

Environmental and Social Management System Arrangement

Document Stage: Draft
Project Number: 53049-001
August 2021

People's Republic of China: Jiangxi Ganzhou Rural
Vitalization and Comprehensive Environment Improvement

Prepared by the Ganzhou Municipal Government and Ganzhou Branch of the Agricultural Bank
of China for the Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 August 2021)

Currency unit - yuan (CNY)

CNY1.00 = US\$0.1548

US\$1.00 = CNY6.4615

ABBREVIATIONS

ADB	- Asian Development Bank	GMG	- Ganzhou Municipal Government
CNY	- Chinese Yuan	GABC	- Ganzhou Branch of Agricultural Bank of China
CSC	- Construction supervision company	GHG	- Greenhouse Gas
DEIA	- Domestic EIA	LIC	- Loan implementation consultant
EA	- Executing Agency	LIEC	- Loan implementation environment consultant
EIA	- Environment impact assessment	LISC	- Loan implementation social consultant
EIAR	- Environmental impact assessment report	LURT	- Land use right transfer
EIT	- Environmental impact table	IA	- Implementing Agency
EIRF	- Environmental impact registration form	IEE	- Initial Environmental Examination
EMP	- Environmental management plan	IP	- Indigenous peoples
EEB	- Ecology and environment bureau	PAM	- Project administration manual
FI	- Financial intermediary	PMO	- Ganzhou municipal project management office
FIL	- Financial intermediary loan	PRC	- People's Republic of China
ESMS	- Environmental and Social Management System	SCL	- Safeguards commitment letter
FSR	- Feasibility Study Report	SDAP	- Social development action plan
GAP	- Gender action plan	SME	- Small and medium-sized enterprise
GRM	- Grievance redress mechanism	SPS	- Safeguard Policy Statement
		TOR	- Terms of Reference

WEIGHTS AND MEASURES

°C	degree centigrade	m ²	square meter
dB	decibel	m ³ /a	cubic meter per annum
g	gram	m ³	cubic meter
ha	hectare	m ³ /d	cubic meter per day
km	kilometer	m ³ /s	cubic meter per second
km ²	square kilometer	mg/l	milligram per liter
kW	kilowatt	mg/m ³	milligram per cubic meter
L	liter	Mm	millimeter
L _{Aeq}	Equivalent continuous A-weighted sound pressure level	T	metric ton
MW	megawatt	t/d	metric ton per day
m	meter	t/a	ton per annum

NOTE

In this report, "\$" refers to United States dollars.

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.

In preparing any country program or strategy, financing any Project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

Table of Contents

I.	INTRODUCTION	1
II.	INSTITUTIONAL FRAMEWORK FOR THE ESMS	1
	A. Legislative and policy framework	2
	B. Definitions of terms used	2
	C. Roles and responsibilities for the ESMS	4
	D. What the project will and will not support	7
	E. Pre-readiness for establishment of the ESMS.....	8
III.	IMPLEMENTATION OF THE ESMS – SIX STEPS	9
IV.	INTEGRATION OF THE ESMS INTO FI BUSINESS PROCEDURES	20
	A. Existing safeguard capacity and procedures of Ganzhou Branch of Agricultural Bank of China	20
	B. Integrating the ESMS.....	22
V.	GRIEVANCE REDRESS MECHANISM	23
VI.	CAPACITY BUILDING AND TRAINING	28
VII.	PROJECT ASSURANCES	29
	ESMS-APPENDIX 1. LEGISLATION AND POLICIES.....	30
	ESMS-APPENDIX 2. ADB LIST OF PROHIBITED INVESTMENT ACTIVITIES.....	33
	ESMS-APPENDIX 3. WORKBOOK FOR SCREENING AND CATEGORIZING SUBPROJECTS	34
	ESMS-APPENDIX 4. OUTLINE OF AN INITIAL ENVIRONMENTAL EXAMINATION REPORT	51
	ESMS-APPENDIX 5. ENVIRONMENTAL SITE INSPECTION CHECKLIST	52
	ESMS-APPENDIX 6. TERMS OF REFERENCE FOR ESMS POSITIONS	54
	ESMS-APPENDIX 7. LAND USE RIGHTS TRANSFER FRAMEWORK	56

I. INTRODUCTION

1. This document is the Environmental and Social Management System (ESMS) for the financial intermediary (FI) of Ganzhou Municipality, and its sub-borrowers, as part of the Jiangxi Ganzhou Rural Vitalization and Comprehensive Environment Improvement 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 financial intermediary loan component under output 2 of the project is to provide financial support for green agriculture industry, forestry industry, and rural vitalization in Ganzhou Municipality, Jiangxi Province, the People's Republic of China (PRC). Issues involving development and natural resources management in the project area include inefficient and/or outdated farming technology, excessive use of agricultural chemicals, insufficient environmental protection infrastructure, and lack of protection of natural resources.
3. The project is supported by a USD 200 million loan from the Asian Development Bank (ADB) to the Ganzhou Municipal Government (GMG). The GMG is the executing agency. A total of USD 5 million of the loan will be on-lent from the government to the Ganzhou Branch of Agricultural Bank of China, the financial intermediary (FI). Ganzhou Branch of the Agricultural Bank of China (GABC) will provide equivalent counterpart funding to establish a fund with a total amount of USD 10 million (equivalent to CNY 65.6 million). GABC will on-lend the funds directly to end-borrowers. It is expected to support at least 180 subprojects through the financial intermediary loan (FIL), and the amount of each sub loan shall not exceed CNY 20 million. The end-borrowers comprise small and medium sized agriculture and/or forestry enterprises, leading enterprises in agriculture and/or forestry industries above municipal level, and other enterprises focusing on businesses of environment and ecology protection. All loan proceeds via GABC will be used for agricultural and rural vitalization purposes, including featured agriculture industry oriented by the government strategy, agricultural product processing, agricultural product cold-chain logistics, agricultural product trade, agriculture tourism, green agriculture promotion, eco-tourism development, rural sanitation management, soil and water conservation, economic fruit forest development, and afforestation.
4. This ESMS is to help GABC, GMG, and end-borrowers to manage the environmental and social risks of individual subprojects, and to support the overall project objectives of improve rural economic and environmental conditions in Ganzhou Municipality.
5. The fund will encourage and favor subprojects which promote agricultural innovation, efficiency, and the sustainable use of water, soil, and energy. Projects may unintentionally result in impacts to surface water, groundwater, soil, air quality, noise levels, ecology, communities, physical cultural resources, and/or land use rights transfer. The identification, screening and management of such risks are key objectives of the ESMS.
6. This is the first time any banking institution in Ganzhou Municipality has implemented an ESMS. The ESMS is written in non-technical language and is simplified and tailored to the capacity of GABC 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 loan applications under the FIL.

II. INSTITUTIONAL FRAMEWORK FOR THE ESMS

A. Legislative and policy framework

7. The project, including the FIL and 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 (ESMS-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, ethnic minorities and protecting the rights of vulnerable groups including women, the poor, the low-income and the disabled.

8. 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 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. Definitions of terms used

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

Affected person. A person directly or indirectly affected by a subproject activity.

Applicant. SME that applies for a loan from the FIL through the financial intermediary. After the application is endorsed, the applicant is termed an “end-borrower” (see below).

Small and medium-sized enterprise (SME). Defined by the PRC Ministry of Industry and Information Technology and National Development and Reform Commission as: small enterprise – annual revenue CNY<5 million; medium enterprise – annual revenue CNY5–200 million.

Ganzhou municipal project management office (PMO). Established under Ganzhou Municipal Government. See Section II.C for role in project.

PMO environmental officer and social officer. Qualified officers appointed by the PMO to assist the PMO, GABC, and end-borrowers to implement the ESMS. See Section II.C for role in project.

Ethnic Minority Development Plan (EMDP). Project plan with measurable indicators to strengthen ethnic minority-inclusive designs.

End-borrowers. The final loan recipient. For this project, end-borrowers are SMEs.

Executing agency (EA). The municipal agency responsible for the project, the Ganzhou Municipal Government.

Financial intermediary (FI). An entity that provides finance as its principal or subsidiary function. The FI for the fund is Agricultural Bank of China. It will channel the project loan proceeds between the Ganzhou Municipal Government and the end-borrowers.

FI environmental officer and social officer. Qualified officers appointed by the FI to assist the FI and end-borrowers to implement the ESMS. See Section II.C for role in project.

Finance officer. Qualified officer appointed by GABC responsible for FIL management. See Section II.C for role in project.

Gender action plan (GAP). Project plan with measurable indicators to strengthen gender-inclusive designs. The GAP is within the project administration manual.

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 V.

Implementing agency (IA). An agency which implements the project activities. For the FIL, GABC is the implementing agency.

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 (IP). 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.¹ In context of PRC, indigenous peoples are referred to by term of ethnic minorities.

Land use rights transfer (LURT). 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.

Project Administration Manual (PAM). Summary document describing all administrative, financial, procurement, and safeguard procedures for the overall project. The PAM and other project documents are available on the ADB public website.

Safeguards Commitment Letter (SCL). An agreement ancillary to the loan agreement signed between a FI and end-borrower, whereby the end-borrower undertakes to use its loan to carry out the subproject in accordance with: (i) the approved subproject design; (ii) in compliance with

¹ The PRC Government uses the term "ethnic minorities". This may trigger ADB's safeguard requirements in accordance with the above definition.

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

Social development action plan (SDAP). Project plan with measurable indicators to strengthen socially inclusive designs. The SDAP is within the project administration manual.

Subproject. Any activity financed by the FIL under the project. Also referred to as a “qualified subproject”.

C. Roles and responsibilities for the ESMS

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

Table II.1. Institutional Responsibilities for Implementation of the Environmental and Social Management System

Agency	Roles and Responsibilities
Ganzhou Municipal Project Leading Group	<ul style="list-style-type: none"> • Ensure timely national, provincial, and inter-agency coordination and support for the project as needed. • High-level support to executing agency. • Provide advice on project implementation. • Review project progress.
Ganzhou Municipal Government	<ul style="list-style-type: none"> • Project executing agency. • Overall accountability and responsibility for project planning, management, and implementation. • Ensure timely and effective execution of the loan agreements. • Coordinate with ADB.
Ganzhou Municipal Project Management Office	<ul style="list-style-type: none"> • Support GABC to establish and implement the ESMS. • Submit updated draft ESMS to ADB for endorsement. • Establish project grievance redress mechanism. <p>The PMO environment officer and social officer will:</p> <ul style="list-style-type: none"> • Support Agricultural Bank of China to review and strengthen the environmental and social design of end-borrowers’ applications before approval. • Review safeguard documents for loan applications as follows: (i) for Year 1 of ESMS implementation – review and confirm or revise the draft screening and risk categorization documents, and subsequent environmental and social documents, <u>for all loan applications, as provided to them by the GABC environment officer and social officer</u> (see below), and then submit all of these to ADB for endorsement, and (ii) from Year 2 onward, continue to review <u>all subproject loan applications which are Category B (or potentially Category B) for social and/or environment safeguards</u>, and, <u>review at least the first 2 subprojects rated as Category C (or potentially Category C) for social and/or environmental safeguards of each subproject category</u> (see footnote 1), and submit these to ADB for endorsement. • The arrangement above for Year 2 onward will be subject to review of ESMS performance by the Government and ADB. If there are key concerns for ESMS performance the arrangement for Year 1 will be continued until the next performance review which confirmed that any concerns have been resolved. • Facilitate safeguard training for Agricultural Bank of China.

	<ul style="list-style-type: none"> • Prepare semiannual environment and social monitoring reports to ADB including on ESMS implementation progress. • Ensure project compliance with the loan and project agreements – including all safeguard provisions – and ESMS. • Terms of reference for the PMO environmental officer and social officer are in EMP Appendix EMP-1 and the PAM.
Ganzhou Branch of Agricultural Bank of China (GABC)	<ul style="list-style-type: none"> • Implementing agency for the FIL and ESMS. • Recruit at least one qualified environment officer and one social officer to oversee establishment and implementation of ESMS. • Establish, manage, and implement the FIL and ESMS. • Integrate the ESMS within Agricultural Bank of China business procedures. • Support PMO to implement the grievance redress mechanism. • Monitor and report compliance of end-borrowers with the safeguard conditions of each loan proceed. • Prepare semiannual environment and social monitoring reports to PMO, for consolidation within progress reports by PMO to ADB. <p>GABC environment officer and social officer will:</p> <ul style="list-style-type: none"> • Work closely with Agricultural Bank of China finance officers and end-borrowers to implement the ESMS, review loan applications against ESMS steps A-F (Section III) and manage the ESMS database. • Be responsible to facilitate safeguard screening and categorization for <u>all</u> safeguard subproject loan applications. • Support PMO to implement the GRM. • Facilitate training related to safeguards and project design. • Monitor ESMS implementation of the end-borrowers. • Compile ESMS progress reports. • Submit semi-annual safeguard progress reports to PMO. • Provide information as requested by PMO to assist with queries and/or preparation of progress reports to ADB. • Terms of reference are in ESMS-Appendix 6. <p>GABC finance officers will:</p> <ul style="list-style-type: none"> • Receive and review loan applications against ESMS steps A-F (Section III), working with end-borrowers, PMO and other agencies, as necessary. • Document the results of Steps A-F for each loan application in GABC ESMS database. • Liaise with end-borrowers, PMO and other agencies as necessary to ensure relevant safeguard approvals and design considerations are achieved.
End-borrower (potential loan applicant)	<ul style="list-style-type: none"> • Work with Agricultural Bank of China to complete the screening, categorization, and subproject design. • Provide Agricultural Bank of China and PMO access to the subproject designs and sites. • Implement and comply with any environmental or social conditions required as part of the sub-loan.
“Start-up” Environment Safeguard Consultant (external technical support provided under the ADB loan)	<ul style="list-style-type: none"> • Short-term national position to support PMO and implementing agencies with start-up support, including for ESMS establishment, while the loan implementation consultants are being recruited. • Assist PMO and Agricultural Bank of China to establish the GRM for the ESMS. • Provide initial training to Agricultural Bank of China for ESMS implementation.

