Henan Green Agriculture Fund Project

Environmental and Social Management System

(Final)

Henan Agriculture Development Financing Investment Corporation

January 22, 2020
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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ESMS</td>
<td>Environmental and Social Management System</td>
</tr>
<tr>
<td>HAIGC</td>
<td>Henan Agriculture Investment Group Company Ltd.</td>
</tr>
<tr>
<td>HADFIC</td>
<td>Henan Agriculture Development Financing Investment Corporation</td>
</tr>
<tr>
<td>ESF</td>
<td>Environmental and Social Framework</td>
</tr>
<tr>
<td>ESCP</td>
<td>Environmental and Social Commitment Plan</td>
</tr>
<tr>
<td>GAF</td>
<td>Green Agriculture Fund</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>FI</td>
<td>Financial Intermediary</td>
</tr>
<tr>
<td>ESS</td>
<td>Environmental and Social Standard</td>
</tr>
<tr>
<td>MRV</td>
<td>Monitoring, Reporting and Verification</td>
</tr>
<tr>
<td>RCU</td>
<td>Risk Control Unit</td>
</tr>
<tr>
<td>FIDC</td>
<td>Fund Investment Decision Committee</td>
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<tr>
<td>SMEs</td>
<td>Small and Medium Size Enterprises</td>
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<tr>
<td>LUR</td>
<td>Land Use Right</td>
</tr>
<tr>
<td>ESRC</td>
<td>Environmental and Social Risk Classification</td>
</tr>
<tr>
<td>ESMP</td>
<td>Environmental and Social Management Plan</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>SDDR</td>
<td>Social Due Diligence Report</td>
</tr>
<tr>
<td>LMP</td>
<td>Labor Management Plan</td>
</tr>
<tr>
<td>RAP</td>
<td>Resettlement Action Plan</td>
</tr>
<tr>
<td>EMDP</td>
<td>Ethnic Minority Development Plan</td>
</tr>
<tr>
<td>PMP</td>
<td>Pest Management Plan</td>
</tr>
<tr>
<td>GRM</td>
<td>Grievance Redress Mechanism</td>
</tr>
<tr>
<td>FMU</td>
<td>Fund Management Unit</td>
</tr>
<tr>
<td>SEP</td>
<td>Stakeholder Engagement Plan</td>
</tr>
<tr>
<td>RPF</td>
<td>Resettlement Policy Framework</td>
</tr>
<tr>
<td>EMDF</td>
<td>Ethnic Minority Development Framework</td>
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Executive Summary

This document is a presentation of the Environmental and Social Management System (ESMS) of the Henan Agriculture Development Financing Investment Corporation (HADFIC) for the implementation of the World Bank funded Henan Green Agriculture Fund Project (the Project). It is prepared for the World Bank following the World Bank’s Environmental and Social Framework (ESF) requirements.

An assessment of current environmental and social management system of HADFIC was conducted during the preparation of this document. It is concluded that environmental and social risks management is mainstreamed into the overall investment risk control at various steps of HADFIC’s operation process, i.e. environmental and social risk consideration at preliminary investigation stage, legal and performance compliance at detailed due diligence review stage, and implementation performance review during post-investment management stage, and risk review at project management team/risk control unit and senior management at various decision stages etc. However, HADFIC does not have a complete and systematic ESMS as required by ESF, specifically: (1) it does not have a dedicated corporate-level environmental and social policy and formally established environmental and social procedures; (2) it does not have an environmental and social screening and classification system; (3) it does not have clearly designated senior management and operational staff in charge of ESMS; (4) the current risk control staff lack of specialized technical knowledge for environmental and social risks management; (5) there is no special monitoring and reporting system for the environmental and social performance of subprojects during implementation; (6) there is no stakeholder engagement mechanism and external communication arrangement on environmental and social matters. The assessment of current ESMS against the Environmental and Social Standard 9: Financial Intermediaries of the ESF, and measures/actions to bridge the gaps are summarized in Annex 1.

In order to meet the ESF requirements, HADFIC commits to establish and maintain a formal ESMS throughout the whole life of the Project. It has developed an environmental and social policy and operational procedures, made an institutional arrangement with dedicated environmental and social specialist and coordinator within relevant internal units and engagement of external environmental and social experts, and developed a Stakeholder Engagement Plan (SEP) and started consultations with some stakeholders at current stage. The details of these elements are presented in this document.

An Environmental and Social Commitment Plan (ESCP) is also developed, with key commitments to adopt (prior to the Project effectiveness) and maintain the ESMS throughout the Project life. The ESCP, ESMS, and the overall project SEP have been locally disclosed in HADFIC’s website on September 29, 2019.
1 Introduction

1.1 Project Background

Since start of the reforms China has embarked successful rural transformation, which has stimulated economic growth and urbanization. On the other hand, broad-based economic growth, urbanization and industrialization have further enhanced rural transformation. Along with the massive rural transformation, there also comes environmental pressures. The largest environmental pressures come from primary agricultural production stage, which is dominated by large number of small-scale production units. Discharges from rapidly growing livestock sector have become another significant source of environmental pollution in China. Soil and water pollution is also threat to the environment and food safety. While industrial pollution is a leading source of soil and water contamination, the overuse of pesticides is also a significant contributor. Heavy use of pesticides has been especially common in rice, vegetable, and tea production. Addressing above environmental management and pollution control in agriculture, requires thus a simultaneous attention on the modernization of farming systems, while meeting increasing consumer demand for nutrition, high quality and safe food.

Transformation of Chinese agri-food systems towards more sustainable development path requires massive financing from financial institutions and private sector. China has put in place policy environment which is conducive for the development of green agriculture financing to encourage transformation of its agri-food systems towards more sustainable development path.

As the largest producer of livestock and the second largest producer of grains in China, Henan province is cooperating with the World Bank’s support on this Henan Green Agriculture Fund Project (the Project), aiming to support the transformation of Henan agriculture sector towards more resource-efficient, environmentally sustainable, and climate smart development path, which is expected to reduce agriculture’s environmental footprint and increase agri-food safety.

The Project will be implemented by Henan Agriculture Development Financing Investment Corporation (HADFIC), as a responsible Financial Intermediary (FI) which will finance eligible green agriculture subprojects. As per requirements of the World Bank’s Environmental and Social Framework (ESF) -Environmental and Social Standard 9 (ESS9): Financial Intermediaries, HADFIC is required to develop and maintain, in the form of an Environmental and Social Management System (ESMS), effective environmental and social systems, procedures, and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.

This document presents the key elements of the ESMS that will be established by HADFIC and be maintained throughout the implementation of the Project as per ESS9.

1.2 Project Description

1.2.1 Project Overview

The proposed objective of the project is to strengthen the green agriculture initiatives in Henan by catalyzing commercial financing opportunities. The selected lending
The proposed World Bank funding is $300 million, with at least the same amount being raised from social capital (in the form of sub-funds) and other funding sources (i.e. parallel financing). The Green Agriculture Fund (GAF) will provide financing to its investees either directly or indirectly through sub-funds. Sub-funds are the vehicle for social capital to come into the GAF and create the leverage. The creation of sub-funds would be driven by the demand from social capital partners that would identify specific areas for investments (e.g. technologies, sub-sectors, regions, etc.). In sub-funds, the social capital partner not only contributes funding but also helps build the pipeline of investments and know-how about specific sub-sectors and technologies, by bringing in partnerships with research institutions, etc. The GAF will consider sub-funds to leverage social capital but will keep these sub-funds to a manageable number under the project, most likely 1-2.\(^1\) The GAF will also create a market for parallel financing of green financing opportunities by inviting social capital (including commercial banks) to complement its direct and indirect (sub-fund) investments in the investee companies. Such parallel financing would be subject to separate arrangements, independent of the investment made by the GAF in the investee enterprises. For lowering barriers to entry and to facilitate risk management, the GAF shall consider signing a MoU with social capital investors allowing them to: (i) exchange technical due-diligence results, (ii) take junior debt position in the investee companies; and (iii) coordinate the monitoring and supervision of parallel investments. The GAF Investment Structure is shown in the **Figure 1-1**.

![Figure 1-1 GAF Investment Structure](image_url)

The Project includes two components as follows:

**Component 1: Green Agriculture Fund (GAF)** (World Bank financing $285 million). The Project will pilot a dedicated investment facility to demonstrate the viability of innovative financing vehicle at the provincial level. This facility will provide direct

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\(^1\) HADFIC has experience in structuring sub-funds within its funds. On average its funds have about 4 sub-funds.
support to eligible firms with ‘patient capital’ using ‘blended finance options’. Direct investments by GAF are targeted on eligible enterprises in crop and livestock sectors within Henan Province covering full value chain (from technical input, equipment and materials, to production, processing and storage and circulation). In addition to the direct investment, indirect investment scheme could be considered, under which sub-funds for specific green agriculture projects would be established in limited partnership with social capital.

**Component 2: Technical Assistance** (IBRD financing $15 million). The Project will support the Henan Agriculture Development Financing Investment Corporation (HADFIC) and its social capital partners in building their institutional capacity in managing green agriculture investment cycle including: pipeline development, investment policies, implementation guidelines and monitoring mechanisms meeting prudential and regulatory requirements under the framework for green financial system. Besides strategic staffing of GAF, the project will also hire third party certification agency for monitoring, reporting and verification (MRV) of environmental outcomes from its investments.

**Investment focus** of the proposed Project will pursue a broad cover of a range of activities that contribute to pollution control and environmental protection, resource efficiency, climate change mitigation and adaptation, and reduction of pesticides use and agri-food safety benefits. Preliminary scoping has identified the following potential investment areas:

- Pollution reduction: livestock manure management, reduction of pesticides and chemical fertilizers and increase of nitrogen use efficiency, agricultural waste recycling and equipment manufacturing, wastewater management;
- Resource use efficiency: improved soil nutrients management, irrigation water control, energy efficiency of storage and processing facilities and related buildings;
- Green inputs and equipment: multi-resistant varieties, high efficiency breeds, high efficiency fertilizers and biopesticides, smart agricultural equipment;
- Low carbon technologies and practices: climate smart agriculture, precision agriculture, manufacturing of high efficiency and energy saving equipment;
- Improved quality and safety of agriculture products: green and organic certification.

**1.2.2 Overview of Project Typologies**

The Project is planned to invest in two general agricultural sectors, i.e. crop plantation, and livestock farming. The specific activities will likely cover full production chain of these two sectors, i.e. from input to production, product processing and distribution.

At this moment, the specific subprojects activities to be funded under GAF are not identified yet. However, based on general principle of the Project design and previous experiences of HADFIC’s funding to green agriculture activities, the likely subproject typologies for these two sectors are summarized in Table 1-1, which are used to
analyze the potential environmental and social impacts and risks of the Project, and thereof develop appropriate tools to manage the environmental and social risks and impacts.

**Table 1-1 Indicative Typologies of Subproject**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value chains</th>
<th>Likely Subproject Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crop sector</strong></td>
<td>Input production</td>
<td>Construction and operation of production facilities of bi-pesticide; Construction of Laboratory, procurement and operation of equipment; Construction and operation of high efficiency fertilizers; Construction and operation of organic fertilizers; Nursery facilities of multi-resistant varieties</td>
</tr>
<tr>
<td></td>
<td>Crop Production</td>
<td>Construction of crop plantation base; Construction of irrigation infrastructure; Construction and operation of agriculture facilities (e.g. green house and ancillary facilities) Construction of Laboratory, procurement and operation of equipment</td>
</tr>
<tr>
<td></td>
<td>Post-harvest</td>
<td>Construction and operation of crop waste recycling and composting facilities</td>
</tr>
<tr>
<td></td>
<td>Processing</td>
<td>Construction and operation of crop processing facilities (grain mills, food production plants); Replacement or renovation of inefficient equipment and production lines; Residual heat/pressure utilization, including renovation and construction of facilities and equipment; Energy Conservation of Buildings Construction and renovation of wastewater treatment facilities</td>
</tr>
<tr>
<td></td>
<td>Distribution and logistics</td>
<td>Construction and operation of food product storage facilities; Construction and renovation of water saving facilities; Construction and renovation of wastewater treatment facilities; Replacement or renovation of inefficient equipment; Energy conservation of buildings</td>
</tr>
<tr>
<td>Livestock sector</td>
<td>Input</td>
<td>Construction and operation of production facilities of livestock feed; Construction of livestock feed bases</td>
</tr>
<tr>
<td></td>
<td>Production</td>
<td>Construction and operation of livestock farm (e.g. barns, feeding equipment, feed grinder, fermentation tank, manure treatment facilities etc.); Construction of scattered solar energy Renovation of heat supply system</td>
</tr>
</tbody>
</table>
### Sector | Value chains | Likely Subproject Activities
--- | --- | ---
Manure handling | Construction of manure treatment facilities (e.g. biogas digesters, organic fertilizer composting facilities etc.); Construction and installation of farmland fertilization equipment, including integrated water and fertilizer irrigation systems; Construction and installation of agricultural straw treatment and returning facilities
Slaughtering | Construction and operation of slaughtering facilities (e.g. buildings, slaughtering equipment installation, waste treatment system etc.)
Energy and water saving renovation for equipment and production lines
Distribution and logistics | Construction and operation of cold storage facilities

#### 1.2.3 Project Implementation Arrangement

The institutional structure of the proposed project is presented in Figure 1-2. The project will be implemented by the HADFIC, as a financial intermediary.

![Figure 1-2 Proposed Institutional Structure of the Project](image)

The institutional structure of the proposed project is presented in Figure 1-2. The project will be implemented by the HADFIC, as a financial intermediary.

The suggested project implementation period is 6 years. This provides for a 4-year period for the draw-down of funds and another 2 years to be able to evaluate first exists from equity investments.

The GAF will be used to provide direct support to eligible firms through equity instruments, meanwhile, it is also expected that indirect support will be provided under which sub-funds for specific green agriculture projects would be established in limited

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2 It is quoted from Figure 2, Aide-memoire of WB, June 2019, which might be updated accordingly in terms of final institutional arrangement for the Project.
partnership with social capital.

While, both the GAF and its such sub-fund(s) will be directly managed by HADFIC and follow the same GAF investment rules and procedures. Therefore, HADFIC is the sole FI for the implementation of the Project, and no other sub-FI(s) will be involved.

For the GAF operation, HADFIC follows a sound “12-step decision process” in its investment cycle, as shown in Figure 1-2, which includes all steps from the scoping of potential investments to HADFIC’s exit from such investments. Within HADFIC, the GAF Management Unit is the main body for daily operation management of the GAF throughout the whole project of investment cycle, while Risk Control Unit (RCU) and Financial Management Unit are directly involved in investment risk control and financial transaction matters respectively.

![Image](image.png)

Figure 1-3 HADFIC’s “12-step decision process” for its investment cycle

### 1.3 Scope of Application

This ESMS is designed as a management tool of HADFIC applicable to all subprojects under the GAF, the sub-funds, as well as the challenge funds under Technical Assistance (TA) Component. Any subproject identified by HADFIC is subject to exclusion and screening for environmental and social risks and impacts as established by this ESMS, and should be classified, assessed and implemented following the procedures and requirements of this ESMS when eligible.

HADFIC will review and adjust, in a manner acceptable to the World Bank, its ESMS to assure it is effective to manage the environmental and social risks associated with the project. Changes to the ESMS may include updating procedures, conducting staff training on specific issues, or adding additional staff with relevant skills. Any significant changes to the ESMS should be agreed with the World Bank prior to their adoption.
2  Environmental and Social Risks Screening and Classification

The Henan Green Agriculture Fund project is designed to support “green agricultural” activities. Though the specific subprojects are not known at this stage, and can only be identified during the project implementation by HADFIC, the planned investment focus areas explicitly imply that the Project has an inherent objective for environmental protection in terms of reduction of agricultural pollution, improvement of resource efficiency of agricultural production, reduction of chemical pesticides use, improvement of food quality and safety, and contribution to climate change mitigation and adaptation. The project would also raise the awareness about the Good International Industrial Practice (such as IFC Good Practice Note on Improving Animal Welfare in Livestock Operations) in animal husbandry techniques, encourage its application where financially and technically feasible. Therefore, the Project is envisaged to bring about significant positive environmental and social benefits.

On the other hand, the construction and operation of specific subprojects will also have potential environmental and social risks and impacts. Following the World Bank’s ESF, an initial environmental and social risk screening is conducted as follows.

2.1 Potential Environmental Risk Screening and Classification

Type, scale, location and sensitivity: The Project is planned to invest in two general agricultural sectors, i.e. crop plantation, and livestock farming. The specific activities will likely cover full production chain of these two sectors, i.e. from input to production, product processing and distribution. The typologies of the likely subproject activities and their potential environmental and social risks and impacts are screening in Annex 2. Although the specific information of each subproject is not clear at current stage, based on typical green agriculture activities and experiences of similar projects in the existing project portfolio of HADFIC, the potential subprojects would most likely include livestock feed production, livestock raising farms and manure treatment facilities, slaughtering plant, cold storage warehouse and facilities, bio-pesticide/organic fertilizer production plants, agriculture waste recycling and reuse facilities, green crop plantation and processing/storage facilities, water-efficiency irrigation infrastructure, and promotion of other environmental-friendly technologies.

Based on typical green agriculture projects under previous HADFIC investment, the future subprojects will likely be medium to large scale, especially for livestock farms. Livestock farms are all located in areas where it is legally planned as livestock permitable land, and away from residential areas for environmental and hygiene reasons as required by relevant national regulations and technical specifications. The agricultural enterprises for production, processing and circulation of agricultural products are typically located in designated industrial parks, away from sensitively environmental and social receptors. Sustainable production activities (e.g. improved soil nutrients management, irrigation water control, precision agriculture, etc.) will happen on farmland which normally will be consolidated through land leases from rural households who have chosen to leave farming in order to achieve appropriate-scale agricultural operations. It is envisaged that the potential subprojects are not expected to be in or near critical sensitive areas, e.g. nature reserves, critical natural habitats and legally protected tangible cultural heritages.

According to the Project design, GAF will only support enterprises and production
activities within Henan province, and project activities outside Henan will not be supported.

**Nature and magnitude of risks**: The risks and impacts of the Project include those in construction stage and operation stage. The potential adverse environmental impacts at construction phase are mainly related to the infrastructure construction activities. Such impacts mainly include the dust, noise, solid waste, wastewater, soil erosion, loss of surface vegetation, disturbance of wildlife habitat and biodiversity impact, labor safety, traffic safety and community disturbance. These construction-related impacts are mostly site-specific, temporary in nature, predictable and/or reversible. These adverse impacts can be readily and reliably managed through the sound project and mitigation measures design and adequate enforcement during the construction process.

The potential adverse environmental impacts expected during the operation of the subprojects may include: toxic materials and wastes involved in the production of biocides, noise/dust and wastes generated from the production facilities for equipment manufacturing/food processing; work safety (such as fire and explosion due to either leakage of biogas from anaerobic digesters or static in flour processing); occupational health concern inhaling fine particles in processing of agro-products, and toxicity risks of production of biocides and application of pesticides etc. Transportation of the toxic waste or materials may cause health and safety risk to local communities, and increased traffic transporting materials may pose traffic safety to local communities.

Large scale livestock farm tends to have substantial environmental risks in terms of waste management, and is classified as substantial risk category by the national EIA system. While, in practice, all such livestock farms are required to have integral manure management system, with basically zero pollution discharge, i.e. livestock waste is treated through bio-digesters and composting processes, and treated solid waste become organic fertilizer and liquid is used for land fertilization around the livestock farms. As per national guidelines, all livestock farms are required to have certain amount of farmland space acquired as part of the whole farm project to absorb the treated manure waste. The general practice in Henan province is, less than 5% of a livestock farmland is used for building structure and ancillary facilities, and 95% of the land is used for plantation (e.g. fruit trees or forage grass). In comparison to these large-scale livestock farms, small-scale livestock farms (less than 500 pigs equivalent/a) may also have potentially substantial risks as they are less targeted by the regulatory authority. While, given the scale effect and previous investment portfolio, the Project is mostly likely to support large-scale livestock farms, rather than small scale farms.

Potential risks related to introduction and promotion of multi-resistant varieties is mainly the social risks related to amount of yield which may imply the financial loss of farmers. As all the multi-resistant varieties are selected through normal hybridization process, not artificial genetic interventions, and there is little or no risks from ecological impacts. In reality, basically all the current crops are multi-resistant species that have gone through long history of selection process by agriculture practitioners.

**Capacity and commitment**: Since establishment in 2009, HADFIC has been managing 26 funds covering a range of sectors, of which about 15% of the portfolio is dedicated to agriculture, including agro-processing, inputs and agricultural equipment
producers. HADFIC has established a full process from identification to exit. These procedures are in line with good funds management. Environmental and social risks due diligence is built into the management process for subproject identification, assessment, financing approval and implementation monitoring. Such compliance check is conducted mainly through document review by Risk Control Unit (RCU) of HADFIC during the subproject investigation and before investment approval, i.e. relevant government approval documents such as EIA approval, land use permit, pollution permit, fire-fighting permit, safety permit, social insurance proof, etc.

Currently, HADFIC does not have a complete environmental and social management system, but only some elements. Except limited legal compliance check in the investment process, it lacks a corporate environmental and social policy, a complete environmental and social risks screening/ classification system and full operational procedures. The staff in RCU are all from non-environmental and social background, and don’t have prior experience with the World Bank environmental and social policies. HADFIC is strongly willing to strengthen its environmental and social management capacity through this Project and committed to establish an ESMS in line with the World Bank ESF with adequate resources support.

**Other factors:** China has established a fairly sound environmental management system, including a comprehensive EIA system for construction projects of all types of sectors, increasingly improvement of industrial and agricultural pollution control system, continuous strengthening of law enforcement and accountability mechanism. Especially for recent years, a series of institutional reforms have been implemented to strengthen environmental supervision and law enforcement. This is expected to further improve the pollution control performance in rural areas where environmental enforcement used to receive less attention from relevant authorities compared with traditional focuses of industrial pollution sources.

In addition, China also established a work safety management system that is even more comprehensive, which includes a large number of laws and regulations, supported by management rules, implementation procedures, technical guidelines, and standards, all of which form a comprehensive health and safety management system. These requirements are fully mainstreamed into feasibility study, design review, construction supervision and operational inspection. All these provide a reasonably sound regulatory framework for the typical types of subprojects to be funded under this Project.

For the pest management, the *Pesticide Management Regulation* establishes a national pesticide registration system, which ensures that all pesticides must obtain approval prior to entering the market. It also establishes production permit system for production, and a sale permit system for pesticide product sale dealers. To regulate the safety of pesticide use, a number of guidelines have been put in place in China, including *General Guidelines for Pesticide Safe Use; Safety Regulations for Storage, Transportation, Sale and Use of Pesticides; List of Forbidden and Restrictive Use Pesticides, Inventory of Low-toxic and Low-residue Pesticides for Planting Industry*, etc. China also established a target of zero-increase of pesticide use by 2020, for which Henan province has developed and is implementing its *Implementation Plan for Zero-increase of Pesticides Use by 2020*.

For the crop species management, China has established strict safety assessment
system under the *Seed Law of People’s Republic of China*, for breeding, testing, validation and promotion of genetically modified varieties, and also for scaling up of main crop species. Such assessment must be conducted and approved by national or provincial agriculture authorities. Main crop varieties approved by national authority can be promoted nationwide, and the varieties approved by provincial authority can be promoted within the province. Crop varieties without approval are forbidden to be promoted. Currently, the national registration and approval system covers six main crop species (wheat, rice, soy, cotton and corn) and 29 other crop species, i.e. any main species must be subject to at least six years national verification and approval process before introduction to the market, and other species must have at least two years experiment verification results for eligibility of market entry. Therefore, the risks of multi-resistant crop varieties (i.e. risks of low yield) are expected to be properly addressed under the established system.

In summary, the overall environmental risk is rated as *Substantial* with integrated consideration of all four aspects as mentioned above, mainly due to the potential environmental risks and impacts of some types of activities such as large-scale livestock farming and slaughtering, manure management or food processing facilities etc.

### 2.2 Potential Social Risks Screening and Categorization

**Type, scale, location and sensitivity:** As discussed in *Section 2.1*, the project will target to finance the green initiative through the whole value chain carried out by small and medium size enterprises (SMEs) in both crop and livestock sectors. A few larger leading enterprises which have potential to provide technical and market leadership for greening their supply chains will be engaged as well. It is designed the project will only support the enterprises and investment activities located in Henan Province, and any investment proposals beyond Henan will be excluded. Potentially, some subprojects would have primary supplies out of Henan, however this scale is unknown until the subprojects can be defined. Although the subproject list could not be defined before project appraisal, a high-level analysis of the typologies of activities demonstrated the investment in agricultural productions will be located in the rural areas with some maybe in remote area, whilst the input production, processing, logistics and distribution activities primarily in the industrial areas. The local communities would contribute most of the temporary workforces for the production bases. Henan Province is a traditional ethnic Han Chinese dominated province. As of 2018, there are 55 ethnic minorities living in Henan Province, accounting for 1.22% of the total population in the province and of which ethnic Hui is the largest ethnic minority group. Ethnic Hui accounts for 85% of the total population of ethnic minorities in Henan. In consideration of demographic composition, the subproject areas are unlikely present with a large number of ethnic minorities.

**Nature and magnitude of risks:** In terms of the screening of potentially financed activities in both crop and livestock sectors, the main social risks and impacts of the project are related to: (i) leasing of land use rights (LUR) for appropriate-scale farming
and for livestock breeding sites and resultant tomb relocation out of livestock farms; (ii) labor and working conditions; (iii) information disclosure, public consultations and grievance redress mechanism throughout the project lifecycle (iv) Land acquisition and resettlement for expanded or newly built facilities and structures; (v) ethnic minorities; and (vi) community health and safety; and (vii) other social impacts such as potential production reduction relating use of the seeds of multi-resistant varieties.

The most significant risk in the project is related to leasing of LUR. China has issued a set of laws and regulations to govern leasing of LUR in rural area. The key national laws and regulations include the Land Administration Law of PRC (2004), Property Rights Law of PRC (2007) and Rural Land Contracting Law of PRC (2018). In China, the collective land is contracted to the households based on a 30-year term, which will be extended for another 30-year once the first term is expired. During the contracting period, the household can lease out farmland for agricultural use. Formal institutions at all administrative levels from the township to the nation have been established to manage leasing of LUR. Under current context, the government encourages enterprise or cooperatives obtain the LUR (mostly in the form of leasing) from farmers to achieve moderate-large scale farming and livestock-breeding. Although China’s regulatory system on land leasing is comprehensive, the effect of law enforcement will depend on the local context, the size of farmers and the capacity and awareness of local administrator. Generally, the social risks associated with leasing of LUR include: (i) lack formal mechanism for information disclosure and participation during the process of leasing of LUR leading to weak engagement with farmers, (ii) power overuse or abuse by village committees eroding farmers rights and interests, (iii) lacking standardized procedures to guide rental negotiation and payment, and (iv) lacking in-place third-party monitoring and reporting arrangement. A thorough review of regulatory of leasing of LUR was conducted, which analyzed systematic risks and proposed mitigations to enhance leasing of LUR (see Annex 3). Following the requirements of ESF, the review recommended to strengthening the procedure of land leasing to assure meaningful consultation with the farmers, proposing the principles for negotiating rental rates, and standardizing a template for LUR leasing agreement.

China has a relatively comprehensive framework requiring sound and fair treatment of all types of workers, increasing enhancement of occupational health and safety, prevention of child labor use and forced labor etc., which are generally in alignment with the requirements of ESS2. Furthermore, institutions from county level to the national level have been established to manage labor and social enforcement and ensure and supervise their enforcement. It is recognized that the labor supervision by different level of authorities (e.g. labor bureaus, work safety bureaus, etc.) are increasingly strengthened. Following the legal requirements, it is mandatory for enterprises to develop and implement labor management policies, sign formal labor contracts, put in place grievance redress mechanisms (supported by the government-managed arbitration and judicial systems), as well as design, install and operate OHS related facilities and measures to protect the benefits and health and safety of workers. No labor related risks were identified for the workers of the financial intermediary, HADFIC (see Annex 11). One typical subproject would possible involve direct workers, contracted workers and primary supply workers. At the subproject level, it is learnt that most of the structures are being standardized for the construction of livestock breeding farms, which are prefabricated in workshops and are only installed on the site. It could
be expected that the construction of the subproject is unlikely to involve in a large number of construction workers. For the production and operation of crop plantation and livestock breeding bases, the subproject enterprises will assign technical and management personnel, while the labors engaged in crop and livestock production are mainly from the villages near the bases. Among them, part of the labors may lease the land use right out to the subproject enterprises. It means that local farmers can not only obtain rent from the land, but also get labor compensation from working at production bases. Due to heavy workloads of crop and livestock production, and relatively low income, young people are more preferential to work outside where they can earn more. Therefore, the labors for crop and livestock production usually age from 40 to 60, and the couples are likely to work at same place so that they could look after each other. It is reported that there a nondiscrimination on labors and equal opportunities will provided to labors once they are proved to be healthy and meet the requirements of position. The social screening concluded the risk of child labor or forced labor is minimum, whilst the labor risks with juvenile workers (16-18 years) would exist in the workshops of some participating enterprises. Key labor related risks are related to possible accidents by conduct of hazardous works, potential worker lay-off or position transition with the input production and processing facilities, and relatively weak labor law enforcement for seasonal workers at production bases. The occupational health concern is largely related to mechanical damage by operating machines, inhaling fine particles in producing production inputs, processing of agro-products, and toxicity by production, storage and use of biocides which is albeit low toxicity to humans (see the Annex 12 for detailed screening results and analysis). A template for subproject labor management procedure that is detailed in Annex 12 is developed to guide subproject enterprise to categorize the workers, screen labor risks and set out labor management plan when subproject activities are known.

Chinese laws and regulations require upfront information disclosure and public participation, largely during the process of environmental impact assessment and land acquisition and resettlement. There are no clear requirements for full lifecycle engagement with not only the affected parties but also other interested parties. Subproject enterprises therefore usually do not formulate designated information disclosure and public participation strategies for their projects, not to mention stakeholder engagement plan. Meanwhile, most of subproject enterprise does not set up a formal grievance redress mechanism and external communication mechanism to address the complaints of stakeholders. Complaints are usually addressed in accordance with China’s existing petition mechanism. Under existing contexts, the following risks related to stakeholder engagement might include: (i) lacking meaningful consultations and grievance redress mechanism and communication mechanism that is designated for the project; and (ii) lacking special attention to vulnerable groups who might have constraints of access to information and consultation. These risks can be addressed while adopting ESS10 in this ESMS. All subprojects with environmental and social risks and impacts will carry out stakeholder engagement and maintain functioning GRM over project cycle. The ESMS has mainstreamed the requirements of stakeholder engagement and GRM for both HADFIC and subprojects. A stand-alone

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3 Vulnerable groups are those who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project’s benefits.
overall project SEP has been developed and implemented during the ESMS preparation. A template for subproject stakeholder engagement plan was developed to guide stakeholder identification and analysis, information disclosure, public participation and formulation of grievance redress mechanism throughout the project lifecycle (see Annex 16).

Over the forty-year opening up, China has established comprehensive legal system governing land acquisition and resettlement, narrowing down the gaps with international best practices (e.g. OP 4.12, ESS5, etc.) The likely subprojects to be funded by HADFIC should strictly comply with the relevant laws and regulations of China governing land acquisition and resettlement. Subprojects are likely to newly build or expand some facilities related to crop and livestock production, such as organic fertilizer plants, slaughterhouses, and storage facilities as well. These facilities may involve a small part of land acquisition and resettlement. Mostly, these facilities are usually built in government-planned industrial parks, where the land is often acquired and reserved by local governments before determining projects. In a few cases, new land acquisition will be involved although the size may not be large. In PRC, land acquisition and resettlement are managed by the government. For the past land acquisition and resettlement, the challenges are how to and whether can find adequate evidences to demonstrate its compliance status. If some gaps are identified via due diligence review for past land acquisition, the enterprises would have limited influence on the government for correction. These risks with past resettlement should be fully considered for subproject ESRC. The new amendments on Land Administration Law (2019) will take effect on January 1, 2020, which strengthens upfront risk management for land acquisition to better protect the interests of affected farmers (Article 47) and substantially improved the key principles on compensation for land acquisition and resettlement to secure legal rights and livelihood sustainability for affected farmers. The new Land Administration Law thus to a greater extent bridges the gaps with ESS5, which will apply to new land acquisition and resettlement in the project. Since the footprint size of a new facility may not be large, the social associated with new land acquisition is considered moderate-low risk. Annex 8 provides a template to guide social due diligence, and Annex 13 presents the Resettlement Policy Framework applicable for a subproject with resettlement impact higher than minor. All the subprojects with minor resettlement will follow China’s laws and regulations on land acquisition and resettlement. Where a subproject involves land acquisition that affected people are physically displaced or lose more than 10% of their productive assets, ESS5 will apply and a Resettlement Action Plan (RAP) is required to be prepared in accordance with ESS5 prior to subproject approval.

China has adopted a policy of ethnic equality since 1949, in which all ethnic minorities are regarded as legally and constitutionally equal. Policies and regulations incorporate a variety of measures to address the needs of ethnic people, including the setup of autonomous governments at various levels, special considerations in education, and funding of programs for the development of ethnic minorities. The main legislative documents include: the Constitution of PRC (2004), the Ethnic Minority Autonomous Religion Law of PRC (2001), and Regulation on the Work of Administrative Urban Ethnic Minority (2001) as well. HADFIC and subproject enterprises will give full respect to the identity characteristics, dignity, human rights, lifestyles and cultural characteristics of ethnic minorities during project design and implementation process.
so that ethnic minorities can (i) obtain social and economic benefits that suit their cultural traditions; and (ii) be free of negative impact of subproject. The subproject impacts on ethnic minorities are mainly related to leasing of LUR, land acquisition and resettlement, job opportunities and special consideration for stakeholder engagement, etc. In consideration of the project geographical coverage and ethnic composition, the likelihood that one subproject causes negative impacts to ethnic minorities is low. The social risks related to ethnic minorities are thus considered as not significant. Once a subproject is identified to have adverse impacts on ethnic minorities, ESS7 will apply and an EMDP will be prepared following the Ethnic Minority Development Framework (Annex 14). The EMDP should be cleared by HADFIC prior to subproject approval.

The project is not envisaged to see large labor influx, even for expansion of plantation and livestock breeding bases. It is deemed as low on gender-based violence (GBV) risk. Due to the construction of some facilities, the traffic of vehicles and materials transported on the roads near the affected villages/communities may increase, which may affect the safety of villagers and the community especially in the remote areas where the local residents have low safety awareness. Given the size of each subproject and its wide dispersion throughout Henan Province, the subprojects should enhance road safety management for project-related vehicles and where appropriate enhance the safety awareness of the local community following the ESS4 and Chinese legal system. If other community health and safety risks are identified or arise during subproject implementation, the sub-borrowers, with the support of HADFIC and consultation with the World Bank will develop and implement procedures to prevent further impacts and risks.

The project aims to bring positive agriculture development in Henan Province and can contribute to rural poverty reduction and rural revitalization in the project areas. The project would potentially induce impacts on the vulnerable groups mainly because of the leasing of land use rights, land acquisition, temporary construction activities, etc. The vulnerable groups may cover the poverty families (living below the government required poverty threshold)\(^4\), people with disabilities, the widow, the female-headed families with dependent(s), the elderly (over 60 years old), the ethnic minorities, etc. China has a comprehensive policy framework to guarantee the basic livelihoods of vulnerable households. The laws and regulations include People with Disabilities Protection Law of China (amended in 2018), Implementation Method of People with Disabilities Protection Law of China of Henan Province (effective in 2012), The elderly Rights Protection Regulation of Henan Province (active on 1 Jan 2019), etc. Growth in agriculture and rising off-farm employment have drastically reduced rural poverty. Today, the goal of China’s government is the elimination of rural poverty by 2020, for which the achievements are impressive. The social risks and impacts on the vulnerable groups may not be significant in scale or magnitude in this project. Following the requirements of ESF, the ESMS will enhance the additional supports and arrangements for potential vulnerable groups in the annex tools to manage specific social risks and impacts, i.e., leasing of land use rights, labor management, stakeholder engagement, land acquisition, potential adverse effects on ethnic minorities.

\(^4\) As of 2019, the rural poverty threshold for the Henan Province is RMB 3,860 per capita per year.
Potential impacts related to introduction and promotion of multi-resistant varieties is subject to potential yield decrease and subsequent income loss to farmers. As indicated in Section 2.1, the introduction and promotion of multi-resistant varieties are strictly managed and supervised by designated authorities. Once farmers suffer financial loss due to using new seeds, local authorities will carry out the investigation to verify underlying causes. If such loss is attributed by the seeds of new varieties, the seeds companies should take responsibilities to compensate farmers under supervisions of local authorities. In practice, to avoid or minimize such impacts, social or commercial insurance is also encouraged to involve in introduction and promotion of multi-resistant varieties. Therefore, the social impacts of new varieties are expected to be controllable under the current China’s management system.

**Capacity and Commitments:** For existing fund portfolio management, the RCU of the HADFIC is responsible for evaluating project risks including social risks, which focuses on limited social elements, i.e. land use permit, payment for subproject worker wage and social pensions, for which HADFIC relies on external lawyers for due diligence review. There is no in-house E&S specialist with HADFIC. Currently, there are five staff in the RCU and their workload will be significantly increased by the World Bank project. HADFIC is required to set up an GAF Management Unit to act the roles of project management office (PMO) for daily operation of the GAF and sub-funds. A full-time environmental and social liaison focal point will be assigned in the GAF Management Unit. In addition, a dedicated, qualified and full-time environmental and social specialist will be hired in RCU, focusing on day-to-day implementation of the ESMS.

Three representatives of HADFIC participated in the ESF training organized by World Bank in 2019 and obtained basic knowledge on environmental and social risk assessment and management following the requirements of ESF. However, the project will involve very broader social issues. Managing some of the emerging social issues like leasing of LUR, labor and working conditions, stakeholder engagement, etc. requires dedicated human resources with appropriate technical expertise and extensive on-the-ground experiences. HADFIC’s environmental and social capacity needs to be further enhanced via implementing systematic capacity training programs.

The project will involve 30-50 subprojects in future. Most of the sub-borrowers are owners of SMEs in crop and livestock sector. Engagement with selective enterprise owners demonstrate they normally have certain experience on land leasing, land acquisition and resettlement, and environment assessment and pollution control. Their awareness and knowledge on labor and working conditions, stakeholder engagement, ethnic minority, community health and safety is minimum. Additional implementation support should be provided by HADFIC to sub-borrowers. Otherwise, lacking awareness by sub-borrowers will impose critical uncertainty for safeguards implementation at subproject level. HADFIC is committed to carry out due diligence of sub-borrower's capacity and customize appropriate mitigations.

**Other factors:** The social risks in the project are generally not complicated and the mitigations are fairly straightforward. China’s social management system (e.g. in the cases of Labor Law (2018), Land Contracting Law (2018), Land Administration Law (2019), etc.) continue evolving and narrowing down the gaps between ESF requirements. Under current context, the government has strengthened institutional arrangement and supervision efforts to ensure the laws are well enacted. However, a
few of the project’s social issues will rely on the government authorities to manage. The potential risk is that most of the participating enterprises are private SMEs and may potentially don’t have leverage over government. HADFIC is required to provide appropriate coordination as needed with government authorities to assure the local government will follow the requirements as set out in the ESMS. Without such, there is no other factor can be envisaged at this stage that would affect the delivery of social mitigation measures.

The overall social risk of the project is classified as Substantial largely because the size and magnitude of the risks relating leasing of LUR in both crop and livestock sectors and the emerging social issues such as stakeholder engagement in the project. In addition, any subproject with resettlement (unless the risks or impacts of resettlement are minor), negative risks or impact on ethnic minority, or significant risks or impacts or impacts on community health and safety, labor and working conditions, or cultural heritage will increase the social risk of the overall project to Substantial or High.

2.3 Exclusion List

HADFIC will screen all candidate subproject against the following exclusion list as part of its environmental and social screening process, and the following types of subprojects should be considered as ineligible and be excluded from the project financing:

- The Project is designed to support green agriculture activities with overall environmental objectives to reduce pollution, improve resources/energy efficiency, reduce pesticide use and improve food quality/safety. Subprojects that result in high pollution emission, high energy/resource consumption, significant increase of chemical pesticide use, are not eligible;
- Subproject activities outside Henan province;
- Generally, subprojects classified as “High” risk according to World Bank ESF are not eligible, unless agreed by the World Bank and meeting the requirements of relevant Environmental and Social Standards5;
- Subprojects that include introduction and promotion of genetically modified crop species are not eligible;
- Plantation and processing of tobacco products;
- Production of or trade in alcoholic beverages, excluding beer and wine;
- Species list in the national invasive species list;

5 In case “High” risk subprojects are to be funded under the Project, HADFIC shall obtain the prior approval of the World Bank in the risk screening stage. Meanwhile, the World Bank will upgrade the overall project risk level to “High” following the requirement of ESF. HADFIC will review and adjust, in a manner acceptable to the World Bank, the ESMS when the environmental and social risk profile is changed to High. Following the updated ESMS, the high-risk subprojects should be assessed, prepared and implemented to meet the relevant requirements of the ESSs that are applied.
• New construction of facilities within legally protected nature reserves, critical natural habitat, scenic areas or cultural heritage sites;

• Livestock subprojects that are located in livestock farming forbidden area established by local governments according to national laws/regulations;

• Subprojects involving negative impacts on ethnic minorities land, cultural heritage or requiring relocation for which free, prior and informed consent cannot be ascertained;

• Subprojects located within unacceptable distance from human settlements according to applicable national regulations;

• Enterprises/subprojects that involve any form of forced labor and/or child labor (under the age of 16 years old);

• Subproject that causes irreversible adverse environmental and social impacts even mitigation measures are taken;

• Subprojects that will involve conversion of basic farmland to establish structures (either temporary or permanent) and facilities without prior approval by the natural resources department;

• Enterprises that have been fined by relevant inspection departments but without timebound, technically viable, and cost-effective remedies to close the cases;

• Subprojects that are not permitted by national and local laws and regulations.
3 Policy and Procedures for Environmental and Social Management

The objectives of this ESMS are to set out policy, institutional arrangements, and operational procedures to exclude, screen, classify, assess and manage the environmental and social risks and impacts of the subprojects to be identified during the Project implementation stage. The ESMS also establishes procedures to continuously monitor environmental and social performance throughout the lifecycle of the Project. The ESMS is developed in accordance with the objectives and principles of national environmental and social management laws and regulations, as well as relevant key requirements of the World Bank’s ESFs.

The ESMS is designed as a management tool of HADFIC applicable to all subprojects under the GAF. Any subproject identified by HADFIC is subject to exclusion and screening for environmental and social risks and impacts as established by this ESMS, and should be classified, assessed and implemented following the procedures and requirements of this ESMS when eligible. Implementation arrangements of the ESMS are also a key element of the Environmental and Social Commitment Plan (ESCP), which is part of the legal agreement between the World Bank and the implementation agency (HADFIC).

Once proved effective, HADFIC may consider expanding this ESMS to cover other projects under HADFIC’s portfolio on a progressive basis, subject to review of experiences and lessons learned from the Project and proportionate to the risks in the portfolio.

