters or force majeure during the contract term, both parties can terminate or change the contract through negotiation, and the land shall be returned to the original users for cultivation. When there are specific contract provisions on severe damage of land, the provisions prevail.
- (ii) Contract agreement regarding policy subsidies to farmers for grain production and production masteries.
- (iii) At least 70% of the land leasing contracts will be signed by both husband and wife in case of involving individual households.
- (iv) Contract endorsement by township per request of contract parties, free of charge.
- (v) According to the Rural Land Contract Law and the Rural Land Management Right Transfer Management Method of the PRC and other relevant land use rights transfer laws and regulations of Gansu Province and Counties, the land use rights transfer duration shall be negotiated equally by both parties, but within the limit of the rural land contract (duration from 19980-2028 or so).
- (vi) The land use rights transfer rate will be ensured according to land type, feasibility, grade, and condition of referential corps, or even the price of land use rights transfer in nearby villages. Taking farmer's interest into consideration, both transferor and transferee should set a time to renegotiate land price in case of land use rights transfer for over 5 years. It is recommended to adjust the rate after five years.

### **7. Grievance Redress Mechanism (GRM)**

Where land use rights transfer contract are based on negotiations and mutual agreement, complicated disputes are unlikely to occur. However, there might be some unexpected issues during and after land being transferred. According to *Law of the People's Republic of China on the Mediation and Arbitration of Rural Land Contract Disputes*, the project has set up a transparent and efficient grievance redress procedure to settle such disputes and defaults after land use rights transfer. The GRM is described in Section V of the ESMS.

## **APPENDIX 7. ETHNIC MINORITY DEVELOPMENT FRAMEWORK (EMDF)**

### **ABBREVIATIONS**

ADB	Asian Development Bank
ASME	agricultural small and medium enterprise
C&P	consultation and participation
CPMO	county project management office
EMs	ethnic minorities
EMDF	Ethnic Minority Development Framework
EMDP	Ethnic Minority Development Plan
ESMS	Environment and Social Management System
FIL	financial intermediary loan
FIs	financial intermediaries
GDP	gross domestic product
GPG	Gansu Provincial Government
GRM	grievance readiness mechanism
HH	household
IA	implementing agency
IP	Indigenous Peoples
LURT	land use rights transfer
PMO	project management office
M&E	monitoring and evaluation
PRC	People's Republic of China
SGAP	Social and Gender Action Plan
SIA	social impact assessment
SPS	Safeguard Policy Statement (ADB, 2009)

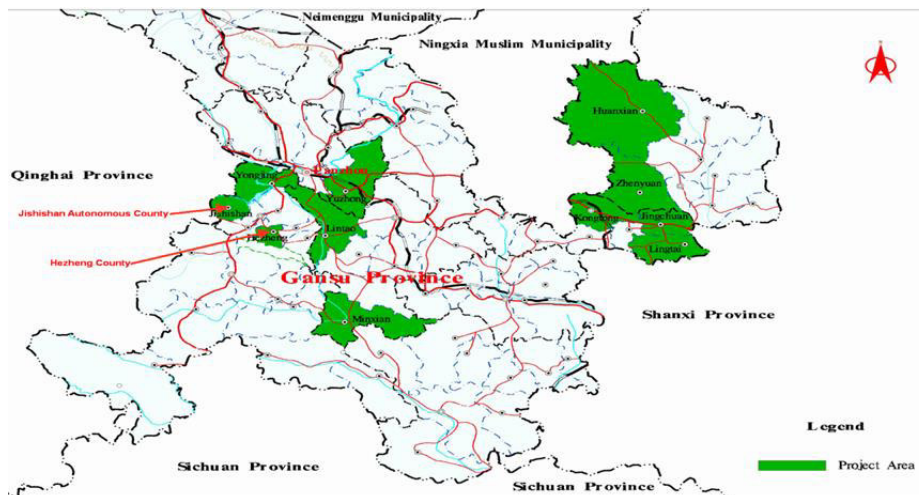
## 1. INTRODUCTION

### 1.1 Project Brief

1. The Gansu Provincial Government plans to apply for an Asian Development Bank (ADB) loan to implement the Featured Agriculture and Financial Services System Development Project (hereafter refer as the Project). The Project will be implemented in 11 counties of 5 municipalities, and the distribution of these counties is shown in Figure 1. The Project will focus on assisting the project area in its long term sustainable social and economic development through: (i) developing market-oriented production of locally-featured cash crops, fruits and livestock products; (ii) developing market linkage for the featured products by supporting with relevant market players, such as farmer cooperatives and agricultural small and micro enterprises; and (iii) enhancing rural financial services with increased funding resources and products as well as strengthened capacity and skills of the service providers. In order to enhance the sustainability of potential subprojects, technical services would be provided by the Project to produce quality products to meet market requirements and to adopt environmentally-sound farming practices and water conservation technologies.

2. The project will use a financial intermediary loan (FIL) modality of the ADB and loan proceeds will be channelled to the farmers, farmer cooperatives and agro-enterprises through financial intermediaries (FIs)<sup>30</sup>. The FIs are local agricultural banks which have a mandate to promote agricultural and rural development, which is aligned with the project's objectives.

3. The Project consists of four components or outputs or: (i) featured agricultural production bases established; (ii) farmer cooperatives and agricultural enterprises supported; (iii) rural financial service system developed; and (iv) capacity for project implementation and management strengthened. Details regarding the components and subcomponents are given in Annex 1. This EMPF focuses on Outputs 1 and 2 which involve FI lending for subprojects. This ethnic minorities planning framework (EMPF) is prepared in accordance with ADB's Safeguard Policy Statement (SPS, 2009) and Safeguard Requirements 3: Indigenous Peoples (SPS Appendix 3). This EMPF guides the preparation of future subprojects which may affect ethnic minorities.



**Figure 1: Distribution of Project Counties**

<sup>30</sup> These include: (i) Bank of Gansu; (ii) Bank of Lanzhou; and (iii) Village and Township Bank of SPD Bank.



## **1.2 Objective of This EMDF**

4. The Project will include a number of sub-projects that need to be screened for social impacts that may trigger ADB's Indigenous Peoples policy requirements. The screening procedures are included in the Environmental and Social Management System (ESMS) to be established by each FI.

5. There are many ethnic minority (EM) peoples living in the Project counties - Hui, Dongxiang, Bao'an, and Salar. There are many EM villages while others are mixed with Han; the priority is on the former types of villages. Dongxiang and Bao'an are unique in Gansu Province; while Salar are distributed in Qinghai and Gansu provinces. Salar and Bao'an are also small EM in China.<sup>31</sup>

6. This EMDF is consequently prepared as per ADB's requirement for implementation of Outputs 1 and 2 of the Project, which include FI lending to enterprises and cooperatives. It is not required for direct lending to individual households.

