



## Initial Poverty and Social Analysis

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Project Number: 54325-001  
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### REG: Olam COVID-19 Smallholder Farmer Livelihood Support Project

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Asian Development Bank



## **ABBREVIATIONS**

ADB	–	Asian Development Bank
FAO	–	Food and Agriculture Organization

## **NOTE**

- (i) In this report, "\$" refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Viet Nam, Indonesia, and Papua New Guinea (PNG)	Project Title:	Olam COVID-19 Smallholder Farmer Livelihood Support Project
Lending/Financing Modality:	Loan	Department/ Division:	Private Sector Operations Department / Office of the Director General

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project is aligned with the Asian Development Bank (ADB) Strategy 2030, which calls for ADB to “scale up its financing for agribusiness” and “promote gender equality in at least 75% of the number of ADB’s committed operations by 2030.”<sup>a</sup> The project is aligned with the Operational Plan for Private Sector Operations, 2019–2024, which calls for working with tier-1 agribusiness companies because of their potential to have widespread impact, including as partners in technical assistance.<sup>b</sup> The project is consistent with ADB’s country partnership strategies for Viet Nam,<sup>c</sup> Indonesia,<sup>d</sup> and Papua New Guinea (PNG).<sup>e</sup>

The project is consistent with the Strategy 2030’s operational plans for priority 1 (addressing remaining poverty and reducing inequalities) by preserving the livelihoods of smallholder farmers during the coronavirus disease (COVID-19) pandemic; priority 2 (gender equality and women’s empowerment) by protecting women workers and farmers; and priority 5 (promoting rural development and food security), which calls for (i) modern, sustainable, and responsible corporate farming models; (ii) the integration of farmers, agribusinesses, and consumers into efficient and sustainable value chains; and (iii) the promotion of food security and increase in agricultural productivity to provide sufficient, safe, and affordable food to the poor.<sup>f</sup> As a regional project benefiting three developing member countries, the project is consistent with the operational plan for priority 7 (fostering regional cooperation and integration) as it supports non-sovereign lending for cross-border operations for agriculture value chains.<sup>g</sup> The project is part of ADB’s Comprehensive Response to the COVID-19 Pandemic, which proposes \$20 billion to meet the needs of DMCs as they battle the pandemic.<sup>h</sup>

#### B. Poverty Targeting:

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

ADB’s support for this project will help demonstrate replication of a successful high-value agriculture model in different developing countries, where global agribusiness companies reach out and work directly with smallholder farmers. The project will benefit smallholder farmers, who will gain more knowledge through agricultural extension services, training, and livelihood support, and direct access to markets, ensuring better prices for their produce.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Agriculture in Viet Nam and Indonesia has made significant progress, but smallholder farmers have been left behind. Viet Nam’s agriculture sector contributes about 20% of gross domestic product (GDP) and 25% of exports and employs 70% of rural households. Yet, many agricultural areas have a high poverty incidence. In Viet Nam’s Central Highlands,<sup>i</sup> where 71% of the population are smallholder farmers, the poverty rate is 22%—more than twice the nationwide rate. In Indonesia, most food crop producers are either landless or smallholders. They earn low incomes and many fall into and out of poverty; Indonesia’s rural poverty rate is 14%, significantly higher than the 8% urban poverty rate.

In PNG, poverty among smallholder farmers is prevalent and of people living in rural areas, 91% of the poor. In PNG, most farming households engage minimally with agricultural markets and are low-input, low-output producers. The proximate factors that contribute to low productivity include poor infrastructure and connectivity, limited availability of extension services, low usage of agricultural inputs, and low uptake of improved crop varieties. Agriculture is dominant in PNG, with much potential. Agriculture contributes to one-third of PNG’s GDP, with 75% of the population relying on agriculture for their main livelihood. Improvements in agricultural production and processing offer one of the clearest pathways for poverty reduction and growth of the non-extractive economy.

Olam International Limited (OIL) and its subsidiaries (Olam) provide income opportunities to low-income people across the project countries. Olam sources directly from over 100,000 smallholder farmers and indirectly from about 300,000. These farmers earn an annual average income of \$1,135, which falls below the median monthly rural income, based on World Bank and company data. Therefore, it can be concluded that Olam integrates people from the base of the income pyramid and follows an inclusive business approach

The project will benefit the following: The project will benefit (i) the economies of Viet Nam, Indonesia, and PNG through improved agricultural production and marketing; (ii) smallholder farmers, who will gain more knowledge through agricultural extension services, training, and livelihood support, and direct access to markets, ensuring better prices for their produce; and (iii) the local labor force through job creation

2. Impact channels and expected systemic changes. The project will help retain continuity of employment and create jobs in the project countries. Olam's agricultural extension services, training, and livelihood support will give smallholder farmers the opportunity to earn better incomes.

3. Focus of (and resources allocated in) the due diligence. ADB team build on the existing knowledge and submissions made by the company with respect to its E&S performance. In addition the team had calls with the Olam's E&S team to understand the status of implementation of different agreed actions and also the institutional capacities to manage the risks and impacts.