The ESMS of HADFIC will be approved by the Board of Directors (or signed by the President) before the project loan effectiveness, which is committed in the ESCP. After approval, the ESMS as well as procedures and tools will be rolled out in a form of corporate operational regulation.

3.1 Environmental and Social Policy of HADFIC

Currently, HADFIC does not have a corporate environmental and social policy. Its corporate charter does not include provisions about corporate visions or goals on environmental and social management or commitment on broader objectives of sustainable development.

At the implementation level, though environmental and social risks are one of the key elements of overall investment risk review, HADFIC does not have a systematic environmental and social procedures for environmental and social risks screening and categorization, assessment, implementation monitoring, stakeholder engagement mechanism and communication arrangement.

Taking this World Bank funded project as an opportunity to improve its environmental and social risks management, HADFIC has developed an environmental and social policy, which establishes an ESMS for the implementation of the World Bank project and committed to formally adopt this system prior to the effectiveness of the Project, with adequate resources allocated to implement an ESMS enhancement action plan. This ESMS is to establish a systematic environmental and social procedure mainstreamed into its corporate operation processes for the management of the Project. This commitment is included in the Environmental and Social Commitment Plan (ESCP).
The newly developed E&S policy states:

“HADFIC sets out the corporate goal of achieving maintenance and appreciation of state-owned assets through investment in high quality projects in agriculture sector in Henan. It recognizes the importance of environmental and social aspects in its investment projects and strives to become a leading green investment entity in Henan to contribute to long-term sustainable development. Inspired by this vision, HADFIC is committed to supporting Henan enterprises in developing and implementing green agriculture projects in an environmentally and socially responsible way.

“HADFIC commits to carry out its investment activities with appropriate consideration for the environmental, social, health, safety and labor aspects related to the activities under the GAF financing. It will implement effective practices of environmental and social risks management in order to achieve the following objectives:

- Compliance with environmental and social requirements as established by national laws/regulations, as well as the World Bank ESF, and other relevant sector World Bank Group Environment, Health and Safety (EHS) guidelines;
- Continuous and meaningful stakeholder engagement and adequate disclosure/communication on environmental and social risks management;
- Promotion of international environmental and social best practices when possible and appropriate, and
- Encouraging green agriculture investment through exclusion of non-eligible activities as established by a clear exclusion list.”

“To this end, HADFIC commits to establish an Environmental and Social Management System in line with national laws and regulations, as well as the World Bank ESF, for the implementation of the Project. It is designed to avoid, minimize, reduce or mitigate environmental and social risks and impacts of the subprojects under HADFIC’s investment. The ESMS applies to all subprojects under the GAF investment.

“To carry out this policy, HADFIC will: (1) set up institutional arrangement for environmental and social risks management; (2) undertake its own due diligence of subprojects, proportionate to the nature and potential significance of the environmental and social risks and impacts related to the subprojects; (3) monitor the environmental and social performance of a subproject in accordance with national laws/regulations and relevant ESSs.”

As a key element of this ESMS, HADFIC will:

“adopt an environmental and social risk screening and classification system (consistent with the World Bank ESF approach) for its subprojects. This system takes into account relevant issues, such as type, location, scale and sensitivity of the subproject; nature and magnitude of potential environmental and social risks and impacts; and capacity of enterprises implementing the subprojects etc. All subprojects will be screened by HADFIC and be classified as one of the four classifications: “
• **“High Risk”:** The subproject is likely to generate a wide range of significant adverse risks and impacts on human populations or the environment, e.g. very large scale, complex, permanent, irreversible, or high probability of serious adverse effects to human health and ecosystem etc.

• **Substantial Risk:** The subproject may not be as complex as High Risk subprojects, its environmental and social scale and impact may be smaller (large to medium) and the location may not be in such a highly sensitive area, environmental and social risks and impacts are mostly temporary, predictable and/or reversible, and there are known and reliable mechanisms available to prevent or minimize such risks.

• **Moderate Risk:** The subproject is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and the potential adverse risks and impacts on human populations and/or the environment are not likely to be significant, predictable, temporary and/or reversible, site-specific, and can be easily mitigated in a predictable manner.

• **Low Risk:** Potential adverse risks to and impacts on human populations and/or the environment are likely to be minimal or negligible.”

During Project implementation, all the subprojects must be prepared and implemented in accordance with national/local environmental and social laws and regulations, and ESF requirements referred in the ESMS. All subprojects will be screened against exclusion list as defined for the Project, and classified accordingly proportionate to the environmental and social risk level. For subprojects that are classified as Low or Moderate risks, compliance with national/local laws and regulation for environmental and social risk and impact assessment is adequate for GAF funding. For subprojects that involve resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on ethnic minorities, or significant risks or impacts on environment, community health and safety, labor and working conditions, biodiversity or cultural heritage, these subprojects shall be classified as Substantial or High risks, and relevant requirements of the World Bank’s ESSs (as listed in Annex 4) shall apply.

### 3.2 Environmental and Social Management Procedures

Currently, HADFIC has a sound 12-step investment decision cycle, in which environmental and social risks are considered as part of the overall investment risk control. According to HADFIC’s *Fund Management Operation Directive*, the following steps are involved in the lifecycle of its subproject investment, i.e. from subproject identification to exit (see Figure 3-1).

Under the committed ESMS for the implementation of the Project, a systematic environmental and social management procedures is developed and mainstreamed into the existing decision processes, as described below.
Figure 3-1 HADFIC Investment Decision Cycle and E&S Procedures
Step 1: Enterprise/Subproject Collection

As the dedicated management unit for GAF, the GAF Management Unit is responsible for collection of candidate subprojects and establishment of a subproject pool, in accordance with the investment focus areas of GAF as described in Section 1.2. The sources of the subprojects include: proactive exploration by the team, self-recommendations from enterprises, recommendations from government agencies and other partners, etc.

E&S Risk Management Activities:
- The exclusion list provided in Section 2.3 will be used during the enterprise/subproject collection and pool establishment to exclude those subprojects that are ineligible for GAF funding.

Step 2: Preliminary Investigation/Screening

For the subprojects collected, the GAF Management Unit will organize preliminary screening, identify a list of candidate subprojects, assign a project team leader to conduct data collection and preliminary investigation.

At this stage, the staff of GAF Management Unit will conduct preliminary investigation on the potential subprojects, including collection information on: (1) general information of the enterprise; (2) development stage of the enterprise (incubation, establishment, developing, expansion, or mature); (3) uniqueness of products/services; (4) research and development status; (5) sectoral context, market potential and competitiveness; (6) marketing plan; (7) profitability and economic analysis; (8) main management staff and capacity assessment; (9) fund demand and use; and (10) environmental and social information.

E&S Risk Management Activities:
- Collect environmental and social information, such as subproject type, scale, location and sensitivity of environmental & social context, nature and magnitude of potential risks/impacts, relevant governmental approval documents and compliance proof, etc.;
- Conduct field investigation for observation and verification of environmental and social information;
- Based on the information collected, GAF Management Unit conducts the environmental and social risks screening and initial risk classification using the tool and guidance provided in Annex 5 Environmental and Social Risk Screening Tool and Annex 6 Guidance on Subproject Classification, and then prepares an Environmental and Social Risk Classification (ESRC) report in terms of outline detailed in Annex 7.

Step 3: Subproject Identification Meeting

Upon the completion of preliminary investigation, HADFIC will organize a subproject identification committee to review and approve the further preparation of the subproject for GAF funding from the perspectives of investment value, sectoral development, market potential, enterprise capacity, and environmental and social risks.
The identification meeting will be chaired by the senior vice-manager of HADFIC in charge of GAF, with participation of GAF Management Unit and RCU, and the external environmental and social consultants. At this meeting, environmental and social risks are one of the key factors that are considered for decision making. The specific E&S activities at the step of subproject identification are as follows:

**E&S Risk Management Activities:**

- GAF Management Unit will prepare a Preliminary Investigation Report with initial environmental and social screening and classification results;

- The key role of environmental and social risks management will be played by RCU (with assistance from HADFIC’s external environmental and social consultants) to review the environmental and social screening and classification results. The project identification meeting will make the following decisions in terms of environmental and social management:

  a) Confirm whether proposed subproject belongs to the exclusion list in Section 2.3. If yes, the proposed subproject will be rejected.

  b) Decide whether the preliminary information is adequate for environmental and social risk screening and classification. If not, or the risk is found to be substantial, the meeting shall decide whether further field investigation is needed;

  c) Confirm the overall environmental and social risk rating for the candidate subproject, i.e. Low, Moderate, Substantial or High. If a sub-project involves affected people are physically displaced and more than 10% of their productive assets are lost, adverse impacts on Indigenous Peoples or significant risks or impacts on environment, community health and safety, labor and working conditions, biodiversity or cultural heritage, then HADFIC shall classify this subproject as Substantial or High.

  d) For subprojects rated as Substantial or above, external environmental and social experts of HADFIC will be engaged to participate in the further steps of subproject preparation and implementation monitoring as necessary;

  e) Whenever any subproject is classified as High Risk, and HADFIC decided to proceed with detailed investigation and further preparation for the financing of GAF, HADFIC shall inform the World Bank for prior agreement.

  f) For “High” risk sub-projects, the World Bank may require HADFIC to engage one or more internationally recognized independent experts to provide independent advice and oversight to the project.

- In the early stage of the Project implementation, HADFIC will keep timely communication with the World Bank team in terms of risk screening and risk classification results as early as possible.

**Step 4: Due Diligence Investigation**

Once the subproject is confirmed in the project identification meeting, the project team of GAF Management Unit will manage detailed due diligence investigation on the subproject enterprises, including overall investigation and specific investigation on financial and legal aspects. For low and moderate-risk subprojects, the due diligence

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6 The Project is classified as Substantial by the World Bank as a whole. Any financing of High Risk subproject would need prior agreement by the World Bank at the subproject identification stage. Meanwhile, World Bank needs to upgrade the overall project risk level from Substantial to High in its system accordingly.
review will be carried out by HADFIC’s project team; whilst for the substantial and high-risk subprojects, qualified external environmental and social experts will be engaged to support HADFIC’s project team to carry out the due diligence investigation.

The detailed due diligence will be conducted by field investigation, interview with relevant staff of the enterprise, consultation with other stakeholders relevant to the enterprise, including partner enterprises, competitors, suppliers, clients, banks, relevant government departments, etc. Particular attention is paid on the enterprise’s management and team, market and business model, financial management and associated transactions, and environmental and social risks.

<table>
<thead>
<tr>
<th>E&amp;S Risk Management Activities:</th>
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<tbody>
<tr>
<td>• Environmental and social due diligence is one of the key aspects of the investigation of HADFIC. Project team of HADFIC will review the environmental and social risks and performance of the subproject enterprise, identify gaps and recommend filling measures/corrective actions;</td>
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<tr>
<td>• The following data and documents will be collected from the subproject enterprise as part of the E&amp;S due diligence review:</td>
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<tr>
<td>a) Project feasibility report, or preliminary design or detailed design reports;</td>
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<td>b) Project approval issued by in charge government agencies;</td>
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<td>c) Domestic EIA documents (EIA Report and/or EIA Form);</td>
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<td>d) EIA approval document by relevant environment protection agencies;</td>
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<td>e) Social stability risk assessment report when applicable;</td>
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<tr>
<td>f) Land use certificate or land pre-examination approval document issued by land resources departments;</td>
</tr>
<tr>
<td>g) For land acquisition completed within the recent three years, provide evidence of compensation payment to the affected people or relevant documents; for temporary land occupation, provide compensation or lease agreements with affected people; and the affected attachments, provide copies of compensation agreements or evidence of compensation payment. or compensation agreements with affected people;</td>
</tr>
<tr>
<td>h) For those subprojects involving in leasing of land use right, provide evidence of leasing of land use right, agreements of leasing of land use right, receipts of rent payment, and so on.</td>
</tr>
<tr>
<td>i) Policies on labor recruitment, working conditions, compensation and benefits provided to staff</td>
</tr>
<tr>
<td>j) Subproject enterprise’s track record with respect to stakeholder engagement, efficiency of the grievance mechanism</td>
</tr>
<tr>
<td>k) Any other approval documents, qualification certificate for certain special sector projects if applicable, e.g. safety assessment, occupational hazard assessment, and relevant government approval etc.</td>
</tr>
</tbody>
</table>

For a Subproject involving facilities and/or business activities that already exist or are under construction, the subproject enterprise will undertake a social compliance audit, and submit the draft social due diligence report (SDDR) to HADFIC for
clearance before the subproject is approved. The indicative outline of SDDR is detailed in *Annex 8*. 
Step 5: Internal Review Meeting

Based on the detailed investigation results, the project team will prepare a Project Due Diligence Investigation Report and submitted to the RCU for review. RCU will review the overall risks of sectoral, legal, financial, green technology, and environmental and social aspects, and organize an internal review meeting to confirm the adequacy of due diligence.

### E&S Risk Management Activities:

- Up on receipt of due diligence reports and E&S documents, RCU (with the assistance of the external environmental and social consultants) will conduct detailed review, and conduct field visits to all subprojects that are classified as Substantial and High. RCU's review will make the following decisions:
  
  a) Confirm whether the risk classification needs to be adjusted or not, given the new findings from detailed due diligence review. When the risk of a subproject is increased from "low" or "moderate" to "High", then HADFIC shall obtain the agreement from the World Bank, and apply the relevant requirements of ESSs;
  
  b) Confirm whether the subproject complies with national environmental and social laws and regulations. For subprojects that are classified as Low and Moderate risks, compliance with national laws and regulations are adequate for GAF funding;
  
  c) For subprojects that involve resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on environment, community health and safety, labor and working conditions, biodiversity or cultural heritage, they shall be classified as “Substantial” or “High” risks, and relevant requirements of the World Bank’s ESSs shall be met too. RCU (with assistance by external consultants) will identify the inadequacy or gaps of the existing E&S documents against ESSs, and require additional documents to be prepared;
  
  d) These additional documents will be prepared by the subproject enterprise, and submitted to the RCU of HADFIC for approval;
  
  e) In the process of detailed due diligence investigation, the RCU and its external environmental and social experts may keep timely communication with the World Bank team on requirements of additional E&S documentations;
  
  f) For the first three High or Substantial sub-projects representative of the typology of the sub-projects, HADFIC will send the E&S document package to the Bank for prior review and clearance. The Bank will retain the right of prior review and clearance of subprojects until HADFIC can demonstrate

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7 Two other special reports are also prepared, i.e. Financial Investigation Report, and Legal Investigation Report.
Depending upon specific situations, the additional documents as required by ESSs may include:

- When a subproject involves leasing of land use rights, the proposed measures for mitigating the risks and strengthening the implementation procedures as set forth in Annex 3 should be taken as appropriate.

- When a subproject is classified as Substantial (or High) risk, an Environmental Impact Assessment (if the existing EIA is not adequate) and a Social Impact Assessment (or a combined Environmental and Social Impact Assessment report), as well as an Environmental and Social Management Plan (ESMP) shall be prepared following the substance requirements of Annex 9.

- When a subproject involves significant pest management issues (such as locust control, mosquito or other disease vector control, bird control or rodent control), or lead to significant pest and pesticide issues (such as new land development or changed cultivation practice; diversification into new crops; intensification of existing low technology systems; procurement of relatively hazardous pesticides etc.), then a Pest Management Plan (PMP) is required to be prepared, see Annex 10.

- When environmental and social assessment of a subproject determines there are significant risks or impacts on labor and working conditions, a Labor Management Plan (LMP) needs to be prepared and implemented, See Annex 12.

- When a subproject involves land acquisition that affected people are physically displaced or lose more than 10% of their productive assets, a Resettlement Action Plan (RAP) is required to be prepared, see Annex 13.

- When a subproject involves adverse risks and impacts on ethnic minority peoples, then an Ethnic Minority Development Plan (EMDP) is required be prepared, see Annex 14.

- If a subproject is screened with environmental and/or social risks, a Stakeholder Engagement Plan (SEP) will be prepared and implemented by the sub-project enterprises. See Annex 16 for the template of subproject SEP.

**Step 6: Investment Negotiation**

Along with the detailed due diligence review, HADFIC will establish subproject negotiation team, led by General Manager or Vice Manager in charge and staff from GAF Management Unit and RCU, to engage negotiation with the subproject enterprise. The key contents of negotiation include agreement on development strategy; key findings of due diligence investigation and remedial actions for E&S gaps identified; investment transaction structure; and investment risk guarantee mechanism, etc.

At this stage, a Main Investment Terms will be developed by the project team based on mutual agreement between HADFIC and the enterprise. At the end of negotiation, the project team of GAF Management Unit will prepare an Investment Proposal based
on the further information obtained after detailed due diligence investigation and the Main Investment Terms agreed with the enterprise.

**E&S Risk Management Activities:**
- Among the other provisions, environmental and social provisions are incorporated into the investment terms, which requires commitment from subproject enterprise to implement.

**Step 7: RCU Opinion**

After negotiation, the **Investment Proposal** will be submitted to RCU. Upon receipt of the **Investment Proposal**, RCU will organize the risk control review meeting, chaired by the vice-manager of HADFIC in charge of risk control unit. The meeting will review the **Investment Proposal**, **Project Due Diligence Investigation Report**, and other special reports such as **Financial Investigation Report**.

**E&S Risk Management Activities:**
- At this stage, RCU will make sure environmental and social management provisions are adequately incorporated into the project implementation arrangement with agreement and commitment from the subproject enterprise.

**Step 8: Fund Investment Decision Committee Approval**

With RCU’s risk control opinions, the finalized Investment Proposal, together with other necessary documents, are then submitted to Fund Investment Decision Committee (FIDC).

Each fund (GAF, and sub-funds if any) has its own FIDC, which normally consists of 5 members, including members assigned by HADFIC, external experts invited by HADFIC, and representative from social capital partner in case of sub-fund with social capital participation.

HADFIC will make investment decision based on integral considerations of due diligence investigation reports, investment proposal, environmental and social risks assessment and opinions, green technology assessment etc.

**E&S Risk Management Activities:**
- In this step, the E&S risks assessment opinion from RCU is one of the key elements that is factored into the decision-making process. HADFIC will take full account of the E&S risks to make an informed decision, to ensure that the E&S risks of subprojects can be adequately avoided, minimized, mitigated or otherwise compensated in line with the requirements of the ESMS.

**Step 9: Signing Agreement**

Once approved by the committee, HADFIC will sign investment agreement based on the agreed investment terms and FIDC’s approval.
**E&S Risk Management Activities:**

- At this stage, necessary environmental and social commitments of subproject enterprises are included as part of the investment agreement, in the format of standard E&S provisions, for implementation.

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**Step 10: Fund Disbursement**

Based on signed agreement and up on the satisfaction of disbursement conditions, Financial Management Department will disburse the fund to the subproject enterprise.

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**E&S Risk Management Activities:**

- At this stage, HADFIC shall confirm the satisfaction of any environmental and social as agreed as conditions for fund disbursement. When such conditions are not met, fund will be not be disbursed until such conditions are met to the satisfaction of HADFIC.

- In case significant issues happen before fund disbursement which may impact the investment (this include significant environmental and social risks or events), GAF Management Unit will report to the internal investment committee who may hold the fund disbursement and report to FIDC. If such risks cannot be satisfactorily resolved, FIDC may decide to cancel the investment. If the risk level increased from a lower level to “High”, then HADFIC shall obtain consent from the World Bank before investment approval decision.

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**Step 11: Post Investment Management**

During the implementation of the invested subprojects under GAF, HASFIC’s GAF Management Unit will be in charge of post-investment management, including:

- Establish subproject filing system, organize field monitoring and evaluation of the subproject implementation in terms of operation, financial status, and environmental and social performance against requirements of this ESMS;

- Timely keep tracking of the implementation status of the subproject, provide periodic working reports and financial reports, analyze the operation status and provide management suggestions;

- Assist the subproject on value-added services such as fund raising, re-financing, planning for public listing etc.;

- Collection of investment dividend;

- Other relevant works.

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**E&S Risk Management Activities:**
Step 12: Exit

HADFIC will exit the subproject investment in the following scenarios: (a) when the subproject enterprise is publicly listed, HADFIC may sell all its shares; (b) HADFIC transfer its share to other investors; (c) HADFIC sell its shares to other shareholders of the enterprise; and (d) other methods of cashing the share.

The procedure for GAF subproject investment exit is as follows:

- Designated director or supervisor (if any) proposes the exit proposal, based on which GAF Management Unit prepares an exit plan;
- RCU conducts risk assessment for the exit plan, and provides an Exit Risk Assessment;
- HADFIC’s internal investment committee makes decision;
- Once approved by the internal committee, the plan is sent to FIDC for decision;
- Once approved by FIDC, GAF Management Unit will proceed the exit process in accordance with the Corporate Law of the People’s Republic of China and relevant laws and regulations.

E&S Risk Management Activities:

- RCU conducts environmental and social risks evaluation for the investment exit and inform the exit decision.

3.3 Monitoring and Reporting

Monitoring and reporting is an important post-investment task during the subproject implementation, for which the primary responsibility rests with GAF Management Unit of HADFIC. Among other aspects of post-investment, environmental and social performance monitoring is one of the key parts of monitoring.

Specifically, for environmental and social performance management, the GAF Management Unit will conduct the following tasks:

- Periodical review of effectiveness of HADFIC’s ESMS;
- Subproject enterprises are required to provide semi-annual E&S reports to HADFIC to report its E&S performance and compliance, including institutional and staff arrangement, management system, actual performance of pollution control measures and compliance status, performances of relevant social elements as required by ESF, accidents (if any), community communication and relationships etc.;
- GAF Management Unit will monitor the subproject’s environmental and social compliance based on local legal compliance, E&S clauses in the legal agreement and timely implementation of ESCP;
• For Low and Moderate risk subprojects, GAF Management Unit staff will conduct field visit to assess the actual environmental and social performance at least once every six-month. For Substantial (and High if applicable) subprojects, GAF Management Unit will strengthen supervision and increase of frequency of field visit to the project to at least once every quarter;

• The assessment of environmental and social performance includes multiple aspects, such as pollution control measures and compliance, labor management, work safety, community impact and public health, energy consumption, land acquisition and compensation implementation, feedbacks from public and relevant government departments etc.;

• The key findings of environmental and social performance of the subprojects will be fully reflected in the each field visit by GAF Management Unit which will be reviewed the senior management and RCU;

• When non-compliance is identified, HADFIC shall require time-bound remedial action by the subproject enterprises. If the enterprise failed to address the non-compliance by the time required, HADFIC will adopt necessary remedial actions, not excluding suspension of investment or exit;

• For those subprojects identified by GAF Management Unit with increasing environmental and social risk level, HADFIC should document the findings and inform the World Bank of such changes. Additional mitigation measures may be needed to address increasing environmental and social risks;

• If HADFIC finds that any incidents or accidents happen during the subproject implementation, it will immediately report to the World Bank on: enterprises/subproject involved; nature of accident; time and location, known damages and injury/fatality, whether it has been controlled, actions taken by clients/government departments; reason of accidents (or whether investigation has been engaged), preventive measures of the client for future accident prevention etc. The World Bank will follow up with HADFIC on the tracking of accidents investigation and resolution as necessary;

• HADFIC will submit Semi-annual Environmental and Social Report on the World Bank GAF portfolio, including environmental and social management setup and procedures, environmental and social risks of all subprojects, environmental and social performance of subprojects, key issues identified and remedial actions, any accidents related information etc.
4 Organizational Structure and Competency

The GAF under the World Bank project will be managed as a separate portfolio by HADFIC, with a dedicated GAF Management Unit established solely for the whole process of fund management. Sub-fund(s) under the GAF may be established by HADFIC by absorbing private capital and/or other financial resources, while such sub-fund(s) will also be directly managed by HADFIC (i.e. by GAF Management Unit), therefore, HADFIC will act as the only FI for the implementation of the World Bank project, and no sub-FIs is involved.

4.1 Current Organization Structure and Competency

The organizational structure of HADFIC is shown in Figure 4-1.

![Figure 4-1 Organization Chart of HADFIC](image)

Within HADFIC, there are nine units under the senior management level currently, i.e. Financing Development Unit 1 and 2, Fund Management Unit 1/2/3, Research and Development Unit, Financial Management Unit, General Management Unit, Risk Control Unit. The main responsibilities of these units are summarized in Table 4-1.

<table>
<thead>
<tr>
<th>Table 4-1 Responsibilities of Units of HADFIC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HADFIC Units</strong></td>
</tr>
<tr>
<td>Senior Management</td>
</tr>
<tr>
<td>Research and Development Unit</td>
</tr>
<tr>
<td>Financing Development Unit 1/2</td>
</tr>
</tbody>
</table>
### HADFIC Units

<table>
<thead>
<tr>
<th>HADFIC Units</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>fund and continuing exiting funds; expand cooperation at local levels;</td>
</tr>
<tr>
<td></td>
<td>Unit 2: Research of new financial model and tools; development and maintenance of social financing; organization of application, due diligence and establishment of trust fund; establishment of general partner and limited partner pools.</td>
</tr>
<tr>
<td>Fund Management Unit 1/2/3</td>
<td>Unit 1: Management of agriculture related funds; Unit 2: Management enterprise-related funds (excluding agriculture sector) as trustee; Unit 3: Management equity fund as trustee.</td>
</tr>
<tr>
<td>Financial Management Unit</td>
<td>Financial management works including budgeting, accounting, financial analysis, tax management and asset management.</td>
</tr>
<tr>
<td>General Management Unit</td>
<td>Institutional system development, planning management, human resources, administrative and logistics etc.</td>
</tr>
<tr>
<td>Risk Control Unit</td>
<td>Establishment of risk control system; overall risk control of projects and corporate portfolio; internal audit and cooperation with external audit agents; legal affairs; selection and management of agent; etc.</td>
</tr>
</tbody>
</table>

The overall environmental and social risk control is under the responsibility of the RCU at the corporate level. While the environmental and social due diligence and post-investment management is conducted by the Fund Management Unit.

### Risk Control Unit

RCU is an existing unit in HADFIC and is responsible for overall risk control at corporate level, with integrated review on investment risks, enterprise operation risks, policy risks (e.g. monetary policy, fiscal policy, administrative policy, regional development policy), legal risks and implementation risks. Currently, the key risks that RCU focuses in include:

- Overall compliance risk of investment activities: whether the project investment is in line with national laws and regulations, sectoral policies, fund partner agreements, fund charter or other documents;

- Project operation risks, including sectoral risks, business model risks, project management team building risks, financial risks of project enterprises, legal risks (in terms of legacy issues of the project company, environmental compliance, firefighting risk control compliance, social security and pension payment, labor contracts, intellectual property protection etc.);

- Risks of investment security provisions, i.e. feasibility and completeness of investment model, pricing, guarantee measures, performance guarantee, gambling terms, buy back and exit provisions etc.

Currently, there are five staff in the RCU with various backgrounds of fields, such as legal, financial, economy and trade. In general, there is a lack of in-house expertise in the field of environmental and social safeguards in RCU. Since the founding of HADFIC,
investment has been made to 266 projects, among which 84 are in agriculture sector. Some experiences of E&S control have been accumulated from these project investments. While, the current risk control practice mainly relies on legal compliance check following the country system, and HADFIC has no prior experiences on the World Bank’s E&S requirements.

**Fund Management Unit (FMU)**

The detailed due diligence review for a candidate project is conducted by a project team established by the FMU, with engagement of external law firms and accounting firms. Environmental and social due diligence is a key element of the overall due diligence review practice, and is mainly conducted through legal compliance check by external lawyers, i.e. relevant government approval and certificate/permit, administrative orders related to environmental and social performance etc.

During the project implementation, FMU is responsible for post-investment management. These include monitoring the operation performance and financial status of the invested enterprises. Environmental and social risks are also monitored in practice, however, there is no explicit environmental and social performance monitoring and reporting requirements in HADFIC’s current operational directive.

Currently, there are 14 staff in the FMU, with professional backgrounds from the fields of business administration, law, finance, accounting, economy, statistics and life science. Generally, there is a lack of in-house expertise in the field of environmental and social safeguards in FMU.

**4.2 Institutional Gap and Enhancement Objectives**

For the implementation of the Project, the institutional arrangement and capacity of HADFIC need further enhancement to address the following gaps, in order to meet the requirements of World Bank ESS9:

- Lack of a clear mandate and responsibility at senior management for the environmental and social risks management;
- Lack of a competent environmental and social specialist with proper technical background and professional experience at the RCU in charge of environmental and social risks review and approval at the key steps of investment cycle;
- Lack of professional environmental and social expertise in general for environmental and social risks screening, classification, assessment and performance evaluation during the subproject investment cycle;
- Lack of general knowledge of environmental and social risks management among HADFIC staff, and relevant stakeholders, especially the knowledge in relation to the World Bank ESF.

An action plan is committed by HADFIC to enhance its institutional capacity for implementing the ESMS with clearly defined roles and responsibilities. These commitments are included in the time-bounded ESCP.

Other gaps on the E&S policy, procedure, monitoring and reporting, stakeholder engagement and GRM are addressed in Chapter 3 and 5 respectively, and actions are
also included in the ESCP.

4.3 Institutional Enhancement Action Plan

For the implementation of the Project, HAFIC is committed to adopt the following institutional and capacity development plan to address the gaps identified above, which are summarized in an Environmental and Social Management Institution and Capacity Enhancement Action Plan in Annex 17.

4.3.1 Assign one Senior Vice-Manager for Environmental and Social Risk Management

HADFIC will appoint one senior vice-manager at the corporate level to be responsible for the overall environmental and social risks management for GAF operations. The senior manager shall be kept informed of environmental and social risks management status of all the subprojects under the GAF and provide guidance and support on fulfilling the environmental and social requirements of both national laws/regulations and applicable World Bank ESSs.

4.3.2 Recruit One Environmental Specialist and One Social Specialist in the Risk Control Unit

For the implementation of the World Bank project, RCU will play a key role in environmental and social compliance review at project identification and risk screening stage, detailed due diligence investigation stage, negotiation and investment decision stage. Therefore, **HADFIC will recruit one directly employed environmental specialist and one social risk management specialist at RCU**, responsible for E&S risks screening and classification, verification, periodic monitoring and provision of guidance on environmental and social risk management. Their responsibilities are to:

- Conduct E&S screening and classification on subprojects based on preliminary investigation findings;
- Verify the E&S documents submitted from enterprises and the project team of GAF Management Unit after detailed due diligence investigation;
- Conduct periodic monitoring on E&S reports during post-investment stage;
- Conduct E&S risk evaluation to inform the exit decision;
- Provide guidance on E&S risk management to subproject enterprises as necessary;
- Prepare E&S risk report in line with the World Bank requirements;
- Provide safeguards implementation support to enterprises financed by the project;
- Provide guidance on leasing of land use right, labor management, and stakeholder engagement, and the like, to subproject enterprises as necessary;
- Other E&S related works.

The qualification requirements of these two E&S specialists are: master degree (or
above); education background of environmental fields such as environmental management, environmental impact assessment, environmental engineering, pollution control or natural resource management (for environmental specialist), and social related fields such as law, public management, management engineering, land administration, or sociology (for social specialist); at least ten years of environmental and social risk and impact management and experience on land use and management to the project.

4.3.3 Establish a Dedicated Unit for GAF Operation Management
For the implementation of the World Bank project, HADFIC will establish an GAF Management Unit – to be responsible for the management of GAF (and any sub-funds under the GAF), covering the whole process of subproject identification, preparation, negotiation and implementation monitoring.

Among the subproject management activities, environmental and social risks and impacts management is one of the key tasks of GAF Management Unit and mainstreamed in the business operation procedures developed by HADFIC for GAF management (as described in section 3.2).

The GAF Management Unit will include 5-7 staff. All staff will be required to take adequate training on environmental and social risk management knowledge and ESMS requirements for the implementation of the Project. One staff will be assigned as the E&S liaison person, with the responsibility of liaison with the World Bank and other internal/external stakeholders on the matters of environmental and social risk management.

4.3.4 Hire External Environmental and Social Experts
Given the technical specialty of environmental and social risks management, HADFIC will engage at least one external environmental expert and one external social expert to assist with the subproject risks screening, classification, compliance review and implementation advices. The key qualification and responsibilities of appointed external environmental and social experts are elaborated in Table 4-2. At this Appraisal stage, the inputs for external experts over the 5-year project implementation period are estimated with around 200 person-months. The external expert professional fee is budgeted at 3 million Yuan.

Table 4-2 Key Qualification of External Environmental and Social Experts

<table>
<thead>
<tr>
<th>Item</th>
<th>Environmental experts</th>
<th>Social experts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Qualifications</strong></td>
<td>• Having rich expertise in environmental impact assessment and environmental management with at least 10 years’ experience in this field.</td>
<td>• Having rich expertise in social impact assessment and social management with at least 10 years’ experience in this field, especially knowledge on leasing of LUR, labor management and stakeholder engagement, and so on.</td>
</tr>
<tr>
<td></td>
<td>• Familiar with both the World Bank’s and China’s environmental policies and legislation, with recent experience of World Bank-financed projects in last three</td>
<td>• Familiar with both the World Bank’s and China’s social policies and legislation, with</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Item</th>
<th>Environmental experts</th>
<th>Social experts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>years.</td>
<td>recent experience of World Bank-financed projects in last three years.</td>
</tr>
<tr>
<td></td>
<td>• Familiar with agriculture sector.</td>
<td>• Familiar with agriculture sector.</td>
</tr>
</tbody>
</table>

**Key Responsibilities**

- Assist HADFIC to conduct environmental screening and environmental due diligence for potential subprojects.
- Assist HADFIC to review E&S document against the ESMS requirements during subproject preparation and assist RCU to make decisions.
- Assist HADFIC to monitor environmental compliance of subprojects during implementation with the provision of supports to improve the performance when needed.
- Assist the HADFIC to assess the environmental risks for investment exit;
- Assist HADFIC to provide environmental risk management training to enterprises;
- Assist the HADFIC to prepare E&S reports as per World Bank requirements;
- Other E&S related works as required by HADFIC.

- Assist HADFIC to conduct social screening and social due diligence for potential subprojects.
- Assist HADFIC to review E&S document against the ESMS requirements during subproject preparation.
- Assist HADFIC to monitor the compliance of social performance during subproject implementation with the provision of supports to improve the performance when needed.
- Assist the HADFIC to assess the social risks for investment exit;
- Assist HADFIC to provide social risk management training to enterprises;
- Assist the HADFIC to prepare E&S risk reports as per World Bank requirements;
- Other E&S related works as required by HADFIC.

**4.3.5 Conduct Capacity Training**

As HADFIC does not have previous experiences of projects with the World Bank or other international financial institutions, and thus it is not familiar with the World Bank environmental and social management policies and requirements.

While, HADFIC is strongly committed to strengthen its institutional arrangement and capacity building through the implementation of the Project. In addition to commitment of development of environmental and social management policies and institutional setup as described in Section 4.1, HADFIC also committed to implement a capacity training program as part of the technical assistance component designed in the Project, to strengthen environmental and social risk management capacity and skills at GAF Management Unit, RCU and HADFIC management, as well as subproject clients as necessary for better and effective risks and impacts management.

The objective of the training program is to ensure all the staff of HADFIC involved in the World Bank project implementation are covered by the training on the World Bank policies and requirements.
ESF, HADFIC’s ESMS and relevant national laws/regulations. HADFIC will also ensure that the environmental and social staff in GAF Management Unit and RCU receive ESF training organized by the World Bank prior to or during the Project implementation period.

The training program will be organized through three types of training during the Project implementation, i.e. general E&S training, special topics training, and enterprises-oriented training, as shown in Table 4-3.

**Table 4-3 Capacity Training Plan**

<table>
<thead>
<tr>
<th>1. General Environmental and Social Risk Management Training</th>
<th>Training Contents</th>
<th>Target Audience</th>
<th>Place</th>
<th>Time</th>
<th>Person-times</th>
<th>Budget (Yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National laws and regulations on E&amp;S management; World Bank ESF and ESSs; HADFIC’s ESMS and procedures;</td>
<td>HADFIC Staff, including (not limited to) senior management, ICU and RCU staff</td>
<td>Zhengzhou</td>
<td>2d</td>
<td>30</td>
<td>120,000</td>
<td></td>
</tr>
<tr>
<td>Domestic study tour on E&amp;S management</td>
<td>HADFIC Staff, including (not limited to) senior management, ICU and RCU staff</td>
<td>Out of province</td>
<td>2d</td>
<td>10</td>
<td>225,000</td>
<td></td>
</tr>
<tr>
<td>Study tour on E&amp;S management</td>
<td>HADFIC Staff, such as senior management, ICU and RCU staff</td>
<td>Overseas</td>
<td>5d</td>
<td>5</td>
<td>405,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Special Topics Training</th>
<th>Training Contents</th>
<th>Target Audience</th>
<th>Place</th>
<th>Time</th>
<th>Person-times</th>
<th>Budget (Yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land leasing</td>
<td>HADFIC Staff, including (not limited to) senior management, ICU and RCU staff</td>
<td>Zhengzhou</td>
<td>2d</td>
<td>30</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>Labor management</td>
<td>HADFIC Staff, including (not limited to) senior management, ICU and RCU staff</td>
<td>Out of province</td>
<td>2d</td>
<td>10</td>
<td>180,000</td>
<td></td>
</tr>
</tbody>
</table>
### Stakeholder engagement

| HADFIC Staff, including (not limited to) senior management, ICU and RCU staff | Out of province | 2d | 10 | 180,000 |

### Study tour on E&S management

| HADFIC Staff, including (not limited to) senior management, ICU and RCU staff | Out of province | 3d | 10 | 240,000 |

### 3. Subproject Enterprise-Oriented Training

<table>
<thead>
<tr>
<th>Training Contents</th>
<th>Target Audience</th>
<th>Place</th>
<th>Time</th>
<th>Person-times</th>
<th>Budget (Yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National laws and regulations; World Bank ESF and ESSs; HADFIC’s ESMS and implementation requirements; E&amp;S management plan, stakeholder engagement, grievance redress system</td>
<td>Subproject clients applying for GAF (owners and risk management staff)</td>
<td>Zhengzhou</td>
<td>1d X 5 times</td>
<td>200</td>
<td>300,000</td>
</tr>
</tbody>
</table>

| Total | 1,800,000 |
5 Stakeholder Engagement and Grievance Redress Mechanism

5.1 Identification and Analysis of Key Stakeholders

The stakeholders refer to groups and individuals who will be affected by those subprojects financed by HADFIC and those groups and individuals who might have interest in the project. The stakeholders cover a wide range of parties. They include staff of HADFIC, potential subproject implementing agencies, and government-related departments, contractors, and related enterprises involved in implementation of subprojects as well as those individuals and groups who might be affected during construction and operation of individual subprojects to be financed by HADFIC.

At HADFIC corporate level, the key stakeholders involved in the Project include HADFIC, government-related departments and subproject enterprises. Their different roles and influence on the Project are identified in below Table 5-1.

Table 5-1 Key Stakeholders and Their Roles at HADFIC Level

<table>
<thead>
<tr>
<th>No</th>
<th>Stakeholders</th>
<th>Interaction with project</th>
<th>Role in the Project</th>
<th>Attitude to the Project</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government-related departments at provincial level</td>
<td>Control conformity of the project with national laws and regulations</td>
<td>Coordination and governance</td>
<td>Support</td>
<td>high</td>
</tr>
<tr>
<td>2</td>
<td>HADFIC</td>
<td>Ensure operational implementation of the project</td>
<td>Fund management and operation</td>
<td>Positive</td>
<td>high</td>
</tr>
<tr>
<td>3</td>
<td>Subproject enterprises</td>
<td>Ensure the design, construction and operation of the subproject to be funded by the loan</td>
<td>Implementation subproject</td>
<td>Positive</td>
<td>high</td>
</tr>
</tbody>
</table>

Note:

*Attitude to the Project is categorized as positive, supportive, neutral, negative, and rejective*

*Influence is categorized as high, medium and low*

At subproject level, the key stakeholders may include HADFIC, government-related departments at county level, subproject enterprises, township government, affected community/village, and affected persons as well.

Table 5-2 Key Stakeholders and Their Roles at Subproject Level

<table>
<thead>
<tr>
<th>No</th>
<th>Stakeholders</th>
<th>Interaction with project</th>
<th>Role in the Project</th>
<th>Attitude to the Project</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HADFIC</td>
<td>Ensure operational implementation</td>
<td>Fund management and operation</td>
<td>Positive</td>
<td>high</td>
</tr>
<tr>
<td>No</td>
<td>Stakeholders</td>
<td>Interaction with project</td>
<td>Role in the Project</td>
<td>Attitude to the Project</td>
<td>Influence</td>
</tr>
<tr>
<td>----</td>
<td>--------------</td>
<td>--------------------------</td>
<td>---------------------</td>
<td>------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>2</td>
<td>Government-related departments at county level</td>
<td>Control conformity of the project with national laws and regulations</td>
<td>Coordination and governance</td>
<td>Support</td>
<td>high</td>
</tr>
<tr>
<td>4</td>
<td>Subproject enterprises</td>
<td>Ensure the design, construction and operation of the subproject to be funded by the loan</td>
<td>Implementation subproject</td>
<td>Positive</td>
<td>high</td>
</tr>
<tr>
<td>4</td>
<td>Design institutes and Contractors</td>
<td>Design and construct the subproject</td>
<td>Technical support</td>
<td>Positive</td>
<td>low</td>
</tr>
<tr>
<td>5</td>
<td>Affected towns and affected community/village</td>
<td>Ensure connection and relay information between local resident and subproject enterprise, and deal with grievance at local level</td>
<td>Coordination and project affected parties</td>
<td>Positive</td>
<td>high</td>
</tr>
<tr>
<td>6</td>
<td>Local resident</td>
<td>Affected by land use right transfer</td>
<td>Project affected parties</td>
<td>neutral</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affected by land acquisition</td>
<td>Project affected parties</td>
<td>neutral</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affected ethnic minorities</td>
<td>Project affected parties</td>
<td>neutral</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Potential beneficiary of job opportunities</td>
<td>Beneficiaries, and other interested parties</td>
<td>Support</td>
<td>medium</td>
</tr>
</tbody>
</table>

Note:

Attitude to the Project is categorized as positive, supportive, neutral, negative, and rejective
Influence is categorized as high, medium and low

1) **Government-related departments**

The role of the government-related departments is not totally similar at the provincial level and county level. In both case, government-related departments are in charge of controlling that the project implementation is conform to national laws, however, prerogatives will depend on the issues at stake.
The objective of the government-related departments is the implementation of the project accordingly to the regulations in force.

The main government-related departments involved in the project are:

- Development and Reform Committee,
- Finance department,
- Ecology and environment department
- Natural resources department
- Agriculture and rural affairs department
- Water resources Bureau

2) **HADFIC**

It oversees any required actions to carry out the project and manage the fund.

3) **Subproject implementing agency/enterprise**

It mobilizes design institute and contractors to design and construct the subproject. The objective is to carry out the subproject in a timely manner, within the foreseen budget and achieve quality.

4) **Design institutes and contactors**

They will carry out studies and works according to requirements given by the subproject implementing agency/enterprise. Their main objective is to fulfil their contract requirement and make profit.