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<sup>31</sup> Total population for a small EM is below 0.3 million in China. Totally 28 EMs were identified as small EMs in 2010.

## **2. LEGAL FRAMEWORK**

### **2.1 Framework of Ethnic Policies**

7. This EMDF has been prepared in accordance with the relevant laws, policies and regulations of the PRC and Gansu Province, as well as ADB's SPS.

#### **2.1.1 National Laws and Policies on Ethnic Minorities**

8. At national level, the laws concerning EM development are: Constitution of the PRC, Law of the PRC on Regional National Autonomy, and Regulation on Religious Affairs. Their essences are adhering to equality and respecting and protecting traditional cultures and religious beliefs of EMs.

9. The above mentioned laws and regulations stipulated that all ethnic groups in the PRC are equal. The State protects the lawful rights and interests of the EMs. Discrimination against and oppression of any ethnic group are prohibited. Each ethnic group has its freedom to use and develop its own spoken and written languages and to preserve or reform its customs. And all citizens of the PRC, including EMs, enjoy freedom for religious belief.

10. Regional autonomy could be practised in areas where people of EMs are concentrated; in these areas administration organs can be established to exercise the power of autonomy, but as integral parts of the PRC.

11. In addition, at national level, special policies and programs are made to promote the development of EM people, for example, the "12<sup>th</sup> Five-Year Program for Development EM People" (General Office of the State Council, No. 38, 2012), "Plan for Supporting Small EM Development (2011-2015)" and "Outline of China's 12<sup>th</sup> Five-year Development Plan".

#### **2.1.2 Provincial Policies**

12. Gansu Provincial Government (GPG) formulated detailed stipulations on implementing the Law of the PRC on Regional National Autonomy for safeguarding and normalizing autonomous activities. GPG also developed various implementation guidelines, regulations and plans according national EM development policies and planning.

#### **2.1.3 Linxia Prefecture Policies**

13. Linxia Autonomous Prefecture, which administrates Hezheng and Jishishan counties, has formulated autonomous rights and development policies on many aspects as authorized by the Law of Regional National Autonomy. Linxia also enjoys special EM assistance from the State.

#### **2.1.4 ADB's Policy Requirements on Indigenous Peoples**

14. Taking poverty alleviation as its overarching goal, ADB proclaims in its Safeguard Policy Statement (SPS) (2009) that poverty is an unacceptable human condition that can be eliminated through public policy and action, and that effective poverty reduction can only be achieved through promoting economic opportunities, social development and good governance. The development planned by the dominant (or majority) groups does not automatically or equally benefit all the other social groups, particularly the vulnerable groups, such as Indigenous Peoples, women and others. Thus measures should be taken to ensure that indigenous peoples (i) fully participate in any development project which is affecting their life and cultures, (ii) receive culturally-appropriate benefits, and (iii) their communities/cultures are adequately

protected. Indigenous Peoples concerns should be well integrated into the policy change, national project planning, designing, implementation, monitoring and assessment.

15. ADB defines “Indigenous Peoples” (IPs) as those whose social and cultural identities are distinct from that of the dominant or mainstream society. These distinct social and cultural groups often possess the following characteristics in varying degree:

- self-identification as members of a distinct indigenous cultural group and the recognition of this identity by others;
- a distinct language, often different from the official (or the dominant society's) language of the country or region;
- customary, cultural, economic, social, or political institutions that are separated from those of the dominant society and culture;
- collective attachment to geographically distinct habits or ancestral territories in the Project area and to the natural resources in these habitats and territories.

16. ADB's SPS requires that any development project that has impact on IPs should be ensured that:

- the Project is in compliance with the IPs' requirements and desires;
- the Project is, essentially and structurally, in compliance with the IPs' cultural, social and economic norms;
- the impacted people should be well informed about the concept, planning and implementation of the Project and fully participate in it;
- equity must be guaranteed in the developmental endeavor and its impact;
- the adverse impact of any developmental activity should not be imposed on the IPs. If such negative impact is unavoidable, proper and acceptable compensation or mitigation should be guaranteed.

17. To avoid, minimize and mitigate the adverse impact on IPs, ADB requires that all the ADB-financed development projects have to:

- undertake social impact assessment and planning process;
- prepare social impact assessment of the proposed project activities;
- prepare IP planning documents which specify (i) actions to mitigation adverse impacts and enhance project benefits in a culturally appropriate manner, and (ii) institutional arrangements and budget to implement the actions;
- disclose information and undertake meaningful consultation, which may include ascertaining consent of affected indigenous peoples' communities to selected project activities;
- establish a grievance readiness mechanism (GRM);
- monitor and report on implementation of the plans.

18. To sum up, taking poverty reduction as its overarching goal, ADB requires that IPs social and economic benefits in modern development should be addressed in a culturally appropriate manner. Their diverse identities, unique histories, cultures and dignities have to be fully respected in development project planning and implementation.

## **2.2 Comparisons between PRC and ADB Policies**

19. The PRC's and ADB's EM policies share the same goal: promoting equality and development for EMs, providing assistance to EMs in the process of economic, social, and cultural development, safeguarding the rights and interests of EMs, and promoting their social and economic roles.

20. At a project level, the PRC has no specific requirements for detailed social impact assessment or for implementing ethnic minority policy. Instead, only a social risk assessment is conducted. Furthermore, the regulation on environment impact assessment does not require a thorough treatment of social issues, unlike most other countries. Consequently, there is a significant gap in terms of social impact assessment, as well as ethnic minority (and gender) assessment.

21. The PRC regulations on public consultation and participation (C&P) have been improving but experience is quite limited, particularly for local level projects. Much of the planning remains top-down and local officials do not always understand the need or value of local C&P. ADB requires C&P in the whole project cycle, while PRC policies do not have such requirements. For C&P of the Project regarding the preparation and implementation of this EMDP (see Chapter 6).

### 3. IDENTIFICATION OF AFFECTED ETHNIC MINORITY PEOPLES

#### 3.1 Project Area

22. This project will include 11 counties in Gansu Province. These counties are located in the south-east part of Gansu province, the Liupan mountain area of Loess Plateau (Figure1). These counties administer 190 townships with 2,425 administrative villages. Total population of these counties in 2012 was 4.09 million, of which 86.3% was the agricultural population.