Loan Implementation Environmental Consultant and Social Consultant (LIEC and LISC) (external technical support provided under the ADB loan)	<ul style="list-style-type: none"> • Assist Agricultural Bank of China to establish and implement the ESMS. • Provide ongoing training to Agricultural Bank of China staff for ESMS implementation. • Review environment monitoring reports prepared by contractors. • Assist PMO to prepare semiannual environmental and social monitoring reports to ADB. • Terms of reference are in EMP Appendix EMP-1 and the PAM.
Asian Development Bank	<ul style="list-style-type: none"> • Oversee project administration and timely execution of the loan agreements by the executing and implementing agencies. • Review project compliance and targets against the design and monitoring framework, EMP, ESMS, social plans, and PAM. • Review and endorse updated ESMS as needed. • Review safeguard documents for loan applications as follows: Year 1 of ESMS implementation – review the draft screening and risk categorization documents, and subsequent environmental and social documents, for <u>all</u> loan applications; and Year 2 – review <u>all subproject loan applications which are Category B (or potentially Category B) for social and/or environment safeguards, and, review at least the first 2 subprojects rated as Category C (or potentially Category C) for social and/or environmental safeguards of each type of subproject category.</u> • The arrangement above for Year 2 onward will be subject to review of ESMS performance by the Government and ADB. If there are key concerns for ESMS performance the arrangement for Year 1 will be continued until the next performance review which confirmed that any concerns have been resolved. • Monitor project progress and conduct review missions. • Disclose monitoring reports on ADB public website.

¹ The categories of project supported by the FI include: (i) organic and green crop production, (ii) eco-tourism, (iii) afforestation and forest management, (iv) rural sanitation and wastewater management, (v) rural solid waste management, (vi) ecological restoration, (vii) water and soil conservation, (viii) agricultural infrastructure for climate change resilience, and (ix) rural renewable energy utilization, etc.

ADB = Asian Development Bank, EMP = environment management plan, ESMS = environmental and social management system, GRM = grievance redress mechanism, LIEC = loan implementation environment consultant, LISC = loan implementation social consultant, PAM = project administration manual, PMO = Ganzhou Municipality project management office.

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

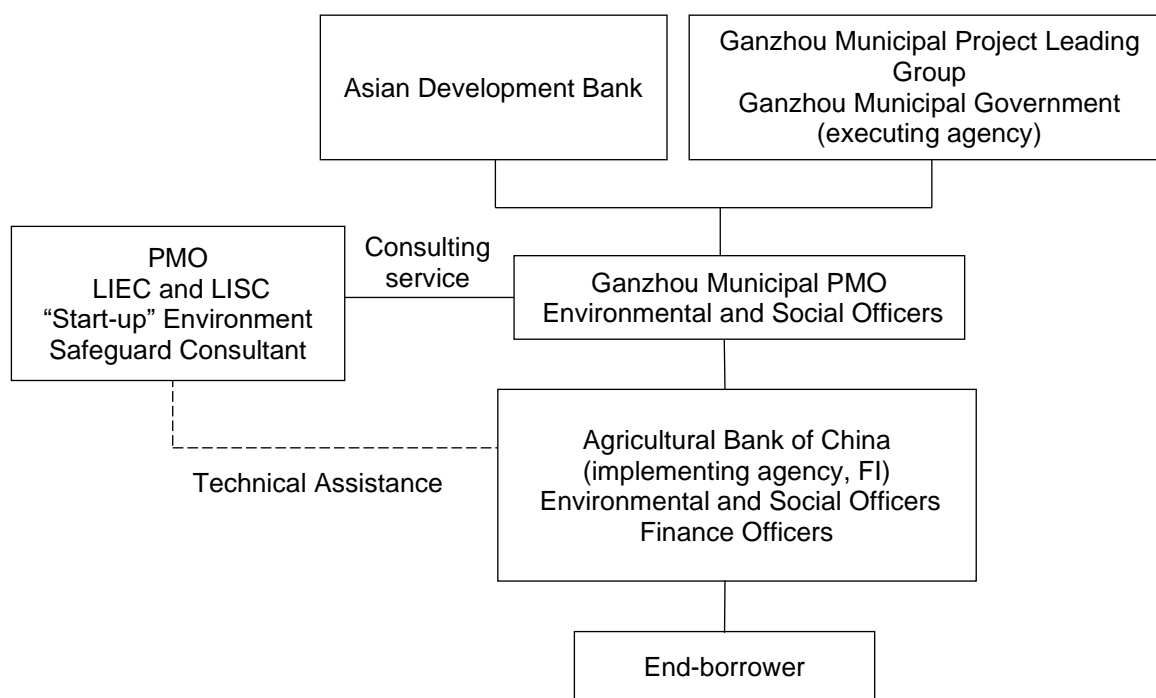


Figure II.1: Organization Chart of the project Agencies for the ESMS

FI = financial intermediary, LIEC = loan implementation environment consultant, LISC = loan implementation social consultant PMO = Ganzhou Municipality project management office.

D. What the project will and will not support

12. The Ganzhou Municipal Government and GABC agree to the following terms and restrictions for the FIL.

13. GABC WILL ONLY SUPPORT subprojects which:

- are designed, constructed, and operated in accordance with relevant national and provincial social and environmental laws and regulations.
- have minimal or no environmental impacts. Subprojects 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 subprojects 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);
- demonstrate compliance with the project social and gender action plans (SDAP and GAP– see the project administration manual); and,
- For any subprojects which involve the expansion of, or links with, existing activities by the sub-borrower, the new subproject will only be supported if the existing activities are

following domestic safeguard regulations.

14. GABC THROUGH THE FINANCIAL INTERMEDIARY LOAN WILL ENCOURAGE AND FAVOR subprojects which demonstrate the sustainable use of natural resources, including:

- water use efficiency;
- sustainable water supply;
- soil conservation practices;
- energy efficiency;
- reduced use of agricultural chemicals;
- improved pest control methods e.g. integrated pest management;
- manure processed as organic fertilizer, subject to strict measures to avoid soil or water contamination and protect human health;
- production, processing, and marketing of local special products;
- adoption of traditional ethnic practices;
- involvement and/or support to women, the poor, and/or ethnic minorities.

15. GABC WILL NOT FUND any activities which:

- are listed in the ADB Prohibited Investment Activity List (ESMS-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 involuntary land acquisition impacts;
- 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 any pending involuntary resettlement issues from past land acquisition or existing facilities as defined under ADB’s SPS;²
- have adverse impacts on vulnerable ethnic minorities (“Category A” or “B”) and any pending issues of indigenous peoples or ethnic minority communities from past activities or existing facilities as defined under ADB SPS; and/or,
- involve on-lending to other financial intermediaries or banking institutions.

E. Pre-readiness for establishment of the ESMS

16. At least three months prior to establishing the fund, GABC shall issue a formal Presidential Directive to integrate the ESMS into GABC business procedures and submit this directive to GMG and ADB. The contents of the directive are listed in Section IV.B of this ESMS.

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

² The proposed project will involve five EM concentrated villages and is classified as B according to the IP safeguard requirements of ADB SPS. An EMDP has been prepared for these five EM villages. The five EM villages are not involved by the proposed FIL components.

III. IMPLEMENTATION OF THE ESMS – SIX STEPS

18. This section describes six steps to implement the ESMS. The steps are conducted for all loan applications. The six steps are: A–screening; B–categorization; C–improving the subproject design for environmental and social benefits; D–assessment; E–safeguard implementation; and F–monitoring and reporting. Steps A to D are conducted as part of the due diligence before a loan application is approved. Steps E to F are conducted during implementation of the subproject. All steps are conducted by GABC finance officer and environmental and social officers, working with the end-borrowers, PMO Environment and Social Officers, and Loan Implementation Environmental and Social 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 to E.

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

STEP A: SCREEN TO IDENTIFY POTENTIAL IMPACTS

20. First filter – compliance with national and international laws and regulations

- A.1. Does the loan application include any activities prohibited under PRC laws?
- A.2. Does the loan application include any activities on the ADB Prohibited Investment Activity List (Appendix 2)?
- A.3. Does the applicant 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 applicant 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.

21. 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. Document all applications, whether they pass Step A or not. Include them in the progress reports to the PMO.
- A.9. GABC pays for the cost of Step A (i.e., mainly the work time of GABC finance officers).

STEP B: CATEGORIZE THE LEVEL OF POTENTIAL IMPACTS

B.1. Use the information in Step A to identify the level of potential environmental and social impacts and the “impact category” of the subproject, according to PRC and ADB criteria.

First categorization – environment (PRC criteria)

B.2. The PRC defines three classes of impact assessment and reporting (based on scale, investment level, and environmental sensitivity): 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 ESMS-Appendix 1.

B.3. Request the applicant to consult with the local ecological and environment bureau (EEB) for preliminary guidance on steps B.3–B.4 for environmental risk categorization. First, the applicant and EEB should use Table 2 in ESMS-Appendix 1 to identify which category the application is within. Then, EEB will apply the national standards (Table 2b in ESMS-Appendix 1) to identify the risk level and environmental categorization for the proposed activities. The applicant should seek initial guidance from the EEB for the risk categorization and any comments and submit this information to GABC.

B.4. The project can potentially work with a subproject in any of these three classes. However, subprojects classed as EIT or EIRF are preferred as they are expected to have lower environmental impacts. Subprojects classed as EIAR are likely to involve environmental impacts equivalent to ADB’s “category A” (see below): in this case, the application will be rejected.

Second categorization – environment (ADB criteria)

B.5. ADB applies three impact categories to Projects: A, B, or C. See definitions in Worksheet 1 of ESMS-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.

B.6. Using these results, circle the summary impact category underneath the table. Clearly state the reasons for this conclusion.

B.7. The project will only work with Category B or C subprojects. Preferably Category C. If the final category is A, reject the application, or, invite the applicant to re-apply after the application has been re-designed to meet B or C level.

Third categorization – involuntary resettlement

B.8. ADB applies three impact categories to Projects: A, B, or C. Screening and categorization standards are defined in Worksheets 2 in Appendix 3.³ Use these worksheets to assess the subproject category as A, B, or C.

B.9. Reject all loan applications for subprojects which are Category A or B; and if they involve any pending involuntary resettlement issues from past land acquisition or existing

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

facilities. These include subprojects which cause physical displacement and/or economic displacement or losses which result from involuntary acquisition of land or involuntary restriction of land use.

Fourth categorization – indigenous peoples (ethnic minorities)

B.10. ADB applies three impact categories to Projects: A, B, or C. Screening and categorization standards are defined in Worksheet 4 in Appendix 3.⁴ Use these worksheets to assess the subproject category as A, B, or C.

B.11. Loan applications for subprojects which are Category A or B are not expected, neither any subprojects are expected to involve any pending issues of indigenous peoples or ethnic minority communities from past activities or existing facilities. Otherwise, invite the applicant to re-apply after the application has been re-designed to meet compliance.

Fifth categorization – land use rights transfer⁵ issues

B.12. Use Worksheet 3 in ESMS-Appendix 3 to screen and determine whether the loan applications for subprojects involve compliance issues on past LURT and/or new LURT proposals against the LURT framework in ESMS-Appendix 7. If the answer is “yes”, reject the application, or, invite the applicant to re-apply after all such issues have been legally settled and such evidence is provided in accordance with the LURT Framework.

B.13. GABC pays for the cost of Step B. This should mainly be the work time of GABC finance, environment, and social officers to meet the applicant and conduct a site visit.

Endorsement by Government and ADB of the Proposed Risk Categorizations

B.14. Include all information in Step B in the progress reports to PMO.