5) **Township government and village committee**

Township government and village committee do not have major role in the subproject implementation, but they are concerned by any event on their territory that could interact with the daily management of local citizens. They are the most convenient way to relay information between local people and subproject enterprise.

6) **Local resident**

Local resident including women and vulnerable people, do not play specific role in the implementation of the subproject. Some of local people might involve land use right leasing and land acquisition. Their main objectives among others are to be fairly compensate for property loss caused by the subproject and to take advantage of the increased of activity to improve their income. Local residents are likely to be of ethnic minorities in some subprojects.

5.2 **Overall Project Public Consultation and Information Disclosure**

5.2.1 **Public Consultations during Preparation**

Based on the identification of key stakeholders, public consultation and information disclosure activities have been undertaken during the development of draft ESMS, as presented Table 5-3 below.
When this ESMS was drafted, HADFIC organized a public consultation meeting for the draft ESMS in the morning of September 29, 2019. The participants include social expert of WB, Henan Provincial Financial Department, Provincial Natural Resources Department, Provincial Ecology and Environment Department, Provincial Human Resources and Social Security department, representatives of two enterprises, Tianxiang Flour and Noodle Manufacturing Co., Ltd and Fengyuanhepu Animal Husbandry Co., Ltd and social consultant of HADFIC.

HADFIC and its social consultant first introduced to all participants the overview of the project, key aspect of ESMS, relevant existing laws and regulations of China and the gap with the ESF of the World Bank, environmental and social management process of the Project, and the stakeholder engagement plan. HADFIC focused on consulting the opinions and suggestions of various stakeholders on the following issues:

- Contents and conclusions of the preliminary screening of environmental and social impacts in this ESMS;
- Proposed procedures under ESMS;
- Efforts or measures to be taken to ensure enterprises of subprojects could meet ESMS requirements;
- Activities or measures subprojects could adopt to strengthen the draft ESMS.

Relevant government departments and enterprise representatives attending in the meeting all supported the project and stated that the project could promote the development of high-quality green agriculture in Henan Province. The participants agreed that:

- The draft ESMS has clear structure, comprehensive consideration, and strong operation likelihood with no objection;
- The participants discussed extensively the main environmental and social risks and possible impacts of the project, and believed that the preliminary screening of environmental and social impacts of the project in ESMS was informative and clear in conclusion;
- The participants believed that ESMS shall fully consider the environmental and social risks which could help encourage enterprises to meet both the requirements of Chinese laws and regulations and the ESF of the World Bank;
- All participants suggested that some minor revision is needed on the draft ESMS at present, including exclusion list, labor management procedures and trainings regarding E&S management and so on.

Detailed meeting minute of the consultation was included in *Annex 15*. 
## Table 5-3 Summary of Public Consultations for Developing ESMS

<table>
<thead>
<tr>
<th>Time</th>
<th>Venue</th>
<th>Stakeholder/participant</th>
<th>Main topic</th>
<th>Model</th>
<th>Suggestions/findings</th>
</tr>
</thead>
</table>
| August 9, 2019 | HADFIC conference room                  | Managers and Staff of three agriculture enterprises          | Land use right leasing issues including procedures, contract, rent payment and so on. | Telephone interview and panel discussion | • Land use right leasing contract should be signed, and enterprises prefer to sign the contract with village committee,  
  • The rent adjustment is vague, and  
  • The enterprises would undertake some social responsibility to enhance relationships with villages and farmer. |
| Sep 4, 2019   | Conference room of Yuehai Hotel         | Henan provincial agriculture and rural affairs department    | Seed management and its social risks                                       | Panel discussion             | • Strict management system has been established in Henan Province                                                                                     |
| Sep 5, 2019   | Conference room of Yuehai Hotel         | Henan provincial agriculture and rural affairs department    | Policies on land use right leasing and practices in Henan                  | Panel discussion             | • The State and Henan Province have established a policy system and management system to oversee leasing of LUR.  
  • In recent years, the rapid development of farmers' professional cooperatives has successfully promoted the process of leasing of LUR in Henan province.  
  • The rent is usually paid in cash or in kind, which is equal to the average net income of local planting crops for two seasons in one year and is higher than net income from most cropping activities available to farmers.  
  • Procedure for consultation and information disclosure in the process of leasing of LUR is not well established, and in some cases, contracts of |
<table>
<thead>
<tr>
<th>Time</th>
<th>Venue</th>
<th>Stakeholder/participant</th>
<th>Main topic</th>
<th>Model</th>
<th>Suggestions/findings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>leasing of LUR are not standard or not signed.</td>
</tr>
</tbody>
</table>
5.2.2 Public Consultations and Information Disclosure

At the preparation stage, HADFIC disclosed the draft ESMS, ESCP and SEP to the public and potential subproject enterprises through its official website (www.haifund.com) on **29 September 2019**. The feedbacks have been integrated into the final ESMS, which will also be disclosed on HADFIC website.

![Disclosure of Draft ESMS on HADFIC's Website](image1)

**Figure 5-1 Disclosure of Draft ESMS on HADFIC’s Website**

![Disclosure of Draft ESCP on HADFIC’s Website](image2)

**Figure 5-2 Disclosure of Draft ESCP on HADFIC’ Website**
As committed in the ESCP, **during the project implementation**, HADFIC will establish **special column** on its website to disclose project-related information. The reports associated environmental and social aspects, E&S document prepared for subprojects that are classified as “substantial” or “high” risk, and subproject SEP will be disclosed to the public, which include, but not limited to:

- Profiles of subprojects, which may cover its location, purpose, nature, scale, duration, as well as environmental and social risks and impacts on the communities and corresponding mitigation measures;
- Semi-annual environmental and social monitoring reports;
- Environmental and social documents (ESIAs, ESMPs, RAPs, EMDPs, Pest Management Plan, Labor Management Procedures, etc.) for sub-projects classified as substantial or high\(^8\) risk;
- Environmental and social due diligence reports of subprojects, if any;
- Subproject stakeholder engagement plan, highlighting the ways in which the stakeholders can participate;
- The process and means by which grievances can be raised and will be addressed; and
- Any environmental and social monitoring reports relocated to application of the ESSs.

For the subprojects that are categorized as moderate and low risk, the E&S documents, mainly embedded in the process of environmental impact assessment, land acquisition and resettlement as well as social stability risk assessment, will be prepared and implemented to meet the relevant requirements of the ESSs that are applied.

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\(^8\) In case “High” risk subprojects are to be funded under the Project, HADFIC shall obtain the prior approval of the World Bank in the risk screening stage. Meanwhile, the World Bank will upgrade the overall project risk level to “High” following the requirement of ESF. HADFIC will review and adjust, in a manner acceptable to the World Bank, the ESMS when the environmental and social risk profile is changed to High. Following the updated ESMS, the high-risk subprojects should be assessed, prepared and implemented to meet the relevant requirements of the ESSs that are applied.
disclosed in accordance with the China’s regulatory requirements, which can be referred to Annex 16.

HADFIC also permits the World Bank to disclose the above documents on the World Bank website.

**During the implementation**, HADFIC will ensure that its subproject enterprises will make relevant information (whether positive or negative) about social and environmental issues available in a timely manner, in an accessible place, and in a form and language(s) understandable to affected people and to other stakeholders, including the general public and civil society organizations, so they can provide meaningful inputs into project design and implementation. The information disclosure plan will be detailed in subproject stakeholder engagement plan.

HADFIC and subproject enterprises will engage with communities, groups, or people affected by proposed subprojects, and with civil society through information disclosure, consultation, and informed participation in a manner commensurate with the risks to and impacts on affected communities.

### 5.3 Stakeholder Engagement Requirements for Subprojects

Since no potential subprojects have been identified, the different categories of affected individuals and communities by the subproject and their main interests and concerns could not be detailed at current stage. Such identification and analysis will be conducted after identification of the subprojects.

To ensure the consultation process is effective and meaningful, a stakeholder engagement plan template has been developed for subproject and included as Annex 15, which include basic principles, timeline and detailed procedures for stakeholder engagement, and disclosure requirement for subproject enterprise.

For HADFIC, the stakeholder engagement refers mainly to consultation and disclosure among subproject enterprises, key government-related departments, and professional associations.

For subproject enterprises, the stakeholder engagement will be concentrated on local government-related department and potential affected communities and individuals as well as interested parties such as contractors and potential beneficiaries.

Since the potential environmental and social impacts of the Project will be mainly through implementation of various subprojects, stakeholder engagement for subproject enterprise will be more relevant for environmental and social management for the Project.

Such stakeholder engagement plan will be mainly carried out by subproject enterprise under the requirements and guidelines set out by HADFIC.

Once potential environment and social impacts are identified and considered as substantial, a set of E&S documents need to be prepared in accordance with environment and social management system and included as part of subproject loan application package. As agreed in the environment and social management system, for those subprojects classified as substantial environment and social risk, in order to develop appropriate measures to minimize such impacts, subproject enterprise should
develop a set of E&S documents, including environment and social assessment, resettlement plan or ethnic minority development plan. They will be assisted by RCU of HADFIC, as well as selected external environment and social experts. In the process of developing relevant E&S documents, extensive consultations will be carried out with affected communities and individuals to inform them potential impacts, basic project design and proposed compensation and rehabilitation measures to address such impacts.

5.4 Grievance Redress Mechanism

5.4.1 GRM at HADFIC

**A GRM for the Project**

HADFIC has established an external communication mechanism. If there are any questions and concerns, HADFIC could be touched in following methods, see details in Table 5-4.

<table>
<thead>
<tr>
<th>Method</th>
<th>Time for acknowledgement of receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email</td>
<td><a href="mailto:guoqi@hnntgroup.com">guoqi@hnntgroup.com</a> 48 hours</td>
</tr>
<tr>
<td>Telephone</td>
<td>0371-86520933 Immediate, or 48 hours if a message is left</td>
</tr>
</tbody>
</table>

At the time of the acknowledgment of receipt, HADFIC will provide an estimated date for response and request further information if needed.

In order to respond to concerns and grievance of people related to environmental and social performances of the Project in a timely manner, HADFIC has established a grievance mechanism that is expected to address concerns promptly and effectively in a transparent manner. The GRM is culturally appropriate and readily accessible to all project affected parties at no cost and without retribution.

At HADFIC, any complaints or concerns directly related to the project including the eligibility of subprojects, lending procedures or environmental and social management requirements under the Project will be collected and addressed following the procedures as below that will also be public.

**Stage 1:** The subproject enterprise, affected person or interested party of subproject can put forward his or her concern to project team of ICU, which will take records and verify on site and provide a reply or resolution to subproject enterprise, the affected person or interested party within 10 days;

**Stage 2:** The subproject enterprise, affected person or interested party of subproject can put forward his or her concern to RCU of HADFIC, which will take records and consult with relevant departments and provide a reply or resolution to subproject enterprise, the affected person or interested party within 10 days;

**Stage 3:** If the subproject enterprise, affected person or interested party still does not accept the proposed resolution, he or she could appeal directly to HADFIC. HADFIC will provide response, reply or a resolution within 10 days.
B  GRM for Workers

HADFIC has put in place well-functioning internal channels for worker’s appeals which are embedded in its existing labor management system. Workers can raise their workplace concerns though various in place channels such as worker’s organizations, HR manager, the General Management Unit and the management within HADFIC as well corresponding departments/units at the headquarter level. Staff can log this complaints and concerns via the Office Automation (OA) system.

Workers also have rights to access to arbitration procedure and/or judicial system to seek resolution on the grievances in terms of China’s Labor Law. The basic procedures are:

Stage 1: The party that asks for arbitration shall file a written application to the labor dispute arbitration committee within 60 days starting from the date of the occurrence of labor dispute. In general, the arbitration committee shall produce a ruling within 60 days after receiving the application. The parties involved shall implement arbitration rulings if they do not have any objections to these rulings. Labor dispute arbitration committees shall be composed of the representatives of labor administrative departments, representatives from trade unions at the same level, and the employer representatives. The chairmanship of such a committee shall be held by the representative of a labor administrative department.

Stage 2: If any of the parties involved in a labor dispute has objections to an arbitration ruling, it can raise a lawsuit with the People’s Court within 15 days after receiving the ruling.

The grievance mechanism will also be disclosed on the website of HADFIC. The records of all appeals, and the resultant resolutions will be kept and reported to the World Bank through semi-annual environmental and social monitoring mechanism.

5.4.2  GRM at Subproject Level

A  GRM for Subproject

At subproject level, concerns or complaints may arise related with environmental and social performances. In order to ensure that the affected people can voice their complaints, a grievance mechanism has been established within this ESMS and also in relevant E&S documents (such as RPF and EMDF) for those subprojects classified as substantial risk. The purpose of this grievance redress procedure is to provide a mutually satisfactory means for rapid response to any complaint of affected people. The grievance mechanism is accessible to all members of the community.

Subproject GRM should be made accessible to the affected persons, local people and other interested parties in the project area of influence. The grievance mechanism for subproject is more relevant to address potential complaints regarding environmental and social aspects. The detailed procedures of GRM are as follow:

Stage 1: If any affected person or group is dissatisfied with the compensation or mitigation measures related with social and environment impacts caused by the subproject, he/she can make oral or written complaint to community/village committee; if he or she use verbal complaints, the village committee should handle and record it. Complaints will be addressed within 10 days.
The below is contact information: guoqi@henntgroup.com

**Stage 2:** if the complainant is not satisfied with the result of the first stage, he/she can appeal to township government. The township government shall make a decision to resolve the problem within 10 days.

The below is contact information: ligaoya@henntgroup.com

**Stage 3:** if the complainant is not satisfied with the result of the second stage, he/she can appeal to RCU of HADFIC. The RCU of HADFIC will make decision with 15 days.

The below is contact information: jiangjiwei@henntgroup.com

**Stage 4:** if the complainant is not satisfied with the results of any above stages, he/she can go through an administrative appeal according to the "Administrative Procedure Law of People’s Republic of China".

At any time in the grievance mechanism, the complainant may contact the local courts. The grievance mechanism does not affect public rights under the PRC regulation on Letters and Visits, which requires a complaint acceptance mechanism at all levels of government and protects complainants from retaliation.

Each subproject enterprise will inform the local community and the affected people of the grievance and appeal procedure through public information meetings, the information brochure and other media, so that they can fully understand their rights for grievance and appeal.

If a subproject affects indigenous peoples or ethnic minority communities, a grievance mechanism will be established that will promptly respond to the concerns and dissatisfaction of the affected indigenous peoples. It should also adopt an easy-to-understand and transparent procedure, be free of gender discrimination, and adapt to the cultural traditions of the affected indigenous people. News of the system’s establishment should be promptly sent to the affected indigenous peoples and community.

**B GRM for Workers**

*For labor disputes,* the workers grievance mechanism will be described in staff induction trainings, which will be provided to all project workers. The mechanism will be based on the following principles:

- The process will be transparent and allow workers to express their concerns and file grievances.
- There will be no discrimination against those who express grievances and any grievances will be treated confidentially.
- Anonymous grievances will be treated equally as other grievances, whose origin is known.
- grievances will be seriously treated and timely and appropriate action in response will be taken.

*Same to HADFIC’s GRM,* the subproject workers’ grievance mechanism should not
prevent workers to use conciliation procedures in terms of China’s Labor Law as presented in Section 5.4.1.

Meanwhile, all GRMs should be publicized on HADFIC’s website, subproject enterprise’s website, project sites and related communities. When a loan to a subproject enterprise is approved, the RCU of HADFIC will supervise the subproject enterprise to take above-mentioned activities to ensure that local communities and people are aware of the grievance mechanism and its contact points.

The subproject is responsible for keeping records of all grievances and resolutions and report to HADFIC through the routine monitoring and reporting mechanism.
Annexes

Annex 1 Gap Analysis of HADFIC’s Existing ESMS against ESS9

A general assessment of the existing ESMS of HADFIC is conducted against the key requirements of the World Bank’s ESS9.

<table>
<thead>
<tr>
<th>ESMS Elements</th>
<th>Reference/ Existing HADFIC’s Documents</th>
<th>Summary of HADFIC’s Current Requirements and Process</th>
<th>Gap Analysis</th>
<th>Actions to Bridge the Gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;S Policy</td>
<td>N/A</td>
<td>HADFIC does not have a dedicated environmental and social policy at the corporate level, though environmental and social risks is a key element of the overall risk control practice.</td>
<td>An environmental and social policy needs to be developed and adopted by HADFIC</td>
<td>HADFIC committed to establish and maintain an ESMS throughout the Project life. It has developed an environmental and social policy (including procedures, institutional arrangement, monitoring and reporting, and stakeholder engagement and communication arrangement), which is to be formally adopted by senior management prior to the effectiveness of the Project.</td>
</tr>
<tr>
<td>E&amp;S Procedures</td>
<td>Project Investment Decision System; Management Rules for Major Issues of Fund Operational Directive of Investment Management</td>
<td>Environmental and social risks are considered as part of the overall investment risk control, and mainstreamed in the existing investment operation process: 1) Environmental and social risk review is part of legal due diligence prior to investment decision, which is conducted through a combined team of HADFIC, accounting and external law companies; 2) Environmental and social compliance is a key factor of consideration at the risk review step of the Risk Control Unit of HADFIC;</td>
<td>Currently, HADFIC does not have a dedicated environmental and social risk management procedure, though such risk management is incorporated into its operational practice.</td>
<td>HADFIC has developed a dedicated environmental and social procedures under the committed ESMS to be formally adopted prior to the effectiveness of the Project.</td>
</tr>
<tr>
<td>ESMS Elements</td>
<td>Reference/ Existing HADFIC’s Documents</td>
<td>Summary of HADFIC’s Current Requirements and Process</td>
<td>Gap Analysis</td>
<td>Actions to Bridge the Gaps</td>
</tr>
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<td>-----------------------------------</td>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Specifications of Project Investment Risk Control</td>
<td>Specifications of Project Investment Risk Control</td>
<td>3) RCU’s risk review opinion is incorporated into the fund voting committee’s decision consideration; 4) Environmental and social performance is one aspect of post investment management, though not explicitly mentioned in its internal operational manual.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E&amp;S Risk Categorization</td>
<td>N/A</td>
<td>HADFIC follows national environmental impact assessment system and social risk assessment system applicable to the investment projects. The national E&amp;S system has somewhat differences from the World Bank ESSs, e.g. three categories of environmental impact classification (vs. four categories in ESF), emphasis of social stability in social assessment instead of broader social risk and impacts scanning etc.</td>
<td>There is no internal E&amp;S risk categorization system in HADFIC.</td>
<td>HADFIC adopts a four category E&amp;S classification system under its the ESMS, which aligns with the World Bank ESF.</td>
</tr>
<tr>
<td>Organizational Capacity and Competence</td>
<td>Charter of HADFIC Institutional Structure and Responsibilities of HADFIC</td>
<td>Within HADFIC, the Financing Development Units are in charge of E&amp;S risk due diligence through a combined team including accounting audit and law firms; There is no dedicated staff with specialized E&amp;S expertise within HADFIC. There are five staff in the RCU, whose backgrounds are all from legal, HADFIC committed the following institutional arrangement for implementation of ESMS, which includes (i) assigning a senior manager in charge of environmental and social risk management for the Project; (ii) recruiting one environmental and social specialist in the Risk Control Unit for safeguards risks review; (iii) assigning one</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESMS Elements</td>
<td>Reference/ Existing HADFIC’s Documents</td>
<td>Summary of HADFIC’s Current Requirements and Process</td>
<td>Gap Analysis</td>
<td>Actions to Bridge the Gaps</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
<td>-----------------------------------------------------</td>
<td>--------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Labor Management system</td>
<td>HADFIC’s Standard labor Contract Template</td>
<td>Risk Control Unit is in charge of risk review and provide recommendations on investment decision and mitigation measures if needed; Internal and fund voting committees make decisions with integral consideration of E&amp;S risks.</td>
<td>financing and trade fields. E&amp;S due diligence mainly focuses on legal compliance with national system, e.g. applicable government approvals and permits.</td>
<td>environmental and social management liaison staff in the International Unit to coordinate with World Bank, internal/external stakeholders on environmental and social related matters; (iv) hiring at least two qualified external environmental and social experts with at least 10 years of relevant experience; and (iv) carry out staff capacity training on environmental and social risks management..</td>
</tr>
<tr>
<td></td>
<td>HADFIC’s Training Management Measures</td>
<td>HADFIC has adopted comprehensive labor management systems, providing clear documented guidelines and procedures for managing labor and working conditions of direct workers. Grievances redress is a cross-cutting issue with the involvement of several units within HADFIC, including the General Management Unit, the worker’s organizations and the management within HADFIC as well corresponding departments/units at the headquarter level. No child labor, forced labor or juvenile workers were identified in HADFIC’s direct workers. HADFIC’s labor performance and key achievement is closely supervised and at</td>
<td>HADFIC’s in-place practices and performances on direct workers management were considered in alignment with the requirements of ESS2. HADFIC lacks in-place requirements on labor risks management by at subproject level.</td>
<td>HADFIC should mainstream relevant requirements of the ESS2 in the ESMS to extend its attentions to the contracted workers or primary supply workers associated with the project’s future investment (details refer to Annex 11). A template for subproject labor management procedure will be developed as part of the ESMS.</td>
</tr>
<tr>
<td></td>
<td>HADFIC’s Staff Remuneration Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HAIIGC’s Management Method on Fund of Labor Union (Trial)</td>
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<tr>
<td>ESMS Elements</td>
<td>Reference/ Existing HADFIC’s Documents</td>
<td>Summary of HADFIC’s Current Requirements and Process</td>
<td>Gap Analysis</td>
<td>Actions to Bridge the Gaps</td>
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<tr>
<td>Monitoring and Reporting</td>
<td>Operational Directive of Investment Management</td>
<td>least annually monitored by third-party auditors assigned by HADFIC and parent company Henan Agriculture Investment Group Company Ltd. (HAIGC) respectively.</td>
<td>There is a lack of systematic E&amp;S monitoring and reporting arrangement for the post-investment management of projects.</td>
<td>HADFIC will adopt a systematic E&amp;S monitoring and reporting arrangement under its committed ESMS, which specifies frequency and tasks of monitoring and reporting, remedial actions, communication and reporting arrangement to the World Bank.</td>
</tr>
<tr>
<td>Stakeholder Engagement</td>
<td>N/A</td>
<td>HADFIC follows the national and local policies or regulations in terms of information disclosure to the public and public participation.</td>
<td>There is a lack of specific procedures and measures for consultation and public participation.</td>
<td>HADFIC has formulated a Stakeholder Engagement Plan (SEP) at corporate and subproject levels under its committed ESMS, which specify identification of stakeholders, strategies for information disclosure and public consultation, timeline, GRM, and monitoring and reporting, and the like.</td>
</tr>
<tr>
<td>GRM</td>
<td>N/A</td>
<td>In practice, complains in relation to the projects are usually received and addressed by the local authorities. For labors, HADFIC embeds grievance redress mechanism in its existing labor management system.</td>
<td>There is no formal grievance mechanism in place for the projects of HADFIC.</td>
<td>HADFIC committed to maintain a grievance mechanism under its ESMS that provides stakeholders with an opportunity to raise grievance with the company relating to environmental and social matters related to the projects of GAF at corporate level and subproject level.</td>
</tr>
</tbody>
</table>
## Annex 2 Potential Environmental and Social Risks of the Project

### Environmental and Social Risks Identification

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value chains</th>
<th>Green Technologies</th>
<th>Likely Subproject Activities</th>
<th>Social risks/impacts</th>
<th>Environmental risks/impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop sector</td>
<td>Input production</td>
<td>(1) Bio-pesticides; (2) High efficiency chemical/organic fertilizers; (3) Disease/</td>
<td>Construction and operation of production facilities of bio-pesticide; Construction of Laboratory, procurement and operation of equipment; Construction and operation of high efficiency fertilizers; Construction and operation of organic fertilizers; Nursery facilities of multi-resistant varieties</td>
<td>Permanent land acquisition and temporary land occupation, resulting in physical and/or economic displacement, Labor condition and safety for contracted workers, Community disturbance and traffic safety, etc. Impacts on ethnic minority groups (potential sensitive locations and in the design of culturally appropriate stakeholder engagement) Exclusive of vulnerable group (poor, women, ethnic minority, etc.)</td>
<td>Construction related impacts (dust, noise, waste, loss of surface vegetation, disturbance of wildlife habitat and biodiversity impact, soil erosion, labor safety, community disturbance and traffic safety, etc.); Wastewater, waste gas noise, and solid waste pollution generation from production facilities; ambient environmental quality impacts; worker health and safety;</td>
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<td></td>
<td></td>
<td>drought/ flood tolerant varieties. (4) lab service (5) Traceability (6) green certification, GAP, GMP, HACCP</td>
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<tr>
<td></td>
<td>Crop Production</td>
<td>(1) Soil structure and fertility restoration: crop rotation, zero tillage, intercropping, green manuring; (2) Fertilizer use efficiency: soil testing, manure applications, high efficiency and formulated chemical fertilizers, organic fertilizers, precision farming; (3) Water use efficiency: drip irrigation, solar powered irrigation; (4) Reduced pesticide use: IPM, bio-</td>
<td>Construction of crop plantation base; Construction of irrigation infrastructure; Construction and operation of agriculture facilities (e.g. green house and ancillary facilities) Construction of Laboratory, procurement and operation of equipment</td>
<td>Leasing of land use rights (LUR) and land consolidation for appropriate-scale farming public consultation, and arrangement of rental payment Management of direct workers, contracted workers and primary supply workers (significant risk of serious occupational health and safety issues, forced labor and child labor, juvenile workers (above minimum age and under 18 etc.) Community health and safety (increased traffic, labor influx, etc.)</td>
<td>Construction related impacts; Water resource withdraw and irrigation water discharge impacts; pest control practice; waste management from agriculture facilities;</td>
</tr>
<tr>
<td>Sector</td>
<td>Value chains</td>
<td>Green Technologies</td>
<td>Likely Subproject Activities</td>
<td>Social risks/impacts</td>
<td>Environmental risks/impacts</td>
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<tr>
<td>Post-harvest</td>
<td>Recycling: returning straw and stubble to field to restore organic matter in soil; composting crop residues; traceability</td>
<td>pesticides;</td>
<td>Construction and operation of crop waste recycling and composting facilities</td>
<td>Permanent land acquisition and temporary land occupation or land leasing; Management of direct workers, contracted workers and primary supply workers; Community health and safety (increased traffic, labor influx, etc.); Impacts on ethnic minority groups</td>
<td>Construction related impacts; Wastewater, odor, noise and solid waste from such facilities; worker safety of facility operation and equipment handling;</td>
</tr>
<tr>
<td>Processing</td>
<td>(1) Energy use efficiency; (2) Water use efficiency; (3) Wastewater treatment and recycling. (4) lab service (5) Traceability (6) green certification, GAP, GMP, HACCP</td>
<td>(5) Lab services (6) Traceability (7) Green certification, GAP, GMP, HACCP (8) Protected agriculture</td>
<td>Construction and operation of crop processing facilities (grain mills, food production plants); Replacement or renovation of inefficient equipment and production lines; Residual heat/ pressure utilization, including renovation and construction of facilities and equipment; Energy Conservation of Buildings Construction and renovation of wastewater treatment facilities</td>
<td>Permanent land acquisition and temporary land occupation, or land leasing; Management of direct workers, contracted workers and primary supply workers; Community health and safety (increased traffic, labor influx, etc.); Impacts on ethnic minority groups</td>
<td>Construction related impacts; Wastewater, odor, noise and solid waste from such facilities; worker safety of facility operation and equipment handling; energy and water efficiency</td>
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<tr>
<td>Sector</td>
<td>Value chains</td>
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<tr>
<td>Distribution and logistics</td>
<td></td>
<td>(1) Energy use efficiency; (2) Water use efficiency; (3) Wastewater treatment and recycling. (4) traceability</td>
<td>Construction and operation of food product storage facilities; Construction and renovation of water saving facilities; Construction and renovation of wastewater treatment facilities; Replacement or renovation of inefficient equipment; Energy conservation of buildings</td>
<td>Permanent land acquisition and temporary land occupation or land leasing; Management of direct workers, contracted workers and primary supply workers; Exclusive of vulnerable group (poor, women, ethnic minority, etc.); Impacts on ethnic minority groups</td>
<td>Construction related impacts; Waste management of storage facilities; worker safety; energy and water efficiency</td>
</tr>
<tr>
<td>Livestock sector</td>
<td></td>
<td>(1) Feed: optimized low protein rations; (2) Digestible ingredients; enzyme-phytase; antimicrobial peptide; (3) Lab services; (4) Traceability; (5) Green certification, GAP, GMP, HACCP</td>
<td>Construction and operation of production facilities of livestock feed; Construction of livestock feed bases</td>
<td>Leasing of land use rights (LUR) and land consolidation for appropriate-scale farming (public consultation, and arrangement of rental payment; Exclusive of vulnerable group (poor, women, ethnic minority, etc.); Impacts on ethnic minority groups</td>
<td>Construction related impacts; Wastewater, waste gas noise, and solid waste pollution from production facilities; ambient environmental quality impacts; worker health and safety</td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td>(1) Precision feeding practices; (2) Water saving technologies; (3) Energy efficient barn designs; (4) Animal health and welfare improving measures; (5) Lab service; (6) Traceability;</td>
<td>Construction and operation of livestock farm (e.g. barns, feeding equipment, feed grinder, fermentation tank, manure treatment facilities etc.); Construction of scattered solar energy</td>
<td>Management of direct workers, contracted workers and primary supply workers; Community health and safety (increased traffic, labor influx, etc.); Impacts on ethnic minority groups</td>
<td>Construction related impacts; Wastewater, waste gas noise, and solid waste pollution from production facilities; ambient environmental quality impacts; worker health and safety</td>
</tr>
<tr>
<td>Sector</td>
<td>Value chains</td>
<td>Green Technologies</td>
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<tr>
<td>Manure</td>
<td>(1) Biogas digesters; (2) Returning manure to crop production as organic fertilizers; (3) Circular agriculture approaches; (4) Energy and water use efficiency; (5) Sealed manure storage and high-rise livestock production systems; (6) Traceability (7) Deep Pit storage (8) Integration of crop and livestock production (9) Covered lagoon (10) Composting (11) Manure land application with injection</td>
<td>(7) Green certification, GAP, GMP, HACCP, protected agriculture (8) Deep Pit production system (9) LED lighting energy saving ventilation (10) Renewable energy based and energy saving heating (10) AI system</td>
<td>Renovation of heat supply system</td>
<td>Permanent land acquisition and temporary land occupation or land leasing; Management of direct workers, contracted workers and primary supply workers; Community health and safety (Biogas safety); Impacts on ethnic minority groups</td>
<td>Construction related impacts; Wastewater, waste gas noise, and solid waste pollution from production facilities; ambient environmental quality impacts; worker health and safety; community health and safety</td>
</tr>
<tr>
<td>Slaughtering</td>
<td>(1) Solid waste treatment; (2) Waste water treatment; (3) Desulphurization and denitrification technologies; (4) Energy use efficiency;</td>
<td>Construction and operation of slaughtering facilities (e.g. buildings, slaughtering equipment installation, waste treatment system etc.)</td>
<td>Permanent land acquisition and temporary land occupation or land leasing; Management of direct workers, contracted workers and primary supply workers; Impacts on ethnic minority groups</td>
<td>Construction related impacts; Waste management of the slaughtering facilities; ambient environmental quality impacts; worker health and safety; community health and safety</td>
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<tr>
<td>Sector</td>
<td>Value chains</td>
<td>Green Technologies</td>
<td>Likely Subproject Activities</td>
<td>Social risks/impacts</td>
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<td></td>
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<td>(5) Water use efficiency; (6) Lab service;</td>
<td>Energy and water saving renovation for equipment and production lines</td>
<td>health and safety;</td>
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<td></td>
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<td>(7) Traceability;</td>
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<td>(8) Green certification, GAP, GMP, HACCP</td>
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<tr>
<td>Distribution and logistics</td>
<td></td>
<td>(1) Energy use efficiency</td>
<td>Construction and operation of cold storage facilities</td>
<td>Permanent land acquisition and temporary land occupation or land leasing; Management of direct workers, contracted workers and primary supply workers; Impacts on ethnic minority groups</td>
<td>Construction related impacts; Waste management of storage facilities; worker safety; energy and water efficiency</td>
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<td></td>
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<td>(2) Water use efficiency</td>
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<td></td>
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<td>(3) Traceability</td>
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<td>(4) Carbon/ water foot print label</td>
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</table>


Annex 3 A Review of China Regulatory Framework for Leasing of Land Use Rights

1. Introduction

1.1 Background and Context

The Henan Green Agriculture Fund project ("the project") aims to strengthen the green agriculture initiatives in Henan Province. Component 1 of the project will provide the funding for investments in eligible green agriculture projects either through the Green Agriculture Fund (GAF) operated by HADFIC or the sub-fund which is committed to follow the same rules and procedures (including safeguards) as GAF although the sub-fund’s operator(s) may vary case by case. Six types of green interventions are prioritized under this project including not limited to green crop production expansion, livestock manure management, energy use efficiency, water use efficiency, wastewater treatment and knowledge-based service. A preliminary screening concluded that the green solutions to the production process in both crop and livestock sectors are supposed to involve large area of rural land through leasing of land use rights (LUR).

In the crop sector, under China’s current regulatory context, the entities (e.g. the enterprises, the cooperatives, etc.) are encouraged to lease from individual farmers’ LUR with an agreed term, so various production bases (industrialized farms) can be established when the land is consolidated and improved and specialized facilities are installed. As of 2018, across the national the use rights of some 37% of rural farmland have been transferred out in various forms (largely leasing and supplemented by share cooperation) to other entities, cooperatives and individuals for use. Whilst the scale livestock-breeding is classified as "protected agriculture" or "facility agriculture", for which the land for sitting the livestock housings and associated facilities is normally leased from the rural collectives (e.g. for unused land) and farmers (for farmland) and does not need to be proceeded through the process of involuntary land acquisition. Production in the crop sector mainly involves farmland, by contrast the livestock sector is constrained on unused land and sub-standard farmland, unused land and forestry land, which is required to be reclaimed to its previous conditions before the land is returned to its previous owners. In nature, land for scale crop and livestock production are obtained via a market-based transaction rather than land acquisition and eminent domain is not allowed to be explored even when the negotiated settlements fail.

The World Bank Environmental and Social Standard (ESS) 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement therefore does not apply to voluntary market transactions in which “the seller is given a genuine opportunity to retain the land and to refuse to sell it, and is full informed about available choices and their implications” (para. 6). Footnote 11 of ESS5 further regulates that in such cases, in applying the relevant provisions of the ESS5, special care must be taken to ensure: (a) that all tenure rights and claims (including those of customary and informal users)
affecting the land in question are systematically and impartially identified; (b) that potentially affected individuals, groups or communities are meaningfully consulted, informed of their rights, and provided reliable information concerning environmental, economic, social and food security impacts of the proposed investment; (c) that community stakeholders are enabled to negotiate fair value and appropriate conditions for the transfer; (d) that appropriate compensation, benefit-sharing and grievance redress mechanisms are put in place; (e) that terms and conditions of the transfer are transparent, and (f) mechanisms are put in place for monitoring compliance with those terms and conditions.

This is a Financial Intermediation (FI) project and a list of specific subprojects under the project could not be confirmed prior to project Appraisal. For upfront risk identification and management, a general assessment of China’s in-place system governing leasing of LUR is carried out during the period of project preparation to identify the systematic social risks underlined, propose recommendations to mitigate the risks and formulate an enhanced procedure as part of the HADFIC’s consolidated environmental and social management system (ESMS) to guide further management of leasing of LUR under this project. During the project implementation stage, identifying and assessing specific risks and impacts associated with leasing of LUR for a specific project will be covered by the subproject environmental and social impact assessment (ESIA) when the relevant subprojects can be located during the project implementation.

1.2 Scope, Objectives and Methodology

This review concentrates only on regulations and practices related to land leasing and adopts the term of “leasing of LUR”, rather than “land transfer”. In China, the “land transfer” is an umbrella terminology, which define a range of forms for transferring out farmers’ land use rights to other parties for use. Article 36 of the Rural Land Contracting Law (2018) regulates key forms of land transfer includes leasing (and sub-leasing), shareholding and other emerging types such as surrogate farming, trusteeship, a combination of lease and leaseback\(^\text{11}\). However, some studies reveal that leasing of LUR (including sub-leasing) by far is dominating, accounting for almost nine-tenths (88\%) of all forms\(^\text{12}\). And more importantly, the linkage mechanisms between individual farmers and the eligible enterprises under this project are that an enterprise may sign a contract to lease the land from the individual farmers for a specified term and the farmers will receive land rental on a routine basis, which in nature is “land leasing” and does not involve other forms for transferring and disposing land use rights based on current project descriptions. In future, if other forms of land transfer (such as share cooperation, etc.) would happen during the project implementation, a supplementary review and assessment will be carried out case-by-case prior to the appraisal of specific subprojects.

\(^{11}\) Under this situation, the land use rights are firstly leased out by the township government, the village committee, a dragon head enterprise or other powerful economic group from individual farmers and after certain land improvement the same land is leased back to the farmers or to other economic groups for cultivation.

Specifically, the overarching objectives of this regulatory review are to:

- Review the national legal framework applicable to leasing of LUR;
- Review and assess the on-the-ground operational practice and procedures for proceeding leasing of LUR as well as roles and responsibilities with relevant parties involved;
- Engage with key stakeholders to understand their perceptions on leasing of LUR and as well as solicit viewpoints to inform how to enhance the enforcement the new land contracting law (2018) and World Bank requirements in an effective and pragmatic way;
- Analyze the potential and systematic risks underlined and recommend solutions to manage the risks associated in a consistent way; and
- Formulate an enhanced procedure imbedded in HADFIC’s ESMS, which will apply to relevant subprojects seeking financing from the project under both the GAF and the sub-funds.

This regulatory review is developed primarily based on (i) a review of national and provincial level laws, regulations and policies as well as its evolution path and underlying drives; (ii) site visits to some randomly selected enterprises from HADFIC’s existing portfolios to understand its performance on leasing of LUR; (iii) meetings and interviews with key stakeholders that directly involve in leasing of LUR; and (iv) an overall assessment of general social risks behind the existing systems and in-field practices. Both ESS5 and ESS1 are referenced during this overall assessment.

Formulation of this regulatory review was informed by the consultations with the provincial department in charge of land leasing, as well as with representatives from the enterprises engage in leasing of LUR for production bases and pig farms. This review has been disclosed together with the ESMS by HADFIC on September 29, 2019 through its website. Any comments/suggestions to be received will be take into account in the final paper.

1.3 Definition of Terms Used

The below Table 1 provides the definitions of key terms used in this review.

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protected agriculture</td>
<td>It refers to the modification of natural environment to achieve optimal growth or production in a controlled environment (or it is called “Controlled Environment Agriculture”. The facilities for protected agriculture can be constructed for cash crops plantation (e.g. green houses), livestock raising (e.g. pig farms), etc., which are viewed as viable means to increase yields.</td>
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<tr>
<td>Shareholding</td>
<td>It refers to the operation carried out by the farmers who have joined the cooperation with their “land operation rights”, turning the land rights into equity and the farmers as shareholders of the cooperatives. The land that is admitted to the farmers who have participated into the cooperation is cultivated (or operated) by the cooperation. The farmers can enjoy the</td>
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<tr>
<td>Terms</td>
<td>Definitions</td>
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<tr>
<td>dividend at the end of the year in addition to wages received from working in the cooperatives.</td>
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<tr>
<td>Eminent domain</td>
<td>It refers to the process by which the government may acquire private property with proper compensation, but without the owner’s consent. The conditions for using eminent domain are 1) that the property must be claimed for “a public use”; and, 2) that “appropriate compensation” must be provided to the property owners before acquiring the property.</td>
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<tr>
<td>Rural collectives</td>
<td>It refers to collectives of the local the community that owns the land on a collective basis and administer the community affairs through a form of rural economic organization. They are different from corporate legal persons, different from social groups, and different from administrative agencies. They are of villager self-governing organizations with unique political and legal nature.</td>
</tr>
<tr>
<td>Land ownership right</td>
<td>The China’s Constitution stipulates that Chinese land is subject to public ownership and is divided into two forms: “state-owned, that is, all-owned” and rural “collective land-owned”.</td>
</tr>
<tr>
<td>Land contracting right</td>
<td>It refers to the rights of rural residents to possess, use, usufruct, and disposition for the land contracted by law. After the contracting of the rural land, the ownership of the land remains unchanged, whilst the land use/operation rights are contracted to the rural households for a term of 30 years, which will be automatically extended for another 30-year term after the first term expires.</td>
</tr>
<tr>
<td>Land operation right</td>
<td>It refers to the land rights for using the rural land and get benefits from it, which can be separated from the rural land contracting right if the land is leased out (or transferred) to other entities or individuals for use.</td>
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2. Regulatory Framework Governing Leasing of LRU

2.1 Evolution of Laws and Regulations

Transferring of rural land rights to the market (including among individual farmers) has emerged since the start of China’s urbanization and rural-urban labor migration pushed by opening-up. Rural household diversification, i.e. the creation of diverse income portfolios by extending the activities within agriculture and significantly from agriculture into non-farm sectors, has been a key feature of China’s approach to rural development. At the early stage of China’s opening-up, land transfer happened spontaneously and largely among families within the close-knit communities and without “intervention” by the government. With large number of farmers migrating out and being absorbed by non-farm employments or even settling down in urban areas, land transfer expanded nation-wide and China’s government progressively and consistently rolled out policies/regulations to govern land transfer in response to the dynamic social and economic contexts. Supplemented by a series of No.1 Central Documents 13 jointly issued by the Party and the State Council, the following laws form the main statutory structure are listed:

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13 The China “No.1 Central Document” is the first policy document jointly released every year by the Central Committee of the Community Party of China and the State Council. Given the focus of past years,
• PRC’s Property Rights Law (promulgated in 2007)
• Rural Land Contracting Law (promulgated in 2002, amended in 2018)

The No. 1 Central Document of 1986 prescribed that “With the trend of farmers migrating out to non-farm sectors, farmland is encouraged to be consolidated and operated by those with special expertise at farming to develop appropriate-scale specialized growers”. The No. 1 Central Document of 1993 required that land contracting rights be extended for another term of 30 years upon the expiration of the initial 15-year contracting period and endorsed transfers of farmland rights for value with prior consent from the collective. The Land Administration Law (1986/1988) provided the legal basis for transferring land rights. The No. 18 Central Document of 2001 (Notice on Transfer of Rural Household’s Land Use Rights of Contracted Land) provided further guidance on rural land by prohibiting the compulsory taking-back of land rights by collectives and contracting to nonmembers for value.

The Rural Land Contracting Law (2002) comprehensively regulated the extent of farmers’ land rights, providing that rural land contracting rights are held by farmer households and may be transferred to other village households, leased to non-village households, exchanged, assigned, or transacted by other means in accordance with the law. It also provides the legal remedies for any violations.

The Property Rights Law (2007) is the China’s first comprehensive civil property code. It articulates that all types of property in China (state, collective, and private) are entitled to the same level of legal protection. It characterizes farmers’ rural land rights as property rights, as opposed to contractual rights defined by pervious laws, and provides greater protection for small farmers’ land rights. It reaffirmed regardless of land transaction, land rights transfers must adhere to the principles of voluntariness and free negotiation between the transferor and transferee, compensation, freedom from compulsion, content and formal procedure, specification of contact terms, and a requirement that transferees possess agricultural operational capacity.