#### 3.2 Ethnic Minorities

23. There 460,000 EMs in these 11 project counties (districts) which is 11.4% of the population. As shown in Table 1. The largest EM is Hui (Muslim) that has 329,100 people in total, accounting for 70.8% of total EM population; Hui is followed by Dongxiang that has 90,400 people, accounting for 19.5% of total EM population. EMs, except Hui, are concentrated in Hezheng County and Jishishan Autonomous County. In Hezheng and Jishishan, EM people account for 57.90% and 54.3% of the total populations respectively.

Table 1: Population by Ethnic Group in Project Area

County	Ethnic group (10,000 people)						EM people (% of total )	Total (10,000 people)
	Han	Hui	Dongxiang	Bao'an	Salar	Others		
Kongtong	37.41	13.96	—	—	—	0.03	27.2	51.40
Jingchuan	35.21	0.18	—	—	—	0.01	0.6	35.40
Lingtai	22.48	0.72	—	—	—	—	3.1	23.20
Huanxian	34.88	0.08	—	—	—	—	0.2	34.96
Zhenyuan	51.98	0.02	—	—	—	—	0.1	52.00
Lintao	53.26	0.04	—	—	—	0.21	0.3	53.40
Minxian	46.36	1.05	—	—	—	0.39	2.6	47.61
Yuzhong	42.80	0.62	—	—	—	0.60	2.3	43.80
Yongjing	17.80	2.20	—	—	—	0.21	13.6	20.60
Hezheng	8.83	5.73	6.39	0.02	0.01	0.02	57.9	21.00
Jishishan	11.86	8.31	2.22	1.79	1.01	0.79	54.3	26.00
<b>Total</b>	<b>362.86</b>	<b>32.91</b>	<b>8.61</b>	<b>1.81</b>	<b>1.02</b>	<b>2.26</b>	<b>11.4</b>	<b>409.35</b>

Source: Gansu Statistical Yearbook (2013).

#### 3.3 Characteristic of EMs

24. **Hui.** Hui people are widely dispersed in Gansu and many are located in urban centres. Still, there are many Hui people living in rural areas, sometimes in mixed villages with Han or other ethnic groups, and sometimes as distinct Hui villages. Hui people practice Islam, which is increasingly evident in the culture and day-to-day lifestyles and habits. For females, cultural habits for more conservative villages may limit their participation in meetings and certain activities. Most Hui speak Mandarin, as there is no Hui language.

25. **Dongxiang.** It is a unique EM in Gansu Province, named from the place where they used to live – Dongxiang of Linxia Prefecture. There are 22,200 and 63,900 Dongxiang people living in Jishishan and Hezheng respectively, which account for about 95% of the total Dongxiang population of China. In terms of customs and religious belief, Dongxiang is basically similar with Hui (Muslim). Their language is similar with Mongolian, belongs to Mongolian branch of Altai language. This group doesn't have written language but use Mandarin (Han language).

Dongxiang people used to rely on cropping with supplementary livestock farming. Many farmers are now also engaging in small traders, transportation service and making felts.

26. **Bao'an.** It is also a unique EM in Gansu Province. Jishishan County, as the major habitant place of Bao'an, has 17,900 Bao'an people in 2012, accounting for 95% of the whole Bao'an population in the PRC. Bao'an is smallest among the 10 EM groups of Islam belief, and it is also 1 of the 30 small EMs enjoying preferential policy support of the PRC government<sup>32</sup>. Its language is similar with Dongxiang language, and it also doesn't has own written scripts but adopting mandarin. Bao'an also used to rely on agricultural production. Clothing and food habit are similar with the Muslim Hui and Dongxiang people.

27. **Salar.** It is an EM group originally from the neighboring Qinghai Province. Salar people in Gansu Province are mostly living in Jishishan Autonomous County. The Salar population is 10,200 in Jishishan in 2012, accounting for 95% of the total Salar population in Gansu. It is also one the 30 EM groups. Salar language belongs to Altaic Turkic language West Huns branch. Salar doesn't have written scripts but using Mandarin. Salar is also of Muslim belief. In terms of customs, clothing and marriage, Salar is similar with several other Muslim groups in Gansu. Salar people are mainly relying on agriculture, and they are good at hand embroidery and business.

28. Being the largest EM group in project counties, Hui people are located in almost every township, living either in own communities or mixed with other groups. In terms of economic systems and rural livelihoods, there is almost no difference between Hui and Han. There are differences in cultures due to religious belief, customs and traditions. Also, Hui people are good at business, especially their catering business, and in some cases they are better off than Han. Nonetheless, subprojects involved Hui people should be screen to assess the degree of impacts, vulnerability and inclusiveness of the proposed activities. Dongxiang, Bao'an and Salar peoples are only located in Jishishan Autonomous County and Hezheng County; they have distinct and obvious characteristics and are relatively vulnerable. Therefore, any subproject that involves any of these three EM groups should be assessed carefully and take measures to address any issues according to the requirements set out in this EMPF.

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<sup>32</sup> Small EM groups enjoying special assistance - see [http://www.seac.gov.cn/art/2011/7/1/art\\_149\\_129390.html](http://www.seac.gov.cn/art/2011/7/1/art_149_129390.html).

#### **4. POTENTIAL PROJECT IMPACTS ON ETHNIC MINORITIES**

29. The main purposes of the Project are to: (i) improve production conditions and increase productivities through construction of featured agricultural bases by scaling up, standardization and intensification (details of project components, subcomponents and activities are given in Annex 1); (ii) improve the management and radiation capacities of enterprises and cooperatives through the construction and enterprises and cooperative systems; and (iii) to break the bottleneck of lacking investment funds for rural economic development through the rural financial service system; and (iv) consequently increase EM people's income and reduce poverty. During implementation the Project, some temporary negative impacts or unpredictable adverse impacts might be caused, but such negative or adverse impacts could be avoided or mitigated by appropriate preventive measures.

30. During the overall Project design phase, a social and poverty analysis was conducted which included both gender and ethnic minority assessments. The following sections summarize some of the general findings which may be applicable in most subproject locations. Based on these assessments, a project level EMDP was prepared which will be implemented by the PPMO. That EMDP commits the PPMO to support the development of featured agriculture for ethnic minorities in the Project area, including the establishment of 2 EM cooperatives and 6 agricultural production bases involving ethnic minority villages. However, since the project involves FIs to implement Outputs 1 and 2, ADB requires further assessments of the proposed subprojects to ensure they will be compliant with IP policy requirements. Also, there are many types of subprojects being proposed which may cause unanticipated impacts on different groups of stakeholders. For this reason, further assessment and screening of subprojects will be carried out by the FIs, CPMOs and end-borrowers.