B.15. ADB will review safeguard documents for loan applications as follows: Year 1 of ESMS implementation – ADB will review the draft screening and risk categorization documents, and subsequent environmental and social documents, for all loan applications. Year 2 – ADB will review all subproject loan applications which are Category B (or potentially Category B) for social and/or environment safeguards, and, review at least the first 2 subprojects rated as Category C (or potentially Category C) for social and/or environmental safeguards of each type of subproject category. The transition for these arrangements from Year 1 to Year 2 will depend on the results of a review of ESMS performance by the PMO, GABC and ADB. The PMO will provide the documents to ADB. The subproject categories include but are not limited to (i) organic and green crop production, (ii) eco-tourism, (iii) afforestation and forest management, (iv) rural sanitation and wastewater management, (v) rural solid waste management, (vi) ecological restoration, (vii) water and soil conservation, (viii) agricultural infrastructure for climate change resilience, and (ix) rural renewable energy utilization, etc.

B.16. Do not proceed with the application until the Government and ADB has provided feedback and endorsement on the application.

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

⁵ See Section II.B for definition of “land use rights transfer”.

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

STEP C: PROMOTE GREEN AGRICULTURE AND RURAL VITALIZATION

C.1. Worksheet 5 in ESMS-Appendix 3 identifies the types of green development activities the financial intermediary loan aims to support. Identify those relevant to the loan application. Improve the proposed subproject design to achieve sustainable and climate-smart design which meets the practices in Worksheet 5. Note: This step is primarily carried out by the applicant, in consultation with the PMO Environmental and Social Officers, LIEC and LISC, as necessary.

C.2. Check with the applicant (and if necessary, the PMO) that Step C.1 has been conducted.

C.3. Include the design measures for green agriculture and rural vitalization in the loan conditions (see Step D).

C.4. Include all information in Step C in the progress reports to PMO.

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

STEP D: IMPACT ASSESSMENT, MITIGATION, AND SUBPROJECT APPROVAL

Environmental assessment

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

D.2. If the subproject is ADB Category C for environment, the following is required: (i) preparation of the relevant PRC environmental assessment (EIAR, EIT, EIRF; see Step B); and (ii) a brief environmental checklist to help manage potential impacts. A sample checklist is given in ESMS-Appendix 5.

D.3. Advise the applicant: (i) it is the responsibility of the applicant to arrange and pay for the IEE, EIAR, EIT or EIRF; (ii) the assessment must be prepared by an accredited EIA institute; (iii) the assessment will be submitted to GABC and PMO for review; (iv) for an IEE, the content will include the details listed in ESMS-Appendix 4 and include an English-language version; (v) for subprojects ranked as Category B for environment safeguards, the PMO will submit the draft IEE to ADB for review and approval. See Table II-1 on the specific IEEs to be submitted to ADB; (vi) for the EIAR, EIT or EIRF, the contents will be in Chinese-language only and will be submitted to the local Ecology and Environment Bureau (EEB) for approval.

D.4. All domestic environmental assessment documents require the review and approval of the relevant county/district bureaus, including the EEB.

D.5. Preparation of an IEE takes time and is expensive. The project will favor subprojects which are "Category C", and which only require domestic EIA documents (EIAR, EIT or EIRF).

D.6. If the applicant for a “Category B” subproject wishes to proceed, arrange a meeting between GABC finance and environment officers, PMO environment officer, and applicant, and agree on: (i) the assessment process; and (ii) any changes in subproject design to achieve promotion of green agriculture and rural vitalization. GABC will provide and (if necessary) pay for a venue for the meeting. For transport to/from the meeting, each party will pay for their own costs.

D.7. The applicant proceeds with preparation of the IEE (with EMP) and/or EIAR, EIT, or EIRT. The applicant 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.8. Any subproject that involves new LURT proposals, the applicant must prepare LURT agreement(s) in accordance with the LURT Framework and submit them to the PMO and GABC finance and social officers, as well as ADB, for review and concurrence. Any subproject that involves land with existing LURT, the applicant must prepare a detailed due diligence report to confirm there are no pending issues in accordance with the LURT Framework and submit them to the PMO and GABC finance and social officers, as well as ADB, for review and concurrence .

D.9. Meanwhile, the subprojects should be implemented in accordance with the project Social Development Action Plan, and Gender Action Plan (SDAP and GAP) that are included in the PAM. For the actions in the SDAP and GAP that are relevant to the subproject activities, GABC will ensure the applicant implements them and reports on results, with assistance from PMO and LISC.

D.10. Include all relevant requirements (actions) of the SDAP and GAP in the social conditions of the contract for the loan application.

Information disclosure and public consultation and participation

D.11. For all subprojects, regardless of impact category, check with the applicant if they have publicized the proposed project within the project area.⁶

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

- publicize the basic project details – location, activities, potential impacts, mitigation measures, contact details for the applicant, GABC and PMO Environmental and Social Officers;
- publicize these details for at least 10 days to enable the public sufficient time to submit

⁶ The investor (the applicant) shall conduct information disclosure in line with the requirements in the *Guideline on Information Disclosure for Environmental Impact Assessment for Construction Projects (2014)* and the *Public Participation Methods for EIA (2018)*. For projects requiring EIAR, the investor shall publicize project basic information on public websites within seven days after determination of the EIA institute. For projects requiring EIAR or EIT, the investor shall publicize the EIAR or EIT (except for national or business secrets) through the websites of governmental agencies, TV programs, broadcast, newspapers, microblogs, or WeChat, etc. before submitting to EEB for approval.

- 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 GABC, PMO and/or applicant); and,
- address these comments in line with the EIT or EIRF or LURTF or SDAP or GAP.

D.13. The applicant pays for the cost of the distribution materials.

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

D.15. For subprojects which are Category B for environment, ensure that the applicant undertakes information disclosure to the local community and meaningful public consultation. Instruct the applicant to tailor the scope and extent of information disclosure and public consultation to reflect the nature of the subproject and potential impacts, working also with the PMO Environment and Social Officers and EIA institute. The EIA institute preparing the IEE will coordinate the information disclosure and public consultation. The applicant will be responsible for the information disclosure and public consultation of relevant SDAP, GAP and EMDP. The applicant pays for the costs and addresses any comments received.

D.16. Ensure that the applicant has: (i) submitted the draft IEE to PMO for disclosure on the PMO website; and (ii) publicized the draft IEE (or at least a Chinese-language summary) in the local media and/or village boards.⁷

Endorsement by Government and ADB of the Documents

D.17. Include all information in Step D in the progress reports to PMO.

D.18. For all applications rated as Category B for environment, submit the draft final IEE to the PMO and ADB for endorsement. The PMO will provide the documents to ADB. Do not proceed with the application until the Government and ADB has provided feedback and endorsement on the draft IEE.

D.19. Obtain and verify copies of other relevant documents and approvals for the application:

- local EEB approval and requirements;
- PMO concurrence of final subproject design; and,
- ADB approval of subprojects.

D.20. For all applications involving past LURT and/or new LURT proposals, submit the LURT DDR(s) to the PMO and ADB for review and endorsement. The PMO will provide the documents to ADB. Do not proceed with the application until the Government and ADB have provided feedback and endorsement on the due diligence reports.

D.21. Obtain and verify copies of other relevant documents and approvals for the application :

⁷ The IEE will be submitted to ADB in English language. It will be based on the domestic environment assessment documents prepared in Chinese language.

- PMO and GABC approval
- PMO concurrence of final subproject design; and
- ADB approval of subprojects

D. 22. Do not proceed to Step E until Step D is fully completed.

D. 23. 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 loan contract with the applicant, prepare a Safeguard Commitment Letter (SCL), which lists all measures to be implemented by the applicant for mitigation, monitoring and reporting from the environmental assessments, LURT Agreements, SDAP and GAP as relevant.⁸ At this stage, the applicant is now a “qualified end-borrower” i.e., is eligible to receive funding support under the financial intermediary loan.

E.2. The qualified end-borrower begins the subproject, including the measures in the SCL. The qualified end-borrower is responsible for paying these costs.

E.3. For subprojects which are “Category B” for environment, inform the qualified end-borrower that if they hire a contractor: (i) the EMP, GRM, and SCL must be included in the bidding documents; (ii) the contractor must agree to fulfill the EMP, GRM, and SCL as a condition of accepting the contract, and should include the costs in their tender.⁹

E.4. Support the PMO Environmental and Social Officers to implement the Grievance Redress Mechanism (GRM) throughout the implementation stage (see Section V).

E.5. Any changes to the design of the subproject that may potentially cause negative environmental impacts will be screened and assessed, and additional environmental monitoring and/or mitigation measures will be developed as needed.

STEP F: MONITORING AND REPORTING

F.1. Monitor whether the qualified end-borrower is implementing the measures in the Safeguards Commitment Letter. GABC will be responsible for the compliance monitoring.

⁸ Environmental impact mitigation measures are listed in the IEE Appendix 1: Environmental Management Plan. Many of the mitigation measures in the EMP for other project activities will be applicable to subprojects under the financial intermediary loan and ESMS. Social safeguard measures are listed in Step D.

⁹ The bidding documents will show if the contractor has included costs for these conditions. A construction supervision company will monitor contractor performance.

F.2. GABC will develop and maintain an internal recording system for the results of Steps A-F for each loan application and approved subproject. This should be a simple database (e.g., in excel).

F.3. For subprojects which require an IEE, an environmental monitoring plan is described in the EMP. This should be implemented by the qualified end-borrowers. A qualified environmental monitoring agency (EMA) will be recruited by the qualified end-borrowers to undertake the monitoring in line with the environmental monitoring plan in the EMP and prepare the environmental monitoring reports. The results should be reported to GABC at the frequency described in the EMP.

F.4. The PMO is responsible for monitoring of the LURTF, SDAP and GAP implementation for the overall project. The Loan Implementation Consultants will help the PMO 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 the 4th year onwards:

- GABC and qualified end-borrower meet, to review progress against the loan contract conditions in the Safeguards Implementation Commitment; and,
- GABC, PMO and relevant county bureaus, meet, to review safeguard compliance of all the subprojects being supported and lessons learned.

F.6. GABC submits a semi-annual safeguard progress report to the PMO, which includes progress with GABC's ESMS, GRM and safeguard training. Submission dates: for the report for January-June – submit by 31 July latest; for the report for July-December – submit by 31 January latest.

F.7. The PMO submits a semi-annual safeguard progress report to ADB, which includes progress with GABC's ESMS. Submission dates: for the report for January-June – submit by 15 August latest; for the report for July-December – submit by 15 February latest (i.e., two weeks GABC submits its reports to the PMO).

F.8. The reporting procedure is shown in Figure III.1.

F.9. GABC pays for the costs of internal ESMS monitoring and reporting. The PMO pays for the costs of preparing semi-annual progress reports to ADB.

F.10. **Penalties.** The failure of a qualified end-borrower to implement the environmental and social requirements set out in the loan conditions will result in penalties, e.g., loan foreclosure, accelerated repayments, and/or other measure deemed appropriate by GABC and under PRC law.

Table III.1: Reporting Plan for ESMS

Report	Timing	Responsibility
For environment Category B subproject, report on results of EMP implementation and monitoring	As required in the project EMP for reporting	Qualified end-borrowers submits to GABC
GABC semi-annual safeguard report to PMO, including ESMS progress, LURTF, SDAP and GAP. The report will be prepared in English and Chinese.	Semi-annual. For January–June: by 31 July. For July–December: by 31 January	GABC submits to PMO
PMO semi-annual safeguard report to ADB, include GABC’s semi-annual safeguard report as appendix. The report will be prepared in English.	Semi-annual. For January–June: by 15 August. For July–December: by 15 February	PMO submits to ADB. ADB reviews; discloses on ADB website

ADB = Asian Development Bank, EMP = environmental management plan, ESMS = environmental and social management system, PMO= Ganzhou Municipal project management office, LURTF =land use rights transfer framework, SDAP = social development action plan, GAP = gender action plan.