The Central Documents No.1 from 2010 to 2013 reiterated that need to affirm farmer’s property rights to rural land through the registering and certifying of their farmland, forestland, and residential land rights.

The No.1 Central Document of 2014 for the first time introduced and separated the land operation (use) rights 14 from the farmers’ land contracting rights and put forward the target of establishing a functioning land operation right transfer market. This has relaxed rules to allow farmers to orderly transfer their land operation rights at

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the No.1 Central Document has now essentially become a particular terminology used exclusively to refer to the overarching policy statement by the Chinese government on agriculture, rural communities and farmers (referred to as “three rural issues” each year.

14 This Chinese title (“土地经营权”) is directly translated into “Land Operation Right”, which is regarding the rights to use the land and is entitled to benefits generated from the designated land. Where after, land operation rights equals to land use rights in this review, unless otherwise specified.
nationwide, with aims to promote the establishment of more efficient, modern and large-scale farms and contribute to an increase in farmers’ income. It re-affirmed that land transfer and appropriate-scale consolidation and operation should respect the willingness of farmers, without forced enforcement.

The Notice on Further Promoting Sound Development Protected Agriculture, firstly issued in 2010 and amended in 2014, clearly defined the scope of protected agriculture (including scale livestock raising), set out the requirements on land use, procedure for obtaining the land use rights from the rural collective and individual farmers and government’s accountability for supervision. Formal agreement should be reached for land transfer with prior consent with farmers involved and filed with county level Land and Resources Bureau and Agricultural Bureau.

The Rural Land Contracting Law (2018), effective as of January 1, 2019, codified the land operation rights into law and made substantial improvements on rural land transfer. This new law stipulates that the farmers’ land contracting rights will never be lost under whatever forms of land transfer or even when they move their entire families to cities. This new law is expected to ensure a smooth land transfer process and is deemed vitally important to promote the stability of land rights to farmers and safeguard the interests of both the transferors (individual farmers) and transferees. Details on new law will be assessed in the following section.

In summary, China’s rural land system is somewhat unique worldwide with its own features. The China’s Household Responsibility System was instituted in 1979, which ended collectivized agriculture, retained the rural land ownership to the rural collectives (normally executed by the rural village committees) and granted more extensive land-use rights to individual households in a largely egalitarian fashion of particular villages. A series of policy documents were issued later on to adapt to changing circumstances and improve the security of farmer’s land rights by: (i) extending the terms of their granted rights; (ii) limiting the ability of local officials to readjust the amount of land a household could use; (iii) “inventing” new land rights (e.g. land operation rights) in adaption to new circumstances and formally codifying it into law to endow farmers with a more comprehensive structure of land rights to strength farmers’ interests; and (iv) China formally has in place laws to regulate the leasing of LUR.

2.2 New Rural Land Contracting Law (2018)

The new Rural Land Contracting Law, amended in 2018 and effective as of January 1, 2019, codified the land operation rights into law and substantively upgraded the articles governing land transfer accordingly. This new law therefore provides the most relevant and up-to-date guidelines on leasing of LUR under this project, which is reviewed and assessed in detail against the most relevant provisions under ESS 1 and ESS 5.

Leasing of LUR is legally limited to the land use (operation) right, securing the farmers’ rights to the contracted land. Through codifying the land operation right, the new law established a three-layer land rights framework for farmers, i.e. land ownership right, land contracting right and land operation (use) right. The land operation right is a type of termed and conditional usufruct deriving from land contracting right. The forms of land operation right vary under different conditions. For example, when farmers chose not to lease out their land, the land operation right is an integral part of the land contacting right that allows famers to utilize the land and gain
income from it as well as further dispose it (e.g. land transfer). When a piece of land is leased out, the land use right is transferred to other party, which allows them to use the land and gain income from it. Sub-leasing by the transferee(s) is subject to prior consent in writing by farmers. **Farmers’ relationship with the collective as prescribed by Household Responsible System could not be changed by land leasing as required by Article 44 of the land contracting law**, which in other words means that farmers retain the *de facto* land contracting right and can gain benefit in a form of negotiated rental in compensation of transferring out the use right. When the leasing term is expired, or the leasing contract is invalid or terminated, the land operation right will be reverted to corresponding farmers who own the land. **This unique “arrangement” can assure land leasing will not deprive of farmers’ contacted land or undermine the status of land ownership exercised by the rural collective.**

The law reaffirmed that the collective should contract the farmland to individual households with legally fixed term at 30 years, pasture land for 30-50 years and forestry land for 30-70 years, which will be renewed for another same period upon expiration of the preceding contracting term. The law further added under Item 2 of Article 27 that land contracting rights to the migrate-out farmers are strictly protected and relinquishing land contracting right should not be treated as one of eligibility requirements for farmers to apply for urban household registration. The law in result can secure long-term land rights for famers regardless their household registration is changed, or even they have relocated to and lived in the urban areas.

**The principles for leasing of LUR have been enhanced and forced enforcement is prevented.** As articulated in Article 38, leasing of LUR should be proceeded in adherence to the following principles: (a) *legitimacy*, voluntariness, compensation, freedom from compulsion or impediment by any institute or individual; (b) that no change shall be made in the nature of land ownership or the purpose of use of the land designated for agriculture and *no damage can be caused to overall agriculture productivity or agroecological environment*; (c) that term of leasing shall not exceed the remaining period of land contracting right; (d) that the transferee shall retain the capability or *qualification* for agricultural operation; (e) that under the same conditions, members of the same community shall enjoy the priority. **Article 60 reaffirmed that forced enforcement of land leasing shall be invalid.**

**The new law consolidated and improved the requirements on contract management.** The general clauses of the land leasing agreement should at least cover but not limited to: (a) the names and domiciles of the two parties; (b) the name, location, area and quality grade of land concerned; (c) the term of land leasing and the dates of beginning and end; (d) the purpose of use of the land concerned; (e) the rights and obligations of the two parties; (f) the price for land leasing and the method of payment; (g) *allocation of compensation for land acquisition and occupation*; and (h) liabilities for breach of the contract (Article 40). **Under the new law (Article 41), land leasing is encouraged to be filed with local authority if the term of a leasing agreement exceeds five years.** The amendment on contract clauses aims to formalize and enhance management of medium and large scale of land leasing encouraged by the government.

**More clear rules on termination of land leasing contracts were introduced in the new law and interests of both the farmers and transferees are protected.** The
farmers are not allowed to terminate the land leasing contract at will, unless one of the following conditions happens: (a) the agriculture purpose of the land is changed; (b) the land is not cultivated or in idle for more than 2 direct years; (c) the land is seriously damaged or the agroecological environment is deteriorated; or (d) any other material breaches. with prior consent by the farmers, the transferee(s) can improve the soil conditions and install agricultural facilities, and the investment thereof can be compensated based on the contractual arrangement in the leasing agreement.

Upfront screening on eligibility of participating enterprises is required to avoid and minimize the social risks associated with increasingly extensive land leasing. The law (Article 45) added that the government at county level and above should set out systems in terms of qualification examination, project review and risk prevention to manage the land leasing with social capitals. Beyond qualification examination, the government in practice are exploring a range of measures (e.g. remote sensing, routine site visits, etc.) to enhance supervision on land leasing to assure the land is used for agriculture purposes and the farmers’ wills are respected without force enforcement, which is critical to secure the benefits of farmers specially under village- and township-wide land leasing.

The females’ equal rights to land and benefits from land leasing are protected. Articles 6 endorses gender equality with regards to land contracting rights and the legitimate rights to the females should be protected. The females are therefore equally enjoying the land rental from leasing of LUR, as compared with the male(s) under the same house. The law also addresses the land rights associated with married females and divorced females to assure their rightful interests, which is very common under current circumstances and if could not be well addressed very often leads to complaints, disputes or even social conflicts. Article 31 regulates that: during the term of her originally contacted, a female gets married and undertakes no contracted land in the place of her new residence, the rural collective should not take back her designated contracted land; and where a divorced woman or a woman bereaved of her husband still lives at her original residence or does not live at her original residence but undertakes no contracted land at her new residence, the rural collective should not take back her originally contracted land.

Dispute redress mechanism is highlighted. Article 55 prescribes the mechanisms to address any kind of disputes or grievances associated with rural land contracting or leasing, including mediations with the involvement of concerned village committees and township governments and arbitration with specific institute in change of rural land related arbitration. The complaints are not excluded from judiciary process as well and they can submit their appeals to local courts.

3. Operational Arrangement for Leasing of LUR

As clarified in Section 1.2, land transfer under this project is solely carried out in the form of leasing of LUR. In conjunction with farmers, enterprises and all other parties, the form of linkage mechanism under leasing of LUR is illustrated in Figure A-1.

The roles and responsibilities of the parties involved are listed in Table A-1, which are briefly summed up as below:

- **Farmers** transfer out land operation rights with an agreed term (shorter than the remaining years of the contracted land) and receive land rental for
compensation, while retaining the *de facto* land contracting rights. The farmers’ roles and responsibilities between rural collectives remain the same.

- **Enterprise(s)** in this project case lease the land with a timed term for establishing or expanding their production bases, which are the transferee(s) of LUR and will pay the land rental to farmers a routine basis. Normally, an enterprise does not directly engage with farmers and they rely on an agent or the township government or the village committees to deal with the negotiation and agreement related issues with farmers. The participating enterprises in most cases signed the land lease agreement with rural collectives.

- **Rural Collective** (village committee) normally serves as the “bridge” between the enterprises and farmers. The village committee, with the consent of farmers, will engage with and reach agreement with the enterprise. If there are complaints arising, the rural collective will be the firstly resorted to by both farmers and the enterprises to address it.

- **Township government**: is the main responsible entity for promoting and supervising land transfer to assure the farmers’ interests are protected and there are no social conflicts induced.

- **County government**: is the main interpreter of policy on land transfer and takes the responsibility of examining qualification of the enterprises participating in leasing of LUR to scope out those ineligible and to avoid and minimize the social risks at upfront.

![Organizational Structure for Leasing of LUR in Crop and Livestock Sectors](image)

**Note**: Those highlighted in red mark the slight difference on practice between the crop and livestock sector, including:

- Both Ag and Rural Affairs Bureau and Natural Resources Bureau are involved in livestock sector because the land used for protected agriculture is required to be filed with both bureaus;
- By contrast, land leasing for crop production is not required to be documented with Ag and Rural Affairs Bureau;
- Since structure will be developed for protected agriculture, the land used for livestock-raising needs to be claimed to its previous conditions before it is returned to the previous owners/holders.

Figure 1 Organizational Structure for Leasing of LUR in Crop and Livestock Sectors

Key stakeholders of leasing of LUR and their roles and responsibilities are listed in **Tale 2** as below.
### Table 2: Roles and Responsibilities for Parties involved in Leasing of LUR

<table>
<thead>
<tr>
<th>Key Stakeholders</th>
<th>Roles and Responsibilities</th>
</tr>
</thead>
</table>
| **Farmers**      | • Lease out the land use rights to enterprises  
                     • Receive fair land rental on a routine basis |
| **Enterprises**  | • Obtain land use rights to support ag initiatives  
                     • Disburse land rental to farmers as agreed  
                     • Use the designated land in compliance with PRC laws and regulations |
| **Village Committees** | • In most cases, sign-off land leasing contract with enterprise after consented by individual households  
                             • Engage with farmers on behalf of the enterprises  
                             • Settle any complaints or disputes arising |
| **Rural Economic Operation and Management Station under Township Government** | • Provide coordination between the enterprises and village committees  
                             • Supervise and guide the leasing of LUR  
                             • Settle disputes or complaints that could not be addressed at the village levels  
                             • For livestock sector, witness the land leasing contract and file the land leasing agreements with the county level natural resources bureau and ag and rural affairs bureau |
| **County Level Natural Resource Bureau** | • Check and proceed the filing of land leasing agreement for protected agriculture use in livestock sector  
                                    • Settle the disputes or complaints on land use |
| **Rural Economy System and Operation Division of Ag and Rural Affairs Bureau of County** | • Provide guidance on leasing of LUR, inter alia on agreement arrangement  
                                    • Set up a service center for leasing of LUR, and establish information exchange platform to promote online proceeding on land leasing;  
                                    • Settle the disputes and complaints that are directed to them; and  
                                    • Check and proceed the filing of land leasing agreement for protected agriculture use in livestock sector |
| **Henan Provincial Ag and Rural Affairs Department** | • Roll out regulations governing leasing of LUR at province-wide  
                                    • Provide guidance on leasing of LUR to make sure it happens legally and orderly  
                                    • Guide disputes arbitration and resolution  
                                    • Strengthen and standardize leasing of LUR proceeded by the service centers at county level  
                                    • Set out solutions and mechanisms to resolve systematic issues related with leasing of LUR at province-wide |

### 4. Consultations with Primary Stakeholders

While drafting this review, HADFIC and the social consultant approached to the Henan Provincial Agriculture and Rural Affairs Department to request more contextual profiles on land leasing at provincial level, which can better inform this assessment and
formation of mitigation measures. In addition, several enterprises under HADFCI's current portfolio were selected as examples to learn the practices on the ground as well as the level of performances of land leasing under China's existing legal context. The results of these stakeholder engagement activities were summarized as below in two subsections respectively:

- A summary of provincial level practices; and
- A study of infield practices with typical enterprises in crop and livestock sectors.

### 4.1 Land Leasing Practices at Henan Province Level

On September 9, 2019, the Henan Provincial Agriculture and Rural Affairs was consulted by HADFIC regarding the land leasing practices in Henan Province, for which the key findings were summarized as below.

**Overall profile of leasing of LUR in Henan:** In recent years, with the vigorous development of new industrialization and urbanization in Henan Province, more and more rural laborers have migrated to the secondary and tertiary industries to seek employment in industrial and commercial sectors, land transfer has been developed at an accelerated rate. By the end of 2018, about 40 million *mu* rural land has joined the land transfer scheme, accounting for 37% of total farmland area in the province. The methods for land transfer include leasing of LUR (including sub-leasing), shareholding, etc. Leasing of LUR singly accounts for more than 90% of the total area of land covered by the land transfer scheme. The majority of land is maintained from crop cultivation after land transfer. In 2018, about 25 million mu land, accounting for 61% of total land covered by the land transfer scheme, is still used for crop production.

**Legal frameworks for leasing of LUR:** The policies and regulations to guide leasing of LUR mainly include Land Contracting in Rural Areas, the Administration Methods on Rural Land Use Rights Transfer, and other relevant policies of Henan province and local governments, which have been considered in Section 2 of this legal review.

**Rent and term of leasing of LUR:** The rents of leasing of land use rights are normally negotiated by the transferor and transferee in consideration of location, land type, soil fertility, latest rent of leasing LUT nearby, and etc. In principle, the net output value is the major reference for price negotiation. The rent is usually set at the cash value of a certain volume of grains. The volume of the grains is normally fixed, whilst the yearly government referential price (or the market price) will be adopted. The term of leasing of land use right depends on the purpose of leasing of LUT, which usually cannot exceed the remaining contract term or a 20-year maximum.

**Methods and Procedures of leasing of LUR:** It was reported that there are two modes to implement leasing of LUR. One is leasing of LUR by farmers themselves, the other is leasing of LUR by the village committees entrusted by farmers. The procedures for proceeding leasing of LUR with the direct involvement of farmers themselves are:

- (1) The form, name/location/area of the land to be leased out, dates of beginning and the end, rent, the payment form of rent shall be subject to consent by both parties;
- (2) A written contract shall be signed by both parties with their signature;
• (3) After the contract signed, the farmer shall provide a copy of the contract to the contract issuer and rural collective economic organizations of town (township) people’s government for documentation; and

• (4) Once the collective economic organization received the copy of the contract, they shall have them registered, and report to local people’s government regularly.

The procedures for proceeding leasing of LUR by village committees entrusted by farmers are:

• (1) The farmers submit entrustment applications signed by the head of the household;

• (2) The village committees decide whether to accept the entrustment, and inform the farmers with the result within 15 days;

• (3) Once the entrustment is agreed; a Power of Attorney shall be signed between the village committees and the farmers. Basic information of the farmer households and the land to be leased out shall be published in an appropriate form within 15 days once the entrustment accepted;

• (4) The parties who are willing to lease the designated land, shall apply within the validity period published;

• (5) After the announcement of the date for leasing of LUR, the entrusted party shall organize consultation meeting with all applicants. The rent shall be determined based on the principles of openness, fairness and impartiality; it can also be decided through public bidding. Draft contract of leasing of LUR shall be prepared based on the consultation, and it shall go into effect after confirmation by the representatives of the farmers who are willing to lease out the land;

• (6) The signed contracts shall be four copies, respectively goes to the households leasing out the land, the contractor, the contract issuer and the village committees. The consultation records, Power of Attorney and other documents shall be filed by the collective economic organization.

Dispute settlement in leasing of land use right: Currently, almost every township (95%) has established a service center for leasing of LUR. And dispute arbitration agencies on leasing of LUR have been established in all counties in Henan Province, providing institutional guarantees for managing the disputes related to leasing of LUR. Disputes over leasing of LUR should be firstly negotiated and resolved by the parties concerned. If the parties fail to negotiate, they may request the villagers’ committee and township government (mainly via the in-place service center) to mediate the issue. If the parties are unwilling to negotiate or mediate, they may reach out to the arbitration institution for arbitration, or they may file a sue directly to the people's Court.

Main risks and problems of leasing of LUR: The risks and problems raised by the provincial department include: (a) incomplete service system to guarantee the leasing of LUR. There are some counties and townships that have not established a service center for managing leasing of LUR, resulting in difficult information communications.
in the parties and nonstandard contracts of LUR leasing; (2) incomplete supervision system on leasing of LUR by industrial and commercial enterprises that involve in large-scale leasing of LUR in long term; and (3) operational risks faced by practitioners of sizeable farming. It was found that some families engaging in large-scale of grain production have suffered operational difficulties or withdrew from leasing of LUR due to decreased agricultural benefits and increased production costs, etc.

In general, the State and Henan Province have established a policy system which has standardized the principles, subjects, procedures, transactions, contract management and management agencies on leasing of LUR. The policy stipulated that leasing of LUR should abide by the principle of equal consultation, legality, voluntariness and compensation on the basis of insisting on the farmer household contract management system and stabilizing the rural land contract relationship. In recent years, the rapid development of farmers' professional cooperatives has successfully promoted the process of leasing of LUR in Henan province. The rent is usually paid in cash or in kind, which is normally equal to the average net output value of local main crops. However, procedure for consultation and information disclosure in the process of leasing of LUR is not well established and in some cases, agreements of leasing of LUR have some contractual defects or even are not signed.

4.2 In-field Practice with Ag Enterprises in HDAFIC’s Current Portfolio

HADFIC is of the leaders in agriculture related fund management. To date, there is no statistics on enterprises in their current portfolio involving leasing of LUR. Taking the Phase I of Modern Agriculture Fund for example, 13 enterprises including five involving land transfer from farmers were invested. For these five enterprises, there are 20 bases with a total land area of about 683 ha. The land for all the 20 bases were obtained through the form of land leasing, which are the most preferred approach for both the ag enterprises and the farmers.

The following three enterprises are randomly selected from HADFIC’s current portfolio, covering both crop and livestock sectors. With the coordination of HADFIC, interviews with the relevant managers were carried out with a focus on overall profiles of land leasing (i.e. size, geographical coverage), procedures to proceed land leasing, contract terms and arrangement for rental payment, their capacity for managing land leasing, as well as lessons learned and experiences to improve social performances and facilitate the leasing of LUR.

4.2.1 Henan Xinda Animal Husbandry Company

Henan Xinda Animal Husbandry Company (“Xinda”) is one of the professional high-end pig suppliers. Founded in 1998, the headquarter of Xinda is located in the high-tech zone of Zhengzhou City, Henan Province. The businesses of the company cover pig breeding, pig production and recycling agriculture, food safety and consulting services as well.

Xinda has established 44 pig farms, which are all located in Henan Province. As introduced, their pig farms are classified as three types, including: type 1: the bases were established and operated by Xinda itself (“self-owned bases”), accounting for 90% of bases that raise pigs for; type 2: Xinda collaborate with other partners to establish the pig farms (“company plus partners’ bases”); and type 3: the pig farms were established by government through poverty alleviation program, Xinda provides piglets,
feeds and technical guidance for pig-raising, whilst the associated households covered by the poverty alleviation program are responsible for pig-raising as guided and the adult swine will be purchased by Xinda with pre-agreed price ("company plus government poverty alleviation bases). Leasing of LUR from the individual households is the only way for the above-mentioned pig-farms to obtain the land use rights from individual households which was roughly estimated at an area of 20,000 *mu*\(^{15}\) in total. It is reported that although individual households are allowed to take shares of a pig farm through investing in the LUR, they are actually risk-averse and prefer to lease out the LUR for an agreed term, which could guarantee an annualized rental.

As reported, Xinda primarily relies on the local township governments and village committees to engage and negotiate with individual households for leasing of LUR and the company does not in place guideline for stakeholder engagement and grievance redress. In Xinda, the general procedures for leasing of LUR are as follows: (1) screening appropriate sites and defining its boundaries among villages; (2) making investment decision on a proposed project by the company; (3) contacting relevant township government for pre-alignment with relevant village committees (4) engagement and negotiation with potentially relevant households by village committees with assistance of the township government, (5) sign-off land leasing contracts between village committees and individual families; (6) sign-off land leasing agreements between Xinda and relevant village committees with the contracts with individual households attached to it as supporting evidences of prior consent. The land leasing agreements with the village committees should be witnessed by the township governments before it is filed with the county level Natural Resources Bureau and Ag and Rural Affairs Bureau.

In general, the terms of land leasing contract would at least cover: (1) the names and domiciles of two parties of the agreement; (2) the name, location, area and quality of land; (3) the duration of the contract; (4) the purpose of use of land, (5) the rent and payment arrangement; and (6) the rights and obligations of two parties. As for the annual rent, it could be fixed price (i.e. CNY 500/mu) that is determined by land category and quality or be determined by the economic value of fixed crop yields (i.e. 300kg/mu of wheat) at the government referential price each year. The company pays the rent as per the contract to township government financial office, and then township government financial office disburses the rent to individual households directly at the end of previous year or the beginning of each year in advance of land use. However, the rent won’t be adjusted during the contract period for the land leasing with Xinda.

For operation of pig farms, technical and management staff are assigned by Xinda, whilst pig farmers are primarily employed from the local communities with a priority to those who leased out their land to Xinda, which means that most labor forces are locally sourced with less change of large labor influx. In the rural area of Henan, most of the adult young generations are working outside the local areas to seek higher income from non-farming positions. Reportedly, the people working on the pig farms of Xinda are usually the female aged between 50 and 65 years old.

\(^{15}\) Mu is the Chinese unit of area. One hectare corresponds to 15 *mu*. 

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The following lessons-learned are recommended by Xinda’s management according their own experience in dealing with leasing of LUR:

- (a) The company should establish good relationship with township government and village committees who will support (mostly act on behalf of) the company with individual households to facilitate the leasing of LUR; and

- (b) The company should cautiously screen the local contexts, folk customs, local dynamics, potential influences of the potential villages that they have an intention to lease out land as well as understand the capacity of the village leaders to avoid associated risks at the upfront.

4.2.2 Henan Zhongda Hengyuan Biotect Co., Ltd.

Henan Zhongda Hengyuan Biotech Co., Ltd. ("Zhongda"), one pioneer and leader in natural pigment industry, is playing a leading role in natural pigment application in China. Zhongda has cultivated and developed a number of independent raw materials plantation and breeding bases, and carried out a standardized management on its bases, including unified seedling, unified fertilization, unified medication, unified harvesting, unified processing, and unified transportation, which realize the large-scale cultivation and secure the supply of raw materials.

Depending on different types of crops to be planted, the requirement on land category and climatic conditions are varying. Therefore, Zhongda has established production bases in 12 provinces and autonomous regions across the nation, including Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region. Considering the difference on socioeconomic conditions (e.g. in Han Chinese dominated areas or the ethnic minority regions), the modes for operationalizing the production bases are also different. Right now, Xinda has commanded a total area of 70,000 mu of land that was leased out from individual farmers and/or state-owned farms and is operationalized in three modes: (a) Type 1: based directly operationalized by Zhongda with an area of around 3,000 mu of land (self-owned bases); (b) Type 2: Zhongda partners with various rural cooperatives ("the company plus cooperative" mode) to establish the bases, with a total size at 60,000 mu. The cooperatives are responsible for leasing out the land from farmers and daily operation on the land, by contract Zhongda will invest on the land, provide technical guidance on plantation and is committed to purchase the products at pre-agreed prices. (c) Type3: Zhongda directly partners with farmers ("the company plus farmers’ mode), under which Zhongda provides seeds, fertilizers, technical guidance on cropping, etc., whilst the farmers grow the crops according to the order issued by Zhongda. For both the self-owned bases and “the company + cooperative” mode, the land is leased out from individual farmers.

Generally speaking, Zhongda firstly relies on the county level Industry Office or Commercial Bureau to understand the overall profiles of the land for leasing out and then contacts with the appropriate towns and villages committees for further engagement.

In general, village committee is a key player in leasing of LUR for bases commended by Zhongda as reported by the management. In areas presenting large number of ethnic minorities, Zhongda typically entrusts township government to engage with village committees and individual household on leasing of LUR as Zhongda believe
leasing of LUR more sensitive in ethnical minority areas than in Han Chinese dominated areas and the township may be more efficient than village committees.

The land leasing contract can be signed directly with individual households, or the village committees with the prior consent commissioned by the individual households. Among the 3,000 mu self-owned production bases, about 1,000 mu was directly leased out from individual households, whilst the rest 2,000 mu via the village committees.

When one piece of land leasing contract is signed between Zhongda and the village committee, it will be witnessed by the township government and be filed in the county level Agriculture and Rural Affairs Bureau. Since the 2\textsuperscript{nd} round of land contracting to famers will reach its thirtieth years by 2028, which needs to be renewed for the 3\textsuperscript{rd} term to farmers according to the new law. All land leasing contracts for Zhongda’s plantation bases will be extended again if Zhongda wants to continue the leasehold.

The main manual labors for plantation bases are sourced from villages nearby. There is no limitation on male or female to work on the bases as long as he or she is can provide documented evidence to prove he/she is health enough to the work. As incomes of working in the urban area are generally higher than farming, most of young adults are migrating out to seek employment opportunities. The people working for plantation bases are usually aged above 40 years old and the risks for child labor is negligible as reported by the management consulted.

The following advices were raised to strengthen the relationships with the local communities and enhance governance of land leasing:

- (a) The families with relatively lower income in rural areas (subject to labors they have in the families) are suggested providing job opportunities at priorities to assure they can equally benefit from the development;
- (b) The company can join the government-led poverty alleviation programs and provide subsidies to impoverished famines, donations during festivals and support the educations of their kids;
- (c) Wage payment to farmers who are working at the bases should be paid in full and on a monthly basis at the end of each month; and
- (d) Land subsidy transferred from the State should be paid to individual households who previously own the land.

### 4.2.3 Fengyuan Hepu Animal Husbandsry Co., Ltd.

Henan Fengyuan Hepu Animal Husbandsry Co., Ltd. (Fengyuan) is a modern farming and animal husbandry enterprise which is mainly working on animal nutrition, pig breeding, environmental protection equipment, recycling agriculture and fresh food as well.

Fengyuan did not disclose the total area of land they engaged. Just giving their business in Xiping County for example, Fengyuan has currently commended a total area of 4,000 mu land for coupling plantation and livestock at eight pig farms. The duration of land leasing contract is normally set at 20 years. Fengyuan adopts a very proactive approach for land leasing and intensively engage in the full process. During the realignment stage, Fengyuan with the support of local community leaders negotiate
land leasing household by household. After obtaining consent from all households engaged, normally taking 1-2 years for obtaining the land for a pig farm, Fengyuan prefers to involve the village committee for formal contract-signing. The land leasing agreement will be filed with county level Natural Resources Bureau and Ag and Rural Affairs Bureau after it is witnessed by the township government. The main difference for the land leased for crop plantation and livestock-raising is that the land for protected agriculture in livestock sector is required to be filed with the county level bureaus.

For the land leased by Fengyuan, the annual rent is determined at economic value of fixed crop yield (i.e. 400kg/mu of wheat) at the government referential price each year, which is paid to individual household via township government financial office on an annual basis in advance of land use.

4.3 In Summary

According to above interviews and consultations, the most salient features of leasing of LUR are summarized as below:

- Although three companies expressed that LUR leasing contract could be signed with individual household or village committee (with prior consent from farmers involved, the enterprises prefer to sign the contract with village committee. Through this way, companies assign the village committee to coordinate and negotiate with individual household one by one that reduces lots of their workloads. Most of the enterprises would reply on the local village committees for engagement with large number of households and there is lacking upfront planning or system governing the process for obtaining the LUR from the farmers. The level of adequacy for public consultation is largely dependent on the behaviors of village leaders involved.

- The rent is usually determined on basis of land category and quality and is paid to individual household annually in advance of land use, which can guarantee the farmers’ benefits. The rent adjustment mechanism in the contract is normally vague;

- Usually the enterprise would undertake some social responsibility initiatives, such as providing job opportunities to local farmers at priority, subsidizing education for the poor students, which can enhance the relationships with local farmers while increasing their trust on the enterprises.

Generally, the following points on land leasing in Henan Province could be concluded:

- The leasing of LUR is very common Henan Province. The State and Henan Province have established a comprehensive policy system which has standardized the principles, subjects, procedures, transactions, contract management and management agencies on leasing of LUR.

- The leasing of LUR should abide by the principle of equal consultation, legality, voluntariness and compensation on the basis of insisting on the peasant household contract management system and stabilizing the rural land contract relationship.
• The contract of leasing LUR should be signed in written, and rent should be paid in time; and

• The formal mechanism for information disclosure and participation is not well established to guide the process of leasing of LUR;

• There are still rooms for improving current practice and performance of leasing of LUR.

5. Risks Analysis and Recommendations

The recent law amendments on rural land represent a “breakthrough” in rural reform, which aims at speeding up the “build-up” of the market for circulating rural land use rights while safeguarding the farmers’ long-term contracted rights to the farmland, maintaining the farmland for agricultural use, and in turn increase the farmers’ income and promote rural revitalization. However, enforcement of the new law will be a long way ahead, largely due to the vast geographical coverage of China, the huge size of farmers dependent on the land for livelihoods, the variances in law enforcement among local enforcers as well as the given social risks entailed by China’s ongoing urbanization and industrialization. The following risks are identified largely from an overall assessment of China’s in-place laws governing land leasing, a review of relevant lawsuits and stakeholder engagement, aiming for further analysis and necessary mitigations measures are proposed to be embedded into HADFIC’s ESMS to uphold and enhance the positive effects that the project may bring in to the local communities.

Stakeholder engagement with regards to land leasing is apparently weak in current regulations, which is required to be enhanced following ESS10. Although the law strictly forbids any form of forced enforcement with land leasing, it is still unknown who should lead the public consultation and negotiation with farmers, how to carry it out, in what form is appropriate, what kind of evidences should be held for the enterprises, etc. Moreover, there is no clear guidelines in current regulations or policies directing the public consultations with farmers concerning land leasing. China’s farmers are smallholders in terms of their land size and each case of scale land leasing would possibly involve hundreds or even thousands of households, which in turn makes it is both impractical or undesirable for any enterprises to directly engage with large number of farmers. Village committees and township government are in practice commissioned by the enterprise to engage with the farmers for leasing of LUR, but most take place without any in-place procedures governing engagement with farmers. A review of few lawsuits relating land transfer points out lacking prior consent with some farmers, power abuse by some village leaders, challenges on non-transparency and corruption behind, absence of functioning grievance redress mechanisms (GRM), etc., are among the most frequently cited causes for allegations related to leasing of LUR. Land leasing, as it emerged and continues to spread in adapt to a changing socio-economic context, fits into the willingness of most famers for freeing up labors to get a relatively higher income from non-land employment if it is appropriately proceeded. Given the vast number of farmers to be involved, a robust and formal stakeholder engagement (including GRM) should be critically important to build and maintain a constructive relationship among the farmers, the enterprises and other parties involved.
Mitigations: As set out in ESS10, the sub-borrowers (enterprises in this project case) are required to “continue to engage will and proved sufficient information to stakeholders throughout the life cycle of the project, in a manner appropriate to the nature of their interests and potential E&S risks and impacts of the project”. The following mitigation measures are specifically suggested to enhance engagement with farmers by subprojects involving land leasing:

- The sub-borrowers (with the support of third-party specialist if its capacity is weak) should identify and analyze the stakeholders to determine the level of communication appropriate. When the ethnic minorities are involved in land leasing, the communications should be handled in a culturally appropriate manner.

- The sub-borrowers should develop a Stakeholder Engagement Plan (SEP), to the satisfaction of HADFIC, formulating the timing and methods of engagement throughout the project lifecycle. Since the engagement with farmers depends substantially on community leaders, the sub-borrower will make reasonable efforts to verify such person, in fact, do represent the views of farmers and they are facilitating the communication process in an appropriate manner. The verification process should be reflected in the SEP. The subproject SEP should be disclosed in the subproject area, prior to subproject appraisals.

- Information on the proposed land leasing should be adequately and upfront disclosed, following the SEP, to allow the farmers understand their rights to farmland, opportunities and impacts associated with land leasing.

- Meaningful consultations should be carried out with every farmer household to get their consent in writing on land leasing, which should form part of the supporting annexes to the land leasing agreement.

- A functioning GRM should be established under each subproject to receive and facilitate resolution of concerns and grievances raised by farmers in a timely and culturally appropriate manner. Project-level GRM managed by HADFIC will be fully accessible to the complaints to remedy the failure of subproject-level GRM.

Village committees in practice are normally entering into the land leasing agreement on behalf of farmers with enterprises, which in some cases erodes the rights and interests of farmers. Although the law states land leasing contract should be signed between transferors (farmers) and transferees (enterprises), the enterprises don’t have desire to follow it strictly largely because they may be considered as “outsiders” by the farmers and have to rely on the local cadres to engage with a large number of farmers to be involved in land leasing. That’s why the land leasing is preferred to be signed with village committees and the enterprises seldom deal with farmers directly. Some lawsuits on land transfer reveal that forced enforcement, although the chances are substantially diminishing, would possibly happen when the local government and cadres have special political and economic intentions underlined, e.g. promoting locally specialized industrials, etc. In addition, industrialized plantation bases require consolidating a large sale of land and any dispersed unleased small parcels within the base will make farming inconvenient. The
enterprises are thus having motivations to utilize other means to “persuade” farmers to join the leasing program, which in result would causes complaints among farmers. These social risks are coupled with the inadequate engagement as discussed above and can be managed at the subproject level through the robust stakeholder engagement initiatives and effective GRM in accordance with the requirements of ESS10.

**Mitigations:** The sub-borrowers, with the support and coordination of village leaders and township government, are encouraged to directly sign the leasing contract with individual households. If the village committees are alternatively selected as one subproject of the land leasing agreement, the following actions should be paid more attention to:

- Project screening and due diligence should enhance the consideration on risks related to land leasing. Any sub-borrowers with tracked negative records on land leasing that resulted in substantial social conflicts or the proposed land leasing classified as high-level social risks should **not** be eligible for project financing.

- Robust stakeholder engagement activities should be planned in the SEP, subject to review by HADFIC and sporadic check by the World Bank.

- Reasonable efforts should be made by the sub-borrowers to verify and ensure the representatives of village committees and cadres are legitimate and recognized by the farmers and they do, in fact, represent the views of farmers and they are facilitating the communication process in an appropriate manner. The results of verification should serve as the evidence to be further reviewed by HADFCI while proceeding financing appraisal and approval.

- Meaningful consultation with famers should be enforced to ensure prior consents in writing for are obtained with every family willing to lease out their land.

- For some families that are unwilling to participate in land leasing, their decisions should be fully respected, and the following solutions are suggested to be prioritized:
  - With the coordination of local cadres and consent of these households, the concerned land will be replaced with a viable alternative farmland located outside the planned base but with a combination of productive potential, location advantage and other factors at least equivalent to it. Land adjustment will be filled with rural authority.

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16 Since the project is classified as “Substantial” risk, in case “High” risks subprojects are to be funded under the project, HADFIC should get prior approval from the World Bank at the risk screening stage. Meanwhile, the overall risks of the project will be upgraded to “High” following the requirements of ESF and effectiveness of the ESMS should be reviewed. Relevant requirements of the ESSs should be applied in a manner agreed with the World Bank, as set out in the ESMS.
If the concerned households stick to keep their own land and refuse land adjustment, appropriate access road to the concerned land should be maintained while land consolidation is carried out.

• Social performances on sub-borrowers should be monitoring and reported to the World Bank by HADFIC, subject to a sporadic check by the World Bank.

There is lacking clear principles to guide rental negotiation and payment for leasing of land use rights. The law sets out land rental should be decided by the two parties involved through consultation and fair negotiation. However, there is no benchmark to refer at what level the rental is adequate and no timeline when the rent should be paid. In sum, key risks associated with this inadequacy in law include: (a) a uniform price for rental is executed under very case of land leasing, without special consideration to vulnerable group families; (b) late disbursement of land rental frequently leads to complaint and dissatisfaction by farmers; (c) much worse, default of rental payment is the most primary cause resulting in lawsuit and damage to the benefits of farmers; and (d) In some cases inter alia in livestock sector, leasing of LUR will involve relocation of tombs out of the boundary of pig farms and the compensation for tomb relocation will follow the government published rates applied for land acquisition, rather than the full replacement cost incurred.

Mitigations: The following suggestions are distilled from best practices in the field and are expected to minimize the negative financial impacts on farmers:

• Land rental should not be lower than the average annual net income from the land, to ensure the famers can have additional gains from leasing out their land use rights.

• Mechanisms to adjust land rental on a routine frequency (no less than 3 years) are suggested to be set in the agreement to protect the benefits of farmers.

• Land rental at a routine frequency (annually, semi-annually) in advance of land use by the enterprises to secure the farmers’ benefits.

• In addition to land rental, special assistances are highly suggested to vulnerable group households to ensure they can inclusively benefit from the project.

• Land attachment such as (trees, crops, structures, etc.) owned by farmers should be compensated reasonable prices in the initial project implementation period;

• For tomb relocation, it should respect local context and the cultural preference and beliefs of the families involved and the compensation should meet the requirements of full replacement cost. In addition, if some families don’t want to relocate the tombs even after meaningful consultation and coordination, their decision should be respected, and additional measures should be in place and be informed to the concerned families to assure they can freely carry out tomb-sweepings at special days (e.g. Qingming festival) following the local practices.

• State subsidies to agriculture, compensation to the leased land that might be acquired should be allocated according to laws and regulations, as well as what
have been agreed on the contracts, to protect the interests of the rural collective economic organizations and farmers whose land is acquired.

For this project, the Template for Leasing of LUR Agreement issued by Henan Provincial Department of Agriculture and Rural Affairs has been amended considering of the above recommendations to control social risks underlined (see section 7 of this legal review).

6. Strengthening the Procedure for Leasing of LUR

Table 3 adopts the above concepts to mitigate potential risks associated with leading of LUR and presents an enhanced approach for proceeding leasing of LUR. It highlights the China’s legally required actions and additional actions to be bridged by sub-borrowers and HADFIC to align with ESF requirements. Responsibilities for parties involved in leasing of LUR are allocated for each of the actions. Since the subproject is required to meet both PRC’s legal regulations and Environmental and Social Framework (ESF) requirements, the sub-borrowers with the guidance by HADFIC will need to take the lead on bridging the gaps and control the risks.

Additional actions imbedded in the enhanced procedure are further explained as follows:

- **Stakeholder identification:** Key stakeholders associated with leasing of LUR include (but not limited to) farmers, the local villages, township and county government, the vulnerable groups, the ethnic minorities, other enterprises carrying out leasing of LUR in the local area, for which their interests and influences should be analyzed to inform formulation of the SEP.

- **Screening and categorization:** In addition to the proposed land size, potential numbers of farmers and their ethnic composition, and their dependence on the land, the screening should focus on identifying the local dynamics and contexts that may affect the proceeding of land leasing, the capacity of the local village leaders and the township government and the tracked records on land leasing in the subproject area. Moreover, social risks associated with tomb relocation should be screened and considered through proactive engagement with the local residents. Those risks associated with leasing of LUR will be fully considered in the subproject risk categorization.

- **Social due diligence:** Social audit will be triggered when a proposed subproject has leased the land prior to apply for financing from HADIC. The audit will determine the nature and extent of all social areas of concerns, identifies and justifies appropriate measures and actions to mitigate areas of concerns, estimate the cost of measures and actions, and recommend a schedule for implementing them. In addition to the issues directly linked to land leasing and rent payment, it should be highlighted the social risks and potential legacy issues associated with existing tombs within the boundary of the farming bases and livestock-raising facilities should be assessed via direct engagement with the local informants. **Annex 8** to this ESMS provides an indicative outline of social due diligence.
• **Preparation of supplementary documents as needed:** As part of the assessment process, each subproject is required to prepare a SEP, proportionate to the risks and impacts, to guide the stakeholder engagement over the project lifecycle. For substantial subprojects\(^{17}\), the extent and detail of the environmental and social assessment (ESA) documentation (e.g. ESIA, ESMP, Social Audit Report, etc.) should be prepared proportionate with the subproject’s potential Social risks and impacts, as set out in HADFIC’s ESMS. The mitigation measures outlined in the above section to manage the social risks associated with leasing of LUR should be customized in the social management plan (SMP) for the subproject to implement.

• **Subproject appraisal and approval:** Social risks associated with leasing of LUR will be reviewed during subproject appraisal. The measures and actions for managing corresponding risks with leasing of LUR will be incorporated into the investment approval and conditions for investment disbursement.

• **Project information disclosure:** As part of the SEP, relevant information on the proposed land leasing should be made available as early as possible in advance of getting alignment with proposed families, and in a manner, format, and language appropriate for each group of stakeholders. In cases where literacy levels are low, the subproject borrowers should help the relevant families to understand the key contents of land leasing documents, through further explanations with the support of local village committee.

• **Obtaining farmers’ prior consent:** Following the SEP, a process of meaningful consultation should be undertaken to assure a genuine prior consent will be obtained from all families involved in land leasing. For some families that are unwilling to participate in land leasing, their decisions should be fully respected and relevant mitigations (e.g. land adjustment, granting free access to the land, etc.) will be applied and well documented. HADFIC will check the completeness of the documentation and verify it while direct engagement with famers during their routine supervision.

• **Internal and external monitoring:** The sub-borrowers should take full accountability of the whole process of land leasing, subject to routine supervision by HADFIC and sporadic checking by the World Bank. Subprojects’ social performances on land leasing will be one critical component of the semi-annual Environmental and Social Reporting. The extent and frequency of supervision by HADFIC will be proportionate to the subproject’s risks and impacts. The families participating in land leasing will be consulted during the monitoring process.

