



# Report and Recommendation of the President to the Board of Directors

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**CONFIDENTIAL**

Project Number: 53298-001  
November 2021

Proposed Loan and Technical Assistance Grant  
Louis Dreyfus Company B.V.  
Louis Dreyfus COVID-19 Climate-Resilient  
Smallholder Farmer Recovery Project  
(India, Indonesia, Pakistan, Thailand, and Viet Nam)

This is a redacted version of the document approved by ADB's Board of Directors. The document excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

**Asian Development Bank**

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
FAO	–	Food and Agriculture Organization of the United Nations
LDC	–	Louis Dreyfus Company B.V.
SCF	–	Strategic Climate Fund
SHE	–	safety, health, and environment
TA	–	technical assistance

## **NOTE**

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

<b>Vice-President</b>	Ashok Lavasa, Private Sector Operations and Public–Private Partnerships
<b>Director General</b>	Suzanne Gaboury, Private Sector Operations Department (PSOD)
<b>Deputy Director General</b>	Christopher Thieme, PSOD
<b>Team leader</b>	John Juhyun Jeong, Investment Specialist, Office of the Director General (OPSD), PSOD
<b>Project advisor</b>	Martin Lemoine, Principal Investment Specialist, OPSD, PSOD <sup>a</sup>
<b>Team members</b>	Genevieve Abel, Principal Transaction Support Specialist, Private Sector Transaction Support Division (PSTS), PSOD Christian Abeleda, Associate Project Analyst, PSTS, PSOD Pierre Baillet, Principal Counsel, Office of the General Counsel Anne Valko Celestino, Social Development Specialist (Gender and Development), PSTS, PSOD Edwin David, Senior Investment Officer, OPSD, PSOD Sheila Estacion, Senior Operations Assistant, OPSD, PSOD Dennis Eucogco, Principal Guarantees and Syndications Specialist, Office of the Director General-Guarantees and Syndications Unit, PSOD Donnah Ethel Gianan, Social Development Officer (Safeguards), PSTS, PSOD Annabelle Giorgetti, Senior Economist, PSTS, PSOD Purificacion Guilaran, Senior Investment Officer, Office of the Director General–Risk Analytics Unit (RAU), PSOD Kirsty Haymon, Senior Safeguards Specialist, PSTS, PSOD Narayan Iyer, Senior Natural Resources and Agriculture Specialist, Rural Development and Food Security (Agriculture) Thematic Group, Sustainable Development and Climate Change Department Manfred Kiefer, Senior Economist, PSTS, PSOD Noel Peters, Principal Safeguards Specialist, PSTS, PSOD Rhea Branzuela Reburiano-Javier, Social Development Officer (Safeguards), PSTS, PSOD Samantha Singson, Associate Project Analyst, OPSD-RAU, PSOD

<sup>a</sup> Outposted to the ADB Singapore Office.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 53298-001</b>	
<b>Project Name</b>	Louis Dreyfus COVID-19 Climate-Resilient Smallholder Farmer Recovery Project	<b>Department/Division</b>	PSOD/OPSD
<b>Country</b>	REG (IND, INO, PAK, THA, VIE)		
<b>Borrower</b>	Louis Dreyfus Company B.V.		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=53298-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=53298-001-PortAtaGlance</a>		
<b>2. Sector</b>		<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>
✓ Agriculture, natural resources and rural development	Agro-industry, marketing, and trade		100.00
		<b>Total</b>	<b>100.00</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities	GHG reductions (tons per annum)		0.000
✓ Accelerating progress in gender equality	Climate Change impact on the Project		Medium
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability	<b>ADB Financing</b>		
✓ Promoting rural development and food security	Adaptation (\$ million)		36.09
✓ Fostering regional cooperation and integration	Mitigation (\$ million)		0.00
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 2.4	Effective gender mainstreaming (EGM)		✓
SDG 5.5			
SDG 10.1	<b>Poverty Targeting</b>		
SDG 13.b	General Intervention on Poverty		✓
<b>4. Nonsovereign Operation Risk Rating</b>			
<b>Obligor Name</b>		<b>Obligor Risk Rating</b>	<b>Facility Risk Rating</b>
Louis Dreyfus Company B.V.			
<b>5. Safeguard Categorization</b> Environment: C    Involuntary Resettlement: C    Indigenous Peoples: C			
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>100.00</b>	
Nonsovereign LIBOR Based Loan (Regular Loan): Ordinary capital resources		100.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Others<sup>a</sup></b>		<b>196.50</b>	
<b>Total</b>		<b>296.50</b>	
<b>Currency of ADB Financing: US Dollar</b>			

<sup>a</sup> Derived by deducting ADB financing and Cofinancing from Total Project Cost.