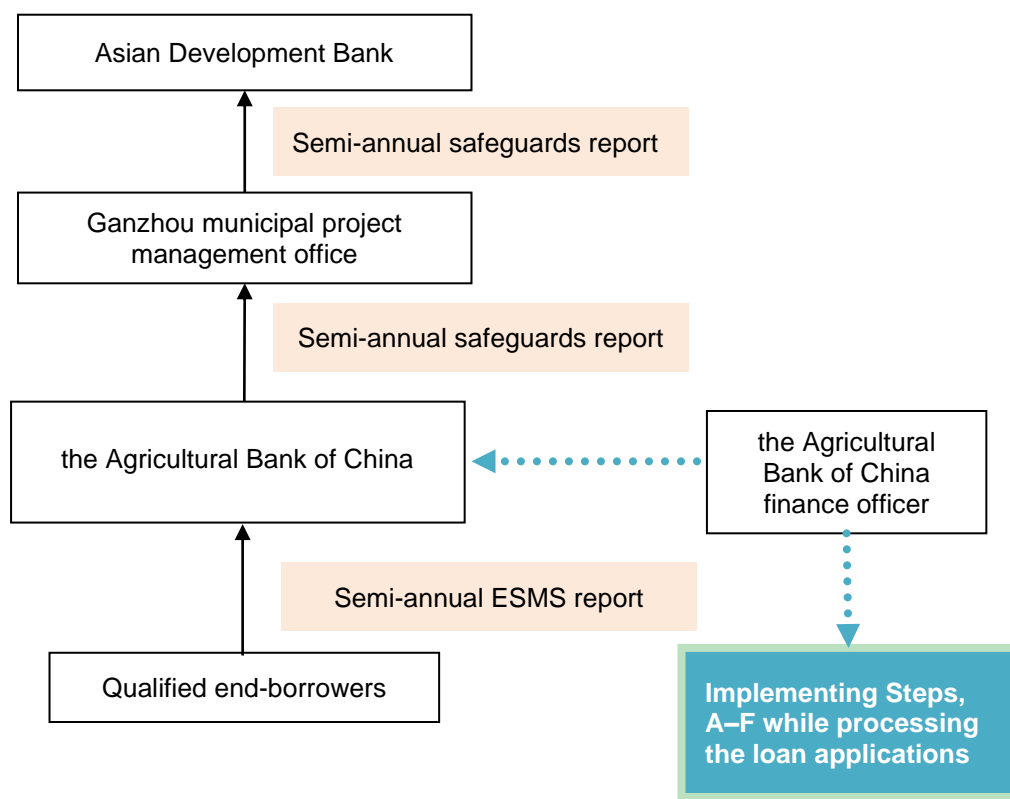


Figure III.1. Reporting Procedures for the Environmental and Social Management System

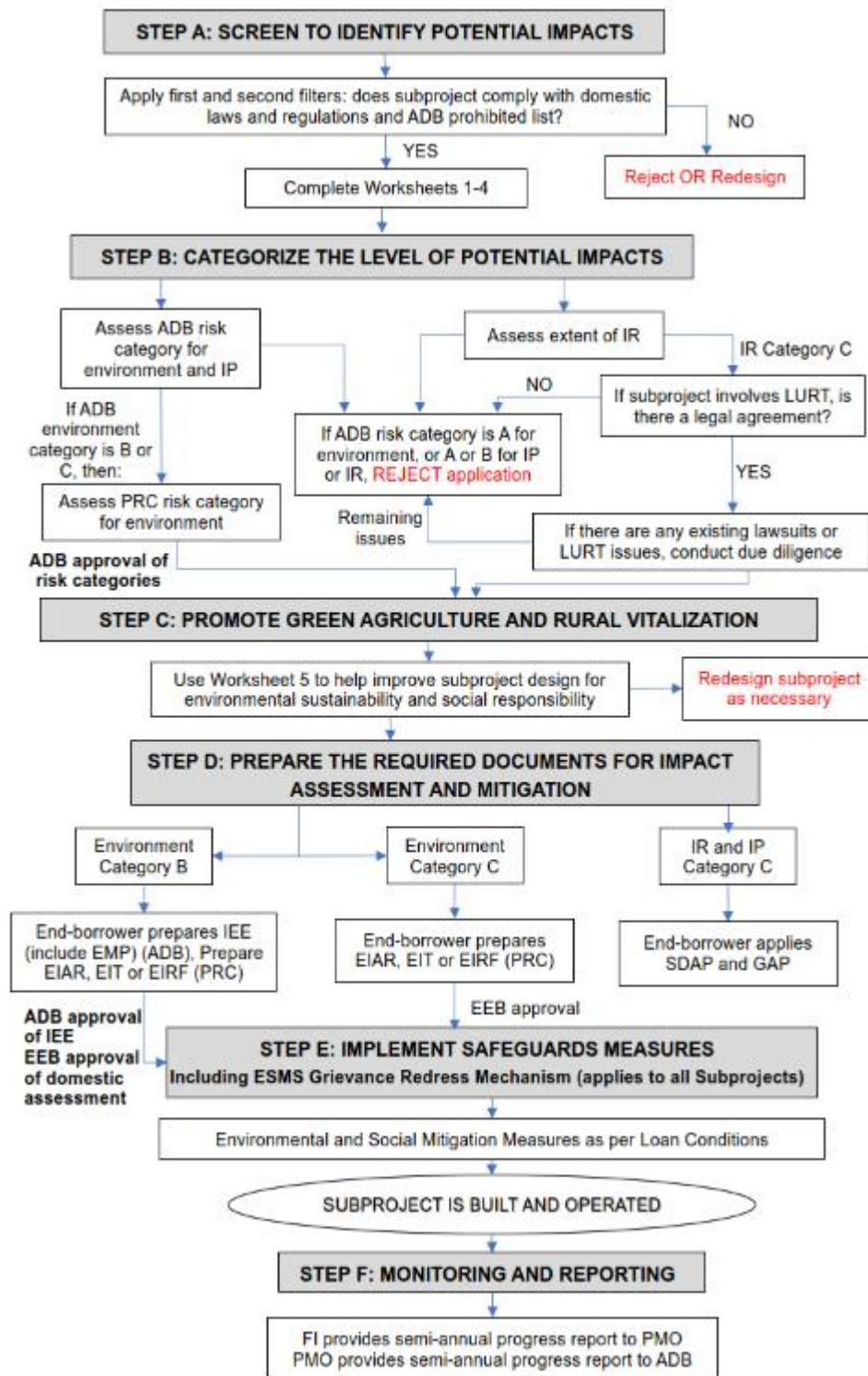


Figure III.2. Steps A–F of the Environmental and Social Management System

ADB = Asian Development Bank, EEB = ecology and environment bureau, EIAR = environmental impact assessment report, EIRF = environmental impact registration form, EIT = environmental impact table, EMP = environment management plan, ESMS = environment and social management system, FI = financial intermediary, GAP = gender

action plan, IEE = initial environmental examination, IP = indigenous peoples, IR = involuntary resettlement, LURTF= land use rights transfer framework, PMO = Ganzhou Municipal project management office, PRC = People's Republic of China, SDAP = social and development action plan.

IV. INTEGRATION OF THE ESMS INTO FI BUSINESS PROCEDURES

A. Existing safeguard capacity and procedures of Ganzhou Branch of Agricultural Bank of China

22. The Ganzhou branch of Agricultural Bank of China (GABC), a large state-owned commercial bank, is a second-level branch bank founded in 1985. It administrates 20 primary branches and 114 business outlets in Ganzhou Municipality. By the end of 2020, GABC has 1,825 employees, among which 1,289 staff work in county branches providing services for agricultural business. There are currently no staff with qualifications or experience in environmental or social safeguards. GABC has 16 departments, including:

- Corporate Business Department
- Agricultural Finance Department
- Inclusive Finance Department
- International Finance Department
- Office/Trade Union Department
- Human Resources Department
- Planning and Accounting Department
- Discipline Inspection Office
- Operation Management Department (including Cash Center)
- Internal Control and Legal Compliance Department/Safety and Security Department
- Risk Management Department/Credit Management Department
- Risk Asset Disposal Department
- Institutional Business Department
- Personal Finance Department
- Network Finance Department/Section and Product Management Department
- Credit Card Center

23. As of 31 December 2020, GABC has provided 96,589 agricultural related loans with a total amount of CNY 28.515 billion. The current procedure of GABC in approving loan applications is summarized in Figure IV-1.

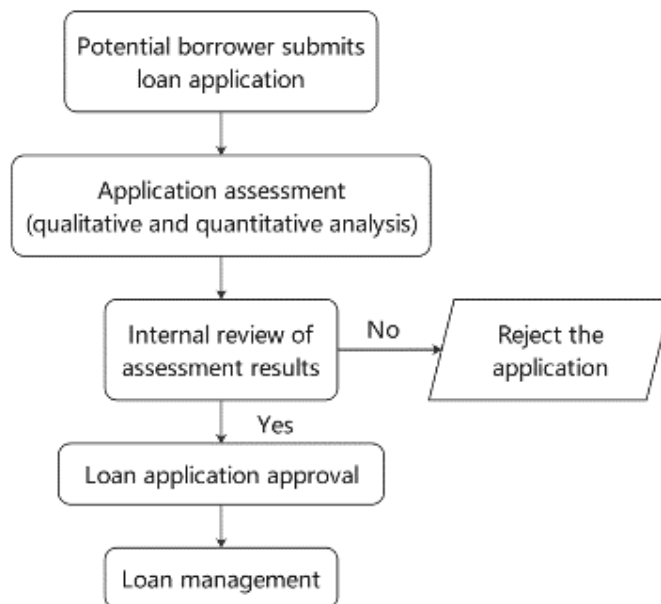


Figure IV-1 Current Business Procedures of GABC for Loan Applications

24. When a loan application is received by GABC, it is categorized as for “operating capital” or a “project”. If the investment is for a project (i.e., new construction or expansion or intensification of existing development), 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 the FSR, an environmental assessment, approved by the Ganzhou Ecology and Environment Bureau (EEB), must be obtained. The environmental approval is appended to the DRC approval.

25. The finance officer at GABC receiving the application conducts the following safeguard due diligence: (i) whether the proposed application has DRC and environmental approvals; (ii) whether any land use rights are involved; (iii) whether any resettlement is involved; and (iv) preliminary assessment of potential impacts on livelihoods and welfare of people in the project area. Processing of the application does not proceed without the DRC and environmental approvals and/or if unresolved issues of land use rights transfer or resettlement are identified. Copies of the DRC and environmental approvals are held by GABC.

26. As required under the PRC Tentative Procedure of Project Completion Environmental Inspection and Acceptance for Construction Project (2017), within three months of project completion, the end-borrower or its commissioned technical agency assesses if the subproject has been constructed in compliance with the environmental approval conditions; submits related documents to the Ganzhou EEB; and uploads required information onto the national project completion environmental acceptance platform. EEB is responsible for supervision. GABC is not involved in this step. If the subproject is not compliant, the end-borrower is required to take corrective actions. Without this it will not obtain final environmental approval and cannot become operational.

27. Monitoring by GABC during the duration of a sub-loan includes site visits and meetings with the management and chief accountant of the end-borrowers, one to two times in the first month

and subsequent inspections dependent on the risk judgment of the GABC finance officer. There is no monitoring of safeguards.

B. Integrating the ESMS

28. GABC has clarified that there are no existing policies or practices within its operations which would constrain the adoption and implementation of the ESMS. GABC will recruit one qualified environment officer and one qualified social officer to facilitate the integration of the ESMS into existing business procedures, and support GABC finance officers to complete the ESMS requirements for individual loan applications.

29. GABC will issue a formal Presidential Directive at least three months prior to establishing of the fund and receiving loan proceeds from the project. This period also includes prior review and approval of GABC's ESMS by the PMO and ADB.

30. This Directive will:

- i. officially recognize the ESMS as GABC policy in the project district and counties from the date of the directive;
- ii. instruct all finance 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 conditions by end-borrowers will be treated by GABC in the same way as breaches in other loan conditions – attracting similar penalties;
- v. confirm the working relationship between GABC and PMO and its loan implementation consultants;
- vi. ensure the wide dissemination within GABC of Chinese-language ESMS documents;
- vii. instruct finance officers to print copies of the ESMS Workbook (ESMS-Appendix 3) 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 GABC officers' attendance at training courses as required.

31. At least three months before the first loan disbursement, GABC will recruit the FI environment officer and social officer. These officers will oversee the ESMS implementation. They will work directly with GABC finance officers to guide their activities, undertake regular checks of ESMS implementation internally, and provide and participate in the training. They will prepare the ESMS progress reports for submission by GABC to the PMO.

32. Upon receipt of a loan application, an Agricultural Bank of China finance officer will commence loan assessment and the safeguard screening procedure. The screening and

categorizing will be integrated into the initial site visit and due diligence examination of the loan application. After the end-borrower has completed the required assessments, impact mitigation measures and other relevant actions will be formulated as contractual conditions and signed by the end-borrower in a Safeguards Commitment Letter. As far as possible, the same GABC finance officer (to maintain consistency) will check if the measures have been fully and properly undertaken as part of GABC's internal monitoring of individual loans that are being implemented.

33. Where a subproject needs to be redesigned, GABC finance officer will discuss with the end-borrower and consult with GABC environment and social officers, and other technical personnel as needed and PMO to guide the re-design. After re-design, the application will progress step by step through the ESMS procedures as before.