• **Implementation completion audit:** As part of the sub-project ICR, the completion audit on land leasing will be carried out by competent social consultants, to

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\(^{17}\) Since the project is classified as “Substantial” risk, in case “High” risks subprojects are to be funded under the project, HADFIC should get prior approval from the World Bank at the risk screening stage. Meanwhile, the overall risks of the project will be upgraded to “High” following the requirements of ESF and effectiveness of the ESMS should be reviewed. Relevant requirements of the ESSs should be applied in a manner agreed with the World Bank, as set out in the ESMS.
assess the social performances of land leasing under the project, and distill lessons-learned and successful experiences can be shared and guide HADFIC’s management of social risks associated with land leasing in its portfolio.

Table 3 Project Strategic Options for Enhancing Land Leasing Management

<table>
<thead>
<tr>
<th>Activities related to Leasing or LUR</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>County Gov’t</td>
</tr>
<tr>
<td>A Pre-preparation</td>
<td></td>
</tr>
<tr>
<td>1 Gov’t alignment to examine qualification of enterprises and select proposed sites</td>
<td>✓</td>
</tr>
<tr>
<td>2 Pre-entry of local communities</td>
<td></td>
</tr>
<tr>
<td>3 Identify key stakeholders</td>
<td></td>
</tr>
<tr>
<td>4 Application for financing</td>
<td></td>
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<tr>
<td>B Sub-project Preparation</td>
<td></td>
</tr>
<tr>
<td>5 Subproject Screening and Categorization</td>
<td></td>
</tr>
<tr>
<td>6 E&amp;S due diligence</td>
<td></td>
</tr>
<tr>
<td>7 Safeguards document package, including SEP, ESIA, RAP, etc. when applicable</td>
<td></td>
</tr>
<tr>
<td>8 Subproject Appraisal and Approval</td>
<td></td>
</tr>
<tr>
<td>C Subproject Implementation</td>
<td></td>
</tr>
<tr>
<td>9 Project information disclosure</td>
<td></td>
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<tr>
<td>10 Meaningful consultation with all families to be involved to obtain prior consent</td>
<td></td>
</tr>
<tr>
<td>11 Land Leasing Contract Negotiation &amp; Sign-off</td>
<td></td>
</tr>
<tr>
<td>12 Filing of Land Leasing Contract</td>
<td>✓</td>
</tr>
<tr>
<td>13 Payment for land rental</td>
<td></td>
</tr>
<tr>
<td>14 Government supervision</td>
<td>✓</td>
</tr>
<tr>
<td>15 Internal monitoring</td>
<td></td>
</tr>
<tr>
<td>16 Implementation monitoring and reporting</td>
<td></td>
</tr>
<tr>
<td>17 Timely grievance redress</td>
<td>✓</td>
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<tr>
<td>18 Implementation Completion Report</td>
<td></td>
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</tbody>
</table>

Legend

<table>
<thead>
<tr>
<th>Legal procedure &amp; practice</th>
<th>Project Responsibility to Manage Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>
Note to apply this agreement template: This template was developed based on in-place agreements of several sampled enterprises while taking into account of the contractual requirements as set out in the new Land Contracting Law (2018). The sub-borrowers can customize the contract to add additional terms and conditions as agreed with the parties involved.

In order to protect the legitimate rights and interests of the parties involved in leasing of LUR and promote the parties to fulfill their obligations, this contract is agreed to be concluded in terms of the principle of equality, voluntariness, fairness and integrity in accordance with the China’s Contract Law and Rural Land Contracting Law and other relevant laws and regulations.

i. The Parties

Lessor (hereinafter referred to as Party A)

<table>
<thead>
<tr>
<th>Name of Party A</th>
<th>ID card</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact</td>
<td>Address</td>
</tr>
<tr>
<td>Bank Name</td>
<td>Bank account</td>
</tr>
<tr>
<td>Name of Agent</td>
<td>Contact</td>
</tr>
<tr>
<td>ID card</td>
<td>Address</td>
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</tbody>
</table>

Lessee (hereinafter referred to as Party B)

<table>
<thead>
<tr>
<th>Name of natural person or legal person</th>
<th>ID card</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact</td>
<td>Address</td>
</tr>
<tr>
<td>Bank Name</td>
<td>Bank account</td>
</tr>
<tr>
<td>Name of Agent</td>
<td>Contact</td>
</tr>
<tr>
<td>ID card</td>
<td>Address</td>
</tr>
</tbody>
</table>

ii. Profile of land that the use right is to be leased out

Below table summarizes the name, location, area and quality of the land.

<table>
<thead>
<tr>
<th>Land Name</th>
<th>Location</th>
<th>Area</th>
<th>Category of Land Quality</th>
<th>remark</th>
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<tbody>
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<td></td>
<td></td>
<td></td>
<td>High</td>
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<td></td>
<td>Medium</td>
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<td></td>
<td></td>
<td></td>
<td>Low</td>
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</tbody>
</table>

iii. Term of Leasing of Land Use Right

The term should not exceed the remaining period of the term of the rural land contract. The term will be from __________ to __________.

Party A should hand the land over Party B before ______________ day __________ month __________ year.
iv. **Rental and Payment**

1) **Payment method**

The parties agree that Party B will pay the rental to Party A as per one of the following options.

   a) Cash payment as per calculation in kind. Party B should pay the rent, which will be calculated on basis of the yield of crop (i.e., rice, corn, and wheat) per mu (Kg/mu) multiplying market price to Party A before __ day __ month __ year.

   b) Payment in kind. Party B should pay the rent, which will be calculated as per the yield of crop per Mu (i.e., rice, corn, and wheat) per mu (Kg/mu) to Party A before __ day __ month __ year.

   c) Lump-sum cash payment. Party B should pay the rent, which is set at XXX Yuan/mu/year, to Party A before __ day __ month __ year.

   d) Other method of payment. Please detail ________________.

2) **Other matters**

The method and condition of adjustment of the rent: ________________.

v. **Filing and Registration**

Party A should file and register the contract of leasing of land use right in related department of local township government in 3 days when the contract is signed.

vi. **Party A’s Right and Obligations**

1) **Rights:**

   (i) Supervise party B to utilize and protect land rationally;

   (ii) Has rights to charge the rental from Party B,

   (iii) Has rights to take back land use right when the contract is expired;

   (iv) Supervise party B to improve soil fertility and to prevent predatory conduct and abonnement.

   (v) Other rights defined by law and administrative regulations

2) **Obligations**

   (i) Ensure the contractual management rights of the land are legal and clear without any ownership disputes and economic disputes and provide proof materials.

   (ii) Document the contract to the party giving out the contract (i.e., the collective economic organization);

   (iii) Assist Party B in handling registration of land use rights

   (iv) Ensure party B’s autonomy to manage the land and disposal on agricultural products.
(v) Execution of contract without illegal change and/or terminate the contract
(vi) Other obligations defined by law and administrative regulations

vii. Party B's Rights and Obligations

1) Rights:
   (i) Has land use right and income right legally and has the right to organize the construction, operation, management and disposal of production in the area of land;
   (ii) Has rights to use necessary irrigation system, roads and structures for agriculture production of the land;
   (iii) has priorities to lease land use rights under the same condition when the contract is expired.
   (iv) Other rights defined by law and administrative regulations

2) Obligations
   (i) ensure agricultural production and operation use of the land, protect and utilize the land rationally in accordance with law, ensure soil fertility improvement constantly, prevent predatory conduct and abonnement of the land.
   (ii) Shall pay the rental to Party A in full and on time in accordance with the contract.
   (iii) Ensure that no change shall be made in the purpose of use of the land designed for agriculture, the comprehensive capacity of agriculture production and agricultural ecological environment shall not be destroyed, and the land shall not be abandoned;
   (iv) Other obligations defined by law and administrative regulations.

viii. Variation and termination of the Contract

(i) Except as otherwise provided by law or otherwise stipulated in this contract, neither party may change or terminate the contract without authorization.
(ii) If Party B has one of the following circumstances, Party A may unilaterally terminate this contract.
   a) do not pay the rental as agreed above for _____ years;
   b) change land use for agriculture purpose unauthorized
   c) abandon land continuously for more than 2 direct years;
   d) destroy the land severely or destroy ecological environment of the land, and
   e) other serious breaches of the contract

(iii) Party B could terminate the contract if the contract cannot be executed due to Party A’s breach of the contract.
(iv) During the execution of the contract, when either party is unable to perform all or part of its obligations owing to irresistible force, both parties could terminate the contract when relevant fees during the contract are liquidated.
(v) If one of the parties changes or terminates this contract midway, it shall notify
the other party in writing\_\_\_ month(s) in advance; The parties could vary and terminate the contract or sign supplementary agreement after negotiation.

ix. **Liability for breach of contract**

(i) During the execution of the contract, when one party breaches the contract, causing a loss to another party, breaching party have to pay the loss and penalty, \_\_\_\% of land rental.

(ii) During the execution of the contract, party B shall not dispose of ground attachment arbitrarily, and compensation shall be made for damage caused to Party A by disposal.

(iii) Other liabilities for breach of contract defined by law and administrative regulations

x. **Method of resolving dispute**

(i) During the execution of the contract, when disputes occur, agreement shall be sought through negotiations. In case of failing to reach agreement, both parties may apply for mediation or arbitration from management department of agricultural contract, or directly bring a lawsuit in the people's court.

xi. **Other matters**

(i) In case of land expropriation by the state during the execution of the contract, the contract will itself terminate.

(ii) Anything not covered hereunder may be negotiated and agreed upon between parties in the form of supplementary clauses, which shall have the same legal force as the contract.

(iii) During the mediation, arbitration or lawsuit caused by disputes between both parties, the execution of the contract continues; When disputes affected production, production must be resumed before settlement of disputes.

(iv) When the contract is signed, the parties may apply for endorsement from township agricultural contract management committee.

(v) Others: ________________________________

xii. **There are quadruplicating of this Contract (quintuplicate if endorsement needed), with Party A holding one, Party B one, contract issuing party one, and township agricultural contract management one for record (endorsement department one), which shall become valid on the date of signature**

<table>
<thead>
<tr>
<th>Party A (signature):</th>
<th>Party B (signature):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>Address:</td>
</tr>
<tr>
<td>Phone No.:</td>
<td>Phone No.:</td>
</tr>
<tr>
<td>Signing date</td>
<td>Signing date</td>
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</table>
# Annex 4 Key Requirements of World Bank ESSs

<table>
<thead>
<tr>
<th>ESSs</th>
<th>Key Requirements</th>
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</table>
| **ESS1: Assessment and Management of Environmental and Social Risks and Impacts** | 1. Carry out an environmental and social assessment of the project to assess the environmental and social risks and impacts, at the scale and level of detail appropriate to the potential risks and impacts  
2. Evaluate the project’s potential environmental and social risks and impacts; including all relevant direct, indirect and cumulative risks and impacts and project alternatives, including the “no project” alternative.  
3. Apply appropriate environmental and social impact assessment (ESIA), instruments as may be required, including ESIA; audit, hazard or risk.  
4. Prepare an environmental and social management plan or framework to plan, allocate resources. The plan will specify the technical, organizational and human resources and actions to be taken, as well as any necessary training and other capacity enhancement necessary for ensure full compliance with such requirements.  
5. Monitor and measure the environmental and social performance of the project against all applicable legal and regulatory requirements of the project.  
6. If there are significant changes to the project that result in additional risks and impacts, particularly where these will impact project-affected parties, the proponent will provide information on such risks and impacts and consult with project-affected parties as to how these risks and impacts will be mitigated and will report to relevant authorities in a timely manner all information on any such risks, impacts and consultations.  
7. Ensure that all contractors and subcontractors engaged in the project operate in a manner consistent with these requirements, including those relating to environmental management, monitoring and reporting |
| **ESS2: Labor and Working Conditions** | 1. The Borrower will develop and implement written labor management procedures applicable to the project. These procedures will set out the way in which project workers will be managed, in accordance with the requirements of national law and this ESS.  
2. Provide project workers with information and documentation that is clear and understandable regarding their terms and conditions of employment including their rights at the beginning of the working relationship and when any material changes to the terms or conditions of employment occur.  
3. Apply all relevant Occupational, Health and Safety measures to the project, consistent with applicable laws, regulations and industry best practices.  
4. Employment of project workers will be based on the principle of equal opportunity and fair treatment, and there will be no discrimination on the basis of personal characteristics unrelated to inherent job requirements.  
5. Provide appropriate measures of protection and assistance to address the vulnerabilities of project workers, including specific |
<table>
<thead>
<tr>
<th>ESSs</th>
<th>Key Requirements</th>
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<tr>
<td></td>
<td>groups of workers, such as women, people with disabilities, migrant workers and children of legal working age.</td>
</tr>
<tr>
<td></td>
<td>6. No child under the minimum age of 14 will be employed or engaged in connection with the project. No child over the minimum age and under the age of 18 will be employed or engaged in connection with the project in a manner that is likely to be hazardous or interfere with the child’s education or be harmful to the child’s health or physical, mental, spiritual, moral or social development</td>
</tr>
<tr>
<td></td>
<td>7. Forced labor will not be used in connection with the project.</td>
</tr>
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<td></td>
<td>8. The project will comply with national law with respect to workers’ rights to form and to join workers’ organizations of their choosing and to bargain collectively without interference.</td>
</tr>
<tr>
<td></td>
<td>9. A grievance mechanism will be provided for all direct workers and contracted workers (and, where relevant, their organizations) to raise workplace concerns.</td>
</tr>
<tr>
<td>ESS3: Resources Efficiency and Pollution Prevention and Management</td>
<td>1. Implement technically and financially feasible measures for improving efficient consumption of energy, water and raw materials, as well as other resources.</td>
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<tr>
<td></td>
<td>2. Avoid the release of pollutants, or, when avoidance is not feasible, minimize and control the concentration and mass flow of their release using the performance levels and measures specified in national law and regulation.</td>
</tr>
<tr>
<td></td>
<td>3. Where the project involves historical pollution, will establish a process to identify the responsible party.</td>
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<td></td>
<td>4. Avoid the generation of hazardous and non-hazardous waste as defined by national law and regulation.</td>
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<td></td>
<td>5. Avoid the manufacture, trade and use of chemicals and hazardous materials subject to international bans, restrictions or phase-outs consistent with Borrower government commitments under the applicable international agreements.</td>
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<td></td>
<td>6. Where projects involve recourse to pest management measures, give preference to integrated pest management (IPM) or integrated vector management (IVM) approaches using combined or multiple tactics before resorting to synthetic pesticides.</td>
</tr>
<tr>
<td></td>
<td>7. The project shall estimate and report on greenhouse gas emissions consistent with national law and regulations issued in compliance with national commitments under international agreements and in accordance with internationally recognized methodologies and good practice.</td>
</tr>
<tr>
<td>ESS4: Community Health and Safety</td>
<td>1. Evaluate the risks and impacts of the project on the health and safety of the affected communities during the project life-cycle. Identify risks and impacts and propose mitigation measures in accordance with the mitigation hierarchy.</td>
</tr>
<tr>
<td></td>
<td>2. Identify, evaluate and monitor the potential traffic and road safety risks to workers and potentially affected communities throughout the project life-cycle.</td>
</tr>
<tr>
<td></td>
<td>3. Conduct a Risk Hazard Assessment (RHA) for projects having the potential to generate emergency events. Identify and implement measures to address emergency events.</td>
</tr>
<tr>
<td></td>
<td>4. Document and review the emergency preparedness and response activities, resources, and responsibilities, and</td>
</tr>
</tbody>
</table>
## Key Requirements

1. For all projects having the potential to require physical or economic displacement of communities or persons conduct a social, legal and institutional assessment to identify potential risks and impacts.

2. Seek all feasible alternative project designs and measures should to minimize and mitigate adverse economic and social impacts of physical or economic displacement, unless public health or safety would be adversely affected as a result.

3. Assess environmental, social, and financial costs and benefits, and pay particular attention to gender impacts and impacts on the poor and vulnerable.

4. Where land acquisition or restrictions on land use are unavoidable, conduct a census to identify the persons and communities to be affected. Establish an inventory of land and assets to be affected, to determine who should be eligible for compensation and assistance.

5. In the case of physical displacement, design a resettlement plan, proportionate to the risks and impacts associated with the project, to mitigate the negative impacts of displacement and, as warranted, to identify development opportunities.

6. Where the exact nature or magnitude of the land acquisition or restrictions on land use related to a project with potential to cause physical and/or economic displacement is unknown during project preparation, a framework should be prepared to establish general principles and procedures compatible with the Bank’s policies. Once the individual project components are defined and the necessary information becomes available, such a framework should be expanded into a specific plan proportionate to potential risks and impacts.

7. When land acquisition or restrictions on land use, whether permanent or temporary, cannot be avoided, the affected persons should be compensated at replacement cost, and other assistance as may be necessary to help them improve or at least restore their standards of living or livelihoods.

8. In case that relocation is necessary, (a) the displaced persons should be offered choices among feasible resettlement options, including adequate replacement housing or cash compensation; and (b) relocation assistance should be provided suited to the needs of each group of displaced persons. New resettlement sites should offer living conditions at least equivalent to those previously enjoyed, or consistent with prevailing minimum codes or standards, whichever set of standards is higher. If new
resettlement sites are to be prepared, host communities should be consulted regarding planning options, and resettlement plans should ensure continued access, at least at existing levels or standards, for host communities to facilities and services. The displaced persons’ preferences with respect to relocating in preexisting communities and groups should be respected wherever possible. Existing social and cultural institutions of the displaced persons and any host communities should be respected.

9. In the case of physically displaced persons have formal legal rights to land or assets, or do not have formal legal rights to land or assets, but have a claim to land or assets that is recognized or recognizable under national law, they should be offered the choice of replacement property of equal or higher value, with security of tenure, equivalent or better characteristics, and advantages of location, or cash compensation at replacement cost. Where livelihoods of displaced persons are derived primarily from land, compensation in kind should, where possible, be offered in lieu of cash.

10. Where livelihoods of displaced persons are land-based, or where land is collectively owned, the displaced persons should be offered an option for replacement in kind, unless equivalent replacement land is unavailable. Payment of cash compensation for lost land and other assets may be appropriate where: (a) livelihoods are not land-based; (b) livelihoods are land-based but the land taken for the project is a small fraction of the affected asset and the residual land is economically viable; or (c) active markets for land, housing, and labor exist, displaced persons use such markets, there is sufficient supply of land and housing, and the borrower has demonstrated to the satisfaction of the Bank that insufficient replacement land is available.

11. In the case that the displaced persons have no recognizable legal right or claim to the land or assets they occupy or use, they should be provided arrangements to allow them to obtain adequate housing with security of tenure. Where these displaced persons own structures, they should be compensated for the loss of assets other than land, such as dwellings and other improvements to the land, at replacement cost. Based on consultation with such displaced persons, relocation assistance in lieu of compensation for land sufficient for them should be provided to restore their standards of living at an adequate alternative site.

12. The displaced communities and persons should also be provided opportunities to derive appropriate development benefits from the project. In the case that the affected persons have no recognizable legal right or claim to the land or assets they occupy or use, resettlement assistance should be provided in lieu of compensation for land.

13. The displaced persons can be taken possession of acquired land and related assets only after compensation has been made available and, where applicable, resettlement sites and moving
allowances have been provided in addition to compensation.

14. Negotiating in situ land development arrangements can be considered as an alternative to displacement, by which the affected persons may accept a partial loss of land or localized relocation in return for improvements that should increase the value of their property after development. Any person not wishing to participate should be allowed to opt instead for full compensation and other assistance.

15. Economically displaced persons who face loss of assets or access to assets should be compensated for such loss at replacement cost. Economically displaced persons should be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels, and standards of living.

16. When identifying potential economic and social risks and impacts of the project, particular attention should be paid to gender aspects and the needs of the poor and the vulnerable. The consultation process should ensure that women’s perspectives are obtained, and their interests factored into all aspects of resettlement planning and implementation.

17. The affected communities, including host communities, should be engaged through the process of stakeholder engagement. Decision-making processes related to resettlement and livelihood restoration should include options and alternatives from which affected persons may choose, where applicable.

18. Disclosure of relevant information and participation of affected communities and persons should take place during the consideration of alternative project designs, and thereafter throughout the planning, implementation, monitoring, and evaluation of the compensation process, livelihood restoration activities, and relocation process.

19. A grievance mechanism for the project should be in place as early as possible in project development to address specific concerns about compensation, relocation or livelihood restoration measures raised by displaced persons (or others) in a timely fashion.

20. A monitoring procedure should be established to monitor and evaluate the implementation of the resettlement plan and will take corrective action as necessary during implementation. The extent of monitoring activities will be proportionate to the project’s risks and impacts.

21. For projects with significant involuntary resettlement impacts, competent resettlement professionals should be retained to monitor the implementation of resettlement plans, design corrective actions as necessary, provide advice and produce periodic monitoring reports. Affected persons should be consulted during the monitoring process. Periodic monitoring reports should be prepared and affected persons should be informed about monitoring results.

### ESS6: Biodiversity

1. Carry out environmental and social assessment considering direct, indirect and cumulative project-related impacts on
<table>
<thead>
<tr>
<th>ESSs</th>
<th>Key Requirements</th>
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</thead>
<tbody>
<tr>
<td>Conservation and Sustainable Management of Living Natural Resources</td>
<td>habitats and biodiversity, for example habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, pollution and incidental take, as well as projected climate change impacts.</td>
</tr>
<tr>
<td>2.</td>
<td>For the protection and conservation of biodiversity, the mitigation hierarchy includes biodiversity offsets, which will be considered as a last resort only after appropriate avoidance, minimization, and restoration measures have been applied but residual adverse impacts remain. A biodiversity offset will be designed and implemented to achieve measurable, additional, and long-term conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity; in the case of critical habitats, a net gain is required.</td>
</tr>
<tr>
<td>3.</td>
<td>Certain residual adverse impacts cannot be offset, particularly if the affected area is unique and irreplaceable from a biodiversity standpoint. In such cases, the Borrower will not undertake the project unless it is redesigned to avoid the need for such offset, and to meet the requirements of this ESS.</td>
</tr>
<tr>
<td>4.</td>
<td>Where the project occurs within or has the potential to adversely affect an area that is legally protected, designated for protection, or regionally or internationally recognized, the Borrower will, in addition to efforts of biodiversity conservation: (i) Demonstrate that the proposed development in such areas is legally permitted; (ii) Act in a manner consistent with any government recognized management plans for such areas; (iii) Consult and involve protected area sponsors and managers, project-affected parties including Indigenous Peoples, and other interested parties.</td>
</tr>
<tr>
<td>5.</td>
<td>All introductions of alien species will be subject to a risk assessment to determine the potential for invasive behavior as part of environmental and social assessment. The Borrower will not intentionally or unintentionally introduce any new alien species (not currently established in the country or region of the project) unless this is carried out in accordance with the existing regulatory framework. Do not deliberately introduce any alien species with a high risk of invasive behavior regardless of whether such introductions are permitted under the existing regulatory framework.</td>
</tr>
<tr>
<td>6.</td>
<td>The Borrower with projects involving primary production and harvesting of living natural resources will assess the overall sustainability of these activities, especially for forest and aquatic system. Where primary production practices for the sustainable management of living natural resources are codified in standards that are globally, regionally, or nationally recognized, particularly for industrial-scale operations, implement such practices consistent with these standards, as relevant to such operations.</td>
</tr>
<tr>
<td>7.</td>
<td>Where the project includes land-based commercial agriculture and forestry plantation (particularly projects involving land clearing or afforestation), locate such projects on land that is already converted or highly degraded (excluding any land that has been converted in anticipation of the project).</td>
</tr>
<tr>
<td>8.</td>
<td>Where a Borrower is purchasing natural resource commodities, including food, timber and fiber, that are known to originate from areas where there is a risk of significant conversion or significant degradation of natural or critical habitats, the Borrower’s</td>
</tr>
<tr>
<td>ESSs</td>
<td>Key Requirements</td>
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<tr>
<td>environmental and social assessment will include an evaluation of the systems and verification practices used by the primary suppliers: (i) identify where the supply is coming from and the habitat type of the source area; (ii) where possible, limit procurement to those suppliers that can demonstrate that they are not contributing to significant conversion or degradation of natural or critical habitats; and (iii) where possible and within reasonable period, require shift the Borrower’s primary suppliers to suppliers that can demonstrate that they are not significantly adversely impacting these areas.</td>
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</tbody>
</table>

1. Screen to determine that Indigenous Peoples present in, or with collective attachment to, the project area are fully consulted about, and have opportunities to actively participate in, project design and the determination of project implementation arrangements.

2. For projects designed specifically to provide benefits directly to Indigenous Peoples, proactively engage with the relevant Indigenous Peoples to ensure their ownership and participation in project design, implementation, monitoring and evaluation.

3. Design and implement the project in a manner that provides affected Indigenous Peoples with equitable access to project benefits.

4. Undertake Free, Prior, and Informed Consent (FPIC) of the affected Indigenous Peoples when the project will: (a) have impacts on land and natural resources subject to traditional ownership or under customary use or occupation; (b) cause relocation of Indigenous Peoples from land and natural resources subject to traditional ownership or under customary occupation or use; or (c) have significant impacts on Indigenous Peoples’ cultural heritage. In these circumstances, the Borrower will engage independent specialists to assist in the identification of the project risks and impacts.

5. Adverse impacts on Indigenous Peoples will be avoided where possible. Where alternatives have been explored and adverse impacts are unavoidable, minimize and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the form and degree of vulnerability of the affected Indigenous Peoples.

6. Where projects are likely to have significant impacts on land that is traditionally owned or under customary use or occupation by Indigenous Peoples, prepare a plan for legal recognition of their perpetual or long-term renewable custodial or use rights.

7. Given priority to the avoidance of significant adverse on cultural heritage that is relevant to the identity and/or cultural, ceremonial, or spiritual aspects of Indigenous Peoples’ lives... Where such impacts are unavoidable, obtain the FPIC of affected Indigenous Peoples.

8. With the participation of affected Indigenous Peoples, I identify mitigation measures designed to avoid, or if avoidance is not possible minimize, mitigate or offset such impacts as designs opportunities for culturally appropriate and sustainable development benefits. Ensure the timely delivery of agreed
<table>
<thead>
<tr>
<th>ESS8: Cultural Heritage</th>
<th>Key Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Determine whether the proposed activities of the project are likely to affect cultural heritage through the environmental and social assessment, considering direct, indirect and cumulative project-specific risks and impacts on cultural heritage.</td>
</tr>
<tr>
<td>2.</td>
<td>Avoid impacts on cultural heritage. When avoidance of impacts is not possible, identify and implement measures to address impacts on cultural heritage in accordance with the mitigation hierarchy. As required to law and regulation, develop a Cultural Heritage Management Plan.</td>
</tr>
<tr>
<td>3.</td>
<td>Implement globally recognized practices for field-based study, documentation and protection of cultural heritage in connection with the project, including by contractors and other third parties.</td>
</tr>
<tr>
<td>4.</td>
<td>Include a “chance finds” procedure in all contracts relating to construction of the project, including requirements to notify relevant authorities of found objects or sites by cultural heritage experts; to fence-off the area of finds or sites to avoid further disturbance; to conduct an assessment of found objects or sites by cultural heritage experts; consistent with the requirements of national law and regulation and to train project personnel and project workers on chance find procedures.</td>
</tr>
<tr>
<td>5.</td>
<td>Where necessary due to the potential risks and impacts of a project, involve the participation of accredited cultural heritage experts in the environmental and social assessment.</td>
</tr>
<tr>
<td>6.</td>
<td>Carry out meaningful consultations with stakeholders, including project affected parties and other interested parties (including local or national authorities) in order to identify cultural heritage that may be affected by the potential project.</td>
</tr>
<tr>
<td>7.</td>
<td>Where a project intends to use cultural heritage (including knowledge, innovations or practices of project affected parties) for commercial purposes, (i) carry out meaningful consultation; (ii) provide for fair and equitable sharing of benefits from commercialization of such cultural heritage, consistent with customs and traditions of the project affected parties; and (iii) identify mitigation measures according to the mitigation hierarchy.</td>
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<table>
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<tr>
<th>ESS9: Financial Intermediaries</th>
<th>Key Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>FIs will put in place and maintain an ESMS to identify, assess, manage, and monitor the environmental and social risks and impacts of FI subprojects on an ongoing basis.</td>
</tr>
<tr>
<td>2.</td>
<td>The FI will put in place and maintain clearly defined environmental and social procedures.</td>
</tr>
<tr>
<td>3.</td>
<td>The FI will have institutional capacity on management of the environmental and social issues of its portfolio.</td>
</tr>
<tr>
<td>4.</td>
<td>FIs will screen and categorize all FI subprojects for environmental and social risks and impacts.</td>
</tr>
<tr>
<td>5.</td>
<td>The FI will review and monitor the environmental and social performance of its portfolio of FI subprojects in a manner</td>
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<td>ESSs</td>
<td>Key Requirements</td>
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<tr>
<td></td>
<td>proportionate to the risks and impacts of the portfolio of subprojects.</td>
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<td></td>
<td>6. The FI will provide a safe and healthy working environment</td>
</tr>
</tbody>
</table>

**ESS10: Stakeholder Engagement and Information Disclosure**

1. Engage with stakeholders throughout the project life-cycle, commencing such engagement as early as possible in the project process.
2. Develop and implement a Stakeholder Engagement Plan (SEP) which describes the timing and methods of engagement with stakeholders throughout the life-cycle of the project.
3. Disclose project information to allow stakeholders to understand the risks and impacts of the project, and potential opportunities.
4. Engage in meaningful consultations with all stakeholders. Provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.
5. Maintain a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not.
6. Propose and implement a grievance mechanism to receive and facilitate resolution of concerns and grievances from project-affected parties
Annex 5 Environmental and Social Screening Sheet

This screening sheet shall be filled by the ICU project team of HADFIC during the preliminary investigation stage for the investment project, and verified by the Risk Control Unit of HADFIC at the project identification meeting. Assistance from HADFIC’s external environmental and social consultants is expected for the verification of the screening and classification results.

During the World Bank Project implementation, the filled sheets for candidate subprojects shall be sent to the World Bank for prior consent, until World Bank agreed that HADFIC has demonstrated adequate technical capacity to screen appropriately on its own.

Subproject: _______________________________________ Name of Enterprise: __________________________

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Relevance</th>
<th>Level of E&amp;S Risk</th>
<th>Remarks/Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>L</td>
</tr>
<tr>
<td><strong>Legal Compliance</strong></td>
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</tr>
<tr>
<td>1. Does the existing enterprise have a valid operating permit, licenses,</td>
<td></td>
<td></td>
<td>Review of documents and permitting records</td>
</tr>
<tr>
<td>approvals etc.?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2. Does the existing enterprise meet all Chinese environmental regulations</td>
<td></td>
<td></td>
<td>Review of compliance records (monitoring reports, certificates etc.) and consultation with relevant authority.</td>
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<tr>
<td>regarding air, noise, wastewater and solid waste management?</td>
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<td></td>
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<tr>
<td>3. Does the existing enterprise have any significant outstanding</td>
<td></td>
<td></td>
<td>Consultation with relevant authority and desktop study. Enterprises that have been fined by relevant inspection departments but without timebound, technically viable, and cost-effective remedies to close the cases will not be supported.</td>
</tr>
<tr>
<td>environmental penalties or any other environmental liabilities (e.g. pending legal proceedings involving environmental issues)?</td>
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<tr>
<td>4. Have there been any complaints raised by local affected groups or</td>
<td></td>
<td></td>
<td>Media search and consultations with local groups and NGOs.</td>
</tr>
<tr>
<td>NGOs regarding environmental and social impacts?</td>
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<td></td>
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<tr>
<td>5. Does the proposed subproject obtain the EIA approval from relevant</td>
<td></td>
<td></td>
<td>Review of approval document and internet check from relevant authority website when applicable</td>
</tr>
<tr>
<td>environmental authority or EIA registration form?</td>
<td></td>
<td></td>
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<tr>
<td>6. Does the proposed subproject obtain land use right or land use</td>
<td></td>
<td></td>
<td>Review of approval document and internet check from relevant authority website when applicable</td>
</tr>
<tr>
<td>approval from relevant land resource authority?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Criteria</td>
<td>Relevance</td>
<td>Level of E&amp;S Risk</td>
<td>Remarks/Actions</td>
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<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>L</td>
</tr>
<tr>
<td>7. Has the proposed subproject completed the compensation for land acquisition and resettlement prior to involvement by HADFIC?</td>
<td></td>
<td></td>
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<tr>
<td>8. Does the subproject require separate approval for safety, water conservation/soil erosion control, flood control, geo-hazard assessment? If yes, please indicate the approval status.</td>
<td></td>
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</tr>
<tr>
<td>Subproject’s Environmental and Social Risks</td>
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<td></td>
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<tr>
<td>9. Is there &quot;associated facilities&quot; involved in the subproject?</td>
<td></td>
<td></td>
<td>If Yes, then the same safeguards requirements for the subproject will apply to the &quot;associated facilities&quot;.</td>
</tr>
<tr>
<td>10. Is the subproject located in nature reserves (existing or planned), scenic areas, forest parks, protected water sources, or areas with high ecological value?</td>
<td></td>
<td></td>
<td>Apply exclusion list when appropriate.</td>
</tr>
<tr>
<td>11. Is the subproject area a natural habitat?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Is the subproject area located in critical natural habitat?</td>
<td></td>
<td></td>
<td>If yes, the project will not be supported.</td>
</tr>
<tr>
<td>i.e. is there important, fragile or endangered wildlife species in the subproject area?</td>
<td></td>
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</table>

18 “Associated Facilities” means facilities or activities that are not funded as part of the project and, in the judgment of the Bank, are: (a) directly and significantly related to the project; and (b) carried out, or planned to be carried out, contemporaneously with the project; and (c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist.
<table>
<thead>
<tr>
<th>Criteria</th>
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<th>Level of E&amp;S Risk</th>
<th>Remarks/Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>13.</strong> Will the subproject implementation lead to impacts on non-critical natural habitat?</td>
<td>Yes</td>
<td></td>
<td>If yes, necessary impact assessment and mitigation measures should be included in the EIA document.</td>
</tr>
<tr>
<td><strong>14.</strong> Will the project involve conversion of permanent basic farmland for establishing structures and facilities without prior approval by the natural resources department?</td>
<td>Yes</td>
<td></td>
<td>If yes, the subproject will not be supported.</td>
</tr>
<tr>
<td><strong>15.</strong> Does the subproject require new land acquisition? If yes, please indicate how much. (If no physical displacement is involved and less than 10% of their productive assets will be lost, the impacts are considered as minor.)</td>
<td>Yes</td>
<td></td>
<td>If resettlement impact is higher than the indicative threshold for minor resettlement, the project must be rated S or H and a RAP will be prepared, approved and implemented following the RPF.</td>
</tr>
<tr>
<td><strong>16.</strong> Will the subproject require leasing of land use rights for plantation? If yes, please indicate how much.</td>
<td>Yes</td>
<td></td>
<td>Normally if the leasing of land use right is more than 1,000 mu farmland 19, the subproject will be rated S or H, a SIA should be carried out following ESS1. For all subprojects with land leasing, a SMP will be developed adopting appropriate mitigations outlined in the legal review of leasing of LUR.</td>
</tr>
<tr>
<td><strong>17.</strong> Will the subproject need to lease the land to build a new livestock breeding farm?</td>
<td>Yes</td>
<td></td>
<td>if yes, the subproject will be rated S or H 20, a SIA should be carried out following ESS1. For all subprojects with land leasing, a SMP will be developed adopting appropriate mitigations outlined in the legal review of leasing of LUR.</td>
</tr>
<tr>
<td><strong>18.</strong> Does the subproject have adverse impacts on vulnerable groups (e.g. widows and single female households with dependents, disabled, elderly, among others). If yes please indicate how many.</td>
<td>Yes</td>
<td></td>
<td>The SMP will include the elements on assistances to vulnerable groups.</td>
</tr>
</tbody>
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19 The Notice on Further Promoting Healthy Development of Protected Agriculture (Guotuzifa No. 127 [2014]) regulates that any sizable farming with an area of over 1,000 mu can be classified as large-scale farming.

20 Land leasing for the livestock sector mainly focuses on unused land, forestry land and substandard farmland, which is generally more complicated than that in crop sector because it normally involves tomb relocation and land clearance and some pieces of land don’t have clear boundary among different claimants.
<table>
<thead>
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<th>Remarks/Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>19. Is there known archeological, historical, or cultural heritage site in the area of influence of the subproject?</td>
<td>Yes</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>20. Has the local population or any NGOs expressed concern about or opposition to the subproject?</td>
<td>No</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>21. Will the subproject bring significant community health and safety risk (e.g., traffic and road safety, influx of migrant workers, GBV, etc.)?</td>
<td>Yes</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>22. Will the subproject cause significant labor safety and health risks?</td>
<td>No</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>23. Will the subproject involve forced labor, child labor or juvenile workers (16-18 years old)?</td>
<td>Yes</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>24. Does the subproject involve significant pest management issue or involve activities that may lead to significant pest and pesticide management issue?</td>
<td>Yes</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>25. Will the presence of the subproject have adverse impacts on the socio-cultural systems of the ethnic minorities who have unique cultural, economic, social and political institutions different from dominant culture?</td>
<td>Yes</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>26. Will the subproject potentially give rise to certain degree of social conflict associated with perceptions of community endangerment and non-receipt of benefits?</td>
<td>Yes</td>
<td>L</td>
<td>M</td>
</tr>
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</table>

**Overall environmental and social risk:**
(Overall risk shall be determined based on the highest rating of all above questions)

"High" risk subprojects are not eligible for financing under the Project, until agreed by the World Bank and meeting the requirements of relevant ESSs.

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21 Such issues would include: (a) migratory locust control; (b) mosquito or other disease vector control; (c) bird control; (d) rodent control, etc.; (e) new land-use development or changed cultivation practices in an area; (f) significant expansion into new areas; (g) diversification into new crops in agriculture; (h) intensification of existing low-technology systems; (i) proposed procurement of relatively hazardous pest control products or methods; or (i) specific environmental or health concerns (e.g., proximity of protected areas or important aquatic resources; worker safety).
Note: In case “High” risk subprojects are to be funded under the Project, HADFIC shall obtain the prior approval of the World Bank in the risk screening stage. Meanwhile, the World Bank will upgrade the overall project risk level to “High” following the requirement of ESF. HADFIC will review and adjust, in a manner acceptable to the World Bank, the ESMS when the environmental and social risk profile is changed to High. Following the updated ESMS, the high-risk subprojects should be assessed, prepared and implemented to meet the relevant requirements of the ESSs that are applied.

Filled by Project Team: ______________________________ Date: ______________

Verified by Risk Control Unit: __________________________ Date: ______________
Annex 6 Guidance on Subproject E&S Classification

The environmental and social management system (ESMS) established by HADFIC includes an environmental and social risks and impacts screening and classification approach for the implementation of this Henan Green Agriculture Fund Project. This approach is developed in consistent with the World Bank ESSs.

Under this approach, HADFIC (and any sub-FIs involved in the project implementation) will screen all its subprojects against the exclusion list established in the ESMS and screen all eligible subprojects for environmental and social risks and impacts. Based on such screening, the subprojects will be classified as one of the following risk ratings: *High Risk, Substantial Risk, Moderate Risk or Low Risk.*

This classification approach takes into account relevant potential risks and impacts, including:

- **a)** the type, location, sensitivity and scale of the subproject including the physical considerations of the project; type of infrastructure; volume of hazardous waste management and disposal;
- **b)** the nature and magnitude of the potential environmental and social risks and impacts, including impacts on greenfield sites; impacts on brownfield sites including (e.g., rehabilitation, maintenance or upgrading activities); the nature of the potential risks and impacts (e.g. whether they are irreversible, unprecedented or complex); resettlement activities; presence of ethnic minorities; and possible mitigation measures;
- **c)** the capacity and commitment of the subproject owner to manage such risks and impacts in a manner consistent with the national regulations and World Bank ESSs, including the country’s policy, legal and institutional framework; laws, regulations, rules and procedures applicable to the subproject sector, including regional and local requirements; the technical and institutional capacity of the project owner; the project owner’s track record of past project implementation; and the financial and human resources available for management of the subproject;
- **d)** other areas of risk that may be relevant to the delivery of environmental and social mitigation measures and outcomes, depending on the specific subproject and the context in which it is being developed, including the nature of the mitigation and technology being proposed, considerations relating to domestic and/or regional stability, conflict or security.

**High Risk**

A subproject is classified as High Risk after considering, in an integrated manner, the risks and impacts of the subproject, taking into account the following, as applicable:

- **a)** The subproject is likely to generate a wide range of significant adverse risks and impacts on human populations or the environment. This could be because of the complex nature of the subproject, the scale (large to very large) or the sensitivity of the location(s) of the subproject. This would take
into account whether the potential risks and impacts associated with the subproject have the majority or all of the following characteristics, e.g. (i) long term, permanent and/or irreversible (e.g., loss of major natural habitat or conversion of wetland), and impossible to avoid entirely due to the nature of the subproject; (ii) high in magnitude and/or in spatial extent (the geographical area or size of the population likely to be affected is large to very large); (iii) significant adverse cumulative impacts; (iv) significant adverse transboundary impacts; and (v) a high probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.).

b) The area likely to be affected is of high value and sensitivity, for example sensitive and valuable ecosystems and habitats (legally protected and internationally recognized areas of high biodiversity value), lands or rights of ethnic minorities, intensive or complex involuntary resettlement or land acquisition, impacts on cultural heritage or densely populated urban areas.

c) Some of the significant adverse environmental and social risk and impacts of the subproject cannot be mitigated or specific mitigation measures require complex and/or unproven mitigation, compensatory measures or technology, or sophisticated social analysis and implementation.

d) There are significant concerns that the adverse social impacts of the subproject, and the associated mitigation measures, may give rise to significant social conflict or harm or significant risks to human security.

e) There is a history of unrest in the area of the subproject or the sector, and there may be significant concerns regarding the activities of security forces.

f) The subproject is being developed in a legal or regulatory environment where there is significant uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex subprojects, or changes to applicable legislation are being made, or enforcement is weak.

g) The past experience of the subproject owner and the implementing agencies in developing complex subprojects is limited, their track record regarding environmental and social issues would present significant challenges or concerns given the nature of the subproject’s potential risks and impacts.

h) There are significant concerns related to the capacity and commitment for, and track record of relevant subproject parties, in relation to stakeholder engagement.

i) There are a number of factors outside the control of the subproject that could have a significant impact on the environmental and social performance and outcomes of the subproject.

Typical “High” risk activities may include construction and operation of large scale livestock farm, slaughtering facilities within sensitive environmental areas (nature reserves or protected area), or conversion of large area of important habitat (e.g. critical natural habitats) for crop planation or other agriculture activities, or establishment of toxic chemical pesticide production facilities in sensitive and densely populated areas.