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan of up to \$100,000,000 to Louis Dreyfus Company B.V. (LDC) and Louis Dreyfus Company Funding SSEA Private Limited, a new entity established in Singapore<sup>1</sup> for the Louis Dreyfus COVID-19 Climate-Resilient Smallholder Farmer Recovery Project in India, Indonesia, Pakistan, Thailand, and Viet Nam. The report also describes proposed technical assistance (TA) by ADB's Technical Assistance Special Fund (TASF) and the proposed administration of TA to be provided by the Strategic Climate Fund (SCF) for the Climate-Resilient Farmer Group Development to Support COVID-19 Recovery for Smallholder Coffee and Cotton Farmers; and if the Board approves the proposed loan, I acting under the authority delegated to me by the Board, approve the TASF TA and the administration of the SCF TA.

2. Smallholder farmers in the project countries, who are already vulnerable to climate change, have been further impacted by the coronavirus disease (COVID-19) pandemic and ensuing economic slowdown. LDC, as a sustainable buyer of agricultural projects, supports the livelihoods and climate-adaptive capacity of farmers by providing reliable incomes. The project will assist LDC to maintain its operations in the project countries by funding inventories of coffee, cotton, and rice procured from an estimate of more than 50,000 farmers in the project countries throughout the COVID-19 pandemic. The attached TA will expand the scope of the extension services already provided by LDC and its affiliates to cotton farmers in India and coffee farmers in Indonesia.

## II. THE PROJECT

### A. Project Identification and Description

#### 1. Project Identification

3. **COVID-19 impact on smallholder farmers.** Smallholder farmers in Asia and the Pacific are facing a disproportionate impact on their livelihoods because of the COVID-19 pandemic and the economic slowdown.<sup>2</sup> They are experiencing a decline in their purchasing power, increasing amounts of food loss, and other disturbances caused mainly by the disruption of agricultural supply chains. With low average incomes even before the pandemic, smallholder farmers are now enduring worsening conditions. Local agricultural supply chain disruptions, coupled with ongoing economic instability stemming from COVID-19, have drastically reduced farmers' sales volumes and prices because of market closures and the shrinking number of and demand from traders. The impact will be most severe on smallholder farmers with few savings from harvests and low returns from earlier sales.<sup>3</sup>

4. While global food prices have increased significantly since the beginning of the pandemic, not all commodities have seen their prices increase (coffee and cotton prices have increased, but rice prices have decreased). Further, Asian smallholder farmers have seen few benefits as price

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<sup>1</sup> This new entity will be directly and wholly owned by Louis Dreyfus Company B.V.

<sup>2</sup> Food and Agriculture Organization of the United Nations (FAO). 2020. [COVID-19 and Rural Poverty: Supporting and Protecting the Rural Poor in Times of Pandemic](#). Rome.

<sup>3</sup> Asian Development Bank (ADB). 2020. [Food Security in Asia and the Pacific amid the COVID-19 Pandemic](#). *ADB Briefs*. No. 139. Manila.

increases are not always passed through by intermediaries.<sup>4</sup> Farmers are facing increased costs and unable to sell the same volumes as before the pandemic due to supply chain disruptions.<sup>5</sup>

5. **Agriculture key to fighting poverty during and after the pandemic.** Extreme poverty remains a largely rural phenomenon, with two-thirds of the global extremely poor living in rural areas.<sup>6</sup> COVID-19 pushed 97 million more people into poverty in 2020 and this increase will continue to linger. While global poverty is expected to reduce in 2021, it will not be sufficient to close the gap the pandemic caused in 2020.<sup>7</sup> More than half of the extremely poor are in Asia and the Pacific, where agriculture is characterized by unorganized, small-scale farming.<sup>8</sup> Most smallholder farmers are not included in formal value chains and face challenges that include lack of access to finance and quality inputs, low yields, lack of storage and market infrastructure, and limited local value addition (footnote 6). As most of the rural poor are smallholder farmers,<sup>9</sup> supporting agriculture is critical to avoid increased poverty levels.