##### **4.1 Potential Benefits**

31. It is hoped that proposed subprojects can equally benefit EMs and Han people. The positive benefits of the Project to EM people include: (i) promoting the cultural inheritance and development of traditional EM skills and products; (ii) increasing income from featured agriculture activities or from voluntarily transferring their land use rights; and (iii) fostering EM leaders in featured agriculture including the specialized individual EM HHs, EM cooperatives and enterprises. The latter initiative will be taken up by the PPMO (see the project level EMDP); the PPMO and CPMOs will also provide training to EMs and will encourage agro-enterprises to hire these workers.

32. The Project plans to support 217 enterprises and cooperatives, as well as a number individual HHs running scaled farming. These will include some EM people managed or owned enterprises and cooperatives, so it is hoped that some subprojects will also promote EM leadership or participation

##### **4.2 Potential Negative Impacts**

33. The Project should not cause significant negative impacts on EM people because it will neither involve involuntary resettlement nor large-scale infrastructure construction and there will be no Category A activities in terms of environmental impact.

34. The likely negative impacts on EM people could include:

- (i) Conflicts or disputes over land use rights transfer agreements. After seeing increased benefits from the land, some farmers may regret and even request to

take back the land earlier or to re-negotiate land price.

- (ii) Environment pollution and zoonotic diseases transmission from livestock bases. The design and operation will be supervised by local environment and disease control agencies.
- (iii) Disadvantaging non-project enterprises and farmers who are engaged in similar productions. The achievements of production bases, enterprises and cooperatives might disadvantage non-project enterprises or farmers who are engaged in the production of same or similar products. The Project is open to everyone, so those likely affected will be welcomed to join the Project anytime.
- (iv) There may cultural, social or language barriers that exclude some ethnic minorities. In such cases, the design of the project is to enhance C&P and identify opportunities and measures for EMs to participate and benefit equally.
- (v) Commercialization of EM resources, skills or products. The ADB has special concerns for activities that commercialize EM resources, skills or products, especially when it is done by outsiders at the detriment of EMs. If there is potential for significant adverse impacts or if such proposals are opposed by affected EM people, these would be categorized as category A sub-projects, which would not be supported under the project.



## **5. PROCEDURES FOR ETHNIC MINORITIES SCREENING AND PLAN PREPARATION**

### **5.1 Procedures**

35. To ensure that ADB's IP safeguard policy requirement are met, the following procedures must be followed:

- (i) All candidate subprojects that involve EM people (as determined in the initial worksheet – see Figure 2) must be provided a copy of this EMDF so there are aware of the requirements and procedures. This would be the responsibility of the FIs, with CPMO assistance.
- (ii) All subproject proposals submitted to an FI must comply with the ESMS established by the FI.<sup>33</sup>
- (iii) Subprojects should be screened for safeguard implementation prior to the final submission of subproject proposals to FIs. This will enable end-borrower to understand what assessments and documents will be required, as stipulated in the ESMS. The end-borrower will collect and provide the necessary information to conduct the EM screening (see ESMS Worksheet # 4 in Figure 3 below).
- (iv) For those subprojects involving EM people, the screening process will result in a subproject IP categorization as A, B, or C.
- (v) The relevant FI will inform the end-borrower of the screening and categorization results. The end-borrower must immediately disclose the screening information to affected people. This disclosure will be confirmed by the relevant CPMO.
- (vi) Subprojects categorized as A for IP will be excluded or redesigned.
- (vii) Subproject categorized as B for IP must prepare a simplified EMDP following the requirements in Section 5.2 and 5.3 (a sample subproject EMDP is in Annex 2). This will require some additional time for the end-borrower to discuss and formulate the EMDP with affected EMs.
- (viii) The draft EMDP must be disclosed to the affected EM people prior to submission to the relevant FI. If EM people have comments, those should be incorporated and agreement received before the EMDP is submitted to the relevant FI.
- (ix) The subproject EMDPs will be reviewed and approved by each FI, with guidance from the CPMO Social Officer and the loan implementation social consultant. ADB will review the first two EMDPs for Jishishan Autonomous County and Hezheng County, and only the first EMDP in all other counties, if an EMDP is required.
- (x) The EMDP will be disclosed to the relevant CPMO and affected communities, and an English version will be sent to ADB for website posting.
- (xi) Subprojects that are categorized as C for IP do not require an EMDP. Those subprojects that involve EMs and LURT agreements will be monitored to ensure no social issues arise during subproject implementation.

### **5.2 Other Policy Requirements**

36. The following are other policy requirements to be followed:

- (i) EM communities have to be fully consulted throughout the Project cycle;

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<sup>33</sup> The FI's ESMS will be based on the template ESMS agreed upon by the PPMO and ADB in 2015.

- (ii) Proper measures have to be proposed and implemented to address the issues brought about by various social impacts (both positive and negative) in development project;
- (iii) The EMs have to be well informed about the Projects which affect them;
- (iv) The GRM should be established so that the EMs can conveniently access to and express their concerns, aspirations, complaints and grievances, including correspondence in their local language where necessary;
- (v) The EMDP screening and implementation process needs to be overseen and monitored by qualified experts who have been trained in the requirements and procedures of this EMDF. Local EM experts can also be engaged in this role.

37. If the subproject is assessed as being category B, a simplified EMDP (see sample in Annex 2) needs to be prepared which includes measures to enable EM people to benefit from the Project and to avoid or mitigate negative impacts on them. The EMDP aims at:

- (i) ensuring EM Dongxiang, Bao'an, Salar and Hui to benefit from the Project;
- (ii) mitigating or avoiding negative impacts or potential risks on EMs;
- (iii) ensuring EM people are well informed and consulted for activities involving them;
- (iv) ensuring project activities and action plans are in accordance with socioeconomic conditions, culture and religious belief of EM people;
- (v) ensuring EM people can express their needs, suggestions and opinions freely;
- (vi) ensuring EM people can protect their legal rights by legal and effective grievance redress channels if they are negatively affected.

### **5.3 Main Contents of the Subproject EMDP**

38. The main contents of a subproject EMDP should include:

- (i) Basic information: project brief, including main activities, project area, EMs and their distribution, socio-economic development status, main production activities, etc.
- (ii) Project impacts and potential risks on EM people: including both negative and positive impacts, potential risks during project implementation, main findings with consultation and participation (C&P)
- (iii) Strategy for local participation: make detailed action plan and ensure the thorough participation of EM people in the process of EMDP implementation.
- (iv) Actions: design cultural sensitive actions or measures to ensure EM people benefit from the Project, and potential risks are avoided or mitigated.
- (v) Implementation arrangements: brief explanation how the actions will be implemented
- (vi) Budget: estimate budget, if any, to implement EMDP actions. These would be paid by the end-borrower.

39. Figures 2 and 3 below are copied from the ESMS.

Each sub-project<sup>34</sup> is recorded in a separate workbook. Complete the details below.