Substantial Risk

A Project is classified as Substantial Risk after considering, in an integrated manner, the risks and impacts of the Project, taking into account the following, as applicable:
a) The subproject may not be as complex as High Risk subprojects, its environmental and social scale and impact may be smaller (large to medium) and the location may not be in such a highly sensitive area, and some risks and impacts may be significant. This would take into account whether the potential risks and impacts have the majority or all of the following characteristics: (i) they are mostly temporary, predictable and/or reversible, and the nature of the subproject does not preclude the possibility of avoiding or reversing them (although substantial investment and time may be required); (ii) there are concerns that the adverse social impacts of the subproject, and the associated mitigation measures, may give rise to a limited degree of social conflict, harm or risks to human security; (iii) they are medium in magnitude and/or in spatial extent (the geographical area and size of the population likely to be affected are medium to large); (iv) the potential for cumulative and/or transboundary impacts may exist, but they are less severe and more readily avoided or mitigated than for High Risk subprojects; and (v) there is medium to low probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.), and there are known and reliable mechanisms available to prevent or minimize such incidents.

b) The effects of the subproject on areas of high value or sensitivity are expected to be lower than High Risk subprojects.

c) Mitigatory and/or compensatory measures may be designed more readily and be more reliable than those of High Risk subprojects.

d) The subproject is being developed in a legal or regulatory environment where there is uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex Projects, or changes to applicable legislation are being made, or enforcement is weak.

e) The past experience of the subproject owner and the implementing agencies in developing complex subprojects is limited in some respects, and their track record regarding environmental and social issues suggests some concerns which can be readily addressed through implementation support.

f) There are some concerns over capacity and experience in managing stakeholder engagement, but these could be readily addressed through implementation support.

Typical "Substantial" risk activities may include construction of large-scale livestock farms, large scale manure treatment facilities in non-sensitive environmental and social context, food processing facilities with fermentation processes involved, fur tanning enterprises etc.

**Moderate Risk**

A project is classified as **Moderate Risk** after considering, in an integrated manner, the risks and impacts of the Project, taking into account the following, as applicable:

a) The potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the subproject is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. As such, the potential risks and
impacts and issues are likely to have the following characteristics: (i) predictable and expected to be temporary and/or reversible; (ii) low in magnitude; (iii) site-specific, without likelihood of impacts beyond the actual footprint of the subproject; and (iv) low probability of serious adverse effects to human health and/or the environment (e.g., do not involve use or disposal of toxic materials, routine safety precautions are expected to be sufficient to prevent accidents, etc.).

b) The subproject’s risks and impacts can be easily mitigated in a predictable manner.

Typical “Moderate” risk activities may include small to medium scale livestock farms and manure treatment facilities in non-sensitive environmental and social context, small-medium scale agricultural irrigation infrastructure, small to medium scale crop/food processing facilities, storage/cold warehouse construction and operation etc.

Low Risk

A subproject is classified as Low Risk if its potential adverse risks to and impacts on human populations and/or the environment are likely to be minimal or negligible. These subprojects, with few or no adverse risks and impacts and issues, do not require further environmental and social assessment following the initial screening.

These may include green labelling, green certification system, lab service etc.
Annex 7 Subproject E&S Risk Classification Reporting Template

<table>
<thead>
<tr>
<th>Project type, location, sensitivity, scale</th>
<th>Nature &amp; magnitude of ES risks &amp; impacts, available mitigation</th>
<th>Borrower capacity and commitment</th>
<th>Context risk relevant to ES measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subproject Description: name, location, objectives, main activities, key technologies</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- physical considerations;
- type of infrastructure (e.g., dams & reservoirs, power plants, airports, roads);
- volume of hazardous waste and disposal;
- impacts on greenfield sites;
- impacts on brownfield sites (e.g., rehab, maintenance or upgrading);
- nature of potential risks and impacts (e.g. irreversible, unprecedented or complex);
- resettlement activities;
- Ethnic minority presence;
- possible mitigation measures considering the mitigation hierarchy;
- Impacts on other vulnerable groups, such as widows and single female households with dependents, disable and elderly;
- labor influx impacts and risk.
- capacity to manage risks and impacts consistent with the ESSs;
- country policy, legal and institutional framework;
- laws, regulations, rules and procedures applicable to the Project sector;
- regional and local requirements;
- technical and institutional capacity;
- track record of past Project implementation;
- financial and human resources available;
- other areas of risk relevant to the delivery of ES mitigation measures and outcomes;
- depending on the specific Project and the context in which it is being developed,
- including the nature of the mitigation and technology being proposed;
- considerations relating to domestic and/or regional stability, conflict or security.
Annex 8 Template for Social Due diligence

Note on how to apply this template:

For a subproject involving facilities and/or business activities that already exist or are under construction, the subproject enterprise will undertake a social compliance audit against applicable Environmental and Social Standards (for Substantial and High subprojects) and regulatory requirements, and submit the draft social due diligence report to HADFIC for clearance as part of the safeguards package before the subproject is approved by HADFIC. The final social due diligence will be made publicly available on the HADFIC’s website upon receipt of the document.

For a subproject that is classified as Low or Moderate, the social due diligence will focus on compliance with China’s legal requirements and completeness of required permits and certificates.

{Name of the Subproject}

I. INTRODUCTION

Subproject Description.

Objectives and Scope of the Report. Please describe the purpose/objectives of this report.

Methodology. Please describe the methodology for conducting the social due diligence. Please also describe what activities were undertaken to complete the due diligence.

II. FINDINGS of social due diligence

Location. {Briefly describe the province/city where the Subproject is located – in terms of geography, administrative divisions, ethnic composition, terrain, economy, demographics of urban and rural areas, etc. Please state whether the Subproject have encroached sites of social/historical or cultural importance.}

Subproject Description. {Describe the Subproject in terms of area, main agricultural products, when construction began, when the base became operational, whether access roads needed to be constructed, etc.}

Scope of Land Acquisition and Resettlement Impacts or leasing of land use right (if any)

- Please enumerate in matrix format all the Subproject components (e.g. access road, green house, administration buildings) requiring land acquisition/leasing, the amount of land required for each component.

- Describe the national, provincial, prefectural laws, regulations, and policies related to land acquisition and leasing.
• Provide information on whether acquisition of the land or right of way required any physical or economic displacement or affected any buildings or structures and required the payment of compensation.

• Please attach copies of pictures of the Subproject site before and after construction, maps of the Subproject site showing the Subproject and the locations of communities.

Indigenous Peoples (if any)

• Please provide an ethnic profile of the district, city and village where the Subproject is located.

• Please state whether there are ethnic minorities present in the Subproject area.

• Please state whether there are ethnic minority workers in the subproject.

Stakeholder Engagement

• Please describe the consultation process undertaken during the design and construction of the Subproject.

• During operations of the production base facilities, in what way does subproject enterprise engage with the communities/village or district administration where the Subproject is located.

• Is subproject enterprise providing any financial support or sponsorship of community activities? How?

Grievance Redress

During construction of the Subproject, what were the common issues, problems or complaints received from the community or from subproject enterprise’s employees or construction contractors’ workers? How were these addressed?

During operations, how does subproject enterprise handle complaints or problems?

Labor and Social Protection

• Please describe human resources policies and procedures

• Please describe employment and Labor including GRM for labor issues

• Please present protection of Women’s Rights and Interests

• Please describe community Relationship and CSR

III. CONCLUSION

Land Acquisition/leasing and Resettlement

Please discuss whether:

• Subprojects covered by the social due diligence entailed any land acquisition, restricted access to land, relocation of housing or loss of livelihoods, crops, trees, etc.;
• all land acquisition/leasing of LUR and compensation complied with national laws;
• all mitigating measures implemented complied with national requirements and WB’s ESSs;
• there is any outstanding noncompliance issue

Ethnic Minorities/Indigenous Peoples

Please discuss whether

• Subprojects covered by the social due diligence entailed any impacts on ethnic minorities or used resources owned or used by ethnic minority groups.
• With respect to employment, please discuss whether any ethnic minorities are employed by the subproject.
• Indicate whether subproject or construction contractor has a non-discriminatory policy on ethnic minorities.

Stakeholder Engagement, Labor and Working Conditions.

Please provide conclusions on enterprise’s track record with respect to stakeholder engagement, efficiency of the grievance mechanism, or any corporate social responsibility program that made valuable contributions to the local community, social inclusion (engagement/ participation of vulnerable groups) of enterprise’s operations other unique features of enterprise’s operations that merit the excellence award on gender equality and labor relations.

IV. CORRECTIVE ACTION PLAN

Land Acquisition and Resettlement Aspects. If the findings of the resettlement of Subprojects identified any gaps in the entitlements of affected people as per national law and WB’s requirements, what are the corrective actions required to ensure compliance. Please provide information on corrective actions, budget and timing of implementation.

Indigenous Peoples/Ethnic Minorities. If the findings of the Subprojects identified any impacts on ethnic minorities and there are gaps in the mitigating measures as per national law and WB’s requirements, what are the corrective actions required to ensure compliance? Please provide information on corrective actions, budget and timing of implementation.

Enterprise’s Capacity Building. If the findings of the enterprise is lack of experiences and knowledges on handling land acquisition/leasing; engagement of ethnic minorities and vulnerable groups, enhancing human resources policies and WB ESF, please provide information on how the enterprise’s capacity on these aspects to be strengthened.

Other issues
Annex 9 Indicative outline of ESIA and ESMP

Indicative Outline of ESIA

Environmental and social impact assessment typically includes the following contents:

(a) **Executive Summary**
   - Concisely discusses significant findings and recommended actions.

(b) **Legal and Institutional Framework**
   - Analyzes the legal and institutional framework for the project, within which the environmental and social assessment is carried out;
   - Relevant requirements of World Bank’s ESSs, and EHSGs, particularly the Mammalian Livestock Production and the Good Practice Note on Improving Animal Welfare in Livestock Operations for large scale livestock farms and slaughter houses

(c) **Subproject Description**
   - Concisely describes the proposed subproject and its geographic, environmental, social, and temporal context, including any offsite investments that may be required (e.g., dedicated pipelines, access roads, power supply, water supply, housing, and raw material and sub-product storage facilities), as well as the subproject’s primary suppliers; identify Associated Facilities;
   - Includes a map of sufficient detail, showing the subproject site and the area that may be affected by the subproject’s direct, indirect, and cumulative impacts.

(d) **Baseline Data**
   - Sets out in detail the baseline data that is relevant to decisions about subproject location, design, operation, or mitigation measures. This should include a discussion of the accuracy, reliability, and sources of the data as well as information about dates surrounding subproject identification, planning and implementation;
   - Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions;
   - Based on current information, assesses the scope of the area to be studied and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before the subproject commences
   - Takes into account current and proposed development activities within the subproject area but not directly connected to the project.

(e) **Environmental and Social Risks and Impacts**
   - Takes into account all relevant environmental and social risks and impacts of the subproject. This will include the environmental and social risks and impacts specifically identified in ESS1–8, and any other environmental and social risks and impacts arising as a consequence of the specific nature and context of the subproject.

(f) **Mitigation Measures**
   - Identifies mitigation measures and significant residual negative impacts
that cannot be mitigated and, to the extent possible, assesses the acceptability of those residual negative impacts;

• Identifies differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable;
• Assesses the feasibility of mitigating the environmental and social impacts and the capital and recurrent costs needed;
• Mitigation measures, and their suitability under local conditions; and the institutional, training, and monitoring requirements for the proposed mitigation measures.

(g) Analysis of Alternatives
• Systematically compares feasible alternatives to the proposed subproject site, technology, design, and operation—including the “without project” situation—in terms of their potential environmental and social impacts;
• Assesses the alternatives’ feasibility of mitigating the environmental and social impacts; the capital and recurrent costs of alternative mitigation measures, and their suitability under local conditions; and the institutional, training, and monitoring requirements for the alternative mitigation measures;
• For each of the alternatives, quantifies the environmental and social impacts to the extent possible, and attaches economic values where feasible.

(h) Annexes
• List of the individuals or organizations that prepared or contributed to the environmental and social assessment;
• References—setting out the written materials both published and unpublished, that have been used;
• Record of meetings, consultations and surveys with stakeholders, including those with affected people and other interested parties. The record specifies the means of such stakeholder engagement that were used to obtain the views of affected people and other interested parties;
• Tables presenting the relevant data referred to or summarized in the main text;
• List of associated reports or plans

Indicative Outline of ESMP

An ESMP consists of the set of mitigation, monitoring and institutional measures to be taken during the implementation and operation of a subproject, to avoid, reduce or otherwise offset adverse environmental and social risks and impacts. It typically includes:

(a) Mitigation
i. identifies and summarizes all anticipated adverse environmental and social impacts (including those involving indigenous people or involuntary resettlement);
ii. describes—with technical details—each mitigation measure, including the type of impact to which it relates and the conditions under which it is
required (e.g., continuously or in the event of contingencies), together with
designs, equipment descriptions, and operating procedures, as
appropriate;

iii. iii) estimates any potential environmental and social impacts of these
measures; and

iv. takes into account, and is consistent with, other mitigation plans required
for the project (e.g., for involuntary resettlement, indigenous peoples, or
cultural heritage).

(b) Monitoring
i. A specific description, and technical details, of monitoring measures,
including the parameters to be measured, methods to be used, sampling
locations, frequency of measurements, detection limits (where
appropriate), and definition of thresholds that will signal the need for
corrective actions; and

ii. Monitoring and reporting procedures to ensure early detection of
conditions that necessitate particular mitigation measures, and furnish
information on the progress and results of mitigation.

(c) Capacity Development and Training
i. A specific description of institutional arrangements, identifying which party
is responsible for carrying out the mitigation and monitoring measures
(e.g., for operation, supervision, enforcement, monitoring of
implementation, remedial action, financing, reporting, and staff training).

ii. Recommendations on establishment or expansion of the parties
responsible, training of staff and any additional measures that may be
necessary to support implementation of mitigation measures.

(d) Implementation Schedule and Cost Estimates
i. An implementation schedule for measures that must be carried out as
part of the project, showing phasing and coordination with overall project
implementation plans; and

ii. The capital and recurrent cost estimates and sources of funds for
implementing the ESMP. These figures are also integrated into the total
project cost tables.

(e) Integration of ESMP with Project
i. Each of the measures and actions to be implemented will be clearly
specified, including the individual mitigation and monitoring measures
and actions and the institutional responsibilities relating to each, and the
costs of so doing will be integrated into the project’s overall planning,
design, budget, and implementation.

ii. The traffic management plan should be developed for each sub-project,
including the training for drivers and communities, supervision and traffic
management measures, coordination with local traffic management
department. In case of transport of toxic materials/wastes, specific
measures on packing and containers, prevention of spills and leakage,
record keeping, and monitoring should be prepared.

iii. Emergency Preparedness and Response Plan should be prepared for the
sub-projects involving use, storage and transport of toxic materials and
wastes in accordance with the ESS 4 of the ESF.
Annex 10 Indicative Outline for Pest Management Plan

Indicative Outline for Pest Management Plan (PMP)

The Project is designed to support green agriculture activities with primary objective to reduce pollution and enhance environmental protection, improve resource/energy efficiency, contribute to climate change mitigation and adaptation, and reduce the use of pesticides use and improve agri-food safety benefits. Therefore, it is unlikely that the project will intentionally lead to increase use of pesticide.

However, if any subproject may involve significant pest management issues (such as locust control, mosquito or other disease vector control, bird control or rodent control), or lead to significant pest and pesticide issues (such as new land development or changed cultivation practice; diversification into new crops; intensification of existing low technology systems; procurement of relatively hazardous pesticides etc.), then a Pest Management Plan (PMP) is required to be prepared.

An indicative outline of PMP is provided as follows:

1. Introduction
   1.1 Project Description
   1.2 Environmental and Social Baseline of Project Area
   1.3 Main Crops in the Project Area
   1.4 PMP Objectives and Integrated Pest Management Principle

2. Current Status of Pest Management in the Project Area
   2.1 Current Status of Pest Issues
   2.2 Existing Pest Management Measures
   2.3 Performance Assessment of Current Pest Management Practice

3. Trend of Pest Issues after Project Implementation
   Description of predicted pests change trend for main crops related to the project activities.

4. Legal Framework for Pest Management Regulation
   4.1 Pest management related laws, regulations, policies, technical guidelines in China and the project province, covering pesticide production, distribution and utilization as appropriate.
   4.2 Regulatory and Implementation Institutional Setup and Responsibilities
   4.3 Pest Management Capacity and Performance Evaluation

5. Recommended Pest Management Methods
   5.1 Key pest control measures, including agricultural control measures, physical measures, biological measures, and chemical measures as a last resort
   5.2 IPM approach for main crop species in the project area

6. Pesticide Use and Management in the Project Area
   6.1 Recommended list of pesticides and application equipment
   6.2 Technical requirements for pesticide application equipment
   6.3 Capacity requirements for persons using and handling chemical pesticides
   6.4 Environment, health and safety risks and prevention measures

7. Capacity Building Plan
7.1 Capacity building objectives
7.2 Capacity building areas and institutional arrangement
7.3 Training plan and budget estimate

8. Monitoring and Evaluation

Monitoring plan for PMP implementation in terms of pesticide use, crop quality and yield, pest status and natural enemy community dynamics, and post environmental impacts etc. It shall include sampling sites, types and areas of crops, frequency and amount of pesticide use, change of pest, change of natural enemy species, crop yield, and residue pesticide in products, etc.

Evaluation should be conducted for the IMP approach effectiveness, pesticide safety, crop yield and quality, and agriculture ecosystem impact, using the following parameters (but not limited to): households using IPM demonstration; crop areas using IPM approach; number of trained farmers; pest control results using IPM; frequency and amount of pesticides use; incidents of pesticides toxicity; yield and quality of crops; residue pesticides concentration; farmers income; areas of pest issues and magnitude; dynamics of natural enemy and good insects; impacts on wildlife; etc.

Institutional arrangement of monitoring and evaluation.

9. PMP budget estimate
Annex 11 Comparative Analysis of HADFIC’s Labor Management System against the Requirements of ESS2

Introduction: HADFIC, one of the state-owned enterprises, has established comprehensive labor management systems, providing clear documented guidelines and procedures for managing labor and working conditions of direct workers. In general, HADFIC’s in-place practices and performances on direct workers management were considered in alignment with the requirements of ESS2, whilst it lacks in-place requirements on labor risks management by at subproject level.

Following the structure of Labor Management Procedure Template, this Annex 11 has been created with the primary objectives to document the comparative analysis of HADFIC’s labor management system (mainly on direct workers) against the requirements of ESS2 (Section 1-5 of this annex), report the significant gaps associated with sub-borrowers’ labor risks management, and spell out the enhancement measures adopted as part of this ESMS and ESCP to bring HADFIC’s system under the project to be consistent with relevant requirements of the ESS2.

Annex 12 to this ESMS has screened the labor risks associated with potential subproject activities and developed a LMP template based on HADFIC’s best knowledge on the labor risks and mitigations, which can be easily referenced by the sub-borrowers to customize a project specific LMP.

1. Responsible Staff

HADFIC is one of the branch cooperation of the Henan Agriculture Investment Group Company Ltd. (HAIGC), which is a state-owned enterprise. It was learned HADFIC had 57 direct staff as of September 2019. The formulation and amendment of human resources (HR) policy is managed by the mother cooperation and HADFIC adopts the same human resources policy as the mother company. HR management and operation are decentralized to branch cooperation. HADFIC has designated HR staff responsible for day-to-day operations (e.g. hiring, training, renumeration, social insurances) and performance appraisal. The HR staff are embedded within the General Management Unit, an individual unit reporting to the deputy GM in charge.

Grievances redress is a cross-cutting issue with the involvement of several units within HADFIC, including the General Management Unit, the worker’s organizations and the management within HADFIC as well corresponding departments/units at the headquarter level. Reportedly, grievance redress mechanisms (GRM) are well functioning and adequate and normally their complaints can be addressed and feedback on a timely basis.

Assessment and Conclusion: HADFIC has in place dedicated and qualified HR staff to manage daily-operations and address grievances with its direct workers. In addition, the headquarter GRMs are accessible to workers at branch level as well. This is considered in alignment with the requirements of the ESS2 on responsible staff for managing direct workers.
2. Policies and Procedures

HADFCI adopts the same HR policies as the parent corporation, which strictly follow the PRC’s national labor laws and numerous technical regulations, and their updates. The PRC’s laws and regulations on labor management are mainstreamed into the labor management policies and procedures of HAIGC, which are listed as follows:

- HADFCI’s Standard Labor Contract Template
- HADFCI’s Training Management Measures
- HADFCI’s Staff Remuneration Plan
- HAIGC’s Management Method on Fund of Labor Union (Trial)

HAIGC has adopted comprehensive labor management systems, providing clear documented guidelines and procedures for managing labor and working conditions of direct workers at both headquarter and its branches. As a state-owned enterprise, HADFCI’s labor performance and key achievement is closely supervised by the parent company (HAIGC) and at least annually monitored by third-party auditors assigned by HADFCI and parent company respectively.

**Assessment and Conclusion:** Following the PRC’s labor law and regulations, HAIGC has defined its labor management systems through a series of policies and procedures, which are considered generally in alignment with the requirements of ESS2 on direct workers.

3. Age of Employment

China’s labor law defines minimum working age at 16, and specific protection is required for juvenile workers from 16 to 18. HADFCI strictly follow PRC’s policy on prohibition of child labor and any form of forced labor. No child labor (less than 16 years) or forced labor is involved by HADFCI. In consider of job qualifications, candidates of requirements normally finish the education at college or above and the youngest, which is around 21-22 years old. As of August 2019, the youngest worker in HADFCI is 24 years old. As informed by HADFCI’s HR manager, each staff should hold a Fund Operation Certification, which requires that any qualified certificate-holder should be above 18 years old otherwise will be banned from entering fund operation in the PRC.

Prior to the employment with an employee, HADFCI requires each candidate to provide his/her basic personal information (such as age and a copy of identification card, etc.), which will be further verified by the HR staff through its HR management system to assure its authenticity and can therefore verify the ages of workers and screen out those who cannot meet job requirements.

China has comprehensive regulations to prevent child labor and protect juvenile workers, which are mainstreamed in the HADFCI’s HR policy and practice.

It was learned HADFCI has in place process to verify the age of workers prior to formal employment with an employee.
Assessment and Conclusion: In consideration of the nature of job positions, the direct workers of HADFIC are more than 20 years old and there is no underlying risk of child labor or juvenile worker (16-18 years old).

4. Terms and Conditions

HADFIC’s standard labor contract template was provided for review. When signing a labor contract, the basic terms and conditions, including the term of specific job positions, work content and place of work, work time and rest time, labor remuneration, bonus and social insurances, labor protection, labor conditions and protection against occupational hazards, and economic compensation shall be specified. While performing the labor contract, the worker can consult the HR staff of HADFIC for personnel related issues at any time, and both parties may change the content of the labor contract upon prior consensus. Working hours are in alignment with PRC’s regulations and overtime working if happens is compensated following China’s policy on overtime payment. HADFIC’s current practices are encouraging workers to take shift leaves to balance work and life. Workers are entitled to paid leaves, for example a worker with less than 10 years on-the-job is entitled to a 5-day paid leave annually, and worker with over 10 years on-the-job to a 10-day paid leave each year.

HADFIC’s workers enjoy legally required social insurances (e.g. pension, medical insurance, unemployment insurance, work injury insurance, maternity insurance) and housing fund. Reportedly, the housing fund for HADFIC’s workers reaches the ceiling allowed by local regulation, which is deemed as an additional benefit by the workers. Additional benefits for female workers are following national and local regulations, e.g. Henan Province Regulation on Special Protection to Female Workers.

In consideration job nature, the monthly salary of staff of HADFIC is substantially above the standard of local minimum wage. The HR staff reported that the minimum monthly wage is above RMB 4,000, which does not include the year-end bonus at an amount of several times of monthly wage.

In addition, HADFIC provides annual heath examination to all employees, which is considered as a good practice beyond the requirement of regulatory requirements.

Assessment and Conclusion: Terms and working conditions of employment are clearly defined by the policies on hiring, labor contract management and leaves, which were developed under the China Labor Law and Labor Contract Law. The human resources policies and procedures are kept up to date in terms of China’s latest Labor Law and regulations, and their updates, and clearly communicated to all employees through staff orientation training, occupational trainings and daily operations. No specific gaps are identified in terms of terms and conditions with direct workers between HADFIC’s labor management system and ESS2.

5. Grievance Redress

---

22 In China, an enterprise is required (a) to pay no less than 150% of normal wages if the extended working hours are arranged on weekdays (b) to pay no less than 200% of the normal wages if extended hours are arranged on days of rest and no deferred rest can be taken; and (c) to pay no less than 300% of the normal wages if the extended hours are arranged on statutory holidays.
Grievance redress mechanism for HADFIC’s workers are embedded in its existing labor management system. Workers can raise their workplace concerns through various in place channels such as worker’s organizations, HR manager, the General Management Unit and the management within HADFIC as well corresponding departments/units at the headquarter level. Staff can log this complaints and concerns via the Office Automation (OA) system. HADFIC’s labor management system does not impede the worker’s right to access to arbitration procedure and/or judicial system to seek resolution on the grievances.

Any kind of reasonable grievances raised by the workers will be timely redressed and the complaint will be informed of the resolution. Workers are easily and equally accessible to the grievance redress mechanism, which was reported well-functioning and deemed adequate.

As reported by the randomly consulted staff in HADFIC, there was no complains raised as of 2019.

**Assessment and Conclusion: HADFIC has put in place multiple well-functioning internal channels for collecting and addressing workplace grievances. Its staff are aware of grievance redress systems and understand available labor inspection or judicial system that they can resort to when internal mechanism could not address the grievances appropriately. Current grievance mechanism for direct workers with HADFIC are considered adequate.**

6. Labor Risk Management for Subprojects

The project screening concluded that in most cases, the subprojects in both crop and livestock sectors will involve direct workers, primary supply workers, and contracted workers. Community workers will not be engaged by sub-projects in consideration of technical nature of the enterprises to be funded by HADFIC under this project.

China has a relatively sophisticated framework of laws and regulations governing labor and working conditions, inter alia on preventing child labor and forced labor and regulating workplace health and safety, which apply to all categories of workers under the subprojects as well. Contractor normally develops a series of management plans and procedures for various aspects of the construction projects, covering quality, environment, safety management, as well as construction site/camp site management, worker management etc.

As confirmed with HADFIC, there is no formal requirement on related to labor issues under the subprojects funded by HADFIC, which is a salient gap against relevant requirements of ESS2. In practice, HADFIC requires the project to provide legally required social insurances to its direct workers, which will be checked during the pre-investment due diligence process and supervised during project implementation.

HADFIC does not adopt the practice to extend its attentions to the contracted workers or primary supply workers associated with subprojects receiving investment form HADFIC, which is an apparent gap against the relevant requirements of ESS2.

**Assessment and Conclusion: HADFIC does not have requirements on project level direct workers, contracted workers or primary supply workers, which needs to be
enhanced as part of the ESMS to avoid and manage worker related risks of the subprojects.

Enhancement of HADFIC’s ESMS: Subproject’s labor management under this project is enhanced in ESMS and ESCP through adopting the procedures/mechanisms summarized as follows:

- HADFIC’s ESMS has fully considered the element of labor risk management associated with subprojects;
- HADFIC will assign an in-house E&S specialist, who will manage the subprojects’ E&S risks (including risks associated with labor and working conditions) and provide implementation support to sub-borrowers;
- HADFIC’s capacity for managing subprojects’ labor risks will be enhanced by the training program as part of the TA activities;
- HADFIC will contractually incorporate labor management requirements consistent with national law and ESS2 in loan agreement for subprojects, which covers not only the direct workers, but also contracted workers and primary supply workers. Relevant aspects for contractor management and primary suppliers of the ESCP will be incorporated into tender documents.
- A screening check list is set up as part of the ESMS to cover labor risks associated with subproject’s direct workers, contacted workers and primary supply workers;
- Subproject screening will exclude any subproject involving child labor or forced labor, either in the form of direct workers, contracted workers or primary supply workers (see the exclusion list).
- A template for subproject labor management procedure (in Annex 12) is developed as part of the ESMS, which will guide the sub-borrowers to tailor appropriate LMP to manage the labor and working conditions associated with direct workers, contracted workers or primary supply workers under the subprojects.
- Subprojects and its contractors are required to have in place a grievance redress mechanism accessible to the workers.
- Subproject owners are required to report its labor performances on an annual basis to HADFIC; and
- HADFIC will carry out annual E&S monitoring on subprojects which covers monitoring compliance status of direct workers, contracted workers and primary supply workers with their contractual commitments.
Annex 12 Template for Labor Management Procedure for Subprojects

1. Introduction

The Henan Green Agriculture Fund Project (“the project”) aims to strengthen the green agriculture initiatives in Henan Province. Under the project, a green agriculture fund (GAF) and a few sub-funds will be created and operated by HADFIC, with an aim to invest in “green solutions” of dozens of eligible enterprises in crop and livestock sectors. The investment will focus on Henan Provinces, covering the full value chain from inputs, to production, post-harvest, processing and distribution.

It should be noted, paragraph 14 of ESS9 requires that all financial intermediation subprojects, which involve significant risks or impacts on labor and working conditions, will apply relevant requirements of ESS2. Thus, the subprojects under GAF and sub-funds that involve significant risks or impacts on labor and working conditions will develop a labor management procedure (LMP) as part of the safeguards package before subproject approval.

At this Appraisal stage, the list of subprojects could not be available, and it is therefore unable to clearly define project workers and project-specific labor risks as set out in ESS2: Labor and Working Conditions. A labor management procedure will be developed when the subproject can be located, and the investment activities can be defined. This template for subproject LMP was created with the overarching objectives as below:

• Mapping different categories of workers by potential subproject typologies;
• Screening significant labor risks and impacts under the project;
• Reviewing China’s labor legislations in terms of labor and working conditions, occupational health and safety;
• Setting out the responsibilities of the sub-borrowers in relation to each category of project workers;
• Setting out the ways in which the associated subprojects will meet the requirements of ESS2 that apply to different types of workers; and
• Creating a LMP template to facilitate sub-borrowers to customize a project-specific LMP during subproject preparation.

The content of this template is indicative, where the issues identified are relevant in a subproject, the sub-borrowers should capture them in the LMP.

2. Overview of Project Workers by Subproject Typologies

The World Bank ESS2 defines four categories of project workers, which are summarized in Table 1. It can be generally concluded that community workers will not be involved or engaged in the project, in consideration of the commercial nature and objectives of the enterprises to be financed by the project. In the future, when the subproject is defined, a screening exercise will be carried out by HADFIC and the sub-borrowers to further confirm the types of workers and its size by types and positions in a specific subproject, following the Bank’s definitions on each type of workers.
<table>
<thead>
<tr>
<th>Types</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Workers</td>
<td>People are employed or engaged directly by the sub-borrowers to work specifically in relation to the subprojects.</td>
</tr>
<tr>
<td></td>
<td>Examples of direct workers include persons employed or engaged by a sub-borrower, paid directly by a sub-borrower and subject to a sub-borrower's day-to-day instruction and control.</td>
</tr>
<tr>
<td>Contracted Workers</td>
<td>People are employed or engaged through third parties to perform work related to core functions of the subprojects, regardless of the location. Third parties may include contractors, subcontractors, brokers, agents or intermediaries. Core functions of a subproject constitute those production and/or services processes essential for a specific project activity without which the subproject cannot continue. In such circumstances, the employment relationship is between the third party and the project workers, even if the project workers are working on an ongoing basis on subproject activities.</td>
</tr>
<tr>
<td>Community Workers</td>
<td>Community workers are sued in a number of different circumstances, where labor is provided by the community as a contribution to the project, or where projects are designated and conducted for the purpose of fostering community-driven development, providing a social safety net, or providing the targeted assistance in fragile and conflict-affected situations. Community workers will not be employed or engaged in relation to the project.</td>
</tr>
<tr>
<td>Primary Supply Workers</td>
<td>People are employed or engaged by the sub-borrower’s primary suppliers. Primary suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project. For example, in the case of one agricultural products processing enterprises, large external production bases which provide materials to it and are operated by other enterprises, cooperatives or individuals, are the most apparent types of primary suppliers and the workers working on the production bases can be classified as primary supply workers to the processing enterprises. In the case of livestock-raising enterprises, the feeds manufacturers are its primary suppliers.</td>
</tr>
</tbody>
</table>

Source: World Bank Environmental and Social Standards 2 (ESS2).

Identifying the nature of the employment relationships with project workers is important for categorizing workers appropriately. Determining the existence of an employment relationship is guided primarily by the facts relating to performance and organization of the work and the type of workers’ remuneration. In some circumstances, even where the worker is engaged on the project long term, the control of and legal responsibility for the worker remains with the third party and the worker is a “contracted worker” for the purposes of ESS2. In other circumstances, the third party may source and recruit the worker on behalf of the sub-borrowers, such as the project implementation unit and such workers are “direct workers” for the purposes of ESS2.

An initial exercise was carried out to map different types of workers that may be employed or engaged by the potential subproject activities throughout the whole value chain in both crop and livestock sectors. The mapping outcome (see Table 2) will be
updated when detailed information is available for subprojects. The sub-borrowers can refer the following table to identify the types of workers in their subprojects.

**Table 2 Initial Mapping of Subproject Workers by Potential Activities**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value Chains</th>
<th>Likely Subproject Activities</th>
<th>Direct Worker</th>
<th>Contracted Worker</th>
<th>Primary Supply Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop Sector</td>
<td><strong>Input production</strong></td>
<td>Construction and operation of production facilities of bio-pesticide</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction of laboratory, procurement and operation of equipment</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and operation of high efficiency fertilizers;</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and operation of organic fertilizers</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nursery facilities of multi-resistant varieties</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Crop Production</strong></td>
<td>Construction and operation of crop plantation base</td>
<td>✓</td>
<td>✓ (possible)</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction irrigation infrastructure</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and operation of agriculture facilities (e.g. green house and ancillary facilities)</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction of Laboratory, procurement and operation of equipment</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Post-harvest</strong></td>
<td>Construction and operation of crop waste recycling and composting facilities</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Processing</strong></td>
<td>Construction and operation of crop processing facilities (grain mills, food production plants)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Replacement or renovation of inefficient equipment and production lines</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Residual heat/ pressure utilization, including renovation and construction of facilities and equipment</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Energy Conservation of Buildings</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and renovation of wastewater treatment facilities</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Value Chains</td>
<td>Likely Subproject Activities</td>
<td>Direct Worker</td>
<td>Contracted Worker</td>
<td>Primary Supply Worker</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td>---------------</td>
<td>-------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Distribution and logistics</td>
<td></td>
<td>Construction and operation of food product storage facilities;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and renovation of water saving facilities</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and renovation of wastewater treatment facilities</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Replacement or renovation of inefficient equipment</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Energy conservation of buildings</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Input</td>
<td></td>
<td>Construction and operation of production facilities of livestock feed</td>
<td>✓</td>
<td></td>
<td>✓ (possible)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and operation of livestock feed bases</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td>Construction and operation of livestock farm (e.g. barns, feeding equipment, feed grinder, fermentation tank, manure treatment facilities etc.)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction and operation of scattered solar energy</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Renovation and operation of heat supply system</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock Sector</td>
<td>Manure handling</td>
<td>Construction of manure treatment facilities (e.g. biogas digesters, organic fertilizer composting facilities etc.)</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction, installation and operation of farmland fertilization equipment, including integrated water and fertilizer irrigation systems</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction, installation and operation of agricultural straw treatment and returning facilities</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Slaughtering</td>
<td></td>
<td>Construction and operation of slaughtering facilities (e.g. buildings, slaughtering equipment installation, waste treatment system etc.)</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Energy and water saving renovation for equipment and production lines</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
Currently the number, characteristics of subproject workers are not clearly identified, which will be filled in the Table 3 by each sub-borrower once the subproject is determined. The following elements will be described in this section, based on the available information:

- **Characteristics of project workers:** To the extent possible, a broad description and an indication of the likely characteristics of the project workers e.g. local workers, national or international migrants, female workers, workers between the minimum age and 18.

- **Timing of labor requirements:** The timing and sequencing of labor requirements in terms of numbers, locations, types of jobs and skills required.

- **Contracted workers:** The anticipated or known contracting structure for the project, with numbers and types of contractors/subcontractors and the likely number of project workers to be employed or engaged by each contractor/subcontractor. If it is likely that project workers will be engaged through brokers, intermediaries or agents, this should be noted together with an estimate how many workers are expected to be recruited in this way.

- **Migrant workers:** If it is likely that migrant workers (either domestic or international) are expected to work on the project, this should be noted, and details provided.

### Table 3 Breakdown of Subproject Workers by Types

<table>
<thead>
<tr>
<th>Types of Workers</th>
<th>Positions</th>
<th>Number of Project Workers</th>
<th>Proportion of Female Workers</th>
<th>Timing of Labor Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted Workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Supply Workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3. Screening Potential Labor related Risks and Impacts

*This section describes the following, based on available information.*

**Project Activities:**

*The type and location of the sub-project receiving financing from HADFIC, and the*
different activities the subproject workers will carry out.

Key Labor Risks:

This section describes the key labor risks which may be associated with the subproject activities.

At the overall project level, a screening activity has been carried out to identify the primary significant labor risks associated with each type of subproject activities in both crop and livestock sectors. The screening results are presented in Table 4 to guide sub-borrowers on screening key labor risks associated with their project activities. In summary, potential significant labor risks which may be associated with the project may include:

- **The conduct of hazardous works**, such as working at heights or in confined spaces, use of heavy machines, and use of hazardous materials, are the most significant labor risks related to this project. In the value chains of input production and processing, the nature of the work-related hazards would be more significant, but China has very comprehensive regulations to govern it and the enterprises itself also normally have in-place systems to manage the risks associated with hazardous work. In the value chains of production (especially in crop production bases for examples) and post-harvest, although the nature of the work may not be pretty hazardous, most of the workers in these positions are usually farmers from the local communities lacking strong safety awareness, which may in result increase the likelihood of safety accidents, especially related to machines operation.

- **Occupational and health hazards**: are mainly linked to input production, especially manufacturing of pesticides, fertilizers, etc. China has comprehensive regulations to manage the workplace hazards (see Section 5 for details) and local administration of work safety has routine supervisions to the factories with significant occupational and health hazards to assure the associated risks appropriately managed throughout the lifecycle of the facility.

- **Likely presence of juvenile workers** (16-18 years old): China has issued very stringent policy to prevent use of child labor and forced labor in any sector and the local labor authority normally carries out routine and intensive supervision to ensure the policy is well implemented. The desktop study, government consultation and visits to selective agricultural enterprises demonstrated the risks associated with child labor and forced labor is negligible in Henan Province. Juvenile workers (16-18 years) are allowed by both ESS2 and Chinese regulations and it was learned that it may potentially exist in non-hazardous positions the production workshops if some enterprises could not employ enough adult workers.

- **Possible accidents or emergencies**: It is mainly related to the risks resulting from the conduct of hazardous work. In consider of the nature of construction in crop and livestock sectors, it is unlikely to involve large scale of civil works or large number of construction workers. The potential accidents during construction could not be significant if the contractors are well managed following the legislations.
• **Excessive overtime working:** Agricultural workers would normally extend working hours in peak production months. China has in-place regulations on maximum hours for overtime working. All enterprises are required to follow the law and make additional payment for extended hours. In some cases, the owners of few SMEs would have limited awareness on labor law and request the workers to work beyond the maximum hours regulated by the law.

• **Potential labor lay-off:** The jobs in the livestock and crop sectors are generally labor intensive. Adoption of the green technologies will likely improve the use of machines to replace labors, which may in result cause labor lay-off or internal position transition. The labor lay-off risks primarily concentrate on the input production and processing activities. The enterprises are required to compensate the workers following the legal requirements to mitigate the impacts.

• **Presence of large number of seasonal workers:** For crop plantation and livestock breeding bases, the subproject enterprises will assign technical and management personnel, whilst most of the non-technical labors are seasonal workers employed or engaged from the local villages close to the production bases. Henan is of the most populous provinces and has abundant labor forces. Engagement with several agricultural enterprises shown the project investment are unlikely to involve significant labor influx in the crop and livestock sectors in Henan. Due to heavy workloads for crop and livestock production, and relatively lower income as compared with that from industrial and commercial sectors, the young adults prefer to seek employment outside to earn more. Generally, the labors for crop and livestock production usually aged from 40 to 60. No special concerns on gender discrimination was identified through engagement with several agricultural enterprises during the project preparation.

In consideration of the local context and nature of the project activities, the subproject is unlikely to involve large influx of labors. Most of labors will be employed or engaged in the production related activities, who are usually the local residents from the nearby communities. The project investment activities will be concentrated in Henan Province. The project is deemed as low on gender-based violence (GBV) risk. If other labor risks are identified or arise during subproject implementation, the sub-borrowers, with the support of HADFIC will develop procedures to prevent further impacts and risks.