6. **Vulnerability to climate change.** Modelling by the Intergovernmental Panel on Climate Change projects that countries in Southeast Asia will experience an increase in average temperatures and precipitation by the mid-21st century.<sup>10</sup> India ranks 127th and Pakistan ranks 153rd out of 181 countries globally, reflecting their vulnerability to, and lack of readiness for, food-related climate change challenges.<sup>11</sup> Indonesia ranks 100th, Thailand 67th, and Viet Nam 102nd on the same index. An assessment of country and commodity climate risk vulnerability suggests that “high” and “very high” climate-related risks are present for each farmer community from which LDC will source commodities under the project.<sup>12</sup> Effective and sustainable adaptation to climate change depends on farmers being able to move from volatile and inadequate incomes to reliable incomes that enable adaptation strategies that reduce climate vulnerability in the long term but that may seem risky or not financially possible in the short term. Without reliable income, the uptake and implementation of such adaptation strategies could be low.

7. **Gender context.** Women make essential contributions to agriculture across Asia and the Pacific, comprising 40%–50% of the agriculture labor force in East and Southeast Asia and 30% in South Asia.<sup>13</sup> Despite their significant involvement in farming, women have fewer assets and less access to inputs and technology.<sup>14</sup> Agricultural extension services have traditionally focused on men, even though research shows that female recipients of extension and training produce higher yields. Female farmers receive only 5% of all agricultural extension services, on average

<sup>4</sup> R. Richardson, A. Vilgorac, and R. Hitchins. 2021. [The COVID-19 Crisis and Rising Food Prices: A Year On](#). Devpolicy Blog, Development Policy Centre, Australian National University. 28 September.

<sup>5</sup> D. Bordi et al. 2020. [Assessing the Impacts of the COVID-19 Pandemic on the Livelihoods of Rural People: A Review of the Evidence](#). Rome: FAO.

<sup>6</sup> FAO. 2017. [Ending Poverty and Hunger by Investing in Agriculture and Rural Areas](#). Rome.

<sup>7</sup> D. Gerson Mahler. 2021. [Updated Estimates of the Impact of COVID-19 on Global Poverty: Turning the Corner on the Pandemic in 2021?](#) World Bank Data Blog. 24 June.

<sup>8</sup> Agriculture is the largest sector in Asia and the Pacific, accounting for 37% of total employment.

<sup>9</sup> FAO. 2014. [The State of Food and Agriculture: Innovation in Family Farming](#). Rome.

<sup>10</sup> Intergovernmental Panel on Climate Change. 2014. [Climate Change 2014—Impacts, Adaptation and Vulnerability: Part B: Regional Aspects: Working Group II Contribution to the IPCC Fifth Assessment Report](#). Cambridge: Cambridge University Press.

<sup>11</sup> University of Notre Dame. [Notre Dame Global Adaptation Initiative](#). (Accessed 28 Oct 2021)

<sup>12</sup> ADB. 2021. Abridged Climate Risk and Vulnerability Assessment (CRVA) for Louis Dreyfus Company Asia Private Limited Climate-Resilient Farmer Group Development to Support COVID-19 Recovery for Smallholder Coffee, Cotton and Rice Farmers. Consultant’s report. Manila.

<sup>13</sup> FAO. 2017. [Regional Gender Strategy and Action Plan 2017–2019 for Asia and the Pacific](#). Bangkok.

<sup>14</sup> FAO. 2011. [The State of Food and Agriculture 2010–2011: Women in Agriculture—Closing the Gender Gap for Development](#). Rome. A survey was conducted of 97 countries.

(footnote 13). COVID-19 has exacerbated the constraints that women face, threatening to widen the gender gap in investment, productivity, and income.<sup>15</sup>

8. **Project selection.** LDC is a global supply chain merchant and processor of agricultural commodities. LDC approached the Asian Development Bank (ADB) for assistance in the context of COVID-19 induced business uncertainty, as suppliers (farmers and local buying agents) depend more than ever on reliable offtake to support their climate adaptation capacity and livelihoods. At the same time, commercial banks are reducing their exposure to commodity players like LDC globally, leaving a funding gap. LDC was found to be suitable for ADB's Indirect COVID-19 Response as a strategic partner with extensive presence in Asia and the Pacific that can ensure both uninterrupted funding to the food system and ongoing adoption of climate adaptation measures by farmers, which cannot pause because of the pandemic.

## 2. Project Design

9. **Preserving farmer livelihoods in the COVID-19 context.** The project will provide working capital financing to LDC for the procurement of crops in India (coffee, cotton, and rice); Indonesia (coffee); Pakistan (cotton and rice); Thailand (rice); and Viet Nam (coffee and rice). LDC's continued operations in the project countries will help keep food supply chains secure and functioning and mitigate the pandemic's ongoing impact on vulnerable groups—particularly for an estimate of more than 50,000 smallholder farmers that supply directly or indirectly to LDC in the project countries. By ensuring reliable offtake to farmers, the project will help preserve their livelihoods. The project enables LDC to continue to leverage its logistics capabilities, thereby offsetting the impact of supply chain disruptions.