34. During the project implementation period (six years), GABC will receive technical support from the LIEC and LISC to implement the ESMS and overall monitoring from the PMO and ADB. The maximum potential life of the FIL fund is estimated to be about 25 years (assuming no future replenishments; and pending capital expenditures and success during implementation of the ADB-funded project). Therefore, it is possible the fund might continue to be implemented for another 19-20 years after completion of the ADB-funded project. This future phase of the fund might not be subject to ADB guidance or technical or financial support. At this early stage, there is no viable mechanism to ensure GABC will continue to implement the ESMS after the project. The success of the ESMS will be assessed by the government, GABC, and ADB during project implementation and the ADB project completion report (one year after project completion) and recommendations for future management will be identified as relevant.

V. GRIEVANCE REDRESS MECHANISM

35. 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 6-year life of the project.

36. The PMO Environmental and Social Officers and GABC Environmental and Social Officers will be the lead coordinators for GRM implementation. All project related staff will be trained in the GRM and will take an active role in supporting these officers as and when necessary.

37. At the PMO level, the PMO Environmental Officer and Social Officer will establish a GRM tracking and documentation system, conduct daily coordination with GABC's officers, arrange meetings and conduct site visits as necessary, maintain the overall project GRM database, and prepare the reporting inputs for progress reports to ADB. Within GABC, the environment and social officers will instruct end-borrowers, contractors, and construction supervision companies (CSCs) on the GRM procedures, and coordinate with the local EEBs and other government divisions, as necessary. PMO and GABC staff will be trained and supported by the LIEC and LISC.

38. The contact persons for different GRM entry points, such as the PMO and GABC

Environmental and Social Officers, contractors, operators of project facilities, and local EEBs, will be identified prior to construction. The contact details for the entry points (phone numbers, addresses, e-mail addresses) will be publicly disclosed on information boards at construction sites and on the websites of the local EEBs.

39. Once a complaint is received and filed, the PMO and GABC officers will identify if complaints are eligible for management under the GRM. Eligible complaints include those where (i) the complaint pertains to the subproject; and (ii) the issues arising in the complaint fall within the scope of ESMS issues that the GRM is authorized to address. Ineligible complaints include those where: (i) the complaint is clearly not project-related; (ii) the nature of the issue is outside the mandate of the ESMS GRM (such as issues related to allegations of fraud or corruption); and (iii) other procedures are more appropriate to address the issue. Ineligible complaints will be recorded and passed to the relevant authorities, and the complainant will be informed of the decision and reasons for rejection.

40. GABC will support the PMO to implement the GRM, including immediate reporting to the PMO of any grievance issues identified. Other key agencies that will support the PMO to implement the GRM are the county EEBs, township governments, and village committees.

41. The PMO will provide progress of the GRM in the semi-annual environmental and social progress reports to ADB.

42. The PMO Environmental and Social Officers coordinate the GRM and work directly with GABC Environmental and Social Officers responsible for the ESMS, to handle complaints and implement corrective actions.

43. 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.

44. The procedure for the GRM involves two pathways: environmental issues (three stages) and social (ethnic minority and LURT) issues (four stages) (Figure V.1 and Figure V.2). Upon receiving a complaint, a project agency will report it immediately to GABC and PMO. The PMO Environment and Social Officers will assess which GRM (environment or social) is to be applied.

45. **Environmental Issues (three stages).** Note that the design of the environmental GRM is similar to the overall project GRM (described in the IEE Appendix 1: EMP) but places more responsibility in stages 2 and 3 on GABC rather than PMO. This is to help build accountability and self-sufficiency within GABC and to further embed the ESMS procedures into GABC operations.

- **Stage 1 (5 calendar days):** If a concern arises during construction or operation, the affected person may submit a written or oral complaint to the contractor (construction phase) or operator of the project facility (operation phase). The person receiving the complaint will: (i) respectfully acknowledge the issue and immediately stop the causal activity (e.g. on-site construction causing high noise levels to a nearby household); (ii) not resume the activity until the complaint has been resolved; (iii) inform the PMO and GABC finance officer of the incident on the same day of the incident occurring and how the contractor has responded or will respond; (iv) give a clear reply to the affected person within two calendar days; and (v) as far as possible, resolve the problem within five calendar days from receiving the complaint. In stage 1, the contractor (or other persons receiving the complaint) will as far as

possibly resolve the issue directly with the affected person. The contractor will keep the end-borrower and GABC finance officer fully informed at all stages. GABC will: inform the PMO, local village committee, and local EEB of the incident within one working day of being informed by the contractor; and subsequently keep the PMO informed at all stages.

- **Stage 2 (5 calendar days):** If the issue cannot be resolved in Stage 1, after five calendar days, GABC finance officer and environmental officer, with support and facilitation by the PMO, will take over responsibility. Eligibility of the complaint will be assessed, and a recommended solution given to the complainant and contractors within two calendar days. If the solution is agreed by the complainant, the contractors and/or facility operators (in operation) will implement the solution within five calendar days from GABC taking over responsibility of the complaint. Written records will be made of all stages and outcomes. At the expiration of Stage 2, PMO will inform ADB of the outcome.
- **Stage 3 (15 calendar days):** If no solution can be identified by GABC, and/or the complainant is not satisfied with the proposed solution, GABC will organize, within seven calendar days, a stakeholder meeting. This will include the complainant, contractor and/or operator of the facility, EEB, GABC and PMO. A solution acceptable to all shall be identified including clear steps. The contractors (during construction) and facility operators (during operation) will immediately implement the agreed solution. All attempts will be made to fully resolve the issue within 15 calendar days. Written records will be made of all stages and outcomes. At the expiration of Stage 3, PMO will inform ADB of the outcome.

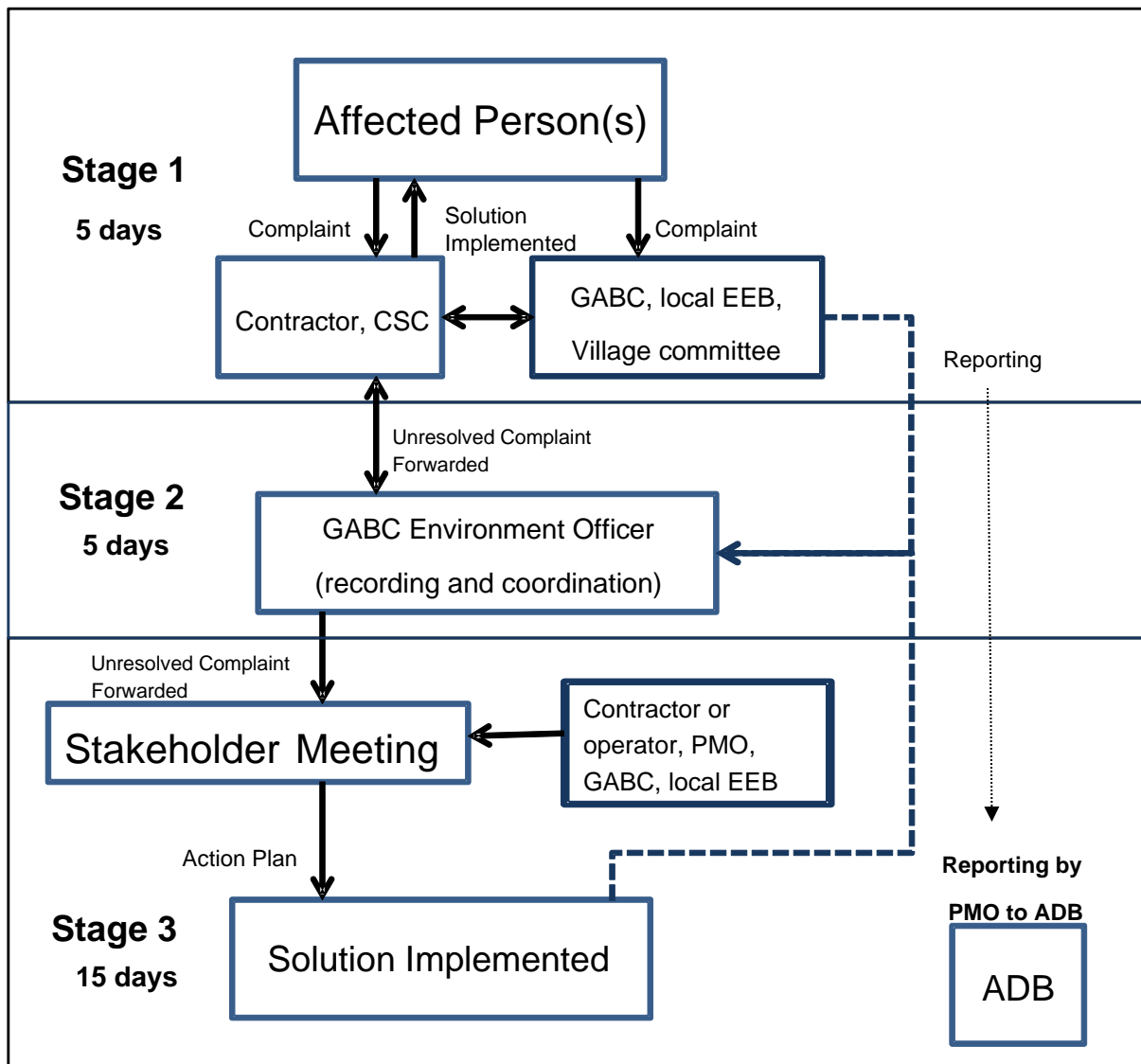


Figure V.1: The Grievance Redress Mechanism for Environment Safeguards

ADB = Asian Development Bank, CSC = construction supervision company, EEB = ecology and environmental bureau, FI = financial intermediary, GRM = grievance redress mechanism, PMO = Ganzhou Municipal project management office.

46. The GRM does not affect the right of an affected person to submit their complaints to any agency they wish to, for example the local village committee, community leaders, courts, PMO, GMG, district/county government, and/or ADB. At any time in the GRM, affected persons may also contact the local courts and/or ADB East Asia Department. The GRM does not affect public rights under the PRC Regulations on Letters and Visits (ESMS-Appendix 1), which requires a complaint acceptance mechanism at all levels of government and protects complainants from retaliation. The affected persons may also submit a complaint to ADB, first with the project team and then, if still unsatisfied, to ADB's accountability mechanism (<http://www.adb.org/site/accountability-mechanism/main>).

47. 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 PMO safeguard progress reports.

48. GABC shall bear all costs of implementing the ESMS GRM, including meeting, travel, and/or accommodation costs of the project staff or affected person. GABC finance officer and environmental officer shall pay close attention to subproject design and implementation to ensure that complaints are minimized.

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

- Stage 1 (15 calendar 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 decide to resolve the problem within 15 days.
- Stage 2 (15 calendar days): If the affected person is dissatisfied with Stage 1, they may file an appeal to the township government. The township government shall decide to resolve the problem within 15 days.
- Stage 3 (20 calendar days): If the affected person is dissatisfied with Stage 2, they may file an appeal to the county/district government and GABC, who shall resolve the issue within 20 days.
- Stage 4: 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 PMO. GABC will send consolidated reports on GRM activity to the PMO 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.

50. **Social issues (four stages).**

- Stage 1 (15 calendar days): If the affected people are dissatisfied with the project, they can make either oral or written complaint to the village committee or community leaders; if they use verbal complaints, the village committee or community leader should handle and record it. Complaints will be addressed within 15 days.
- Stage 2 (15 calendar days): 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 15 days.
- Stage 3 (30 calendar days): If the complaint is not satisfied with the result of the second phase, he/she can appeal to GABC after receiving the result; GABC 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.

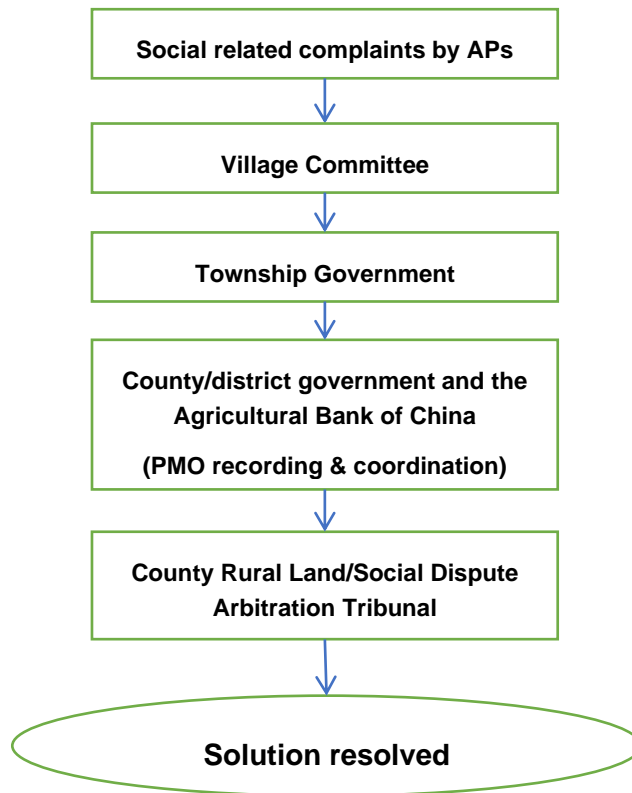


Figure V.2: The Grievance Redress Mechanism for Social Safeguards

AP = affected person

VI. CAPACITY BUILDING AND TRAINING

51. The capacity of GABC to implement the ESMS is currently low. Prior to the project, GABC has to recruit staff qualified in environmental or social management or safeguards. The PMO will work with GABC to implement the ESMS over the 6 years of the project life. The project includes a training program (Table VI.1) to build capacity of GABC, with the aim that GABC can independently conduct the following without PMO or 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 green agriculture and rural vitalization sectors; and (iii) incorporate green agriculture and rural vitalization best practices into project design to minimize potential environmental and social adverse impacts. Most training will occur within the first two years of the project. Training will be conducted in a participatory and ‘learning by doing’ approach by the loan implementation environment consultant (LIEC) and loan implementation social consultant (LISC) and will include pre- and post- training assessments of trainees to help gauge success of the training and improve future training (see terms of reference in EMP Appendix 1-1 and the PAM), supported by other technical loan implementation consultants. In addition to formal training programs, the LIEC will provide hand-on experiences through on-the-job trainings to the environment officer of GABC in project screening, categorization, design and impact assessment

review, and safeguard implementation monitoring for the first 10 subprojects. Continuous support from LIEC will be provided throughout the project cycle.