### Table 4 Screening of Key Labor Risks by Subproject Typologies

<table>
<thead>
<tr>
<th>Likely Subproject Activities</th>
<th>Potential Significant Risks on Labor and Working Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct Worker</td>
</tr>
<tr>
<td>1. Crop Sector</td>
<td></td>
</tr>
<tr>
<td>1.1 Input production</td>
<td></td>
</tr>
<tr>
<td>Construction and operation of production facilities of bio-pesticide</td>
<td>The conduct of hazardous work</td>
</tr>
<tr>
<td>Likely Subproject Activities</td>
<td>Potential Significant Risks on Labor and Working Condition</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Direct Worker</td>
</tr>
<tr>
<td></td>
<td>hazards</td>
</tr>
<tr>
<td></td>
<td>Possible accidents or emergencies</td>
</tr>
<tr>
<td>Construction of laboratory, procurement and operation of equipment</td>
<td>Likely presence of juvenile workers</td>
</tr>
<tr>
<td>Construction and operation of high efficiency fertilizers</td>
<td>Conduct of hazardous work</td>
</tr>
<tr>
<td>Construction and operation of organic fertilizers</td>
<td>Conduct of hazardous work</td>
</tr>
<tr>
<td>Nursery facilities of multi-resistant varieties</td>
<td>No apparent significant labor-related risk</td>
</tr>
</tbody>
</table>

**1.2 Crop Production**

<table>
<thead>
<tr>
<th>Likely Subproject Activities</th>
<th>Potential Significant Risks on Labor and Working Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct Worker</td>
</tr>
<tr>
<td></td>
<td>The conduct of hazardous work, especially operating machines, working at height, etc.</td>
</tr>
<tr>
<td></td>
<td>Handling of pesticides</td>
</tr>
<tr>
<td>Likely Subproject Activities</td>
<td>Potential Significant Risks on Labor and Working Condition</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Direct Worker</td>
</tr>
<tr>
<td></td>
<td>Contracted Worker</td>
</tr>
<tr>
<td></td>
<td>Primary Supply Worker</td>
</tr>
<tr>
<td>Construction irrigation infrastructure</td>
<td>Underpayment</td>
</tr>
<tr>
<td>Construction and operation of agriculture facilities (e.g. green house and ancillary facilities)</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td>Construction of Laboratory, procurement and operation of equipment</td>
<td>Conduction of hazardous work</td>
</tr>
<tr>
<td></td>
<td>Occupational and health hazards</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td>Construction and operation of agriculture facilities (e.g. green house and ancillary facilities)</td>
<td>Handling of pesticides</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td>1.3 Post-harvest</td>
<td></td>
</tr>
<tr>
<td>Construction and operation of crop waste recycling and composting facilities</td>
<td>The conduct of hazardous work, especially operating machines</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td>1.4 Processing</td>
<td></td>
</tr>
<tr>
<td>Construction and operation of crop processing facilities (grain mills, food production plants)</td>
<td>The conduct of hazardous work, especially operating machines</td>
</tr>
<tr>
<td></td>
<td>Lively presence of juvenile workers</td>
</tr>
<tr>
<td></td>
<td>Potential worker lay-off</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>Similar to the risks at crop production bases</td>
</tr>
<tr>
<td>Replacement or renovation of inefficient equipment and production lines</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td>Residual heat/pressure utilization, including renovation and construction of facilities and equipment</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td>Energy Conservation of Buildings</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td></td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td>Likely Subproject Activities</td>
<td>Potential Significant Risks on Labor and Working Condition</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>Construction and renovation of wastewater treatment facilities</td>
<td>Potential worker lay-off</td>
</tr>
<tr>
<td>Construction and renovation of water saving facilities</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td>Construction and renovation of wastewater treatment facilities</td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td>Replacement or renovation of inefficient equipment</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td>Energy conservation of buildings</td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td>1.5 Distribution and logistics</td>
<td></td>
</tr>
<tr>
<td>Construction and operation of food product storage facilities;</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td>Construction and operation of livestock feed bases</td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td>Construction and operation of livestock farm (e.g. barns, feeding equipment, feed grinder, fermentation tank, manure treatment facilities etc.)</td>
<td>The conduct of hazardous works, especially operating machines, working at height, etc.</td>
</tr>
<tr>
<td>Construction and operation of distributed solar energy</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td>Construction and operation of distributed solar energy</td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td>2.3 Manure handling</td>
<td></td>
</tr>
<tr>
<td>Construction and operation of livestock farm (e.g. barns, feeding equipment, feed grinder, fermentation tank, manure treatment facilities etc.)</td>
<td>The conduct of hazardous works</td>
</tr>
<tr>
<td>Construction and operation of distributed solar energy</td>
<td>No apparent significant labor-related risk</td>
</tr>
<tr>
<td>Construction and operation of distributed solar energy</td>
<td>Possible accidents during construction</td>
</tr>
<tr>
<td>2.3 Manure handling</td>
<td></td>
</tr>
<tr>
<td>Likely Subproject Activities</td>
<td>Potential Significant Risks on Labor and Working Condition</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Construction of manure treatment facilities (e.g. biogas digesters, organic fertilizer composting facilities etc.) | **Direct Worker**: The conduct of hazardous work, especially in confined space  
**Contracted Worker**: Possible accidents during construction  
**Primary Supply Worker**: NA |
| Construction, installation and operation of agricultural straw treatment and returning facilities | **Direct Worker**: No apparent significant labor-related risk  
**Contracted Worker**: Possible accidents during construction  
**Primary Supply Worker**: NA |
| **2.4 Slaughtering**                                                                         |                                                           |
| Construction and operation of slaughtering facilities (e.g. buildings, slaughtering equipment installation, waste treatment system etc.) | **Direct Worker**: No apparent significant labor-related risk  
**Contracted Worker**: Possible accidents during construction  
**Primary Supply Worker**: NA |
| Energy and water saving renovation for equipment and production lines                        | **Direct Worker**: No apparent significant labor-related risk  
**Contracted Worker**: Possible accidents during construction  
**Primary Supply Worker**: NA |
| **2.5 Distribution and logistics**                                                           |                                                           |
| Construction and operation of cold storage facilities                                       | **Direct Worker**: The conduct of hazardous works, etc. electric safety, etc.  
**Contracted Worker**: Possible accidents during construction  
**Primary Supply Worker**: Similar risks to direct work at input, production and slaughtering of value chain |

4. **Brief Overview of Labor Legislation: Terms and Conditions**

China’s laws and regulations related to labor and working conditions are listed **Table 5.**

**Table 5 Applicable PRC Laws relating to Labor and Working Conditions**

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Effective Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Labor Law of PRC</td>
<td>Amended in 2018</td>
</tr>
<tr>
<td>2</td>
<td>Provisions of the State Council on Working Hours of Workers and Staff</td>
<td>1995</td>
</tr>
<tr>
<td>3</td>
<td>Emergency incident response Law of PRC</td>
<td>2007</td>
</tr>
</tbody>
</table>
Below is the overview of the key aspects of relevant laws, especially PRC’s Labor Law (2018), with regards to terms and conditions of work (ESS2, para 11).

**Wages**

The distribution of wages shall follow the principle of distribution according to the nature of work and equal pay for equal work.

The employer is required to sign an agreement in writing with each worker. A labor agreement will determine the form of wage distribution and wage level for the workers on basis of the characteristics of enterprise’s production and business and economic results (*Article 47 of the Labor Law*). The workers should be paid above the local standards on minimum wage issued by each provincial government on an annual basis (*Article 48 of the Labor Law*). Wages should be paid to workers in form of currency monthly, which should not be deducted or delayed without justification (*Article 50 of the Labor Law*).

**Working Hours**

According to the Labor Law of PRC and Provisions of the State Council on Working hours of Workers and Staff, duration of work will not exceed 44 hours per weeks or eight hours per day on average.

In case of specific circumstances, the extended working hours will not exceed 3 hours per day and 36 hours in total per month (*Article 41 of the Labor Law*). The juvenile workers (16-18 years old) should not be involved in overtime working.

**Rest Breaks**

*Article 38 of the Labor Law* specifies that the employer should guarantee that workers have at least one day off in a week.

**Leaves**

A system of annual leave with pay will be carried out. Workers who have kept working for one year in one unit and more shall be entitled to annual leave with pay (*Article 45 of the Labor Law*).

If a worker works with one unit more than one year and less than 10 years, he or she is entitled to annual leave with 5 days; If a worker works with one unit more than 10 year and less than 20 years, he or she is entitled to is annual leave with 10 days; If a worker works with one unit more than 20 years, he or she is entitled to is annual leave with 15 days. National statutory holidays and rest days (such as the spring festival, the

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Effective Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Regulation on the Implementation of PRC’s Labor Contract Law</td>
<td>2008</td>
</tr>
<tr>
<td>5</td>
<td>Labor Contract Law of PRC</td>
<td>Amended in 2012</td>
</tr>
<tr>
<td>6</td>
<td>Special Rules on Labor Protection of Female Employees</td>
<td>2012</td>
</tr>
<tr>
<td>7</td>
<td>Occupation Disease Prevention and Control Law</td>
<td>2017</td>
</tr>
</tbody>
</table>
National day, and the international Labor Day) are not counted as annual leaves. Leave does not include a period of temporary disability, and maternity leave.

After childbirth, the female workers shall be entitled to no less than ninety days of maternity leaves with pay.

**Overtime Working**

Working hours might be extended due to the requirements of its production or business after consultation with the trade union and workers, but the extended working hour for a day shall generally not exceed three hours; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of workers is guaranteed. However, the total extension in a month shall not exceed thirty-six hours (*Article 41 of the Labor Law*)

The workers should be paid higher wages than those for normal working hours under any of the following circumstances (*Article 44 of the Labor Law*):

- a. To pay no less than 150 percent of the normal wages if the extension of working hours is arranged;
- b. To pay no less than 200 percent of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and,
- c. To pay no less than 300 percent of the normal wages if the extended hours are arranged on statutory holidays.

**Labor Disputes**

The *Labor Law of PRC* includes provisions that allow workers to resolve disputes in cases where there is a disagreement between the employer and the employee over the essential terms and conditions of a labor agreement or other aspects of work.

The well-developed mediation system covers labor disputes through an enterprise committee under the official trade union system. Workers may also directly lodge a complaint through the labor bureau.

Article 79 of Labor law stipulated that: Where a labor dispute takes place, the parties involved may apply to the labor dispute mediation committee of their unit for mediation; if the mediation fails and one of the parties requests for arbitration, that party may apply to the labor dispute arbitration committee for arbitration. Either party may also directly apply to the labor dispute arbitration committee for arbitration. If one of the parties is not satisfied with the adjudication of arbitration, the party may bring the case to a court.

In addition, a labor dispute mediation committee could be established inside the enterprise. The committee shall be composed of representatives of the staff and workers, representatives of the enterprise, and representatives of the trade union. The chairman of the committee shall be held a representative of the trade union. Agreements reached on labor disputes through mediation shall be implemented by the parties involved (*Article 80 of the Labor Law*).

5. **Brief Overview of Labor Legislation: Occupational Health and Safety**

In PRC, there are over one hundred technical specifications and standards for
prevention and control of occupational safety and diseases under the *Labor Law* system. These technical specifications and standards are developed based on the industry best practice or updated toward the industry best practice, i.e. WHO, and relevant technical codes/norms of EU or USA, and the requirements of the International Labor Conventions. These technical specifications and standards become compulsory to apply in the design and operation of the facilities.

The *Labor Law* requires the employer must establish a complete system for occupational health and safety and strictly apply all the relevant occupational health and safety measures and standard and provide training on occupational health and safety to employees.

The *Labor Contract Law* explicitly requires that: the employer shall provide the information to the workers at the beginning of the working relationship on the duties, working conditions, working place, occupational hazards, status of occupational safety and health facilities, wage, and other information if the workers request. The employer should get agreement with the workers before any change of the contract.

In terms of the *Labor Law*, the employer must establish and perfect the system for occupational safety and health, strictly implement the rules and standards of the State on occupational safety and health, educate workers on occupational safety and health, prevent accidents in the process of work, and reduce occupational hazards. Facilities of occupational safety and health must meet the standards stipulated by the State. The employer must provide workers with occupational safety and health conditions conforming to the provisions of the State and necessary Articles of Labor protection and providing regular health examination for workers engaged in work with occupational hazards. Workers to be engaged in specialized operations must receive specialized training and acquire qualifications for such special operations. Moreover, workers have the right to refuse to operate if the management personnel of the employer command the operation in violation of rules and regulations or force workers to run risks in operation; Workers shall have the right to criticize, report or file charges against the acts endangering the safety of their life and health.

The special protection for female and juvenile workers (16-18 years old) shall be provided. Prohibition of engagement in work down the pit of mines and Grade IV physical labor intensity for female workers, protections for female workers during menstrual period, pregnancy and breast-feeding are specified. No juvenile workers shall be arranged to engage in work down the pit of mines, work that is poisonous or harmful, work with Grade IV physical labor intensity as stipulated by the State, or other work that they should avoid. Regular physical examinations to juvenile workers should be provided by the employer.

6. **Responsible Staff**

   *This section identifies the functions and/or individuals within the subproject responsible for (as relevant):*

---

23 So far, China has signed 25 of the International Labor Conventions, including Convention on Equal Pay for Equal Work (100th convention), Minimum Employment Age Convention (138th convention), *The Worst Forms of Child Labor Convention* (182nd convention), *and Employment and Occupation Discrimination Convention* (111th convention), etc.
• Engagement and management of project workers
• Engagement and management of contractors/subcontractors
• Occupational health and safety (OHS)
• Training of workers
• Addressing worker grievances

The following tentative description can be customized to the specific context of a subproject.

Within HADFIC, the International Cooperative Unit (ICU) will be responsible for operational supervision of a subproject, and Risk Control Unit (RCU) will support ICU to manage environment and social risks of a subproject. An E&S social specialist will be hired, with the support of external consultant (when needed), for daily risk communication and implementation support for a subproject.

At subproject level, the sub-borrowers will ensure sound performances on labor and working conditions in the subproject. The sub-borrowers will assign a focal staff (normally the HR specialist) to oversee labor and safety performance on a daily basis and report its social performance to the HADFIC on routine basis (e.g. semi-annually). HADFIC’s E&S specialist will conduct onsite check and verification of potential labor risks, with the assistance of the external consultant (when needed).

The sub-borrowers will be responsible for the following:

• Designate a qualified staff to manage the direct workers and contractor performance;
• Develop and implement this labor management procedure to direct workers;
• Ensure that contractor(s) responsible for the construction of subproject and prepare their labor management procedure, in compliance with this labor management procedure, and occupational health and safety plan;
• Monitor that the contractor are meeting obligations towards contracted workers as included in the General Conditions of Contract the World Bank Standard Bidding Documents, and in alignment with ESS2 and the Labor Law of China;
• Monitor implementation of contractors’ labor management procedures;
• Monitor that occupational health and safety standards are met at work places in line with national occupational health and safety legislation;
• Monitor training of the project workers;
• Ensure that the grievance mechanism for subproject workers is established and monitor its implementation; and
• Monitor and require the relevant primary supplier to remedy the potential risks of child labor, forced labor and serious safety issues in relation to the primary supply workers (if any).

The contractor(s) will be responsible for the following:
• Prepare and implement subproject specific labor management procedure, occupational health and safety (OHS) plans;

• Develop labor management procedure and occupational health and safety plan. These procedures and plans will be submitted to sub-borrowers for review and approval;

• Maintain records of recruitment and employment process of contracted workers;

• Communicate clearly job description and employment conditions to contracted workers;

• Develop, and implement workers’ grievance mechanism and address the grievance received from the contracted workers;

• Have a system for regular review and reporting on labor, and occupational safety and health performance;

• Deliver regular induction (including social induction) and HSE training to employees;

• Ensure that all contractor workers understand and sign the working requirements prior to the commencement of works;

• After the bidding process is completed and the contractor(s) are known, this labor management procedure can be updated to include additional details about companies, as necessary.

7. Policies and Procedures

This section sets out information on OHS, reporting and monitoring and other general project policies. Where relevant, it identifies applicable national legislation. If relevant, this section will outline how to address significant safety risks and risks of forced labor.

As required by China’s Labor Law, all enterprises in China are required to establish a labor management system, polices or procedure, although the content may vary a bit in terms of breadth and in-depth for differing types and sizes of enterprises. Once a subproject is identified and ESS2 is confirmed relevant, this section will list the labor management procedures, policies and systems established by the sub-borrower. A comparative analysis will be carried out to identify the gaps against PRC’s labor regulations, and the requirements of ESS2. Supplementary procedures will be developed in this section to bring the sub-borrower’s labor management polices and procedures in alignment with both PRC’s regulations and standards as well as the requirements of ESS2.

Once significant risks of forced labor or safety risks are identified and assessed for a subproject, this section will outline the mitigation measures to address the risks and the responsible parties.

Regarding monitoring and reporting, the sub-borrower will establish a procedure to extend its periodic supervision to cover contractor’s OHS performance at regular intervals. These supervisions will cover compliance status, accidents, recommendations, and progress of ongoing corrective actions. The sub-borrowers will
include in the contract(s) as requirement for contractors to report on issues such as number of accidents rates, severity rates, number of recurring non-compliances, fatalities and serious injuries; and penalties for non-completion.

The sub-borrowers will inform the HADFIC promptly about any incident, accident or violation related to the subproject which has, or is likely to have a significant adverse effect on the environment, the affected communities, the public or workers (labor, health and safety, or security incident, accident or circumstance) as soon as reasonably practicable, but no later than five calendar days after the occurrence of the event.

As part of the periodic reporting on subproject implementation progress, the sub-borrowers are required to report to HADFIC about the performances on labor and working conditions related to direct workers, contracted workers and primary supply workers (if relevant).

8. Age of Employment

The Labor Law of PRC, in its 2018 version, defines minimum working age at 16, and requires specific protection for juvenile workers from 16 to 18. Hiring child labor under 16 is forbidden, which is more stringent than the requirements of ESS 2.

China’s Labor Law (2018) and Regulation on Special Protection for Juvenile Workers (1994) prohibits juvenile workers to work in a number of hazardous positions such as mining, in hazardous or toxic circumstance, or jobs with certain level of working intensity. The sub-borrowers should ensure that the juvenile workers (if any) should not involve in any of the positions prohibited by the Regulation on Special Protection for Juvenile Workers (1994). No night shift or overtime working should be arranged for a juvenile worker. All the juvenile workers should be registered with the local labor authority. A health examination will be carried out for a juvenile worker before onboarding, which will be carried regularly on a six-month basis until he/she reaches 18 years old.

The sub-borrowers as well as its contractor(s) and primary suppliers(s) are required to verify the identify and age of all workers to assure no child labor will be employed or engaged with the subproject. This will require workers to provide official documentation, which could include a birth certificate, national identification card, or medical or school record.

If a child under the minimum age is discovered working on the project, measures will be taken to immediately terminate the employment or engagement of the child in a responsible manner, considering the best interest of the child.

9. Terms and Conditions

As shown in legal review (Section 4 in this template), China has established very comprehensive regulations regarding terms and conditions for a labor contract, which are deemed in alignment with relevant requirements of ESS2. The employer should sign a labor contract in writing with an employee. The labor contract should meet cover the basic terms and conditions, including the term of specific job positions, work content and place of work, work time and rest time, labor remuneration, bonus and social insurances, labor protection, labor conditions and protection against occupational hazards, and specified economic compensation. The content of a labor
contract should be reached through prior consensus between the employer and an employee, without any violation against China’s labor related regulations and the requirements of ESS2.

The contractors’ labor management procedure will set out terms and conditions for the contracted workers. These terms and conditions will be in alignment, at minimum, with this labor management procedure.

10. Grievance Mechanism

Currently, subproject enterprise is unknown. Therefore, whether subproject enterprise has a grievance mechanism in place or not cannot be identified. Anyway, subproject enterprise will develop and implement a grievance mechanism for workers to address workplace concerns. This grievance mechanism for direct workers will be established. In addition, subproject will require contractors to develop and implement a grievance mechanism for their workforce prior to the construction commencement.

The construction contractors will prepare their labor management procedure before subproject construction, which will also include detailed description of the workers grievance mechanism. The workers grievance mechanism will include:

- A procedure to receive grievances such as comment/complaint form, suggestion boxes, email, a telephone hotline;
- Stipulated timeframes to respond to grievances;
- A register to record and track the timely resolution of grievances;
- A responsible unit to receive, record and track resolution of grievances.

The focal staff of subproject enterprise will monitor the contractors’ recording and resolution of grievances, and report these to HADFIC in their monthly progress reports. The process will also be monitored by the RCU of HADFIC.

The workers grievance mechanism will be described in staff induction trainings, which will be provided to all project workers. The mechanism will be based on the following principles:

- The process will be transparent and allow workers to express their concerns and file grievances.
- There will be no discrimination against those who express grievances and any grievances will be treated confidentially.
- Anonymous grievances will be treated equally as other grievances, whose origin is known.
- Grievances will be seriously treated and timely and appropriate action in response will be taken.

Information about the existence of the grievance mechanism will be readily available to all project workers (direct and contracted) through subproject website, staff meetings, and other means as needed.

The subproject workers’ grievance mechanism will not prevent workers to use
conciliation procedure provided in the Labor Law of PRC. The basic procedures are:

**Stage 1:** The party that asks for arbitration shall file a written application to the labor dispute arbitration committee within 60 days starting from the date of the occurrence of labor dispute. In general, the arbitration committee shall produce a ruling within 60 days after receiving the application. The parties involved shall implement arbitration rulings if they do not have any objections to these rulings. Labor dispute arbitration committees shall be composed of the representatives of labor administrative departments, representatives from trade unions at the same level, and the employer representatives. The chairmanship of such a committee shall be held by the representative of a labor administrative department.

**Stage 2:** If any of the parties involved in a labor dispute has objections to an arbitration ruling, it can raise a lawsuit with the People's Court within 15 days after receiving the ruling.

11. **Contractor Management**

The Borrower will require that all contractors engaged on the project operate in a manner consistent with the requirements of the ESSs, including the specific requirements set out in the ESCP. Contractor management is carried out through the process of procurement. The procurement documents of a subproject in compliance with World Bank requirements will include labor and occupational, health and safety requirements.

As part of the process to select construction contractors who will engage contracted workers, the sub-borrowers may review the following information:

- Information in public records, for example, corporate registers and public documents relating to violations of applicable labor law, including reports from labor inspectorates and other enforcement bodies;
- Business licenses, registrations, permits, and approvals;
- Documents relating to a labor management system, including OHS issues, for example, labor management procedures;
- Identification of labor management, safety, and health personnel, their qualifications, and certifications;
- Workers’ certifications/permits/training to perform required work;
- Records of safety and health violations, and responses;
- Accident and fatality records and notifications to authorities;
- Records of legally required worker benefits and proof of workers’ enrollment in the related programs;
- Worker payroll records, including hours worked and pay received;
- Identification of safety committee members and records of meetings; and
- Copies of previous contracts with contractors and suppliers, showing inclusion of provisions and terms reflecting ESS2.
Please note, any contractor using child labor or with historic child labor use should NOT be eligible for biding. The contracts with selected contractors will include provisions related to labor and occupational health and safety, as set out in ESS2 and China’s regulations.

The sub-borrower will manage and monitor the performance of contractors in relation to contracted workers, focusing on compliance by contractors with their contractual agreements (obligations, representations, and warranties). This may include periodic audits, inspections, and/or spot checks of project locations or work sites and/or of labor management records and reports compiled by contractors. Contractors’ labor management records and reports may include:

- A representative sample of employment contracts or arrangements between third parties and contracted workers;
- Records relating to grievances received and their resolution;
- Reports relating to safety inspections, including fatalities and incidents and implementation of corrective actions;
- Records relating to incidents of non-compliance with national law; and
- Records of training provided for contracted workers to explain labor and working conditions and OHS for the subproject.

The contractor’s environmental and social performances should be reported as part of the periodic subproject implementation progress report to HADFIC.

12. Primary Supply Workers

Once subproject is selected, the sub-borrowers, with the support of HADFIC and with a reference to the Table 2, Table 3 and Table 4 above, should identify the relevance of primary supplier(s), define the size of primary supply workers and screen the significant risks and impacts, inter alia focusing on the risks of forced labor, child labor and serious safety issues.

Where a significant risk of child or forced labor or serious safety issues in relation to primary suppliers has been identified, this section sets out the procedure for monitoring and reporting on primary supply workers, which may primarily include (but not limited to):

- As part of the social impact assessment for a subproject, the sub-borrower will assess magnitude of significant risks related to primary supply workers and establish appropriate mitigation measures in the social management plan;
- Among other provisions, the social actions to manage the risks associated with primary supply workers should be incorporated into the terms of procurement contract(s), which requires commitment from the primary supplier to implement;
- The sub-borrower will follow with its primary supplier(s) to ensure the social actions are well implemented and report the performance of primary supplier as part of its periodic subproject implementation report to HADFIC;
• Where remedy is not possible to an identified risk, the sub-borrower will, within a reasonable period, shift the primary suppliers to suppliers that can demonstrate that they are meeting the relevant requirements of ESS2; and

• If the subproject is involving a higher-risk primary supplier or there are recurring social issues related to primary supply workers, etc., HADFIC will supervise the social performances of the specific primary supplier(s).
Annex 13 Resettlement Policy Framework

1. Introduction

This document constitutes the Resettlement Framework (RF) for China: the Henan Green Agriculture Fund Project (the Project). The HADFIC (FI) has agreed to apply World Bank environmental and social framework in the design and implementation of this project, including *ESS5 on Land Acquisition, Restrictions on Land Use and Involuntary Resettlement*. The Henan Green Agriculture Fund Project is designed to support "green agriculture". At this stage, the specific subprojects are not known and will be identified during the project implementation by HADFIC. Accordingly, it is impossible to determine the extent of resettlement planning requirements. This Resettlement Framework (RF) therefore is to establish resettlement principles and procedures to be followed to prepare a Resettlement Action Plan (RAP) once the subproject is defined and the necessary information becomes available.

2. Objective of Resettlement, Definitions and Key Principles

As mentioned above, this RF is prepared on basis of *ESS5 on Land Acquisition, Restrictions on Land Use and Involuntary Resettlement*, and the overall objectives are:

- To avoid involuntary resettlement or, when unavoidable, minimize involuntary resettlement by exploring project design alternatives.

- To avoid forced eviction

- To mitigate unavoidable adverse social and economic impacts from land acquisition or restrictions on land use by a) providing timely compensation for loss of assets at replacement cost and b) assisting displaced persons in their efforts to improve, or at least restore, their livelihoods and living standards, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.

- To improve living conditions of poor or vulnerable persons who are physically displaced, through provision of adequate housing, access to services and facilities and security of tenure.

- To conceive and execute resettlement activities as sustainable development programs, providing sufficient investment resources to enable displaced persons to benefit directly from the project, as the nature of the project may warrant.

- To ensure that resettlement activities are planned and implemented with appropriate disclosure of information, meaningful consultation, and the informed participation of those affected.

This RF defines the principles and objectives of resettlement, and appropriate guidelines, rights, and legal and institutional framework, compensation and restoration patterns, participation characteristics, and appeal procedure for resettlement, and is used to guide compensation, resettlement and restoration matters.
The key principles and objectives of this RF are as follows:

- Acquisition of land and other assets, and related resettlement should be minimized where possible;

- As of the baseline survey date, all displaced persons are entitled to restoration measures to help them improve or at least their living standard, ability to earn income and production level; the lack of legal title to asset losses does not impede their entitlement to resettlement measures;

- The resettlement measures available include: (1) residential houses and other buildings are compensated at replacement cost free from depreciation or recovery of residual value; (2) cash or other means of compensation, such as land replacement and endowment insurance; (3) equal replacement of housing and housing sites acceptable to displaced persons; and (4) subsidies for relocation and living;

- If displaced persons can accept the replacement of housing, housing sites and farmland, replacements should be as close to their lost land as possible;

- The transition period of resettlement should be minimized, and restoration measures should be made available to displaced persons at the project site before the preset starting date;

- The acquisition plan of land and other assets, and the restoration measures offered shall be negotiated with displaced persons repeatedly to ensure minimum interference; displaced persons will be empowered before the preset starting date;

- The existing community service and resource levels should be maintained or improved;

- Whenever and wherever necessary, financial and material resources for resettlement and restoration must be available; the budget in the RAP should include contingencies;

- The institutional and organizational arrangements should ensure that assets and resettlement are designed, planned, consulted and implemented effectively and timely;

- The implementation of the RAP shall be supervised, monitored and evaluated effectively and timely.

3. Preparation and Approval Procedures for Resettlement Plan

Given the nature of the Project and experiences of similar projects in the exiting project portfolio of HADFIC, the Project is unlikely to involve in large-scale land acquisition and resettlement. The permanent land occupation will be likely induced by construction of facilities related to organic fertilizer production plant, cold storage warehouse, and slaughtering plant, and so on. In addition, some facilities are likely to be constructed in designated industrial park where land has already been reserved by the Government.
Therefore, in case where land acquisition and resettlement (LAR) has been undertaken and completed for the subprojects prior to HADFIC involvement, a due diligence\(^{24}\) shall be undertaken to determine whether the LAR undertaken is complied with national laws and regulations of China, and in case of non-compliance, a corrective plan shall be prepared that is acceptable to WB. A template of social Due Diligence is included in \textit{Annex 12}.

In case where the LAR will be undertaken by a subproject where HADFIC involves, all subprojects involving minor new resettlement\(^{25}\) should be prepared and implemented according to national regulations. For subprojects with the resettlement risk classified higher than minor, relevant requirements of \textit{ESS5} are should be met, and a RAP will be prepared by subproject enterprise for review prior to civil works according to this RF.

The preparation and implementation of the RAP (including the payment of all resettlement costs) will be the responsibility of the subproject enterprise and reported to HADFIC for review at least \textbf{one month before LAR implementation}. The World Bank will clear the first three RAPs prepared under the Project and will retain the right to review and clear ensuing RAPs until the World Bank Task Team is convinced that HADFIC demonstrates adequate capability to screening and managing safeguards issues. Compensation, resettlement, and restoration will not begin until HADFIC has accepted the RAP and should be completed by the commencement of civil works construction. The RAP should be disclosed locally and on HADFIC and World Bank’s website and revised in accordance with feedbacks for the disclosure.

Where environmental and social assessment in terms of \textit{ESS1} concludes that the affected people are physically displaced and more than 10\% of their productive assets are lost, the resettlement impact is considered as substantial. Under such condition, a RAP should be prepared on basis of identifiable basic information collected. The main contents of RAP should include:

\begin{itemize}
  \item a. General description of the subproject
  \item b. Identification of potential impacts of the subproject
  \item c. Objectives (the main objectives of the resettlement program);
  \item d. Socioeconomic studies: The findings of socioeconomic studies to be conducted in the early stages of project preparation and with the involvement of potentially displaced people;
  \item e. Legal framework: The findings of an analysis of the legal framework, covering the scope of the power of eminent domain and the nature of compensation associated with it, the applicable legal and administrative procedures, environmental laws and social welfare legislation, laws and regulations, and any legal steps necessary;
  \item f. Institutional framework: covering the identification of agencies responsible for resettlement activities and NGOs that may have a role in project implementation; an assessment of their institutional capacity, and any steps that are proposed to enhance their institutional capacity;
\end{itemize}

\(^{24}\) The due diligence should review prior resettlement within a time frame of approximately three years close to specific subprojects but will consider of the context of specific subproject and significance of the prior resettlement case by case

\(^{25}\) Impacts are considered "minor" if the affected people are not physically displaced and less than 10\% of their productive assets are lost.
g. Eligibility: Definition of APs and criteria for determining their eligibility for compensation and other resettlement assistance;

h. Valuation of and compensation for losses;

i. Resettlement measures: a description of the packages of compensation and other resettlement measures;

j. Resettlement site selection, preparation, and rearrangement;

k. The offering housing, infrastructure, and social services;

l. Environmental protection and management;

m. Public participation and consultation, where the APs and the related communities must be included;

n. Integration with host populations: measures to mitigate the impact of resettlement on any host communities;

o. Grievance procedures: affordable and accessible procedures for the third-party settlement of disputes arising from resettlement;

p. Organizational responsibilities;

q. Implementation schedule;

r. Costs and budget;

s. M&E.

4. Institutional and Legal Framework

The legal framework guiding the implementation of the RAP is based on the ES5 of WB ESF, the applicable laws, regulations and ordinances of the State and Henan Province, and pertinent cities where subprojects are to be located.

The PRC has developed a complete legal framework and policy system on land acquisition, house demolition, resettlement and compensation, including the Land Administration Law of the PRC (amended on August 28, 2004), and the Regulation on the Expropriation of Buildings on State-owned Land and Compensation (Decree No.590 of the State Council) (January 21, 2011). Within the state legal and policy framework, local governments have promulgated relevant local regulations and policies to manage and direct local land acquisition, house demolition, resettlement and compensation work.

The key laws, regulations and ordinances of the PRC used to prepare this RF and ensure its legal validity are as follows:

- Regulation on the Expropriation of Buildings on State-owned Land and Compensation (Decree No.590 of the State Council) (January 21, 2011)
- Notice on adjusting Location-based Integrated Land Prices for Land Acquisition (HPG [2016] No.48)

The purpose of preparing the RAP is to ensure that the APs have sufficient opportunities to replace their lost assets, and improve or at least restore their income level and living standard. To realize this purpose, all APs should be identified, and it
should be ensured that all APs think the remedies defined in the RAP are rational. In consideration of the main types of impact (e.g., land acquisition and occupation, demolition of residential houses (including rural and urban), and non-residential houses (including enterprises and commercial stores). Meanwhile, the RAP prepared should include an entitlement matrix for the APs.

In terms of resettlement impact, the following measures are usually taken:

1) APs losing farmland will be entitled to the following compensation and restoration measures:
   - Direct APs will receive land compensation fees and resettlement subsidies in full;
   - Direct APs will receive young crop compensation fees in full.

2) Demolished houses and attachments will be compensated for as follows, and the following restoration measures will be taken:
   - Supply of resettlement housing of equal value;
   - Compensation at full replacement cost;
   - Reconstruction or restoration of all affected facilities and services (e.g., roads, water and power supply, telephone, cable TV, schools);
   - The subsidy during the transition period should ensure that all assets are relocated, or temporary housing is obtained.

3) Displaced persons losing business income (or employment income) will be entitled to the following restoration measures:
   - Main mitigation measures for anyone losing business income include: (1) offering an optional commercial site with the same size and similar customer sources; (2) granting cash compensation to the owner of the commercial property at the full replacement cost of such property and all facilities thereof; (3) offering transitional compensation for all expenses and lost sales income related arising from relocation for the non-operating period.
   - Main mitigation measures for anyone losing employment income include: offering an optional job opportunity with the same pay; offering cash compensation at least equivalent to wage losses for three years; and offering a transition subsidy for reemployment training and resettlement, or taking any other necessary measure to help him/her find a new job.

In general, the overarching objectives of the Chinese system are similar to WB’s. However, there are a number of procedural differences. Differences are identified with mitigation measures in Table 1.

<p>| Table 1 Gaps between WB and PRC Policy regarding Land Acquisition and Resettlement |</p>
<table>
<thead>
<tr>
<th>No.</th>
<th>Requirements of ESS5</th>
<th>Comparison with PRC Policies/Regulations</th>
<th>Gap-filling Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>To avoid involuntary resettlement, when unavoidable, minimize involuntary resettlement by exploring project design alternatives</td>
<td>Normally, it can be achieved through alternative options of technical and financial schemes.</td>
<td>Efforts are made to minimize LAR impacts during feasibility study and further efforts will be made during detailed design.</td>
</tr>
<tr>
<td>2</td>
<td>Prepare a resettlement action plan (RAP) elaborating on displaced persons’ entitlements, the income and livelihood restoration strategy, institutional arrangements, monitoring and reporting framework, budget, and time-bound implementation schedule.</td>
<td>Except for large-scale water sector projects, there are no specific requirements to prepare a resettlement plan which is similar to the RP required by WB.</td>
<td>A RAP will be prepared by implementing agency with supports of qualified expert, and be disclosed to the affected persons and other stakeholders.</td>
</tr>
<tr>
<td>3</td>
<td>If unavoidable, the provision of rehabilitation measures should be implemented to restore incomes and livelihoods.</td>
<td>People’s Governments at the county level and above shall adopt practical measures to ensure that the farmers whose land is acquired shall not be made worse off.</td>
<td>Specific rehabilitation and support measures are included in the RAP.</td>
</tr>
<tr>
<td>4</td>
<td>The lost property should be compensated at the replacement cost.</td>
<td>Provision of compensation and subsidies. Land value is based on a multiple of annual gross output value and housing is assessed based on appraisal.</td>
<td>No depreciation based on age will be permitted for house valuations.</td>
</tr>
<tr>
<td>5</td>
<td>The affected persons are fully aware of the resettlement and land acquisition and they are fully consulted with. Borrowers to conduct meaningful consultation with communities, groups, or people affected by the proposed projects/Subprojects, and with civil society</td>
<td>In the PRC, the information disclosure usually takes place after RP approval.</td>
<td>WB procedural requirements for meaningful consultation and disclosure prior to RP approval will be followed.</td>
</tr>
<tr>
<td>6</td>
<td>Improve the standards of living of the displaced poor and other vulnerable groups</td>
<td>The local village/community committee, civil affairs bureau, social security bureau and other agencies pay attention to the needs of the poor and vulnerable groups</td>
<td>Identification of the poor and vulnerable groups as early as screening process so they can participate and their concerns are taken into account during consultations and planning.</td>
</tr>
</tbody>
</table>
5. Institutional Arrangements

The institutions to be responsible for the planning, management, implementation and monitoring of the resettlement activities include:

- HADFIC
- Enterprise of subproject involved with land acquisition and resettlement
- Resettlement Offices of relevant city or county natural resources bureaus
- relevant township government
- relevant villages or village group
- Selected Independent Resettlement Monitoring and Evaluation Institution

In the RAP for each subproject, details should be presented on the responsibility, staff, relationship of these institutions, and detailed training programs that are required. Additional training for resettlement staff from each subproject will be included in the individual RAP.

6 Public Consultation, Information Disclosure and Participation

Prior to implementing the Project, public consultation and information disclosure should be undertaken within the project area. Knowledge and acceptance of the proposed compensation policies and rehabilitation measures for the affected people is a precondition for approval of the RAP. The ESMS of HADFIC for the Project should be disclosed to the public during project preparation.
During project implementation, the ESMS should also be provided to each subproject enterprise and made available along with prepared RP in the project affected area, including resettlement information booklets to be distributed to affected persons to provide details on impacts and compensation rates prior to the World Bank approval.

The public participation and consultation will be conducted during the overall resettlement process, especially during resettlement impacts surveys, establishment of resettlement policies and measure, and resettlement implementation etc.

The RAP must describe all measures taken or to be taken, involve the APs in the proposed resettlement arrangements, and foster the sense of participation in livelihood and living standard improvement or restoration activities. To ensure that the APs’ opinions and suggestions are fully considered, public participation should be prior to project design and the implementation of resettlement relief measures. Public participation must run through the whole RAP planning, implementation and external monitoring process.

At the RAP drafting and finalization stages, the HADFIC and subproject enterprise should also disclose the RAP to the APs and the public at certain places of the project site and in certain languages. The first draft of the RAP should be disclosed at least one month prior to HADFIC evaluation. The final RAP must be disclosed again after acceptance by HADFIC and the Bank.

7. Implementation Process

The RAP should include an implementation schedule for all activities to be conducted. If necessary, compensation payment, other entitlement restoration measures (in cash or in kind) and resettlement should at least be completed one month before land acquisition. If full compensation is not paid or necessary assistance measures are not available before land acquisition, a transition subsidy should be provided.

8. Financial Arrangements

The subproject enterprise will bear all costs related to land acquisition and resettlement. Any RAP consistent with this RPF must include estimated costs and a budget. Whether identified as affected persons at the RAP preparation stage or not, and whether sufficient funds are available or not, all those adversely affected by land acquisition and house demolition are entitled to compensation or any other appropriate relief measure. For the above reason, the budget in the RAP should include contingencies, which are usually 10% or more of the estimated resettlement budget in order to cover contingent resettlement costs.

The compensation rates specified in the RAP provide a basis for the calculation of compensation fees for resettlement, which should be fully paid to individuals or collectives losing land or other assets and should not be deducted for any reason. The RAP should describe by what means compensation fees are paid by the subproject enterprise to the affected communities/villages or residents/villagers, entities and relevant right holders. A rationale is that the fund flow should be as direct as possible with minimum intermediate links.

9. Grievance Redressal Mechanism
The RAP is prepared in accordance with the needs of the whole subproject. During implementation of the RP, APs complaints may arise because there have been some problems or change to the actual subproject implementation activities which had not been foreseen when the RAP was prepared. In order to ensure that the affected people can voice their complaints when any problem arises for the land acquisition and/or resettlement of the APs, an appeal procedure is defined within this RF and in the Resettlement Plans. The purpose of this appeals procedure is to provide a mutually satisfactory means for rapid response to any APs complaint, to avoid any likelihood of a complicated legal procedure. The detailed procedure is as follows:

- If any AP does not agree with the compensation or resettlement plan, he/she can voice their complaint to the village committee (residential committee). The village or residential committee should keep records, consult with the local resettlement office and provide a reply to the affected people.

- If the affected person is not satisfied with the reply, they can appeal to the township or sub-district resettlement working group, which will take records, consult with the local resettlement office and provide a solution to the affected person.

- If the affected person still does not accept the proposed resolution, then they can appeal directly to the local city or county Project Resettlement Office (PRO), which is the main organization responsible for the whole subproject. The city resettlement office should make a record of any appeal and provide a resolution.

- If the dispute still cannot be resolved, then the affected person can go through an administrative appeal according to the “Administrative Procedure Law of People’s Republic of China” or go directly to the People’s Court.

APs will be aware of their right to appeal through the participatory meetings and from the resettlement information booklet by following the new provisions in the land administration law and regulations. The project will also publicize information through the mass media and collect the APs opinions and suggestions, which will then be investigated and resolved through all necessary administrative levels in a timely manner. HADFIC and subproject enterprise will make records of all appeals, and the resultant resolutions.

10. Monitoring and Evaluation

With the assistance of HADFIC, the subproject enterprise will monitor the implementation of the RAP. Monitoring results will be recorded in semi-annual reports for submission to the HADFIC and the Bank. The internal monitoring will include:

- Check implementation, including checking the baseline information, valuation of asset losses, and the implementation of compensation, resettlement and restoration rights according to the RF and the RAP.

- Monitor if the RAP is implemented as designed and approved.

- Check if the funds for RAP implementation are appropriated timely and fully, and if such funds are used in a manner consistent with the RAP.
• Record all appeals and their solutions and ensure that appeals are handled timely.

Meanwhile, with the assistance of HADFIC, the subproject enterprise will appoint independent agencies to perform periodic external M&E on the implementation of the RAP. Such agencies may be academic or institutional organizations, NGOs or independent consulting firms, but must have qualified and experienced staff, and their terms of reference must be accepted by the Bank.

In adaptation to the internal monitoring information and reports checked, the external M&E agency will perform a sampling survey every six months of implementation of the RAP. The main objectives are:

• To evaluate if the participation and compensation payment procedures, and restoration rights are implemented practically, and consistent with the RF and the RAP;

• To evaluate if the RF objective of improving or at least maintaining the living standard and income level of the affected persons has been realized;

• To gather qualitative socioeconomic impact indicators of project implementation; and

• To propose suggestions for improving the implementation procedure of the RAP in order to realize the principles and objectives of this RPF.
Annex 14 Ethnic Minority Development Framework

1. Purpose of the EMDF

There are 56 nationalities living in Henan Province, around 1.43 million of them are minority, accounting for 1.22% of the province's total population by the end of 2018. At this stage, the specific subprojects are not known and will be identified during the project implementation by HADFIC. Some subprojects are likely to be carried out in ethnic minority areas, and the ESS7 under WB ESF may be triggered once subprojects are identified. The EMDF is consequently prepared which will serve as a basis to guide prepare Ethnic Minority Development Plan (EMDP) where adverse impacts on ethnic minorities are concluded by environmental and social assessment as per ESS1 for subproject.

This EMDF has been prepared in accordance with the applicable PRC laws and regulations, and ESS7 to ensure that affected minority residents receive social and economic benefits suited to their cultural customs, and measures are taken to avoid, minimize or compensate for negative impacts on minority residents.

2. Preparation and Approval of the EMDP

1) Identification and screening of ethnic minorities

The criteria for identification: An “ethnic minority” means a unique, vulnerable social and cultural group with the following features to varying degrees:

- Self-identification as a member of a unique social and cultural group, and such a feature is recognized by others;
- Collectively attached to a geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation, as well as to the natural resources of such area;
- Having customary cultural, economic, social or political institutions different from mainstream society or culture;
- Having a minority language or dialect different from the official language of the country or region in which they reside.

Methods of identification: (i) fieldwork—learning local population and ethnic composition, and identifying any minority village or habitat; (ii) data collection and literature review—collecting statistical yearbooks, reports, annuals and other literature reflecting local population, ethnic groups, culture, customs, etc. to learn production and living differences between ethnic minorities and the Han people.

Screening: At the early preparation stage, the HADFIC and subproject enterprise will conduct screening to see if there is an ethnic minority in the project area or if any ethnic minority is attached collectively to the project area.

The subproject enterprise will carry out the screening of social impacts six months before the loan and submit the screening results to HADFIC. The social experts of HADFIC or the external expert group engage to review the results of the screening and
determine the requirements for the preparation of social security documents and report them to the World Bank for recording and spot check.

2) **Social Assessment (SA) (factors to be included in SA in minority areas)**

If, based on the screening, HADFIC concludes that ethnic minority communities are present in, or have collective attachment to, the project area, the subproject enterprise will undertake a social assessment to evaluate the project’s potential positive and adverse effects on the ethnic minority communities, and to examine project alternatives where adverse impacts may be significant. The breadth, depth, and type of analysis in the social assessment are proportional to the nature and scale of the proposed project’s potential impacts on the ethnic minority communities, whether such impacts are positive or adverse. To carry out the social assessment, subproject enterprise may engage social expert whose qualifications, experience, and terms of reference are acceptable to the HADFIC.