10. **Improving the climate resilience of farmers.** A climate risk vulnerability assessment identified climate-change related risks faced by farmers who sell or indirectly supply to LDC. It also identified corresponding adaptation measures, which include the cultivation of coffee trees, for which the agroforestry production system is more climate-resilient than other cash crops, and activities to improve soil and plant health. LDC's sustained activity provides reliable income allowing smallholder farmers to practice such adaptation measures. LDC also incentivizes the production of certification schemes, which ensure that farmers are using climate-adaptive practices.<sup>16</sup> As per the methodology for Climate Finance jointly developed by the multilateral development banks, the climate risk vulnerability assessment forms the basis for evaluating the value of the project's climate adaptation finance. It is estimated that 36.1% of the ordinary capital resources loan will count toward climate adaptation finance, which corresponds to the cost items directly related to climate adaptation measures taken by farmers within the total project cost.<sup>17</sup>

11. Climate change-related risks will be further alleviated through the design and implementation of attached technical assistance (TA). The TA will provide training to smallholder cotton farmers in India and coffee farmers in Indonesia in climate-resilient farming best practices. It will also support pilot-testing of (i) drip irrigation use in cotton fields in India and (ii) biochar kilns for the production of biochar in Indonesia.

12. **Gender mainstreaming.** The project aims to help bridge persistent gender gaps in agribusiness, where as a result of COVID-19's impact on gender inequality, women farmers in

<sup>15</sup> UN Women. 2020. *Policy brief: The impact of COVID-19 on women*. New York.

<sup>16</sup> The main certification bodies that LDC works with in coffee are 4C, C.A.F.E. Practices, UTZ/Rainforest Alliance, Fair Trade, and Organic. For cotton, LDC has worked with the Better Cotton Initiative since 2013.

<sup>17</sup> [Redacted]



particular are likely to face greater income losses than men and struggle to access tools and inputs for the next planting season.<sup>18</sup> LDC is committed to creating a diverse and inclusive workforce and to increasing women farmers' participation in climate-resilient farming best practices and COVID-impact recovery practices trainings.

### 3. Borrowers

13. The borrowers are LDC, incorporated in the Netherlands, and LDC Funding SSEA established in Singapore. LDC is a merchant and processor of agricultural goods with a diversified portfolio. Founded in 1851, LDC is a key player in the global agricultural supply chain and is one of the largest merchants of wheat, barley, corn, and oilseeds; a top 5 coffee merchant; and the top private rice merchant. LDC posted consolidated turnover of \$33.6 billion and net profit of \$383.0 million in 2020. The Louis-Dreyfus family effectively owns about 55% of LDC and Abu Dhabi Developmental Holding Company PJSC (also known as ADQ), a large state-owned holding company based in Abu Dhabi, owns 45%.

14. **Integrity due diligence.** ADB conducted integrity due diligence on LDC, its parent company LDCH and its parent company Louis Dreyfus Company International Holdings (LDCIH), and on their boards of directors and managers.<sup>19</sup> None of the companies or individuals appear to constitute a significant or potentially significant integrity risk to ADB. [Redacted]

15. **Tax integrity due diligence.** ADB conducted enhanced tax integrity due diligence.<sup>20</sup> ADB's review of the entities does not give ADB cause to believe that the entities have been established or are being used for cross-border tax evasion in the jurisdictions involved in the project. The tax integrity and transparency risks are not significant and are acceptable to ADB.

### B. Development Impact, Outcomes, and Outputs

16. **Impact.** The project is aligned with the following impact: adverse social and economic impact of the COVID-19 pandemic reduced, especially for farmers, consistent with ADB's Comprehensive Response to COVID-19.<sup>21</sup> The project is also aligned with target 2.4 of the Sustainable Development Goals—ensuring sustainable food production systems, and implementing resilient agricultural practices that increase productivity and production and strengthen capacity for adaptation to other disasters such as those caused by the pandemic.<sup>22</sup>

17. **Outcome.** The project will have the following outcome: LDC's agribusiness value chain operations improved, and farmers' livelihoods sustained in a climate-resilient manner.

18. **Outputs.** The project's outputs are (i) raw material procurement for agribusiness value chain operations increased, (ii) farmers' and employees' livelihoods secured, (iii) cotton farmers' productivity and resilience to climate change improved in a gender-equitable manner, (iv) coffee farmers' productivity and resilience to climate change improved in a gender-equitable manner, and (v) gender equality in the workplace enhanced.