**Figure 2 – General Worksheet**

<b>Name of FI or RFSP</b>	
<b>Sub-project title</b> (name of entity)	
<b>Name of sub-loan applicant</b>	
<b>Name of end-borrower</b> (if same as applicant write “as above”)	
<b>Information on the proposed sub-project</b>	
<b>Proposed sub-project activity</b>	
<b>County</b>	
<b>Town/Township</b>	
<b>Village</b>	
<b>Date of site visit</b>	
<b>Name of assessor</b>	
<b>Geographic coordinates</b> (if available)	
<b><i>If the sub-project is a production base (otherwise write “not applicable”):</i></b>	
Area of production base	
# farmer households involved	
#farmers involved	
# poverty households involved	
# poverty people involved	
# EM households involved	
# EM people involved	
Name of ethnic minority group*	
# women involved	
<b>Notes:</b>	

EM = Ethnic minority, FI= Financial intermediary, RFSP = Rural financial service provider.

\* specify one of Bao'an, Dongxiang, Salar, or Hui.

C.

<sup>34</sup>For a sub-project to be implemented by a farmer cooperative or ASME, the worksheets will be recorded as a separated workbook. For a production base to be established by farmer households, the worksheets will be recorded based on production base, not individual households.

**D. Figure 3 – ESMS Worksheet 4: Ethnic Minorities Impact Checklist**  
**Will sub-project involve any ethnic minorities? (Y/N) If yes, complete form. If no, leave blank.**

**Name of ethnic minority (usually Dongxiang, Bao'an, Salar or Hui People)<sup>35</sup>:**

The assessment should include consideration of: (i) magnitude of impact (including to customary rights for use and access to land and/or resources, socioeconomic status, cultural and communal integrity, health, education, livelihoods, and social security status, recognition of indigenous knowledge); and (ii) the level of vulnerability of the affected community.

<b>Probable Indigenous Peoples Impacts</b>	<b>Yes</b>	<b>If Yes, give number of affected persons and households</b>	<b>No</b>
Will the subproject directly or indirectly benefit or target ethnic minority households?			
Will the subproject affect the livelihood systems of ethnic minority households? (e.g., food production system, natural resource management, crafts and trade, employment status)			
Is there commercial development of the cultural resources and knowledge of ethnic minorities?			
Is there commercial development of natural resources (such as forests, grasslands or hunting grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of ethnic minorities?			
Will the subproject involve a preexisting or new land use rights transfer agreement?			

<b>Proposed activities</b>	<b>No. of villages targeted</b>	<b>No. of ethnic minority households</b>	<b>EM population</b>	<b>Beneficial and/or Adverse Impacts</b>
1.				
2.				

<sup>35</sup> Dongxiang, Bao'an and Salar only occur in Jishishan Autonomous County and Hezheng County and are generally more vulnerable than Hui, but this needs to be confirmed at the sub-project level.

## **6. CONSULTATION AND PARTICIPATION**

### **6.1 Objectives**

40. This Project pays special attention to participation and consultation (C&P) of local farmers and herders, including women, who are intended to benefit from featured agriculture. The objective of C&P is to (i) understand potential issues, needs and concerns of EMs; (ii) improve design features accordingly; (iii) formulate culturally appropriate mitigation or enhancement measures, as required; and (iv) ensure the smooth implementation of EMDP, as well as the Project. The C&P process of preparing subproject EMDPs should ensure effective communication, consultation and acceptance of the Project by EM people.

### **6.2 Consultation and Participation during EMDP Preparation**

41. At the preparation stage, the information about each subproject should be disclosed among relevant stakeholders, particularly the beneficiaries and affected people. Composition of ethnic groups, cultural resources and development needs of EM groups should be assessed through consultation with villagers, village leaders, EM leaders, cooperatives, enterprises and relevant government line agencies. Relevant local opinions, data and documents should be collected during the consultations which can help improve subproject design and implementation.

42. During the interviews/consultations, the subproject background and objectives should be explained, and the EM peoples' concerns, needs and suggestions for the project should be discussed to help inform decisions. A great deal of local knowledge may be adopted for the Project. The importance of the Project to local environmental, social and economic sustainability should be discussed so EMs will be encouraged to participate in the Project. The strong support and participation of local people can help maximize the project benefits.

### **6.3 Attitudes and Expectations of EM People Based on Initial Assessments**

43. The Project is strongly supported and welcomed and EM people pledged to actively participate in the Project. Villagers, enterprises and cooperatives had expressed their strong desires to actively participate in the Project. EMs hope to obtain the loans and corresponding technical support from the Project. They expressed concerns about the size of the loan, interest rate, repayment time, application procedures, and etc. They wish to be informed before actual implementation. They hope appropriate implementation plan could be developed to enable them to participate in and benefit from the Project, and they also wish to get some training and technical guidance for farming and other activities.

44. EM people are concerned about:

- (i) Project activities. They hope that activities can be fully adapted to local development.
- (ii) Information disclosure. They wish information could be disclosed before actual implementation via media and/or posting project information at CPMOs and villages.
- (iii) Loan amount, interest rate and repayment period. The interviewees hope that loan amount could be bigger, the interest could be lower, yet the loan procedures could be easier and repayment period shall be longer;
- (iv) Land transfer. They hope more policy advocacy work so as to enable them to

- fully understand the procedure, as well as relevant legal framework;
- (v) Livestock bases and pesticides use. They wish cares will be taken to avoid pollute local environment, and they suggest to keep livestock bases away from their villages.
- (vi) Training on loan procedure. They hope the FIs to provide training and reading materials on the lending procedures and policies, and also hope some lending business could be managed in the villages.

45. Although the interviewed EM people are supportive to the Project, they also have the following expectations:

- (i) Activities. Priorities to activities in favor of EM development, such as embroidery and livestock farming;
- (ii) EM habits and customs. Customs, habits and values of EMs shall be well respected during Project implementation;
- (iii) Training. Priority to train EM people on crops and livestock farming, as well as on other activities;
- (iv) Establishment of cooperatives and featured agricultural bases. Priority to EM to join the cooperatives and bases.

#### **6.4 Consultation and Participation during EMDP Implementation**

46. During EMDP implementation, the PPMO, CPMOs and FIs will continue to conduct C&P activities. In order to properly resolve unforeseen conflicts or disputes during Project implementation, and ensure the EMDPs and Project can be implemented smoothly, a grievance redress mechanism will be established by each CPMO (see Section 8). Also, there will be arrangements for monitoring EMDP implementation and results (see Section 10).