Table VI.1: Five-year training program for the ESMS (Costs to be confirmed before endorsement of ESMS)

Includes a mid-term review of the ESMS and grievance redress mechanism in Year 3.

Trainees	Training	Trainer	Year 1	Year 2	Year 3	Year 4	Year 5	Cost (CNY x10,000)
GABC staff	Establish and implement ESMS	LIEC, LISC	Quarterly	tbc	tbc	tbc	tbc	tbc
PMO, GABC staff	Maintain and implement GRM	LIEC, LISC	Quarterly	tbc	tbc	tbc	tbc	tbc
PMO, GABC staff	Implement ESMS Steps A–F (screening, design, categorization, impact assessment); and inclusion of safeguards into loan contracts (mitigation, monitoring, reporting, SDAP, GAP, LURTF)	LIEC, LISC	Quarterly	Quarterly	tbc	tbc	tbc	tbc
PMO, GABC staff	ESMS monitoring and reporting– spreadsheet data, GABC reporting to PMO; PMO reporting to ADB	LIEC, LISC	Quarterly	Semi-annually	tbc	tbc	tbc	tbc
PMO and GABC environmental and social officers	Introduction to environmental and social impact assessment in the green agriculture and rural vitalization sectors	LIEC, LISC	Quarterly	Quarterly	Semi-annual	tbc	tbc	tbc
GABC staff, end-borrowers	Introduction to best practices for green agriculture design	LIC	Quarterly	Quarterly	tbc	tbc	tbc	tbc
PMO, GABC staff	Mid-term review of ESMS – progress, challenges, lessons learned	LIEC, LISC	0	0	tbc	0	0	In-kind support

ESMS = environmental and social management system, GRM = grievance redress mechanism, LIC = loan implementation consultant, LIEC = loan implementation environmental consultant, LISC = loan implementation social consultant, PMO = Ganzhou Municipal project management office, SDAP = social development action plan, GABC = Ganzhou branch of Agricultural Bank GAP = gender action plan; tbc = to be confirmed.

VII. PROJECT ASSURANCES

52. The Agricultural Bank of China and implementation of the ESMS will be subject to loan- and project-specific assurances to support efficient and timely project management. Refer to the loan and project agreements for the assurances.

ESMS-APPENDIX 1. LEGISLATION AND POLICIES

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

Laws, Regulations and Standards	Relevance to Project
ENVIRONMENT PROTECTION AND PLANNING and LAND USE MANAGEMENT	
Environmental Protection Law (2015, amended)	Subprojects avoid any significant environmental impact.
Land Administration Law (2019, amended)	Subprojects comply with provincial, county, and local land use plans, which are made to protect and develop land resources.
Noise Pollution Prevention and Control Law (2018, amended)	Noise during construction and operation of the proposed subprojects to be mitigated or avoided.
Water Pollution Prevention and Control Law (2017, amended)	Water pollution during construction and operation of the proposed subprojects to be mitigated or avoided.
Air Pollution Prevention and Control Law (2018, amended)	Air pollution during construction and operation of the proposed subprojects to be mitigated or avoided.
Solid Waste Pollution Prevention and Control Law (2016, amended)	Solid waste pollution during construction and operation of the proposed subprojects to be mitigated or avoided.
Soil Pollution Prevention and Control Law (2019)	Soil pollution during construction and operation of the proposed subprojects to be mitigated or avoided.
Environmental Protection Tax Law (2018, amended)	Projects that directly discharging pollutants (including air emissions, wastewater, solid waste, and noise) to the natural environment shall pay environmental protection tax.
ENVIRONMENTAL IMPACT ASSESSMENT	
Environmental Impact Assessment Law (2018, amended)	Overarching law for EIA, setting out procedures for EIA and approvals needed before construction.
Management Regulation on EIA Categories of Construction Projects (2018)	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 subprojects are expected to require EIT or lower.
Regulation on Public Participation of Environmental Impact Assessment (2018)	Guideline and requirement for conducting public participation and consultation during the environmental impact assessment of a project
Provisional Methods of Management of Projects Financed by International Financial Institutions and Foreign Governments (2005)	Project funds are sourced from an international organization (ADB), the provisions of this method apply for aspects of the environmental impact assessment.
Technical Guideline for EIA: General principle (HJ 2.1-2016)	Guideline for conducting EIA preparation. Provides information on the scope and content of environmental impact assessment.
Technical Guideline for EIA: Surface Water (HJ/T 2.3-2018)	Guideline for surface water pollution prediction and analysis for projects where wastewater discharge is a potential impact.
Technical Guideline for EIA: Atmospheric Environment (HJ2.2-2018)	Guideline for air pollution prediction and analysis for projects where gaseous emissions are a potential impact.
Technical Guideline for EIA: Acoustic Environment (HJ2.4-2009)	Guideline for noise level prediction and analysis for impact assessments.
Technical Guideline for EIA: Ecological Impact Assessment (HJ19-2011)	Guideline for ecological impact prediction and analysis for impact assessments.
Technical Guideline for EIA: Groundwater Environment (HJ 610-2016)	Guideline for groundwater pollution prediction and analysis for impact assessments.
Technical Guideline for EIA – Soil Environment (HJ964-2018)	Guideline for soil pollution prediction and analysis for impact assessments.
WATER	
Water Law (2016)	Regulation and management of water resources.
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 subprojects will be

	classed to assess the permitted use of the water and discharge of wastewater.
Environmental Quality Standard for Groundwater (GB/T14848-2017)	Standards for groundwater quality which must be maintained.
Water Pollution Prevention and Control Law (2017, amended)	Enabling legislation for rules and regulations preventing water pollution.
Regulation on Pollution Prevention of Drinking Water Source (2010)	Sets aside areas adjoining drinking water sources to protect water quality. Subprojects should not be within or bordering these zones.
Measures on Monitoring of Pollutant Discharge Outlets Entering Rivers (2015, amended)	Environmental monitoring in the wastewater discharge outlet may be required for the subproject if necessary.
Integrated Wastewater Discharge Standard (GB 8978-2002)	Requirements for wastewater discharge.
Water Quality Standard for Sewage Discharged into Municipal Sewers (CJ343-2010)	Wastewater should not be discharged to municipal wastewater treatment plant if indicators exceed the limits in this standard.
Regulations for Water Extraction Permitting and Collection of Water Resource Fees (2017, amended)	Subprojects need to obtain water resource extraction permission from local WRB before accessing water resource.
SOIL	
Water and Soil Conservation Law (2011, amended)	Provisions to combat soil erosion and land degradation in construction and agriculture.
Soil Pollution Prevention and Control Law (2019)	Soil pollution during construction and operation of the proposed subprojects to be mitigated or avoided.
AIR	
Air Pollution Prevention and Control Law (2018, amended)	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 (GB3095-2012)	Standards for ambient air quality of an area (urban, rural, industrial etc.)
SOLID WASTE	
Solid Waste Pollution Prevention and Control Law (2016, amended)	Requirements for solid waste handling and disposal. To be used for management measures in subprojects.
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.
Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (2011)	Storage and disposal of general industrial solid wastes shall follow the requirements in the standards for subproject.
FLORA, FAUNA, AND CULTURAL RESOURCES	
Wild Animal Protection Law (2018, amended)	Protection of listed fauna and flora. Subprojects must ensure they do not threaten any animals on the lists.
Regulation on Protection of Wild Flora (2017)	Protection of listed wild flora. Subprojects must ensure they do not threaten any animals on the lists.
Directory of Wild Animals of National Priority Protection (2019)	Subprojects must ensure they do not threaten any animals on the lists.
Directory of Wild Flora of National Priority Protection (2019)	Subprojects must ensure they do not threaten any flora on the lists.
Forest Law (2009)	Protection of forest resource.
Cultural Relics Protection Law (2017, amended)	Procedures to record, protect any relics found during construction.
SOCIAL DEVELOPMENT / SAFEGUARDS	
Law on Protection of the Rights and Interests of Women (2018, amended)	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.
Jiangxi Provincial Regulation on Ethnic Minority Rights Protection	Protection of rights of ethnic minorities in education, health, culture, and participation
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.
LAND	
Land Contract Law for Rural Areas (2019, amended)	Legislative requirements covering all land contract signing.
Law on Arbitration and Dispute over Management of Contracted Rural Land (2009)	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 use right 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 use right transfer.
Provincial, county, and local land use plans	Plans to be consulted to ensure that proposed subprojects are not prohibited or constrained in the site locality and do not cause land use conflicts with adjoining uses.

Table 2. Environmental Impact Assessment Requirements in the People's Republic of China for Agricultural and Ecotourism Activities.

Type of subproject	Environmental Impact Assessment Report	Environmental Impact Table	Environmental Impact Registration Form
Grain and feed processing	Including fermenting process	With annual production no less than 10,000 tons.	Others
Vegetable oil processing	NA	All except for sub package or mixing only	Sub package or mixing only
Sugar processing	Raw sugar production	Others (except for sub package only)	Sub package only
Agricultural reclamation	N/A	Affecting an environmentally sensitive area	Others
Agricultural base project (including medicinal herb base)	N/A	Affecting an environmentally sensitive area	Others
Economic forest base project	N/A	Involving raw material forest	Others
Park development	Very large-scale and large-scale theme park	Others	City park and botanic garden
Tourism development	Construction of cable car or cableway in environmentally sensitive area; maritime entertainment, sports, and landscape exploitation.	Others	N/A
Solid waste transfer stations	N/A	All	N/A
Urban solid waste centralized treatment (including kitchen waste)	All	N/A	N/A
Feces treatment	N/A	Treatment capacity no less than 50 t/day	Others

Source: Directory for the Management of Different Categories of Construction Project Environmental Impact Assessment (2018). N/A = not applicable.

If Table 2 is considered by the executing agency and ADB to be inadequate for the project categorization purposes, this will be discussed and the ESMS procedures will be modified as needed.

ESMS-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 labor¹ or child labor.²
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,³ pesticides, and herbicides,⁴ (b) ozone-depleting substances,⁵ (c) polychlorinated biphenyls⁶ and other hazardous chemicals,⁷ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁸ and (e) transboundary trade in waste or waste products.⁹
3. Production of or trade in weapons and munitions, including paramilitary materials.
4. Production of or trade in alcoholic beverages, excluding beer and wine.¹⁰
5. Production of or trade in tobacco.
6. Gambling, casinos, and equivalent enterprises.
7. Production of or trade in radioactive materials,¹¹ including nuclear reactors and components thereof.
8. Production of, trade in, or use of unbonded asbestos fibers.¹² NOTE: see project-specific assurance (ESMS Section VII) for use of asbestos.
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.

¹ All work or services not voluntarily performed i.e., extracted from individuals under threat of force or penalty.

² 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).

³ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

⁴ A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

⁵ 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>.

⁶ A group of highly toxic chemicals. Likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁷ A list of hazardous chemicals is available at <http://www.pic.int>.

⁸ A list is available at <http://www.cites.org>.

⁹ As defined by the Basel Convention; see <http://www.basel.int>.

¹⁰ 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.

¹¹ 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.

¹² Does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.

ESMS-APPENDIX 3. WORKBOOK FOR SCREENING AND CATEGORIZING SUBPROJECTS

This workbook comprises one summary information sheet and five technical worksheets for environmental and social screening. The summary worksheet is to be filled out by the end-borrower (the applicant). The technical worksheets are to be filled out by GABC staff in consultation with the end-borrower.

The workbook can be printed out and carried into the field by GABC staff, for site assessments and discussions with applicants. The workbook is retained by GABC in their records for each loan application.