<sup>18</sup> A. Decker, P. Van De Velde, and J. Montalvao. 2020. [COVID-19: A Pivotal Moment to Support Women Farmers](#). World Bank Let's Talk Development Blog. 3 June.

<sup>19</sup> ADB. 2003. [Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism](#). Manila.

<sup>20</sup> ADB. 2016. *Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity*. Manila.

<sup>21</sup> ADB. 2020. [ADB's Comprehensive Response to the COVID-19 Pandemic](#). Manila.

<sup>22</sup> United Nations. [Sustainable Development Knowledge Platform](#).

### C. Alignment with ADB Strategy and Operations

19. **Consistency with ADB strategy and country strategy.** The project is consistent with ADB's Strategy 2030's operational plans for priority 1 (addressing remaining poverty and reducing inequalities) by preserving the livelihoods of smallholder farmers during the COVID-19 pandemic; priority 2 (accelerating progress in gender equality) through gender interventions targeted at women workers and farmers; priority 3 (tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability) by promoting the climate resilience of farmers; and priority 5 (promoting rural development and food security), which calls for the integration of farmers, agribusinesses, and consumers into efficient and sustainable value chains.<sup>23</sup> As a regional project, it is consistent with the operational plan for priority 7 (fostering regional cooperation and integration) as it supports nonsovereign lending for cross-border operations for agriculture value chains.<sup>24</sup> The project is consistent with ADB's country partnership strategies for India, Indonesia, Pakistan, Thailand, and Viet Nam.<sup>25</sup>

20. **Consistency with sector strategy and relevant ADB operations.** The project is aligned with the Operational Plan for Private Sector Operations, 2019–2024, which calls for working with tier 1 agribusiness companies given their potential to have a widespread impact.<sup>26</sup> The project supports ADB's agriculture-related strategies and action plans of subregional programs.<sup>27</sup> The project is part of ADB's Comprehensive Response to the COVID-19 Pandemic (footnote 22).

### D. Project Cost and Financing Plan

[Redacted]

### E. Implementation Arrangements

21. Table 3 summarizes the implementation arrangements (footnote 19).

**Table 3: Summary of Implementation Arrangements**

Aspects	Arrangements
Regulatory framework	LDC and its subsidiaries are subject to the general laws regulating private sector enterprises in the countries where they operate, and, as agribusiness companies, benefit from incentives in India, Indonesia, Pakistan, Thailand, Singapore, and Viet Nam. LDC is subject to international trade laws, including import duties.
Management	LDC's key members of management each have more than 20 years of experience in agribusiness. Michael Gelchie, chief executive officer, has 30 years of experience in agribusiness and more than 20 years of experience with LDC.
Implementation period	March 2022 – March 2025

<sup>23</sup> ADB. 2019. [Strategy 2030 Operational Plan for Priority 5: Promoting Rural Development and Food Security, 2019–2024](#). Manila.

<sup>24</sup> ADB. 2019. [Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024](#). Manila.

<sup>25</sup> ADB. 2017. [Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation](#). Manila; ADB. 2020. [Country Partnership Strategy: Indonesia, 2020–2024—Emerging Stronger](#). Manila; ADB. 2020. [Country Partnership Strategy: Pakistan, 2021–2025—Lifting Growth, Building Resilience, Increasing Competitiveness](#). Manila; ADB. 2021. [Country Partnership Strategy: Thailand, 2021–2025—Prosperity and Sustainability through Knowledge and Private-Sector-Led Growth](#). Manila; and ADB. 2016. [Country Partnership Strategy: Viet Nam, 2016–2020—Fostering More Inclusive and Environmentally Sustainable Growth](#). Manila.

<sup>26</sup> ADB. 2019. [Operational Plan for Private Sector Operations, 2019–2024](#). Manila.

<sup>27</sup> ADB. 2018. [Strategy for Promoting Safe and Environment-Friendly Agro-Based Value Chains in the Greater Mekong Subregion and Siem Reap Action Plan, 2018–2022](#). Manila.

Aspects	Arrangements
Operations arrangements	The project will rely on LDC for its operation and maintenance. LDC sources its raw materials from its farmer network, primarily through local buying agents. LDC is involved primarily in processing, inland and marine logistics, and trading in its supply chains. LDC has strong relationships with customers in destination markets, many of which are food multinationals.
Performance monitoring	LDC will report at least annually on key performance indicators, including financial, safeguard, gender, and development indicators; and output and outcome targets.