47. The following measures will be taken by CPMOs:

- (i) Organizing regular and irregular consultation meetings with EM people to learn their difficulties, needs and other problems, and providing assistances accordingly.
- (ii) Priorities to activities in favor of EM development, such as embroidery and livestock farming;
- (iii) Respecting EM values, customs and habits during EMDP and Project implementation. Avoiding to organize activities, including C&P activities, during EM's Muslim festivals if can't effectively combined. Such festivals include the minaret Sunday, Lesser Bairam, Kurban Bairam, etc.
- (iv) Providing training on agricultural techniques and non-farm employment skills
- (v) Giving priority to EM people to join the cooperatives and featured agricultural bases.
- (vi) Providing training and reading materials to EM people on lending procedures and policies, and operating lending in villages.
- (vii) Disclosing project information to EM people timely to enable them to understand progress and effects;
- (viii) Involving EM people, both men and women, in subproject M&E.

#### **6.5 Disclosure Requirements**

48. For every proposed subproject that involves EM, this EMDF will be disclosed to the affected communities at an early stage so EMs understand the Project objectives, requirements and procedures. This EMDF will have already be shared with all FIs (including their Social Manager and loan officers) and CPMOs (each one will have a designated Social Officer) so the relevant staff are trained on the EDMF procedures.

49. The results of the IP screening process will be disclosed to affected communities for their review and concurrence.

50. For subprojects that are category B, the EMDPs will be prepared in consultation with the affected EM people and the relevant draft EMDP will be disclosed to them prior to subproject approval for comments, if any. The final EMDP, if modified, will also be disclosed to affected EM people and will be posted on ADB website.

51. Each FI must ensure timely disclosure project-relevant information and documents, such as IP screening results, subproject EMDPs and safeguard monitoring reports. The borrower/client will provide relevant information in a timely manner, in an accessible place and in a form and language (s) understandable to the affected EMs and other stakeholders. If the EMs are illiterate, other appropriate communication methods will be used.

## **7. INDICATIVE ACTIONS**

52. The overall objectives of an EMDP are to ensure that: (1) the intervening measures are in harmony with the social, cultural and economic organizations of the ethnic minorities as well as meet their needs and expectations; (2) the Project design and construction will not lower the minority people's living standard; and (3) the minority people will be able to participate and benefit from the development measures. The following are some indicative actions that could be included in a subproject EMDP:

- (i) Training to staff of the end-borrower – to ensure management is aware of the relevant policies to support ethnic minorities.
- (ii) Ensure subproject with LURT agreements involving ethnic minorities are formulated and implemented in accordance with the LURT Framework (i.e., such agreement should be signed by all affected land use rights holders, including the head of household and their spouse).
- (iii) Identify and implement relevant social and gender actions in accordance with the SGAP.
- (iv) Prevent social conflicts that could arise regarding LURT issues, employment and labor condition issues, and other issues.
- (v) Measures to avoid adverse impacts on nearby farmer/herder communities that are not participating in the production base or the relevant cooperative.
- (vi) Measures to support minority farmers and herders to participate and benefit from the subproject activities or enterprises.
- (vii) Livelihood training on relevant skills for minority farmers and includes, including 50% women.
- (viii) Encourage women's participation and direct employment.



## **8. GRIEVANCE REDRESS MECHANISM**

53. The CPMOs will establish a grievance redress mechanism (GRM) to receive and facilitate resolution of the affected EM communities' concerns, complaints and grievances. The grievance mechanism will be scaled to the impacts of the Project. It should address concerns and complaints promptly, using an understandable and transparent process that is culturally appropriate, gender responsive and accessible to the affected IP communities at no cost and without retribution. The GRM will not impede access to the country's judicial or administrative remedies. The affected EM communities will be appropriately informed about the mechanism. The detailed procedure for resolve the complaints are as follows :

Phase 1: If the affected people are dissatisfied with the EMDP or the Project, they can make either oral or written complaint to the village committee<sup>36</sup>; if they use verbal complaints, the community committee should handle and record it. Complaints will be addressed within 2 weeks.

Phase 2: If the complainant is not satisfied with the result of the first phase, he/she can appeal to the township government after receiving the result; the township government should make decision within 2 weeks.

Phase 3: If the complainant is not satisfied with the result of the second phase, he/she can appeal to the CPMO after receiving the result; the CPMO should make decision within 30 days.

Phase 4: If the complainant is not satisfied with the results of any above phases, he/she can appeal to the government departments applying for administrative reconsideration after receiving the result

54. At any stage, he/she may choose to file administrative proceedings to the city's court according to Civil Procedure Law.

55. Additionally, the affected person can raise complaints to PPMO directly. The PPMO will request the concerned CPMO to solve the complaints or at least raise solution.

56. In each phase, when related responsible agencies receive appeal, they will also discuss with PMO to eliminate discontent. All complain and corresponding solution will be recorded in different phases. Through monitoring report which is two times a year, PMO would submit their complaint and solution to ADB.

57. The complainant could submit complaint only focus on Project, including land transfer and loan issue. All agencies would receive farmer's complain and appeal for free, the reasonable expense would be paid by contingency. During the implementation period, this appealing process is valid all the time to guarantee affected people to deal with problems through appealing process.

58. The complainant may submit a complaint to the ADB's Project Team to try to resolve the problem. If good faith efforts are still unsuccessful, they may submit their complaint to ADB's Accountability Mechanism (2012).

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<sup>36</sup> <http://www.adb.org/Accountability-Mechanism/default.asp>.

## **9. INSTITUTIONAL ARRANGEMENTS**

59. As the effective implementation of the EMDP involves collaboration among different agencies and departments, institutional arrangements are made as follows.

### **8.1 PPMO**

60. PPMO: During the implementation of the project, it is responsible for the organization and coordination of all matters related to the project. The PPMO is responsible for (i) implementing the project level EMDP and (ii) ensuring the subproject screening process and EMDPs are implemented in accordance with this EMDF.

61. CPMOs: In accordance with the specific actions and related requirements of this EMDF, the CPMOs will carry out appropriate activities and report on EMDP progress semi-annually to the PPMO. Personnel will be assigned to be responsible for the monitoring and reporting, so as to solve specific problems and difficulties encountered in the implementation of the EMDPs. Special attention and capacity development support will be provided to the Jishishan and Hezheng CPMOs. Training for other CPMOs will focus on the screening of subprojects that involve Hui people to determine whether the subprojects are category B or C, and whether they need monitoring. In four CPMOs (Jinchuan, Huanxian, Lintao and Zhenyuan, there may be no EM people involved because the population of EMs is less than 1%.