Each subproject is recorded in a separate workbook. Complete the details below.

SUMMARY INFORMATION SHEET

PART 1 – To be filled in by sub-borrower applying for financial support

BASIC INFORMATION		
Name of registered business or company:		
Year started / registered:		
Location / full address:		
Nature and scope of business: (Sector. Mainly sales, production, research, and development, other?)		
Designed production capacity: (Per year and/or per day. If not applicable, explain here)		
Actual production capacity or scale: (Per year and/or per day. If any difference with the designed capacity, explain here)		
Main production process(es): (Provide simple flowchart to show main input of materials, water, energy (heat, steam, or fuels etc.), output of intermediate and final products, and wastes (gaseous, liquid, or solid) etc.)		
Main product(s): Briefly describe name, main usage, chemical or biochemical composition etc.		
Profile of employees	Male	
	Female	
	Total	
Other information (Provide any other information as		

relevant)		
PROPOSED APPLICATION		
Location of proposed activity: (Include: site name and full address; village; county; geographic coordinates of site)		
Amount of loan requested (CNY):		
Intended use of the loan: Briefly describe if it is for: new line of business or production? expansion or upgrade of existing business? Other?		
Area of production base (mu): (Write "not applicable" if the application does not involve a specific area of land)		
Designed (production) capacity: (Per year and/or per day. If not applicable, explain here)		
Technical process(es): (If applicable, provide simple flowchart to show main input of materials, water, energy (heat, steam, or fuels etc.), output of intermediate and final products.)		
Main product(s) of sale or research and development: (Briefly describe name, main usage, chemical or biochemical composition etc.)		
List the types of wastes the subproject will generate, as relevant: (Estimate the amounts per year or per day if possible).	Gaseous emissions	
	Wastewater	
	Solid waste	
	Hazardous waste	
	Noise	
Planned method of waste management and disposal	Gaseous emissions	
	Wastewater	
	Solid waste	
	Hazardous waste	
Number of beneficiaries:		
# farmer households involved		
#farmers involved		
# poverty/low-income households involved		
# poverty low-income people involved		
# women involved		

Other relevant information (Provide any other information as relevant)		
Name and Signature of Loan Applicant		
Date		

PART 2 – To be filled in by GABC

Existing Business and Facilities (if applicable) of the End-borrower (Applicant)	
Is the existing business and facilities of the applicant involved in activities / sectors which are prohibited, phased out, or discouraged by national, provincial, or local policy?	
Is the existing business and facilities of the applicant involved in activities / sectors which are prohibited, phased out, or discouraged according to GABC internal criteria?	
What environmental clearances or permits does the applicant have for the existing business and facilities (e.g., environmental impact assessments)? When were they obtained?	
Validity period and the issuing authority of Environment related clearance, approval and permits	Validity Period..... Authority.....
Activity for which a Loan is Requested	
What environmental clearance and permits are required domestically?	
Status of such clearance/permit:	<input type="checkbox"/> Not started yet <input type="checkbox"/> In process <input type="checkbox"/> Received
If received, provide validity and issuing authority	Validity period..... Authority.....
What environmental documents were prepared for domestic clearance? Has GABC received a copy?	
Other relevant information	
Name and Signature of GABC staff	
Date	

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 applicant 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. Subproject likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. Impacts may extend beyond the subproject sites. Environmental impact assessment (EIA) including environmental management plan (EMP) is required. Examples: conversion of wetlands; subprojects 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 subprojects. 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. Subproject 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?	
Project Siting				
Is project in or next to (i) a cultural heritage site, (ii) a protected area, (iii) wetland or (iv) special area for protecting biodiversity? If “nearby” any of these sites, state the distance (km) to the site boundary				
Is siting of the project likely to be affected by climate conditions including extreme weather-related events such as floods, droughts, storms, landslides?				
Potential Environmental Impacts				
Will the 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?				

Screening and Impact Questions	Will it happen? Y/N	If YES		ADB Category
		Is it irreversible? Y/N	Can it be minimized?	
<ul style="list-style-type: none"> deterioration of surface water quality due to silt runoff and sanitary wastes from worker-based camps and chemicals used in construction? 				
<ul style="list-style-type: none"> increased air pollution due to project construction and operation? 				
<ul style="list-style-type: none"> noise and vibration due to project construction or operation? 				
<ul style="list-style-type: none"> generation of solid waste and/or hazardous waste? 				
<ul style="list-style-type: none"> use of chemicals? 				
<ul style="list-style-type: none"> generation of wastewater during construction or operation? 				
<ul style="list-style-type: none"> In land leveling and other earthworks as necessary will there be: 				
<ul style="list-style-type: none"> construction dust and erosion 				
<ul style="list-style-type: none"> loss of micro-habitat for local biodiversity 				
<ul style="list-style-type: none"> changes to local drainage 				
<ul style="list-style-type: none"> In the upgrade or establish irrigation system, including wells, canals, pipes. Installation of quota irrigation systems will there be: 				
<ul style="list-style-type: none"> Unsustainable use of local water resources 				
<ul style="list-style-type: none"> Water use conflicts 				
<ul style="list-style-type: none"> Cumulative impacts on limited water resource 				
For construction of livestock pens and other livestock structures will there be problems with:				
<ul style="list-style-type: none"> location (too close to residences / waterways) 				
<ul style="list-style-type: none"> construction impacts - dust, noise 				
<ul style="list-style-type: none"> operational impacts – noise, odor 				
<ul style="list-style-type: none"> In electricity use for machinery, greenhouses, pumps, ventilation will there be: 				
<ul style="list-style-type: none"> GHG emissions from electricity use 				
<ul style="list-style-type: none"> GHG emissions and flue gas emissions from on-site electricity generator 				
<ul style="list-style-type: none"> In the establishment of on-site wells for process water and drinking water will there be: 				
<ul style="list-style-type: none"> unsustainable use of local water resources 				
<ul style="list-style-type: none"> water use conflicts 				
<ul style="list-style-type: none"> cumulative impacts on limited water resource 				
For handling, transport, and storage of materials and inputs of seeds, seedlings, fertilizers, and chemicals will there be:				
<ul style="list-style-type: none"> application of chemicals and fertilizer not carefully managed - increased volumes enter soil and water 				
<ul style="list-style-type: none"> noise, dust, pollution from haulage, handling, and storage of materials 				
<ul style="list-style-type: none"> extensive residue of plastic mulch material in soil and water 				

Screening and Impact Questions	Will it happen? Y/N	If YES		ADB Category
		Is it irreversible? Y/N	Can it be minimized?	
<ul style="list-style-type: none"> loss of crop diversity and self-sustaining household plots 				
In the collection, treatment, disposal / reuse processes built as part of the facilities will there be:				
<ul style="list-style-type: none"> pollution of land and rivers from wastewater disposal or via land application as liquid 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
Transfer and Ethnic Minorities**

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

INVOLUNTARY RESETTLEMENT ISSUES FROM PAST ACQUISITION OR EXISTING FACILITIES

Involuntary Issues	Yes*	If Yes, give information	No
Are there any pending involuntary resettlement issues from past land acquisition?			
Are there any pending involuntary resettlement issues from existing facilities?			

*If “yes”, the subproject should be excluded e.g., in case there are outstanding land acquisition and/or resettlement issues that would present legacy issues or risks to the project.

NEW LAND ACQUISITION UNDER FI INVESTMENT

Probable Involuntary Resettlement Effects	Yes	If Yes, give number of affected persons and households	No
Will there be land acquisition for this subproject?*			
Will there be loss of land use rights due to change in land use resulting from the subproject (e.g., expanded village road)?			
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).

Overall conclusion on Involuntary Resettlement Category (circle one):

A B C

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

Reason for conclusion:

Notes:

WORKSHEET 3: Land Use Rights Transfer Impact Checklist

Will subproject 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)
Total					

*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 ESMS-Appendix 5?			
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 principles stipulated in LURT Framework in ESMS-Appendix 5?			
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

- LURT agreements are in place and acceptable (in compliance with LURT Framework)
- LURT agreements are not acceptable (not in compliance with LURT Framework)
- Due diligence on pre-existing LURT agreements submitted without pending issues and acceptable
- Due diligence on pre-existing LURT agreements submitted with pending issues and not acceptable

Reason for conclusion:

Notes:

WORKSHEET 4: Ethnic Minorities Impact Checklist

Will subproject involve any ethnic minority communities? (Y/N) If yes, complete form. If no, leave blank.

Name of ethnic minority:

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.

ETHNIC MINORITY ISSUES FROM PAST ACTIVITY OR EXISTING FACILITIES

Involuntary Issues	Yes*	If Yes, give information	No
Are there any pending ethnic minority issues from past activity?			
Are there any pending ethnic minority issues from existing facilities?			

*If "yes", the subproject should be excluded e.g., in case there are outstanding ethnic minority community-related issues that would present legacy issues or risks to the project.

NEW IMPACTS TO ETHNIC MINORITY COMMUNITY UNDER SUBPROJECT

Potential Impacts to Ethnic Minorities (EM)	Yes /No	If Yes, give information about affected EM community
Will the subproject directly or indirectly benefit or target EM community?		
Will the subproject affect the livelihood systems of EM community? (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, river, lake) 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 that are owned by EM communities?		

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

Overall conclusion on Indigenous Peoples Category (circle one):

A

B

C

Note: Category A and B subprojects are not expected. Only Category C subprojects are expected.

Reason for conclusion:

Notes:

WORKSHEET 5: Green Agriculture and Rural Vitalization Design and Best Practice

This worksheet is to improve the technical design and operation of the subprojects. GABC will encourage and favor loans which contribute to non-point source pollution control and reduction, organic farming shifting, green economy development and climate change adaptation uplift, including reduced use and proper disposal of agricultural chemicals, improved efficiency of water and/or energy use, soil conservation practices and principles, accurate pest control and fertilizing methods, recycling natural resources, creation of economic opportunities through low-impact tourism, conservation of biological diversity and cultural diversity, promotion of sustainable use and preservation of ecosystem.

Use the worksheet to identify which features below are most suitable for the subprojects. Instruct the applicant to work with the GABC Environmental Officer to include these as relevant in the project design.

Type and content	Sustainable key features
Open field production bases: e.g., tree seedling nurseries and tree crops (oranges).	
Land preparation and leveling	Soil conservation principles including: (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. Note: subprojects that utilize manure processed as organic fertilizer will be encouraged. However these must clearly demonstrate strict measures to avoid soil or water contamination and protect human health and comply with relevant national laws. Best-practice procedures are provided here: Managing Manure Fertilizers in Organic Systems eOrganic (https://eorganic.org/node/3132#1)
Irrigation facilities: wells, canals, irrigation pipes, water use quota system and monitoring	Water saving technologies including: (1) pipe irrigation system rather than open canal; (2) drip or sprinkler irrigation systems; (3) irrigation system maintenance Irrigation schedule based on crop need; (4) irrigation sustainability demonstrated by seasonal water balances
Production materials	Including: (1) certified seed and seedlings sourced; (2) certified inorganic fertilizer; (3) organic fertilizer; (4) certified pesticides; (5) low-toxicity herbicides
Production practices: soil preparation, sowing, crop nutrition, pest management, harvesting	Including: (1) organic manures; (2) organic mulches; (3) minimum tillage; (4) chemical waste disposal plan
Technical support	The following technical support must be accessible: (1) crop-specific land preparation; (2) cultivation standard; (3) fertilization; (4) irrigation; (5) pest and disease control; (6) management techniques.
Greenhouse and plastic tunnel bases: vegetables	
Land preparation and leveling	Soil conservation principles including: (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
Construction: greenhouses: thick brick / soil walls, steel frame, water tank. Plastic tunnels: steel frame, water tank	Including: UV resistant plastic sheeting with life span 3-5 years – and a clear strategy for disposal and/or recycling of the plastic sheeting
Irrigation facilities: wells, pump equipment, pipes, sprinkling system	Irrigation sustainability demonstrated by seasonal water balances
Electricity supply	Including: (1) use of VFD controllers on pumps; (2) building design for passive heating and cooling; (3) use of site landscaping for cooling
Production materials	Including: (1) integrated pest management; (2) certified seeds and seedlings; (3) certified inorganic fertilizer; (4) organic fertilizer; (5) pesticides
Technical support	See “Technical Support” above.
Rural vitalization: tourism infrastructure; natural resource conservation; biological and cultural diversity conservation	
Construction: embankments, building, pavements, etc.	Including: (1) ecological embankment, e.g., stone gabion; (2) low impact development practices, e.g., porous pavement, green roof, rain garden, bio-swale, vegetated filter strip
Energy supply	Including: (1) clean energy preferred, e.g., solar, and hydro energy; (2) low energy consumption practices; (3) energy recycling plan

Materials	Including: (1) environment friendly construction materials; (2) environment friendly decoration materials; (3) degradable disposable materials
Guideline and education	Including: (1) mitigation of negative environmental impacts; (2) improving awareness of tourists to protect the environment; (3) promotion of small scale, slow growth, and local control in tourism
Nature conservation	Including: (1) water and other natural resource management; (2) biodiversity conservation; (3) environmental impact mitigation; (4) ecosystem restoration after construction
Technical support	The following technical support must be accessible: (1) engineering best practice; (2) energy recycling; (3) natural resource management; (4) ecosystem preservation; (5) low-impact development strategy; (6) environmental risk mitigation plan.