- Reviewing the legal and institutional framework suited to minority residents on a scale appropriate to the Project;
- Collecting baseline information on the population, social, cultural and political features of affected minority communities, land and estates traditionally owned, used or occupied by them, and natural resources on which they rely;
- Identifying primary stakeholders, and drafting a detailed and culturally appropriate ethnic minority consultation procedure for all stages on the basis of the review results and the baseline information;
- Evaluating the Project’s potential positive and negative impacts on the basis of free, prior and informed consultation with affected minority residents, and analyzing their relative vulnerability and potential risks;
- Determining and evaluating measures to avoid or minimize negative impacts based on free, prior and informed consultation with affected minority residents, and ensuring that minority residents benefit from the Project in a culturally suited manner.

3) **Consultation and participation**

To promote effective project design, to build local project support or ownership, and to reduce the risk of project-related delays or controversies, the sub-borrowers will undertake an engagement process with affected ethnic minorities, as required in ESS10. This engagement process will include stakeholder analysis and engagement planning, disclosure of information, and **meaningful consultation**, in a culturally appropriate and gender and inter-generationally inclusive manner. For ethnic minorities, the **process of meaningful consultation** will also:

- a) Involve ethnic minorities’ representative bodies and organizations (e.g., councils of elders or village councils, or chieftains) and, where appropriate, other community members;
- b) Provide sufficient time for ethnic minorities’ decision-making processes; and
c) Allow for ethnic minorities’ effective participation in the design of project activities or mitigation measures that could potentially affect them either positively or negatively.

In addition to the meaningful consultation set out in ESS7 and ESS10, the sub-borrower(s) should obtain free, prior and informed consent by affected ethnic minorities in the following circumstances in which the subproject will:

a) have adverse impacts on land and natural resources subject to traditional ownership or in under customary use or occupation;

b) cause relocation of ethnic minorities from land and natural resources subject to traditional ownership or under customary use or occupation; or

c) have significant impacts on ethnic minorities’ cultural heritage that is material to the identity and/or cultural, ceremonial, or spiritual aspects of the affected ethnic minorities’ lives.

To ensure sound enforcement of culturally appropriate engagement with the ethnic minorities, the subproject enterprises need to:

a) Develop appropriate gender-inclusive and intergeneration-inclusive frameworks to provide opportunities for consultation between borrowers, affected minority communities, minority organizations (if any) and other civil society organizations recognized by affected minority communities at all stages of project preparation and implementation;

b) Adopt consultative methods, which are in line with the social and cultural values of the affected minority communities and local conditions,

c) Pay a special attention to minority women, youth and children and their access to and benefits from development projects when designing these methods;

d) Provide information about all relevant projects to ethnic minority communities in a manner consistent with their cultural habits at all stages of project preparation and implementation (including the assessment of potential negative impacts of projects on affected ethnic minority communities).

4) EMDP preparation

If the subproject is located at an ethnic minority area, subproject enterprise will conduct social assessment to evaluate the potential negative impacts on such ethnic minority and prepare an EMDP as appropriate following the ESS7. The EMDP will document the process of meaningful consultation with as well as free, prior and informed consent with the affected ethnic minorities.

HADFIC will determine whether affected minority communities can provide extensive support to the subproject based on SA, and free, prior and informed consultation. If such support is available, the subproject enterprise should prepare an EMDP. As necessary, the EMDP will include the following:

- An information summary: reviewing a legal and institutional framework suited to minority residents on a scale appropriate to the Project; collecting baseline


information on the population, social, cultural and political features of affected minority communities, land and estates traditionally owned, used or occupied by them, and natural resources on which they rely;

- A summary of free, prior and informed consultation: conducting such consultation at the preparation stage in minority communities for extensive community support;
- A framework document that ensures that free, prior and informed consultation is conducted with affected minority communities at the implementation stage;
- An action plan to ensure that minority residents receive culturally appropriate social and economic benefits, including measures to improve the capacity of the IAs if necessary;
- An appropriate action plan to avoid, minimize or compensate for potential negative impacts on minority residents;
- Budget and financing plan of the EMDP;
- An appropriate and understandable grievance redress procedure for minority communities, established by reference to common local judicial recourse and dispute settlement mechanisms;
- An appropriate EMDP implementation M&E and reporting mechanism, including arrangements made for free, prior and informed consultation with affected minority communities

5) **EMDP approval**

The completed EMDP, after being reviewed and endorsed by subproject enterprise, will be submitted to HADFIC for approval as part of subproject preparation documents along with other project documents, such as technical report, environmental documents, and the like.

The World Bank will clear the first three EMDPs prepared under this project and will retain the right to review and clear ensuing EMDPs until the World Bank Task Team is convinced that HADFIC demonstrates adequate capacity to screening and managing safeguards issues. Clearance of EMDP will be managed by HADFIC, subject to spot check by the Bank as needed. The EMDP should be disclosed locally and on Bank’s website and revised in accordance with feedbacks for the disclosure.

3. Prevailing Ethnic Minority Policy Framework

The EMDP should be prepared in accordance with the applicable state and provincial laws and regulations, and ESS7.

Both PRC and Bank policies have the same goal in respect of ethnic minorities, namely fully respecting their dignity, power, economy, and culture, promoting their equality and development, and paying special attention in their economic, social and cultural development to protect their rights and interests, and improve their social and economic status.
Both PRC and Bank policies lay stress on the public participation of minority communities, and the action plan across all stages, the provision of all relevant information in a culturally appropriate manner, and the collection of comments, attitudes and expectations of minority residents to win their extensive support.

Both PRC and Bank policies emphasize that a series of measures be taken to ensure that affected minority residents receive social and economic benefits suited to their cultural customs, and measures are taken to avoid, minimize or compensate for negative impacts on minority residents.

However, there are still some differences between PRC and Bank policies. Differences are identified with mitigation measures in Table 1.

**Table 1 Gap Analysis of Ethnic Minority Policy of PRC and WB**

<table>
<thead>
<tr>
<th>No</th>
<th>ESS7</th>
<th>Comparison with PRC Policies/Regulations</th>
<th>Gap-filling Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>There is no requirement in PRC to prepare EMDP for a project. Local government is responsible for implementing some development projects for local ethnic minority people. If the project will bring some negative impacts to the local ethnic people, the mitigation measures also will be developed and implemented.</td>
<td>The project implementing agency needs to conduct social impact assessment with the assistance of qualified and experienced experts and that draw on ethnic minorities knowledge and participation by the affected ethnic minority communities. Mitigation measures with sufficient fund need to be discussed with local government.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Consultation with local ethnic minority communities are always commenced after the project proposal is approved.</td>
<td>Consultation with ethnic minority people should be implemented through the whole progress of the Subproject. In Subproject preparation, implementation and monitoring phases, the subproject enterprise needs to actively solicit the views, attitudes and expectations of ethnic minorities. The process of meaningful consultation and free, prior and informed consent should be carried out following the requirements of ESS7 and ESS10 and be documented.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>There is no follow-up monitoring to assess whether they (i) receive culturally appropriate social and economic benefits, (ii) do not</td>
<td>A regular monitoring and evaluation process, including internal and independent (external) processes needs to be established.</td>
</tr>
<tr>
<td>No</td>
<td>ESS7</td>
<td>Comparison with PRC Policies/Regulations</td>
<td>Gap-filling Measures</td>
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<tr>
<td></td>
<td></td>
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<td>suffer adverse impacts as a result of projects.</td>
</tr>
</tbody>
</table>

4. Implementation Process

The EMDP should propose a specific implementation schedule for all required activities, appoint agencies responsibly, and fix funding sources. At the implementation stage, the subproject enterprise will be responsible for the implementation of the EMDP and take appropriate measures to enhance the positive benefits and mitigate its negative impacts.

5. Financial Arrangements

All measures are going to be financed by the subproject enterprise or local government. Based on types of measures, some of them will be financed by existing government program or funds; and some of them will be financed by the subproject budget as part of subproject resettlement program or environment mitigation measures.

6. Public Participation

The EMDP is the final outcome of a social assessment and consultation process which aims to ensure that ethnic minorities are well informed, consulted and mobilized to participate in the subproject to be supported by the World Bank. Their participation can either provide them the benefits with more certainty or protect them from any potential adverse impacts like land acquisition and resettlement.

In the social assessment, the subproject areas will be visited by HADFIC and subproject enterprise, relevant county agencies, particularly agencies in charge of minority and poverty affairs, and experience consultants. Prior to the visit, respective subproject enterprise will send letters to the communities informing their leaders that they will be visited, and consultation will be conducted on the subproject. The letter will request that the communities invite to the meeting representatives of farmers, women associations and village leaders for discussion on the subproject. During the visit, the community leaders and other participants will present their views with regards to the subproject. In addition, social consultant will conduct separate group discussions among male and female participants followed by key informants’ interviews and sample household survey. The main purpose of such survey is to develop a social economic profile among minority beneficiaries, conduct stakeholder analysis and collect their views on both benefits and potential impacts of the project, as well as mitigation measures.

7. Grievance Redress Mechanism

During implementation of EMDP, complaints may arise because there have been some problems or change to the actual subproject implementation activities which had not been foreseen when the EMDP is prepared. In order to ensure that the affected people can voice their concerns during EMDP implementation, an appeal procedure is defined within in EMDP. The purpose of this appeals procedure is to provide a mutually
satisfactory means for rapid response to any complaint, to avoid any likelihood of a complicated legal procedure. The detailed procedure is as follows:

- If any affected person has issue or concern with activities under EMDP, he/she can voice their complaint to the village committee. The village committee should keep records, consult with the township government and provide a reply to the affected people.

- If the affected person is not satisfied with the reply, they can appeal to the township government, which will take records, consult with local country government and provide a solution to the affected person.

- If the affected person still does not accept the proposed resolution, then they can appeal directly to the local county government, which is the main organization responsible for the whole subproject. The county government should make a record of any appeal and provide a resolution.

- If the dispute still cannot be resolved, then the affected person can go through an administrative appeal according to the "Administrative Procedure Law of People's Republic of China" or go directly to the People's Court.

APs will be aware of their right to appeal through the participatory meetings and from the resettlement information booklet by following the new provisions in the land administration law and regulations. The project will also publicize information through the mass media and collect the APs opinions and suggestions, which will then be investigated and resolved through all necessary administrative levels in a timely manner. HADFIC will make records of all appeals, and the resultant resolutions.

8. Monitoring and Evaluation

Monitoring and evaluation (M&E) of the EMDP is required to ensure the plan is implemented properly and meets the objectives specified. The final M&E plan will be formulated shortly before project implementation. The World Bank through HADFIC will provide assistance to subproject enterprise in formulating the M&E plan. Objectives of the M&E plan include:

- Data and information to identify effects and project impact including qualitative information to describe social changes on minority people and their communities;

- Analyze and document the results for future planning of roads construction and poverty reduction interventions;

- Initiate participatory approaches (PA) needed to plan and implement complementary activities; and

- Focus on key-actions and processes learned from the project for replication in other areas.

The collection of data should be kept to a minimum and concentrate on data that is required for key indicators. The following list provides some broad evaluation indicators that are of greatest importance. Specific indicators related to the implementation of the
EMDP will be included in the plan. Data collected shall be disaggregated by sex and by ethnic group whenever possible:

- Production output value in target villages
- Income per capita
- Poverty incidence
- Ownership of assets in selected villages.
- New commercial activity along the new river front
- Changes in quality of water and health with reasons for selected villages
- New houses built/under construction in selected townships
- Frequency of technical and socio-economic advice and training to selected villages on local roads
- School attendance classified by grade, gender and ethnicity and dropout rate for selected townships

The subproject enterprise will play a leading role in formulating the M&E plan. Therefore, HADFIC will provide guidance to prepare a feasible M&E plan before project implementation. Concerned subproject enterprise will coordinate local governments to assist the consultant team to carry out the M&E plan. The budget for monitoring and evaluation activities will be worked out once detail M&E plan is completed, which will be used for hiring qualified consultant and EMDP monitoring agency.
Annex 15 Minutes of Public Participation Consultation Meeting on ESMS

In the morning of September 29, 2019, HADFIC organized relevant government departments, enterprise representatives to hold a consultation meeting for the draft ESMS. Prior to the stakeholder consultation meeting, the draft ESMS was handed over to all stakeholders. All parties involved discussed the draft ESMS prepared by HADFIC in the meeting. The minutes of meeting are as follows:

1 Participants of the ESMS Consultation Meeting
Participants attending the meeting mainly include:

- Social Development Specialist of WB,
- relevant government departments: Henan Provincial Financial Department, Provincial Natural Resources Department, Provincial Ecology and Environment Department, Provincial Human Resources and Social Security department,
- representatives of two enterprises, Tianxiang Flour and Noodle Manufacturing Co., Ltd and Fengyuan Hepu Animal Husbandry Co., Ltd and
- social consultant of HADFIC.

2 Introduction to the draft ESMS
Based on the draft ESMS, HADFIC and its social consultant introduced to the participants the overview of the project, the ESMS, the relevant existing laws and regulations of China and the gap with ESF of the World Bank, the process and procedures of the ESMS of the HADFIC, and the participation scheme of stakeholders. For the draft ESMS, HADFIC focuses on consulting the opinions and suggestions of various stakeholders on the following issues:

- Comments and suggestions on the contents and conclusions of the preliminary screening of environmental and social impacts in this ESMS.
- Comments and suggestions on ESMS management procedures;
- How to better restrain enterprises to meet ESMS requirements by loan issuance;
- Which activities of the subproject can reflect strengthening or supplementing the existing management system in terms of environmental and social risk management.

3 Comments from stakeholders

**Provincial Natural Resources Department:**

Mr. Liu Weiguo from Provincial Natural Resources Department agreed that: 1) the ESMS is in accordance with the requirements for land use and leasing of land use right of PRC’s polices. The ESMS is a relatively complete; 3) The process involved in risk management was clear, which is operational; 3) He suggested that exclusion lists could be further improved combing with national policy requirements and hoped that the Project could support the revitalization of Henan Province.

**Provincial Ecology and Environment Department**
Mr. Liu Yong of Provincial Ecology and Environment Department pointed out that: 1) HADFIC has established a relatively abundant environmental risks management mechanism; 2) currently, the environment requirements of China are in line with those in the world. The draft ESMS is consistent with the policies which the government requests the companies to execute; 3) he suggested that the exclusion lists could be further improved as per “three lines and one list” of ecology and environment department, and the advanced green technologies could be introduced and expanded in Henan Province to promote the development of green agriculture.

**Provincial Human Resources and Social Security department**

Mr. Liu Xiaolei of this department reported that there are strict regulations on forced labor and child labor, working conditions and safety protection in Labor Law of PRC, which are consistent with the requirements of WB. He suggested the contents of labor management could be specified.

**Representative of Tianxiang Flour and Noodle Manufacturing Co., Ltd**

Mr. Tian Yingjun from this enterprise introduced that the enterprise is working on food production and expressed the state has very strict requirements on food production, which is following the requirements of set out in the draft ESMS. He also expressed that the trainings regarding environmental and social risks management could be delivered to improve the capacities on environmental and social risks identification and management.

**Representative of FengyuanHepu Animal Husbandry Co., Ltd**

Mr. Wei Xiangyang and Jia Lei from this company both expressed that all business operations including EIA and land use should be in lines with relevant regulations and approved by relevant government authorities, which is consistent with the draft ESMS. In our business, we are making our efforts to further improve the supporting facilities and systems, form a complete industrial chain and introduce more green technologies. Given the current national conditions, we suggested that, the size of the enterprise should be appropriate, and too high screening standards may affect the production interests of the enterprise.

In general, all participants agreed the draft ESMS which has clear structure, comprehensive consideration, and strong operation likelihood. The participants also provided some good suggestions on the improvement of the draft ESMS including exclusion list, labor management procedures and trainings regarding E&S management, and so on. HADFIC committed that all these suggestions will be integrated into the final ESMS.

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26 It is an environmental terminology, which refers to ecological protection red line, environmental quality bottom line, resource utilization limitation and negative list of environmental access.
Annex 16 Template for Stakeholder Engagement Plan of Subproject

Note on how to apply this template:

All the subprojects identified with environmental and social risks should prepare a Stakeholder Engagement Plan. Where a Subproject is categorized as moderate risk or low risk, the SEP will focus on a list of legally required engagement activities, which are summarized in Section 3.1 of this template. Where a Subproject is categorized as substantial risk or high risk, a comprehensive stakeholder engagement plan should be prepared by the sub-borrower following this template to guide stakeholder engagement and information disclosure over the life cycle of the subproject as set out in ESS10.

1 Project Introduction

The Henan Green Agriculture Fund Project ("the project") aims to strengthen the green agriculture initiatives in Henan Province. Under the project, a green agriculture fund (GAF) and a few sub-funds will be created and operated by HADFIC, with an aim to invest in “green solutions” of dozens of eligible enterprises in crop and livestock sectors. The investment will focus on Henan Provinces, covering the full value chain from inputs, to production, post-harvest, processing and distribution.

It should be noted, Paragraph 24 of ESS9 requires that FI subproject should conduct stakeholder engagement in a manner proportionate to the risks and impacts of the FI subproject. Therefore, the subprojects under GAF and its sub-funds should develop a Stakeholder Engagement Plan (SEP) as part of the environmental and social document package before subproject approval, which should be disclosed at the earliest.

At this Appraisal stage, the detailed information on subproject are not available. A template stakeholder engagement plan developed here is to guide subproject stakeholder engagement plan when subproject can be located, and activities can be defined. The overarching objectives of this template are to:

- Guide the subproject enterprise to summarize completed activities regarding information disclosure and public information;
- Identify stakeholders and analyze their interests;
- Propose likely methods for information disclosure;
- Establish external communication and grievance redress mechanism, and;
- Allocate necessary resources to implement and monitor stakeholder engagement.

2 Objectives of Stakeholder Engagement Plan

At subproject level, the specific objectives of stakeholder engagement include, but not limited to:

- Establishing a systematic approach to stakeholder engagement that will help the subproject enterprises identify stakeholders and build and maintain a constructive relationship with them, in particular project affected parties;
• Assessing the level of stakeholder interest and support for the subproject;
• Promoting and providing means for effective and inclusive engagement with the affected parties throughout the subproject lifecycle on issues that could potentially affect them;
• Providing stakeholders with access to appropriate subproject information in terms of the purpose, nature, and scale of the project, the duration of project activities, and any potential project-related impacts and associated mitigation plans;
• Providing the affected persons and broader communities with opportunities to express their views on potential project impacts and mitigation measures;
• Considering community inputs in project decision-making to minimize negative impacts and maximize potential project benefits;
• Providing project affected parties with accessible and inclusive means to raise issues and grievances; and
• Providing feedback to communities on how their grievances and concerns are being addressed and taken into account.

3 Administrative Framework for Subproject Stakeholder Engagement

This section presents a review of applicable standards that may potentially apply to stakeholder engagement for a subproject. These derive from:

• Chinese laws and regulations applicable to environmental and social considerations; and
• World Bank Environmental and Social Standards 10: Stakeholder Engagement and Information Disclosure.

3.1 China’s Laws and Regulations on Stakeholder Engagement

For almost two decades, China has been exploring and starting to implement institutionalize mechanisms to improve governance transparency and participation, and to allow the general public to have a greater input into government decisions and projects that may have impacts on their daily lives. Laws and regulations regarding stakeholder engagement during project development are listed and summarized as below:

• Method of Public Participation in EIA, Decree No.4 of Ministry of Ecology and Environment of PRC (effective on January 1, 2019);
• Environmental Impact Assessment (EIA) Law (effective in 2003 and amended in 2018);
• Land Administration Law of the PRC (amended on August 26, 2019);
• Law on Organization of Village Committees (effective in 2010);
• Measures on Land Acquisition Announcement (effective in 2010); and
• Notice Regarding the Interim Measures on Social Stability Risk Assessment for Key Projects (effective in 2012).

A Information Disclosure and Public Participation during EIA Process

China’s EIA regulations are becoming increasingly aligned with international standards. The EIA law (amended in 2018) requires on-going stakeholder consultation throughout the EIA process. Furthermore, the Method of Public Participation in EIA issued by the Ministry of Ecology and Environment in 2019 specified the requirements on public participation for EIA of specialized planning and the project subject to EIA report.

In practice, the following requirements have been widely adopted for the project subject to EIA report:

• Disclosure of the Project proponent’s name, EIA Contractor’s name and period over which the EIA will be undertaken;
• Disclosure of relevant project information;
• Consultation via written questionnaires, household surveys, town-hall meetings or other means; and
• Disclosure of a non-technical summary of the EIA Report and findings.

The outcomes from stakeholder consultation shall be carefully considered by the project proponent and EIA contractor, and the reasons for adoption or otherwise shall be documented in the EIA report.

B Information Disclosure and Public Participation during Land Acquisition and Resettlement

The Measures on Land Acquisition Announcement regulates disclosure and public consultation with the displaced communities and affected persons. Once the acquisition plan is approved, the government should publicly announce and solicit comments and suggestions from the affected rural collective economic organizations (RCEO, i.e. the affected Village Committee) and farmers. The laws also require disclosure of the results of land and asset inventory and main contents of Land Acquisition Compensation and Resettlement Plan (e.g. compensation policies, resettlement options and other assistance) prepared by government to the displaced persons. Where the displaced persons have disagreements, they may apply for a public hearing on compensation and resettlement policies and plans.

The Law on Organization of Village Committees (2010) is formulated to guarantee the rural villagers’ autonomy, develop rural grassroots democracy and maintain villages’ legal rights. The main requirements regarding public participation are as follows:

• Participants at the village meetings shall be over half of the villagers (aged above 18 years old) or more than two-thirds of the villager representatives. Decisions made during the villagers’ meeting shall be agreed by more than half of the representatives in the meeting (Article 22);
• The issues related with the interests of the villagers, shall be discussed and decided through the villagers’ meeting. (Article 24).

More importantly, China’s Land Administration Law was amended in August 26, 2019,
which will be effective since January 1, 2020. The law strengthens upfront stakeholder engagement to manage the social risks associated with the land acquisition and to better protect the interests of affected farmers. Article 47 of the new Land Administration Law has been substantially revised to require an application of land acquisition can be proceeded only after the following actions (but not limited to) are completed:

a) A survey of the status quo of the land to be acquired;

b) Social Stability Risk Assessment;

c) Public disclosure, with a term at least 30 days, on the scope of land acquisition, status quo, land use purposes, compensation measures and social pensions arrangement for PAPs;

d) Soliciting the options of various stakeholders on land acquisition;

e) Public hearings while most PAPs consider noncompliance of compensation and resettlement plan against the legal requirements;

f) Registration of land and assets by the owners; and

g) Reaching compensation and resettlement agreements with PAPs.

C. Information Disclosure and Public Participation during Social Stability Risk Assessment

In August 2012, the National Development and Reform Commission (NDRC) issued the “Interim Measures on Social Stability Risk Assessment of Major Capital Projects (NDRC Investment [2012] 2492)”. It requires a Social Stability Risk Assessment to be carried out for major capital projects approved at the national level. Specifically, it requires the project to adopt measures to avoid or minimize social impacts and risks and achieve “win-win” outcomes for the project and local communities. The project proponent shall:

- Conduct a study on social stability risk;
- Conduct public consultation;
- Identify social risks and conduct the impact assessment;
- Propose mitigation measures to manage the identified risk;
- Assess the level of project social stability risk after the implementation of mitigation measures; and
- Submit the Social Stability Risk Analysis (as a chapter in the Feasibility Study or a stand-alone specific topic report).

It should be noted that the applicability of Social Stability Risk Assessment will depend on the nature and scale of a subproject, which won’t be applied to all subprojects.

3.2 World Bank Environmental and Social Standards 10

The World Bank has released on a standalone standard under the ESF to govern the stakeholder engagement and information disclosure for a project. World Bank ESS10
and corresponding Guidance Note contain clear requirements for stakeholder engagement. As such, it is a key source of guidance for the Project’s ongoing engagement activities throughout the project cycle. ESS10 prescribes the following elements for stakeholder engagement:

- Engage with stakeholders throughout the project life-cycle, commencing such engagement as early as possible in the project process;
- Develop and implement a Stakeholder Engagement Plan which describes the timing and methods of engagement with stakeholders throughout the life-cycle of the project;
- Disclose project information to allow stakeholders to understand the risks and impacts of the project, and potential opportunities;
- Engage in meaningful consultations with all stakeholders. Provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation;
- Maintain a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not; and
- Propose and implement a grievance mechanism to receive and facilitate resolution of concerns and grievances from project-affected parties.

4 Brief Summary of Previous Stakeholder Engagement Activities

Once there are information disclosure and public participation conducted prior to HADFIC involvement, the consultations and public participations conducted could be summarized as per Table 1 which provides a format.

Table 1 Format of Summary of Public Participations and Consultation

<table>
<thead>
<tr>
<th>Date</th>
<th>Participants</th>
<th>method</th>
<th>Address</th>
<th>Purpose</th>
<th>follow-up action</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

5 Initial Stakeholder Identification and Analysis

According to the nature and characteristics of the subproject, the key stakeholders of the subproject may include HADFIC, government-related departments at county level, township government, affected community/village, and affected persons as well.

Table 2 Key Stakeholders and Their Roles at Subproject Level
<table>
<thead>
<tr>
<th>No</th>
<th>Stakeholders</th>
<th>Interaction with project</th>
<th>Role in the Project</th>
<th>Attitude to the Project</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HADFIC</td>
<td>Ensure operational implementation of the project</td>
<td>Fund management and operation</td>
<td>Positive</td>
<td>high</td>
</tr>
<tr>
<td>2</td>
<td>Government-related departments at county level</td>
<td>Control conformity of the project with national laws and regulations</td>
<td>Coordination and governance</td>
<td>Support</td>
<td>high</td>
</tr>
<tr>
<td>4</td>
<td>Subproject enterprises</td>
<td>Ensure the design, construction and operation of the subproject to be funded by the loan</td>
<td>Implementation subproject</td>
<td>Positive</td>
<td>high</td>
</tr>
<tr>
<td>4</td>
<td>Design institutes and Contractors</td>
<td>Design and construct the subproject</td>
<td>Technical support</td>
<td>positive</td>
<td>low</td>
</tr>
<tr>
<td>5</td>
<td>Affected towns and affected community/village</td>
<td>Ensure connection and relay information between local resident and subproject enterprise, and deal with grievance at local level</td>
<td>Coordination and project affected parties</td>
<td>positive</td>
<td>high</td>
</tr>
<tr>
<td>6</td>
<td>Local resident</td>
<td>Affected by land use right transfer</td>
<td>Project affected parties</td>
<td>Concern</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affected by land acquisition</td>
<td>Project affected parties</td>
<td>Concern</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affected ethnic minorities</td>
<td>Project affected parties</td>
<td>Concern</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Potential beneficiary of job opportunities</td>
<td>Beneficiaries, and other interested parties</td>
<td>Support</td>
<td>medium</td>
</tr>
</tbody>
</table>

A. Government-related departments

The role of the government-related departments is not totally similar at the provincial level and county level. In both case, government-related departments are in charge of controlling that the project implementation is conform to national laws, however, prerogatives will depend on the issues at stake.

The objective of the government-related departments is the implementation of the
project accordingly to the regulations in force. The main government-related departments involved in the project are:

- Development and Reform Committee,
- Finance department,
- Ecology and environment department
- Natural resources department
- Agriculture and rural affairs department
- Water resources Bureau

B. HADFIC

It oversees any required actions to carry out the project and manage the fund.

C. Subproject enterprise

It mobilizes design institute and contractors to design and construct the subproject. The objective is to carry out the subproject in a timely manner, within the foreseen budget and achieve quality.

D. Design institutes and contactors

They will carry out studies and works according to requirements given by the subproject implementing agency/enterprise. Their main objective is to fulfil their contract requirement and make profit.

E. Township government and village committee

Township government and village committee do not have major role in the subproject implementation, but they are concerned by any event on their territory that could interact with the daily management of local citizens. They are the most convenient way to relay information between local people and subproject enterprise.

F. Local resident

Local resident including women and vulnerable people, do not play specific role in the implementation of the subproject. Some of local people might involve land use right leasing and land acquisition. Their main objectives among others are to be fairly compensate for property loss caused by the subproject and to take advantage of the increased of activity to improve their income. Local residents are likely to be of ethnic minorities in some subprojects.

5 Stakeholder Engagement Program

The goal of stakeholder engagement program is to ensure the timely provision of relevant and understandable information of the subproject. It is also to create a process that provides opportunities for stakeholders to express their views and concerns and allows subproject enterprise to consider and respond to them.

At the beginning of the subproject, the public consultation and participation plan should be formulated, which will be updated with the process of the project. Meanwhile, an updated ESCP following such consultation will be disclosed. Table 3 provides format
for formulating public consultation and participation plan.

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Place</th>
<th>Main activities</th>
<th>Targeted stakeholders</th>
<th>Methods</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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</tbody>
</table>

### 6 Information Disclosure

The subproject enterprise will make relevant information (whether positive or negative) about social and environmental issues available in a timely manner, in an accessible place, and in a form and language understandable to affected parties and other stakeholders so they can provide meaningful inputs into subproject design and implementation.

Methods used for information disclosure may vary according to target stakeholders, including:

- Newspapers, posters, radio, television,
- Information board of affected villages,
- Brochures, leaflets, posters, and so on;
- Website, and social media

All information disclosure should be documented. Table 4 provides format for recording information disclosure.

<table>
<thead>
<tr>
<th>Information to be disclosed</th>
<th>Place</th>
<th>Methods</th>
<th>Target stakeholders</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

### 7 Strategy for Consultation

The subproject enterprise will conduct meaningful consultation with various stakeholders. Meaningful consultation is a process that (i) begins early in the subproject preparation stage and is carried out on an ongoing basis throughout the subproject cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive,
and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as subproject design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.

The subproject enterprise will organize public opinion survey during the subproject preparation. After the survey, a hearing meeting for each subproject shall be undertaken at the community level with participants coming from affected villages when initial environmental and social impact assessment finding is made available during the assessment stage. During the hearing meeting, information on the subproject, its environmental and social impacts and proposed mitigation measures will be presented and feedback from the community obtained. Details including date, time, venue and agenda will be announced at least 10 working days before start of the hearing meeting. Selection of participants shall be unbiased, gender inclusive, and taken into account the participants’ ability to express opinions as well as the needs of disadvantaged and vulnerable groups. The meeting notes containing list of participants, expressed concerns and opinions by participants, and agreements shall be prepared and released within 10 working days after the hearing meeting.

If a subproject has land acquisition and involuntary resettlement impacts and will require preparation of a resettlement plan, the document will be prepared and implemented in close consultation with the local government and those affected and involve surveys and village meetings. Compensation and assistance level will be determined by local authorities in consultation with the affected people and their representatives. The compensation amounts will be finalized only after agreements between the authorities and affected people is reached. Resettlement information including measurement of losses, detailed asset valuations, entitlements and special provisions, grievance procedures, timing of payments and displacement schedule will be disclosed to the affected people. The disclosure will be in a manner accessible to the affected people where there are differing levels of literacy. Plans in local language will be made available to the public through postings in public places, such as township offices, for reasonable periods prior to actual dislocation.

The subproject enterprise will hold meaningful consultation with the affected indigenous peoples and ethnic minorities to ensure that they will participate after being fully informed. Subproject enterprise will design, implement and monitor activities to prevent subprojects from adversely affecting indigenous peoples and ethnic minorities. If such impact cannot be avoided, subproject enterprise will work to mitigate the negative impact, or make compensations for it, and will enable indigenous peoples and ethnic minorities to share the benefits of subprojects in a way which suits their cultural traditions.

Methods used may vary according to target stakeholders, including:

- Interviews with stakeholder representatives and key informants
- Surveys, polls, and questionnaires
- Public meetings, workshops, and/or focus groups with specific groups
- Participatory methods
• Other traditional mechanisms for consultation and decision-making

All public consultations and participations should be documented. Table 5 provides format for recording public participations

Table 5 Format for Recording Public Participations

<table>
<thead>
<tr>
<th>Date</th>
<th>Place</th>
<th>Main activities</th>
<th>Main measures</th>
<th>Participants</th>
<th>Responsibilities</th>
<th>Main findings</th>
</tr>
</thead>
<tbody>
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</table>

In terms of subproject nature and initial identification of stakeholder and analysis, the stakeholder engagement program of subproject is summarized in Table 6 that will be updated and specified when more information of subproject is available.
Table 6 Summary of Stakeholder Engagement Program

<table>
<thead>
<tr>
<th>Objective</th>
<th>Main task</th>
<th>Main stakeholders</th>
<th>Information</th>
<th>Way of communication</th>
<th>Time</th>
<th>Responsibilities</th>
<th>Funding</th>
</tr>
</thead>
</table>
| Disclose project E&S information and project progress regularly | • Project contents and information disclosure  
• Participation and transparency of local residents and enterprises in project area in the implementation of the project  
• Cooperation mechanism of local residents and enterprises  
• Disclosure on employment opportunities information | • Subproject enterprise  
• Local residents  
• Village/community  
• Township government  
• Related department of county government  
• HADFIC  
• Local media, such as TV station | • National policies to support and promote the development of agriculture and livestock,  
• Participate and work with enterprises to generate higher revenue  
• Provide more employment opportunities to the poor families and vulnerable groups to increase their income | • Propagate the project to the local farmers  
• Disclose project information on village information board  
• Disclose project information by media  
• Hold the village meeting to the local villagers  
• Prepare project information and print into booklets and give out to the local residents | Throughout the life cycle of the project | Subproject enterprise | Essentially the time and resources required of subproject enterprises should be conceived as an integrated approach to improved levels of social responsibility |
| Conduct public Participation and establish E&S and project information sharing mechanism | • Full information disclosure and participation  
• Use understandable language | • Subproject enterprise  
• Local residents  
• Village/community  
• Township | • Put the views of stakeholders into project  
• Adopt the suggestions of communities and | • Hold public participation activities in consultation with local residents  
• Inform the stakeholders of all | Throughout the life cycle of the project | Subproject enterprise | Essentially the time and resources required of subproject enterprises should be conceived as an integrated approach to improved levels of social responsibility |
<table>
<thead>
<tr>
<th>Objective</th>
<th>Main task</th>
<th>Main stakeholders</th>
<th>Information</th>
<th>Way of communication</th>
<th>Time</th>
<th>Responsibilities</th>
<th>Funding</th>
</tr>
</thead>
</table>
| Establish communication and grievance redress mechanism | Address concerns and appeals properly and timely | government  
- Related department of county government  
- HADFIC  
- Local media, such as TV station | local residents | the information timely  
- Hold the village meeting to local villagers  
- Disclose project information on village information board | Throughout the life cycle of the project | Subproject enterprise | Essentially the time and resources required of subproject enterprises should be conceived as an integrated approach to improved levels of social responsibility |
8 Resources and Responsibilities for Implementing Stakeholder Engagement Activities

The subproject enterprise will be responsible for developing a stakeholder engagement plan and implementing proposed activities. The subproject enterprise, with assistance of HADFIC, will assign a focal person to carry out subproject information disclosure and stakeholder engagement with adequate budget for stakeholder engagement activities.

9 Grievance Redress Mechanism

Grievance Redress Mechanism (GRM) for subprojects will be established in order to address any complaints directly towards subprojects in reference to their environmental and social impacts and performances of relevant mitigation measures. The subproject should adopt this GRM on the ground prior to subproject implementation.

Subproject GRM should be made accessible to the affected persons, local people and other interested parties in the project area of influence. The grievance mechanism for subproject is more relevant to address potential complaints regarding environmental and social aspects. The detailed procedures of GRM are as follows:

Stage 1: If any affected person or group is dissatisfied with the compensation or mitigation measures related with social and environmental impacts caused by the subproject, he/she can make oral or written complaint to community/village committee; if he or she use verbal complaints, the village committee should handle and record it. Complaints will be addressed within 10 days.

Stage 2: If the complainant is not satisfied with the result of the first stage, he/she can appeal to township government. The township government shall make a decision to resolve the problem within 10 days.

Stage 3: If the complainant is not satisfied with the result of the second stage, he/she can appeal to RCU of HADFIC. The RCU of HADFIC will make a decision within 15 days.

Stage 4: If the complainant is not satisfied with the results of any above stages, he/she can go through an administrative appeal according to the “Administrative Procedure Law of People’s Republic of China”.

At any time in the grievance mechanism, the complainant may contact the local courts. The grievance mechanism does not affect public rights under the PRC regulation on Letters and Visits, which requires a complaint acceptance mechanism at all levels of government and protects complainants from retaliation.

Each subproject enterprise will inform the local community and the affected people of the grievance and appeal procedure through public information meetings, the information brochure and other media, so that they can fully understand their rights for grievance and appeal.

If a subproject affects indigenous peoples or ethnic minority communities, a grievance mechanism will be established that will promptly respond to the concerns and dissatisfaction of the affected indigenous peoples. It should also adopt an easy-to-understand and transparent procedure, be free of gender discrimination, and adapt to the cultural traditions of the affected indigenous people. News of the system’s establishment should be promptly sent to the affected indigenous peoples and
Meanwhile, the GRM should be publicized on HADFIC’s website, subproject enterprise’s website, project sites and related communities. When a loan to a subproject enterprise is approved, the RCU of HADFIC will supervise the subproject enterprise to take above-mentioned activities to ensure that local communities and people are aware of the grievance mechanism and its contact points.

Currently, subproject enterprise is unknown. Therefore, whether subproject enterprise has a grievance mechanism in place or not cannot be identified. Anyway, subproject enterprise will develop and implement a grievance mechanism for workers to address workplace concerns. This grievance mechanism for direct workers will be established. In addition, subproject will require contractors to develop and implement a grievance mechanism for their workforce prior to the construction commencement.

The construction contractors will prepare their labor management procedure before subproject construction, which will also include detailed description of the workers grievance mechanism. The workers grievance mechanism will include:

- A procedure to receive grievances such as comment/complaint form, suggestion boxes, email, a telephone hotline;
- Stipulated timeframes to respond to grievances;
- A register to record and track the timely resolution of grievances;
- A responsible unit to receive, record and track resolution of grievances.

The focal staff of subproject enterprise will monitor the contractors’ recording and resolution of grievances, and report these to HADFIC in their monthly progress reports. The process will also be monitored by the RCU of HADFIC.

The workers grievance mechanism will be described in staff induction trainings, which will be provided to all project workers. The mechanism will be based on the following principles:

- The process will be transparent and allow workers to express their concerns and file grievances.
- There will be no discrimination against those who express grievances and any grievances will be treated confidentially.
- Anonymous grievances will be treated equally as other grievances, whose origin is known.
- Grievances will be seriously treated and timely and appropriate action in response will be taken.

Information about the existence of the grievance mechanism will be readily available to all project workers (direct and contracted) through subproject website, staff meetings, and other means as needed.

The subproject workers’ grievance mechanism will not prevent workers to use conciliation procedure provided in the Labor Law of PRC. The basic procedures are:
**Stage 1:** The party that asks for arbitration shall file a written application to the labor dispute arbitration committee within 60 days starting from the date of the occurrence of labor dispute. In general, the arbitration committee shall produce a ruling within 60 days after receiving the application. The parties involved shall implement arbitration rulings if they do not have any objections to these rulings. Labor dispute arbitration committees shall be composed of the representatives of labor administrative departments, representatives from trade unions at the same level, and the employer representatives. The chairmanship of such a committee shall be held by the representative of a labor administrative department.

**Stage 2:** If any of the parties involved in a labor dispute has objections to an arbitration ruling, it can raise a lawsuit with the People’s Court within 15 days after receiving the ruling.

**10 Monitoring and Reporting**

The subproject enterprise is responsible for keeping records of all stakeholder engagement and information disclosure activities and grievances and resolutions and report to HADFIC through the routine monitoring and reporting mechanism.
### Annex 17 Environmental and Social Management System, Institution and Capacity Enhancement Action Plan

<table>
<thead>
<tr>
<th>ESMS Elements</th>
<th>Gaps between HADFIC’s Existing ESMS and ESS9</th>
<th>Actions to Bridge the Gaps and its Status by Appraisal</th>
<th>Timeline</th>
<th>Responsibilities</th>
<th>Budget (Yuan)</th>
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</thead>
<tbody>
<tr>
<td>E&amp;S Policy</td>
<td>HADFIC does not have an environmental and social policy in place and does not have a dedicated environmental and social risk management procedure, though such risk management is incorporated into its operational practice. HADFIC follows Chinese regulations and policy that require assessment of environmental and social risks and impacts and does not set up designated mechanisms for monitoring and reporting, labor management, stakeholder engagement and grievance redress.</td>
<td>An ESMS in alignment with the ESS9 has been established and will be maintained throughout the project life. Key contents of the ESMS include E&amp;S policy, E&amp;S procedures, institutional arrangement, monitoring and reporting, stakeholder engagement and communication arrangement, as well as a set of tools to manage the specific risks under the project. The ESMS will be formally adopted by senior management and rolled out before loan effectiveness.</td>
<td>Prior to loan effectiveness</td>
<td>HADFIC</td>
<td>The cost for preparing the ESMS is not kept for the World Bank project cost.</td>
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<tr>
<td>Organization Setup</td>
<td>Within HADFIC, there are nine units under the senior management level, such as Financial Management Unit (FMU) Risk Control Unit (RCU) and so on. The RCU is responsible for the overall environmental and social risk control at corporate level, while FMU conducts the environmental and social due diligence and post investment management of the fund.</td>
<td>To manage the GAF as a separate portfolio, HADFIC will establish a dedicated GAF Management Unit for the whole process of fund management.</td>
<td>Prior to loan effectiveness</td>
<td>HADFIC</td>
<td>Organization setup is not expected to incur cost, whilst its operating cost will be budgeted separately under the TA component.</td>
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<tr>
<td>Assignment of E&amp;S Staff</td>
<td>Currently, HADFIC lacks: (i) A senior management responsible for the environmental and social</td>
<td>For effective implementation of the ESMS, HADFIC will:</td>
<td>Prior to loan effectiveness</td>
<td>HADFIC</td>
<td>The cost for staff wages is not kept for the World Bank project cost.</td>
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<td>ESMS Elements</td>
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<td>Recruitment of external environment and social specialists</td>
<td>Currently, the staff of HADFIC lack specialized technical knowledge and experience on environmental and social risks management, especially the knowledge related to the Bank’s ESF.</td>
<td>HADFIC will engage at least one environmental specialist and one social specialist with at least 10 years of relevant experience to support and facilitate the implementation of environmental and social management of the project.</td>
<td>Prior to subproject implementation, and throughout the project.</td>
<td>HADFIC</td>
<td>3,000,000</td>
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<td>Capacity training</td>
<td>Currently, the staff of HADFIC lack specialized technical knowledge and experience on environmental and social risks management, especially the knowledge related to the Bank’s ESF.</td>
<td>HADFIC has developed a capacity enhancement action plan, including general environmental and social training, special topic training (i.e. land leasing, labor management, stakeholder engagement) and enterprises-oriented trainings before the project approval (Section 4.3 of the ESMS). The capacity enhancement action plan will be carried out as scheduled.</td>
<td>During the project implementation</td>
<td>HADFIC</td>
<td>1,200,000</td>
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