### **8.2 Other Government Agencies**

62. As an important part of the project, implementation and operation of EMDPs requires access to policy support, technical support and the necessary resources of the government. The most important government departments/public sectors include: Government Office, the Party Committee Propaganda Department, the Development and Reform Bureau, the Finance Bureau, Agriculture and Animal Husbandry Bureau, the Environmental Protection Bureau, the Ethnic and Religious Affairs Bureau, the Women's Federation, Township Government and Village Committee and so on.

➤ Development and Reform Bureau, Finance Bureau and Agriculture and Animal Husbandry Bureau: As the key agencies for the Project, they provide policy support, technical support and the necessary financial support related to the administrative examination and approval, public functions and available resources in the implementation of the EMDPs, to facilitate for the national project applying.

➤ Ethnic and Religious Affairs Bureau: Assist the CPMOs to understand the county's minority development status, identify key issues in minorities' development, assist the CPMOs and end-borrowers to carry out implementation, management and monitoring of the EMDPs, as well as provide policy support and supporting resources to support the development of minority peoples.

➤ Women's Federation: Assist the CPMOs to carry out the development and protection work related to ethnic minority's women and ethnic minority people with disabilities in line with the EMDPs, and provide policy support and necessary resources for development.

➤ Poverty Reduction Office: to cooperate with Women's Federation to provide training on non-agricultural skill (labour transmission training), and help with the application of national level project.

### **8.3 Township Government and Village Committees**

63. The township government and village committees are the most basic platform for general public to learn about the government, and also key organizations of social management system. As many of the activities in this project are required to be carried out at the village level, village committees and their members should actively cooperate and support the project. For instance, to encourage farmers to participate non-agricultural skill training.

### **8.4 Cultural Leaders**

64. The local cultural leaders can also play a key role in the formulation and implementation of EMDPs. They can provide advice, technical support, monitoring and evaluation in the implementation of the EMDPs and can help to resolve local grievances. Training and other technical support services may also be provided at the request of the PPMO and other relevant agencies.

### **8.5 FIs**

65. The FIs are responsible to establish an ESMS which includes safeguard requirements for ethnic minorities. They will be responsible for screening subprojects for EM issues and for ensuring subproject that are categorized as B submit an EMDP in accordance with this EMDF for their clearance prior to subproject approval. The FIs should ensure all disclosure requirements have been satisfied as set out in the ESMS and EMDF.

### **8.5 End-borrowers**

66. The end-borrowers (enterprises and cooperatives) are responsible for following the ESMS and EMDF requirements and procedures. They will conduct consultation with EM people with guidance and assistance from the relevant CPMO. The end-borrowers will collect and provide that information required for the screening worksheets, and they will prepare the subproject EMDP, where required, based on meaningful consultation with and inputs from affected EM people.

## 10. MONITORING AND REPORTING ARRANGEMENTS

107. The subproject EMDP outlines specific actions to promote inclusion of EMs in the project activities to ensure positive benefits and mitigation of any negative impacts.

108. The overall objectives of the monitoring, evaluation and reporting are to (i) ensure the conditions and action plans of the subproject EMDPs are implemented in accordance with their terms and relevant PRC regulations and ADB's Safeguard Policy Statement (2009); (ii) assess the impacts of the EMDP actions on the ethnic minority people; (iii) assess the overall efficiency and effectiveness of the EMDP implementation; and (iv) suggest necessary adjustments to ensure that EMs are no worse off and that they benefit from the Project in an equitable and culturally appropriate manner. The EMDPs require regular monitoring and evaluation, which aims to ensure smooth project implementation and compliance with ADB's SPS requirements.

109. The CPMOs have responsibility for monitoring the subproject IP screening and EMDP implementation. They will conduct the relevant work with the assistance of concerned department (like Poverty Alleviation Office and Bureau of Ethnic and Religious Affairs), particularly in Hezheng County and Jishishan Autonomy County.

110. The specific objectives of EMDP monitoring include:

- I) Guarantee stable implementation and overall objective realization of the EMDPs;
- II) Collect data and information on EMDP implementation progress;
- III) Describe the quantitative data on results of the EMDP actions;
- IV) Ensure to take proper ways of participation, certain number of ethnic male and female who participate in the project preparation and implementation, as well as the validity of identified issue and any complaints raised.
- V) Ensure the EMDP implementation complies with ADB's SPS requirements.

111. **Time Arrangement and Reporting.** During the five years of project implementation, the EMDP monitoring and evaluation will be done semi-annually. The PPMO will include both the project level and subproject EMDP monitoring results into the consolidated safeguards monitoring report that is submitted to ADB, and copied to FIs and CPMOs, semi-annually. The final report should be completed within six months after the project completion. The consolidation of EMDP monitoring for the Project will be the responsibility of the PPMO's Social Officer. The PPMO will ensure coordination of the monitoring process, particularly timely collection relevant reports from the CPMOs and the FIs.

112. Reports will assess the effectiveness of the EMDP activities and identify recommendations for following up by the CPMOs. The reports will be reviewed by the PPMO and ADB to determine the appropriate response to any issues identified and suggested follow up actions. If any serious issues arise, a corrective action plan will be formulated and agreed upon with ADB. The reports and corrective action plan, if any, will be made public in CPMO and distributed to the implementing agencies for taking actions. ADB will upload these monitoring reports and any corrective action plan to its website.

## **11. BUDGET AND FINANCIAL ARRANGEMENT**

113. For the FI subprojects, the end-borrower is responsible for the cost conducting consultations with affected EM, collecting and submitted screening information to FIs, preparing and reaching agreement on subproject EMDPs, where required, implementation of EMDP actions and/or related design features, conducting consultations during project implementation, encouraging participation of EMs, and taking correction actions, if required.

114. The CPMOs will be responsible for the costs of supervision, monitoring and reporting EMDP implementation to the FIs, PPMO and ADB. Administrative expenses required to arrange meetings and consultations will be paid from the CPMO budgets.

115. The FIs will appoint a Social Manager to ensure the procedures set out in the ESMS and this EMDF are followed and that the subproject EMDPs are implemented in accordance with this EMDF and ADB's SPS.

116. Separately, the PPMO has agreed to implement the project level EMDP. The budget is CNY 0.9 million, which includes:

- (i) Support the establishment of 2 EM farmer cooperatives with fiscal finance of CNY 50,000 each, totally CNY 100,000. This will be financed by Jishishan Autonomy County and Hezheng County government;
- (ii) Support 6 featured agriculture bases establishment for EMs, and apply for national support of CNY 50,000 each, totally in CNY 0.3 million; and
- (iii) Organize non-agricultural skill training combine with "Yulu" plan to 1,000 EM farmers labours. The total budget will be CNY 0.5 million, which will be financed by Jishishan Autonomy County and Hezheng County's "Yulu" plan.