ESMS-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.

ESMS-APPENDIX 5. ENVIRONMENTAL SITE INSPECTION CHECKLIST

Note: This form is designed for use by GABC environmental officer and finance officers during site inspections and may not be exhaustive. Modifications and additions may be necessary to suit individual subproject activities and to address any specific environmental issues.

Location: _____
 Inspection Date: _____
 Inspection Time: _____
 Inspection by: _____

Inspection Item	Yes	No	N/A	Remarks (i.e., problem observed, possible cause of problem, and/or proposed corrective/ preventative actions)
1. Has contractor appointed a construction supervisor and is the supervisor on-site?				
2. Is information pertaining to construction disclosed at construction site (construction period, contractor information, etc.)?				
3. Are chemicals/hazardous products and waste stored on impermeable surfaces in secure, covered areas?				
4. Is there evidence of oil spillage?				
5. Are chemicals stored and labeled properly?				
6. Is construction equipment well maintained? (any black smoke observed)				
7. Is there evidence of excessive dust generation?				
8. Are there enclosures around the main dust-generating activities?				
9. Does contractor regularly consult with residents to identify concerns?				
10. Is there evidence of excessive noise? If yes, describe location and equipment.				
11. Any noise mitigation measures adopted (e.g., use noise barrier / enclosure)?				
12. Is construction wastewater and domestic wastewater discharged to sewer systems (if possible), or are on-site treatment facilities (e.g., septic tank, portable latrine) provided?				
13. Is there any wastewater discharged to soil or surface water?				
14. Is the site kept clean and tidy? (e.g., litter free, good housekeeping)				
15. Are separated labeled containers/ areas provided for facilitating recycling and waste segregation?				
16. Are construction wastes / recyclable wastes and general refuse removed off site regularly?				

Inspection Item	Yes	No	N/A	Remarks (i.e., problem observed, possible cause of problem, and/or proposed corrective/ preventative actions)
17. Have hazardous wastes been identified (such as asbestos, PCBs)?				
18. Is safe supply of clean water and an adequate number of latrines provided for workers?				
19. Is personal protection equipment (PPE) provided for workers?				
20. Are clear information and warning signs placed at construction sites?				
21. Are construction sites secure, to discourage access?				
22. Are fire extinguishers / fighting facilities properly maintained and not expired? Escape not blocked / obstructed?				
23. Is there any evidence of damage to vegetation, habitats, or streams?				
24. Are disturbed areas properly re-vegetated after completion of works?				
25. Any other problems identified, or observations made?				

N/A = not applicable.

Date, Name, and Signature

ESMS-APPENDIX 6. TERMS OF REFERENCE FOR ESMS POSITIONS

I. BACKGROUND

The Ganzhou Municipal Government will apply a USD 100 million loan from the Asian Development Bank (ADB) to implement Jiangxi Ganzhou Rural Vitalization and Comprehensive Environment Improvement Project (the project). Project implementation will be coordinated by the Ganzhou Municipal project management office (PMO). Of the loan, USD 50 million will be on-lent to the Ganzhou Branch of Agricultural Bank of China (GABC) to help establish a fund. GABC will on-lend the funds directly to end-borrowers. The end-borrowers comprise small and medium sized agriculture and/or forestry enterprises, leading enterprises in agriculture and/or forestry industries above municipal level, and other enterprises focusing on businesses of environment and ecology protection. All subprojects supported under the fund will be used for “green” development, including organic vegetables, economic forest, orchards, and rural vitalization. An Environmental and Social Management System (ESMS) has been developed to regulate safeguards for the fund and will be established by GABC within its business procedures. The ESMS is the key guiding document to assess and manage the potential environmental and social impacts of subprojects. This is the first ESMS to be conducted by the GABC. GABC will recruit one environmental officer and one social officer to guide and oversee ESMS establishment and implementation. These terms of reference describe the requirements for these two positions.

II. SCOPE AND DURATION OF WORK

The GABC Environment Officer and Social Officer will work with the GABC finance officers, PMO Environment Office and Social Officer, and other relevant personal, to establish and implement the ESMS. Duration: entire project (6 years).

III. QUALIFICATIONS

The GABC Environment Office and Social Officer will have: (i) an undergraduate degree or higher in a relevant field (i.e., environmental, and social sciences or related topics, respectively); (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 GABC finance 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 subproject sites.

IV. DETAILED TASKS

GABC Environmental and Social Officers and GABC finance 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, the different types of PRC environmental assessment reports, land use rights transfer framework, social and gender action plan, etc.).
2. Implement the ESMS, from daily implementation with end-borrowers to reporting to GABC.

GABC Environment Office and Social Officer:

3. Ensure quality assurance and control for establishment and implementation of the ESMS, for the environmental and social components of the ESMS, respectively.
4. Lead the integration of the ESMS in the GABC business procedures.
5. Report on ESMS progress to GABC senior management.
6. Represent the GABC regarding the ESMS, in discussions with the PMO and other relevant agencies.
7. Support the PMO to implement the safeguard-related training for GABC staff.
8. Incorporate the ESMS progress into the semi-annual reports to be submitted to PMO.
9. Implement Steps A–F of the ESMS for each loan application under the FIL fund, working with applicants, the PMO and other agencies as relevant.
10. For subprojects categorized as environment Category B, ensure that applicant prepares an initial environmental examination (see Appendix 4).
11. Instruct and guide end-borrowers on their requirements under the ESMS. Including: (i) coordination with end-borrowers and/or other relevant agencies to re-design (or relocate) subprojects 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 subprojects, liaise with end-borrowers to ensure all safeguard related conditions of the subloans (as stated in the Safeguard Commitment Letter attached to the equity investment) are being met.
13. Support the PMO 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 subproject commences.
14. Support the PMO to implement the safeguard-related training for GABC staff.

V. REPORTING REQUIREMENTS

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

ESMS-APPENDIX 7. LAND USE RIGHTS TRANSFER FRAMEWORK

1. Main Principles

This Land Use Rights Transfer Framework (LURTF) is to help the Ganzhou Branch of Agricultural Bank of China (GABC; the project financial intermediary responsible for implementation of the financial intermediary loan) and end-borrowers mitigate, monitor and report, potential negative impacts caused by land use rights transfer, and to satisfy the requirements of PRC's relevant laws and regulations, as well as ADB's good practices on voluntary land use. 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) necessary measures should be in place (e.g., providing continued access to their land) for households who are not willing to participate.
- (v) Government's direction and administration. Department of agriculture of county government shall direct and administrate legal transfer of rural land.
- (vi) 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 subprojects must comply with the PRC Rural Land Contract Law and Rural Land Management Right Transfer Management Method, other relevant policies of Jiangxi 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 Jiangxi Province and Project district/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 Jiangxi provincial and Project district/county governments – mediation and arbitration of disputes per a bottom-up Grievance Redress Mechanism (GRM).
- (iv) ADB's SPS – requirements on IR does not apply to LURT. The good practice on voluntary agreements includes meaningful consultations; negotiated agreements; 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, rice); this protects transferees from price fluctuations;
- Endorsement of land use rights transfer contract by the township agriculture station.

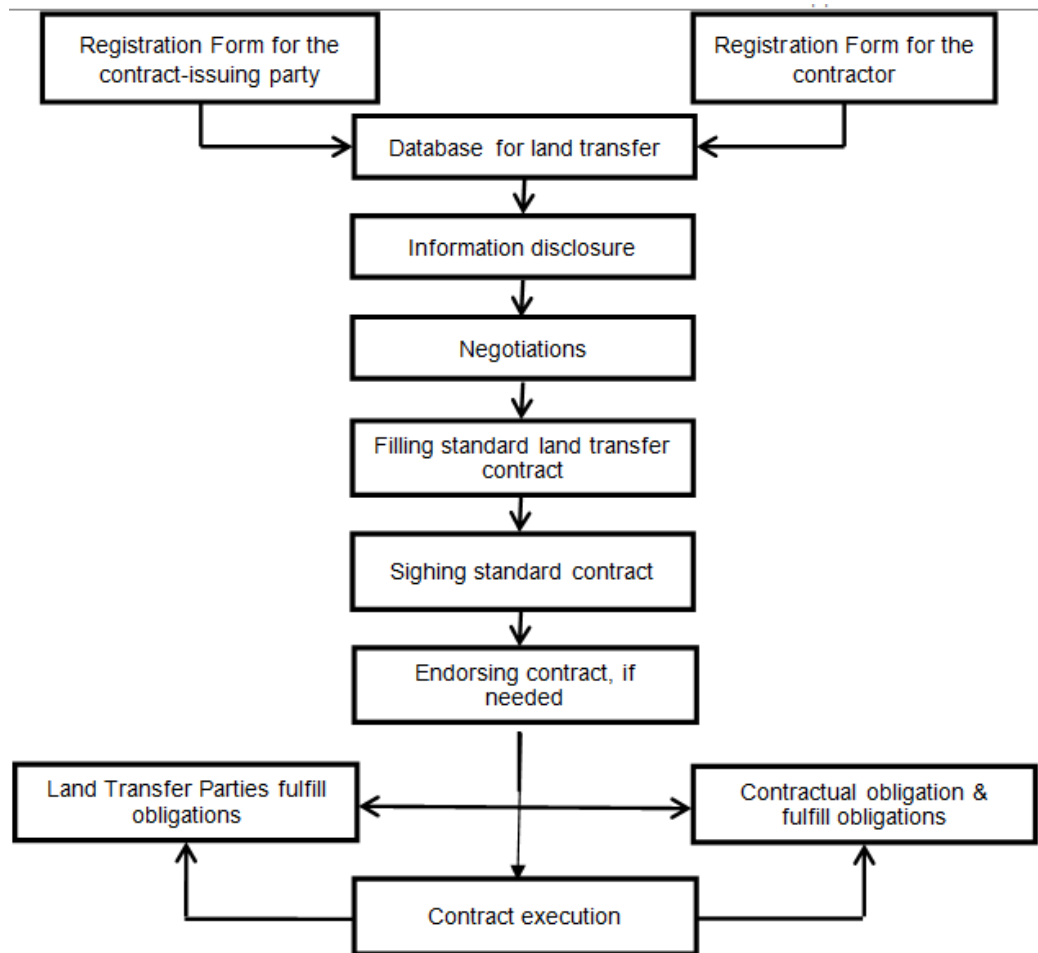
3. Legal Procedures of Land use rights transfer

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, 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 (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. 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 for documentation.
- (vii) Documentation. County agricultural bureau documents all relevant materials for land use rights transferred.

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 GABC synchronously.



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 (LURT) 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 LURT; and
- (v) propose solutions to problems in LURT, and develop a new mechanism for LURT.

Responsibilities of county agricultural bureau:

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

Responsibilities of township agricultural station:

- (i) information collection, analysis, and disclosure, LURT can be conducted by county or 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 LURT, and record the relevant information timely and exactly;
- (v) documenting land use rights transfer materials;
- (vi) investigating and rectify illegal LURT;
- (vii) settling disputes about rural LURT;
- (viii) guide and administrate LURT legally; and
- (ix) provide consultancy services.

Responsibilities of village committee:

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

Responsibilities of IA:

- (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 Jiangxi Province, is normative, which is prepared by the Jiangxi 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 PRC's Rural Land Contract Law and Rural Land Management Right Transfer Management Method and other relevant LURT laws and regulations of Jiangxi Province and districts/counties, the LURT 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 LURT rate will be ensured according to land type, feasibility, grade, and condition of referential corps, or even the price of LURT in nearby villages. Taking farmer's interest into consideration, both transferor and transferee should set a time to renegotiate land price in case of LURT for over 5 years. It is recommended to adjust the rate after five years.
- (vii) Any ground attachments that may need to be cleared/removed should be compensated based on the principle of replacement cost.

7. Grievance Redress Mechanism (GRM) for Social Safeguards

Where LURT contract is 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 for social safeguards is described in Section V of the ESMS.

8. Monitoring and Evaluation

The LURT implementation will subject to internal and external monitoring. To ensure the LURT implementation is appropriately managed, GABC will be responsible for internal monitoring. External monitoring and evaluation together with the RP for ordinary loan will be undertaken by an external monitoring and evaluation agency to be engaged by Ganzhou PMO. The external monitoring and evaluation agency shall submit external monitoring and evaluation reports to ADB semi-annually until the project is completed.