4. Specific analysis for policy-based lending. Not applicable.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? While aggregate data show that women comprise about 43% of the agricultural labor force in developing countries, the proportion of women directly engaged in the commercial supply of farmed produce is estimated to be significantly lower because of lack of secure control over land, labor, or other inputs required to guarantee delivery of sufficient quantity and quality.<sup>j</sup> It is, therefore, a significant achievement that women farmers represented about 25% of the 104,375 farmers from whom Olam directly purchased coffee, cocoa, cashews, and pepper in Viet Nam, Indonesia, and Papua New Guinea (PNG) in 2019. Despite their significant involvement in farming, women have limited access to training because of cultural attitudes, discrimination, and lack of recognition of their importance. Female farmers receive on average only 5% of all agricultural extension services.<sup>k</sup> When women farmers have better access to technical training and the necessary inputs, they are more likely to adopt good agricultural practices and improve their productivity. If women farmers simply had the same access as men to productive resources, their agricultural yields would increase by 20%–30% (footnote i). A major barrier to increasing female farmers' productivity is the lack of female extension agents; unfortunately, women represent just 15% of the world's agents (footnote i). Research shows that female farmers who are trained by female extension officers receive more extension services, learn more, and apply more best practices than female farmers trained by male extension officers.<sup>l</sup> Olam has a human resource policy that includes provisions on prohibiting sexual harassment in the workplace; ensuring gender equality in recruitment, wages, and benefits; and providing child support for female employees..

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

☒ Yes ☐ No The gender action plan aims to (i) increase the number of female farmers from whom Olam directly procures raw materials in Viet Nam, Indonesia, and PNG; (ii) increase the proportion of female farmers participating in the farmer training program; (iii) increase the proportion of female field coordinators delivering the farmer training program; (iv) train all field coordinators who deliver the farmer training program in gender-inclusive facilitation methods; and (v) undertake a pilot to determine the feasibility of a more gender-equitable crop payment scheme. Olam will submit periodic reports on the implementation of gender measures to ADB.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No The project will benefit women through increase in employment opportunities, better facilities for women staff, and enhanced agricultural skills for women farmers.

4. Indicate the intended gender mainstreaming category:

☐ GEN (gender equity) ☒ EGM (effective gender mainstreaming)  
☐ SGE (some gender elements) ☐ NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

Olam's environmental and social management system and community outreach have been strengthened to ease dialogue with and dissemination of information to stakeholders, including communities, local government units, smallholder farmers, and civil society organizations. The company actively engages with stakeholder groups in planning and implementing its activities.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? Olam has incorporated in its environmental and social management system the process

of engagement with various stakeholders including nearby communities, local government units, and smallholder farmers.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

☒ Information generation and sharing ☐ Consultation ☐ Collaboration ☐ Partnership

Olam engages with civil society groups at a corporate level. However, the opportunity to involve civil society organizations is limited, as the project will mainly support working capital investments for smallholder farmer supply.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? ☐ Yes ☒ No

The project through a technical assistance will support smallholder farmers through trainings to improve their agricultural skills. As farmer productivity increases, their income is expected to increase from higher sales.

#### IV. SOCIAL SAFEGUARDS

**A. Involuntary Resettlement Category** ☐ A ☐ B ☒ C ☐ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☐ Yes ☒ No No land acquisition or involuntary resettlement issues are envisaged for the project on account of use of ADB proceeds.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix  
☐ Environmental and social management system arrangement ☒ None

**B. Indigenous Peoples Category** ☐ A ☐ B ☒ C ☐ FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? ☐ Yes ☒ No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? ☐ Yes ☒ No No Indigenous People impacts are envisaged for the project on account of use of ADB proceeds

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

☐ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ Social Impact matrix  
☐ Environmental and social management system arrangement ☒ None

#### V. OTHER SOCIAL ISSUES AND RISKS

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

☐ Creating decent jobs and employment ☒ Adhering to core labor standards ☐ Labor retrenchment  
☐ Spread of communicable diseases, including HIV/AIDS ☐ Increase in human trafficking ☐ Affordability  
☐ Increase in unplanned migration ☐ Increase in vulnerability to natural disasters ☐ Creating political instability  
☐ Creating internal social conflicts ☐ Others, please specify \_\_\_\_\_

2. How are these additional social issues and risks going to be addressed in the project design? OIL and its relevant subsidiary companies and their contractors will comply with national labor laws and, pursuant to ADB's Social Protection Strategy (2001), will take measures to comply with internationally recognized core labor standards.

#### VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?

☒ Yes ☐ No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? ADB team undertook the virtual due diligence and assessed the E&S performance based on the E&S submissions made as a part of their reporting requirements.

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- <sup>a</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.
- <sup>b</sup> ADB. 2019. *Operational Plan for Private Sector Operations, 2019–2024*. Manila.
- <sup>c</sup> ADB. 2016. *Country Partnership Strategy: Viet Nam, 2016–2020—Fostering More Inclusive and Environmentally Sustainable Growth*. Manila.
- <sup>d</sup> ADB. 2020. *Country Partnership Strategy: Indonesia 2016—Emerging Stronger*. Manila.
- <sup>e</sup> ADB. 2015. *Country Partnership Strategy: Papua New Guinea, 2016–2020*. Manila.
- <sup>f</sup> ADB. 2019. *Strategy 2030 Operational Plan for Priority 5: Promoting Rural Development and Food Security, 2019–2024*. Manila.
- <sup>g</sup> ADB. 2019. *Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024*. Manila.
- <sup>h</sup> ADB. 2020. *ADB's Comprehensive Response to the COVID-19 Pandemic*. Manila.
- <sup>i</sup> Dak Lak, Dak Nong, Gia Lai, Kon Tum, and Lam Dong provinces.
- <sup>j</sup> The Food and Agriculture Organization of the United Nations (FAO). 2011. *The Role of Women in Agriculture*. ESA Working Paper. No. 11-02. Rome.
- <sup>k</sup> FAO. 2011. *The State of Food and Agriculture 2010–11*. Rome. A survey of 97 countries.
- <sup>l</sup> B.A.N. Lahai, P. Goldey, and G.E. Jones. 2000. The Gender of the Extension Agent and Farmers' Access to and Participation in Agricultural Extension in Nigeria. *The Journal of Agricultural Education and Extension*. 6. pp. 223–33.