Sources: Asian Development Bank and Louis Dreyfus Company B.V.

## F. Projected Financial and Economic Performance

[Redacted]

## G. Unique Features

22. The project will support the preservation of the livelihoods of an estimate of more than 50,000 smallholder farmers in India, Indonesia, Pakistan, Thailand, and Viet Nam from whom LDC sources products. The project is classified an *inclusive business* project because the great majority of the smallholder farmers belong to the base of the income pyramid in these countries and can improve their livelihoods by being integrated into LDC's supply chain.<sup>28</sup> The project's regional benefits include (i) increasing agricultural trade, (ii) enhancing resilience to the regional agricultural value chain, (iii) promoting and adopting common coffee and cotton best farming practices, and (iv) improving food safety by introducing traceability requirements and higher quality standards.

## III. THE PROPOSED ADB ASSISTANCE

### A. The Assistance

23. ADB proposes to provide an unsecured 3-year loan facility of up to \$100 million to LDC. The use of the loan proceeds will be earmarked for permanent working capital in India, Indonesia, Pakistan, Thailand, and Viet Nam. The proposed \$590,000 TA will be cofinanced on a grant basis by (i) ADB's Technical Assistance Special Fund (TASF) for COVID-19 recovery (\$205,000), and (ii) the ADB-managed Strategic Climate Fund (\$385,000). The TA will provide capacity building to cotton and coffee farmer groups and farmer group educators in India and Indonesia.

### B. Value Added by ADB Assistance

24. ADB assistance will add value in four areas:

- (i) **Knowledge, innovation, and capacity building.** The ADB loan will be the first development finance institution funding earmarked for LDC's operations in Asia and the Pacific.<sup>29</sup> Through ADB's safeguard due diligence and monitoring, gender action plan, and TA, ADB will support interventions and share knowledge on gender and climate resilience topics to enhance the development impact of the project.
- (ii) **Risk mitigation.** ADB's financing addresses the need for a medium-term financing solution to fund permanent working capital needs. ADB's financing will also send a positive signal to the banking market (signaling effect) and mitigate the broader impact of the economic cycle affecting commodity players globally.

<sup>28</sup> ADB. 2017. *Standard Explanatory Data Indicator Definitions*. Manila.

<sup>29</sup> The European Bank for Reconstruction and Development has been a strategic partner with LDC for almost two decades across seven projects to date, primarily focused on Eastern Europe, North Africa, and Central Asia.

- (iii) **Mobilization.** With COVID-19, several commercial banks have reduced their exposure to commodities globally, leaving a “funding hole.”<sup>30</sup> ADB plans to mobilize cofinancing through risk transfers, diversifying sources of capital for LDC while reducing ADB’s net exposure on the transaction.
- (iv) **Increased women’s participation.** ADB will help LDC define a gender action plan, aiming for gender-inclusive farmers’ participation in the activities on farmers’ productivity and resilience to climate change; and increase the number of female employees and enhance gender equality standards in LDC’s work environment.

## C. Risks

[Redacted]

## IV. POLICY COMPLIANCE

### A. Safeguards and Social Dimensions

25. ADB has categorized the investment in compliance with ADB’s Safeguard Policy Statement (2009) as follows: environment (category C), involuntary resettlement (category C) and indigenous peoples (category C). This categorization is based on the understanding that LDC will use the ADB proceeds for the procurement of coffee, cotton, and rice, primarily through aggregators in the project countries. As this loan will support working capital, the use of proceeds is anticipated to have minimal environmental and social impacts; ADB loan proceeds will not be used to acquire land or expand LDC’s existing assets. LDC does not source commodities from indigenous land, so the project will not directly or indirectly target indigenous peoples.

26. Following Safeguards Requirements 4 for general corporate finance and interim guidance for due diligence during the COVID-19 pandemic, ADB undertook a corporate audit of LDC’s current environmental and social management system and its past and current performance against the objectives, principles, and requirements of the Safeguard Policy Statement. ADB’s corporate audit concluded that LDC’s institutional capacity and commitment to manage its social and environmental impacts are adequate. Sustainability teams are in place in the project countries except Pakistan, supported by regional and group-level commodity sustainability expertise.