## Annex 1 The Construction Content and Scale of Project

Item	Subproject	Construction content	Construction scale
1	Improvement for Characterized industry base	Economic crops base (57,5753 mu)	<b>Wild field base:</b> 22 bases with 21,600 mu ( 1 seed-breeding base of wheat with 2,000 mu ; 9 potato base with 9,000mu; 11 traditional Chinese medicine bases with 9,500mu ; Lily production base with 1,100mu )
			<b>Greenhouse base:</b> 35 bases with 4153mu ( 262 mu vegetable seed breeding , 3,881 mu greenhouse vegetable base ) ; 10 mu edible lily bulb breeding base.
			<b>Capability building,</b> training to 10,783 farmers, 221 technicians
		Farming base (73, 74950 animals)	50 sheep breeding bases with 71,050 sheep ( 28,500 sheep in mutton sheep breeding area ; Mutton sheep farmers breed 41,050 sheep; 1,500 breeding sheep )
			23 cattle breeding bases with 3,900 cattle (21 cattle farm with 3,700 cattle ; 2 dairy farms with 200 dairy cattle)
			<b>Capability building,</b> training to 1,589 staff, 55 technicians
		Fruit base (15 bases, 16320 mu)	11 apple bases with 12,200 mu (500 mu for apple seedlings breeding, constructs 11,700 mu apple base)
			2 pepper bases with 2,000 mu
			2 Piteguo bases with 2,120mu (120 mu Piteguo nursery stock breeding , 2,000mu base construction )
			<b>Capability building,</b> training to 17,58 farmers, 19 technicians
2	Private enterprise and farmer cooperative organizations	Market development, brand creation, improve office conditions, Industry development funds, Capability building	Support 217 private enterprises and farmer cooperatives, 66 of which are private enterprises, 151 of which are farmer cooperatives. More than 117 brands will be created or registered.
			<b>Capability building,</b> training to 6,510 staff, 1,302 technicians
3	Construction of the financial service system	Support for new financial service system	Constructs 29 basic service internet (includes physical network, community bank and backpack bank). Loan of CNY 84.1 million for 4 VTBs/micro-credit companies
			<b>Capability building,</b> training to 1,055 staffs, 35 employees from Small loan company
4	Project management	Investment Cost, operating cost	Establish provincial and county PMO. The main content include capacity enhancement, project management, project operation, etc.
			<b>Capability building,</b> training to 88 staff, 440 times

Data resource: FSR (October, 2014)

**Annex 2      SAMPLE SUBPROJECT EMDP**

Proposed activities	No. of villages targeted	No. of ethnic minority households	EM population	Beneficial and/or Adverse Impacts
1.				
2.				

Table: Action Plan for Subproject Ethnic Minority Development Plan

Actions and Measures	Target Group	Responsible Person/ Agency	Implementation Period	Detailed Measures/Activities	Budget Content	Funding Sources	Monitoring Indicators
<b>1. Action measures to strengthen project management ability</b>							
<b>2. Mitigation for negative effects</b>							
<b>3. Enhancement measures for positive effects</b>							
<b>4. Participation measures</b>							



## APPENDIX 8. SOCIAL AND GENDER ACTION PLAN.

Project Component	Social and Gender Outputs/ Activities	Targets / Indicators	Budget	Responsibilities
<b>Output 1: Inclusive and environmentally-friendly featured agricultural production bases developed</b>	Training of 14,130 farmers	<ul style="list-style-type: none"> <li>● 50% of participants are women</li> <li>● 30% of participants are poor</li> </ul>	Project budget	BAAHs, PMOs
	Training of 473 technicians	<ul style="list-style-type: none"> <li>● 30% are female</li> </ul>	Project budget	BAAHs, PMOs
	Inclusive beneficiaries of the production base development	<ul style="list-style-type: none"> <li>● 30% are poor</li> </ul>		BAAHs, PMOs, sub-borrowers
	Women's equal access to project sub-loans	<ul style="list-style-type: none"> <li>● 50% of loans from the FIs to individual farmer household with women's signature</li> </ul>	Part of the routine operations of FIs and PMOs	FIs, BAAHs, PMOs
	Women's signature on land use rights transfer agreement	<ul style="list-style-type: none"> <li>● 70% land use rights transfer agreement signed during the project implementation period with women's signatures</li> </ul>		FIs, BAAHs, PMOs, sub-borrowers (cooperatives and ASMEs)
<b>Output 2: Farmer cooperatives and agricultural enterprises financed and strengthened</b>	Training of 6,510 members	<ul style="list-style-type: none"> <li>● 50% of participants are women</li> <li>● 30% of participants are poor</li> </ul>	Project budget	BAAHs, PMOs, cooperatives and ASMEs
	Training of 868 technicians and managers	<ul style="list-style-type: none"> <li>● 30% are technicians are females</li> </ul>	Project budget	BAAHs, PMOs
	Priority to women and the poor for new job opportunities in enterprises and farmer cooperatives	<ul style="list-style-type: none"> <li>● 40% for women</li> <li>● 30% for the poor</li> </ul>	Routine operations of the project	ASMEs, farmer cooperatives, PMOs
<b>Output 3: Rural financial service system developed and enhanced</b>	Training of 270 staff of FIs and 35 staff of RFSPs	<ul style="list-style-type: none"> <li>● 30% of females</li> </ul>	Project budget	FIs, RFSPs and PMOs
	Establishment of 29 grassroots financial service units	<ul style="list-style-type: none"> <li>● 30% of female staff</li> <li>● All female staff trained</li> </ul>	FIs' counterpart costs	FIs
<b>Output 4: Capacity for project implementation and management strengthened</b>	Training on gender and development: (i) concepts and practices of gender and development, (ii) ADB's gender policies; (iii) ESMS for FIs; and (iv) SGAP	<ul style="list-style-type: none"> <li>● All staff of PPMO and CPMOs</li> <li>● Staff of FIs operating the Project</li> </ul>	Project budget	PMOs, FIs
	Gender disaggregated data collection for project documentation, M&E	<ul style="list-style-type: none"> <li>● Assigning responsible persons for documentation and M&amp;E in PPMO, CPMOS and FIs</li> <li>● Establishment of gender disaggregated database</li> </ul>	Routine operation costs	PMOs and FIs

<sup>a</sup> Anticipated time frame: 2016-2020

ASMEs = agricultural small and medium enterprises, BAAHs = bureaus of agriculture and animal husbandry, CPMOs = county project management offices, ESMS = environmental and social management system, FIs = financial intermediaries, M&E = monitoring and evaluation, PMOs = project management offices, PPMO = provincial project management office, RFSPs = rural financial service providers, SGAP = social and gender action plan.

Source: Asian Development Bank estimates.