27. LDC’s safety, health, and environment (SHE) policy sets out the company’s commitment to comply with all applicable SHE laws, regulations, rules and codes, and adopt industry standards where applicable. LDC’s sustainable development policy outlines the company’s commitment to reducing the environmental impact of its activities and promoting the responsible and sustainable use of resources. Supplemented by other directives, LDC’s SHE management system implements the policy and is considered fit for purpose. The group code of conduct and employee handbook set out the commitment, terms, and conditions to manage direct employees. Supply chains are managed through commodity-specific codes of conduct and the Responsible Sourcing Programme. LDC also subscribes to commodity-specific traceability protocols, which comprise screening and assessment requirements for suppliers. Environmental and social risks associated with non-certified purchases are assessed with counterparty onboarding.

28. LDC has physical assets (processing mills for coffee and cotton and storage facilities) in the region, and manages their compliance with relevant, national environmental legislation through an internal process that uses software to provide automatic notifications of renewals and

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<sup>30</sup> R. Foroohar. 2020. [The Next Subprime Crisis Could Be in Food](#). *Financial Times*. 13 September.

regulatory changes. LDC confirms supplier compliance with such requirements through internal audits. If a supplier's violation or noncompliance with the code is identified, LDC aims to address and remediate the issue. If constructive engagement is not possible or is ineffective, LDC may list the farmer as "sanctioned" and discontinue relationships in the case of repeated proven violations.

29. LDC will (i) apply ADB's prohibited investment activities list, (ii) ensure that investments using ADB funds comply with ADB's Safeguard Policy Statement and abide by national laws and regulations, and (iii) comply with national labor laws and take measures to comply with the internationally recognized core labor standards, pursuant to ADB's Social Protection Strategy (2001).<sup>31</sup> LDC will report annually to ADB on (i) its and its investments' compliance with such laws and (ii) the measures taken.

30. **Effective gender mainstreaming.** Following ADB's Policy on Gender and Development,<sup>32</sup> LDC aims to incorporate measures to promote gender equality and/or women's empowerment in its business activities. Key features of the gender action plan are as follows: (i) the number of women company workers increased, (ii) provisions on gender equality standards and against any forms of harassment (including sexual harassment) included in LDC's human resources policy, (iii) a corporate communication campaign on gender equality standards developed, and (iv) capacity building of female educators and female farmers in India and Indonesia. LDC will submit periodic reports on implementation of gender measures to ADB.

## **B. Anticorruption Policy**

31. LDC was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism, and remedies for ADB in the event of noncompliance.

## **C. Investment Limitations**

[Redacted]

## **D. Assurances**

32. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),<sup>33</sup> ADB will proceed with the proposed assistance upon establishing that the Government of India, the Government of Indonesia, the Government of Pakistan, the Government of Thailand, and the Government of Viet Nam have no objections to the proposed assistance to LDC. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the ADB Board of Directors.

## **V. RECOMMENDATION**

33. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank and recommend that the Board approve the loan of up to \$100,000,000 to Louis Dreyfus Company B.V. and Louis Dreyfus Company Funding SSEA Private Limited as borrowers for the Louis Dreyfus COVID-19 Climate-Resilient Smallholder Farmer Recovery

<sup>31</sup> ADB. 2003. *Social Protection*. Manila (adopted in 2001).

<sup>32</sup> ADB. 1998. [ADB's Policy on Gender and Development](#). Manila (adopted in 2003).

<sup>33</sup> ADB. 1966. [Agreement Establishing the Asian Development Bank](#). Manila.

Project in India, Indonesia, Pakistan, Thailand, and Viet Nam, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Masatsugu Asakawa  
President

22 November 2021

### DESIGN AND MONITORING FRAMEWORK

<b>Impacts the Project is Aligned with</b>			
<p>Adverse social and economic impact of the COVID-19 pandemic reduced (ADB's Comprehensive Response to the COVID-19 Pandemic) <sup>a</sup></p> <p>Sustainable Development Goal 2.4. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production; that help maintain ecosystems; that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding, and other disasters; and that progressively improve land and soil quality<sup>b</sup></p>			
<b>Results Chain</b>	<b>Performance Indicators</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<p><b>Outcome</b></p> <p>Company agribusiness value chain operations improved, and farmers' livelihoods sustained in a climate-resilient manner</p>	<p>By 2024:</p> <p>a. Total annual sales<sup>c</sup> of the company's agribusiness value chain operations in India, Indonesia, Pakistan, Thailand, and Viet Nam increased [Redacted]</p> <p>b. Total annual export sales<sup>c</sup> of agricultural products from India, Indonesia, Thailand, and Viet Nam increased [Redacted]</p>	<p>a.–b. LDC's annual development effectiveness monitoring report</p>	<p>R: Government policies and regulations affect agricultural production and trade flows.</p> <p>R: The COVID-19 pandemic affects global trade dynamics, which affect the volume and prices of agricultural products.</p>
<p><b>Outputs</b></p> <p>1. Raw material procurement for agribusiness value chain operations increased</p> <p>2. Farmers' and employees' livelihoods secured</p> <p>3. Cotton farmers' productivity and resilience to climate change improved in a</p>	<p>By 2024:</p> <p>1a. Volume of agricultural raw materials (coffee, cotton, and rice)<sup>c</sup> procured from farmers in India, Indonesia, Thailand, Pakistan, and Viet Nam increased [Redacted]</p> <p>2a. Total number of farmers<sup>c</sup> (engaged in coffee, cotton, and rice farming) in India, Indonesia, Thailand, Pakistan, and Viet Nam from whom LDC procures raw materials is increased [Redacted]</p> <p>2b. Total number of company workers in India, Indonesia, Pakistan, Thailand, and Viet Nam increased [Redacted]</p> <p>3a. At least 30 cotton farmer groups<sup>d</sup> in India formed [Redacted]</p> <p>3b. At least 60 cotton farmer group educators trained in India on climate-</p>	<p>1.–5. LDC's annual development effectiveness monitoring report</p>	<p>R: Reduced capacity of sourcing and distribution network because of quarantine restrictions</p>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>gender-equitable manner</p> <p>4. Coffee farmers' productivity and resilience to climate change improved in a gender-equitable manner</p> <p>5. Gender equality in the workplace enhanced</p>	<p>resilient cotton farming best practices adapted to the needs of women and the local context, of whom 50% are female [Redacted]</p> <p>3c. At least 30 drip irrigation systems for cotton farming pilot-tested in India [Redacted]</p> <p>4a. At least 50 coffee farmer groups<sup>d</sup> in Indonesia formed [Redacted]</p> <p>4b. At least 100 coffee farmer group educators trained in Indonesia on climate-resilient coffee farming best practices adapted to the needs of women and the local context [Redacted]</p> <p>4c. At least 50 biochar kilns for coffee farming pilot-tested in Indonesia [Redacted]</p> <p>5a. LDC human resources policies revised to include clear provisions on gender equality standards and against any forms of harassment (with specific mention of anti-sexual harassment) in each project country [Redacted]</p> <p>5b. Corporate communication campaign on gender equality standards, including training for staff, developed [Redacted]</p>		
<p><b>Key Activities with Milestones</b></p> <p><b>1.–2. Raw material procurement for agribusiness value chain operations increased and farmers' and employees' livelihoods secured</b></p> <p>1.1 ADB executes loan agreement with LDC by December 2021.</p> <p>1.2 ADB disburses funds to LDC by January 2022.</p> <p><b>3. Cotton farmers' productivity and resilience to climate change improved in a gender-equitable manner</b></p> <p><b>4. Coffee farmers' productivity and resilience to climate change improved in a gender-equitable manner</b></p> <p>4.1 ADB begins implementation of technical assistance program by Q1 2022.</p> <p>4.2 ADB begins implementation of drip irrigation pilot project for cotton farmers and biochar kiln pilot project for coffee farmers by Q2 2022.</p> <p><b>5. Gender equality in the workplace enhanced</b></p> <p>5.1 LDC assesses its human resources policies and prepares a revision framework for each of the project countries by Q2 2022.</p>			
<p><b>Inputs</b></p> <p>ADB: \$100.00 million (loan)</p>			



\$0.59 million (TA) (i) \$205,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund for COVID recovery (TASF-other sources) and (ii) \$385,000 will be financed on a grant basis by the Strategic Climate Fund (SCF)

ADB = Asian Development Bank, COVID-19 = coronavirus disease, LDC = Louis Dreyfus Company, OP = operational priority, Q = quarter, R = risk, TA = technical assistance.

<sup>a</sup> ADB. 2020. [ADB's Comprehensive Response to the COVID-19 Pandemic](#). Manila.

<sup>b</sup> United Nations. [Sustainable Development. Goal 2](#).

<sup>c</sup> Aggregation of total target considering the diverse commodities (cotton, rice, and coffee) and countries (India, Indonesia, Thailand, Pakistan, and Viet Nam) covered. The breakdown by country and by commodity will be reported by LDC to ADB annually.

<sup>d</sup> Farmer groups are expected to comprise about 50 farmers each.

**Contribution to Strategy 2030 Operational Priorities**

Expected values and methodological details for all OP indicators to which this project will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=53298-001-4>

1. Contribution to Strategy 2030 Operational Priorities
2. Country Economic Indicators