

SECAP Compliance Note at the DRM Stage

Project title: Gansu Demonstrative Rural Revitalization Project (GD2RP)	
Country: China	Date of Review: 05 July 2024
Justification of the project category and classification	
Proposed environmental and social category by PDT: High <input type="checkbox"/> Substantial <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> Low <input type="checkbox"/>	
Category validated by OPR: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
<p>The Gansu Demonstrative Rural Revitalization Project (GD2RP)'s goal is to contribute to the consolidation of no poverty (SDG1) and no hunger (SDG2), and food security with innovative and scalable good practices and reference. The development objective is to support the country's ongoing Rural Revitalization by piloting inclusive and innovative business models in promoting sustainable and climate-resilient agriculture and building community adaptive capacities in the project area of Gansu Province. The project benefits an estimated 108,000 smallholder households, with a focus on previously registered poor individuals, smallholder farmers, women, youth, ethnic minorities, and individuals with disabilities.</p> <p>The PDT has completed the SECAP Screening Tool which rates the project as being moderate. However, the SRN and ESCMP indicate a substantial E&S risk. Nevertheless, OPR validates the moderate risk rating, based on the categorisation indicated in the PDR and Screening Tool and the detailed information provided in the ESCMP. The PDT is requested to ensure that the PDR reflects the project rating in line with the PDR and Screening Tool.</p> <p>OPR commends the PDT for a comprehensive ESCMP, and well-presented Indigenous People Planning Framework (IPPF), Grievance Redress Mechanism (GRM), Free Prior and Informed Consent (FPIC) implementation plan, Stakeholder Engagement Plan (SEP), and Environmental, Social and Climate Management Plan (ESCMP). However, the PDT is requested to ensure the ESCMP, GRM and SEP are incorporated into the Project Implementation Manual (PIM), and costs for implementation of these plans and mechanism are included in the Annual Work Plan and Budget (AWPB).</p> <p>However, OPR notes that there is inconsistency in number of beneficiaries reported in the package. The PDR states that the project will directly benefit a total of 108,000 smallholder households (PDR #15). However, the Stakeholder Engagement Plan states that "it is expected that the gd2rp will be able to reach around 259,000 smallholder households" (SEP #285). The logframe has a total number of household numbers served at 108,000 (indicator 1a#43). The PDT is requested to ensure consistency across documents.</p> <p>The PDT has addressed the clarification on water resources requested at OSC.</p> <p>The following issues require attention:</p> <ul style="list-style-type: none">• Inherent and residual risks ratings of the IPRM. In the Screening Tool, the inherent risks of a number of standards have decreased from the initial rating at concept stage to design stage. Specifically, inherent risks of Physical and Economic Resettlement and Cultural Heritage have been changed from moderate to low. Resource Efficiency and Pollution Prevention has decreased from substantial to moderate. (PCN/PDR – IPRM section). The ESCMP describes mitigation measures for these impacts in detail. However, the PDT is reminded that the responses to the Screening Tool are intended to reflect inherent risk, in order that the rationale for proposing the mitigation measures is provided and these measures can be developed accordingly. <i>Recommendation:</i> The PDT is requested to elaborate on the rationale for downgrading the risk rating at design stage for the above-mentioned standards.• Resource Efficiency and Pollution Prevention. The PDT reduced the risk of Screening Qn 2.6 of the SECAP Screening Tool, specifically related to the use of inputs of fertilizers and other modifying agents, from substantial to moderate, with minor impacts forecasted. As a result, the Integrated Pest Management Plan (IPMP) as requested at OSC is not required. The PDT notes that "For farming of yak, sheep, and cattle, the pollution mainly lies in the pollution of manure on farmland and groundwater. The faecal treatment technologies would be adopted to avoid the environmental pollution of livestock manure. The manure treatment facilities would meet environmental requirements. The pipeline network of sewage treatment would be improved to avoid the environmental pollution of agricultural products processing and rural sewage in project areas; the toilets would be constructed and transformed to improve the rural environment." (PDR – IPRM	

section). In addition, Subcomponent 2.2, Activity 2.2.2, involves rural sewage treatment and garbage disposal (PDR #116).

Recommendation: The PDT is requested to further elaborate on the proposed faecal treatment and rural sewage technologies to be employed, including mitigation measures associated with the risks and impacts derived from the use of these systems.

- **Physical and Economic Resettlement.** The PDT states that “according to the field investigation, there would be no project activities which will result in the physical or economic displacement of the local population. Minor Temporary restrictions may apply in the context of some activities (re-route of traffic due to road or canal rehabilitation). No changes will be caused by the project to land tenure, or adverse impacts to property rights. The project may contribute to increase of farmers’ property rights with project invested assets assigned to them through quasi shareholding arrangements or relevant benefiting mechanism. The land rights of households and community including ethnic minorities are strictly protected by Land Administration Law of the People’s Republic of China. The project will not lead to temporary or permanent and full or partial physical displacement)” (ESCMP#34). However, the Screening Qn 7.2 on economic displacement is still marked “yes”, although at low risk and unlikely occurrence with minimum impact.

Recommendation: In addition to providing the reason for lowering the inherent risk in relation to this standard, the PDT is invited to ensure that in the unlikely occurrence of economic resettlement, the Project Implementation Manual and the ESCMP has all the necessary provisions to compensate farmers potentially affected, in line with national legislation and SECAP policy.

- **Financial Intermediaries and Direct Investees.** The PDR notes that “Financial intermediaries and direct investments will be highly regulated to minimize the risk of investment risk” and that “the public and private agro-enterprises will be supported through this project to upgrade their capacities through direct investments to enhance their adoption of green technologies “ (PDR – ESCMP). However, it is not clear whether the project will make use of financial intermediaries (FIs) and direct investees (DIs), or whether it is interpreted that the provincial Rural Revitalization Bureau, which is part of the provincial Department of Agriculture and Rural Affairs is seen as an FI or DI.

Recommendation: The PDT is invited to (i) clarify whether and how FIs or DIs will be used, as per the definitions in SECAP Volume 2, Guidance Note 8: Financial Intermediaries and Direct Investees; and if so (ii) ensure that an Environmental and Social Due Diligence (ESDD) is carried out prior to commencing with activities related to financial intermediaries, (iii) carry out a gap analysis between the financial intermediary’s Environmental and Social Management System (ESMS) and the requirements of Standard 8, (iv) develop an Environmental and Social Action Plan (ESAP) to address these gaps (which should also include measures for on-lendees to manage environmental and social risk, appropriate to the nature and characteristics of activities that will be supported through IFAD funding), and (v) ensure that activities supported through IFAD funding are in compliance with IFAD’s Exclusion List.

- **Organizational set-up:** The PDR indicates “the project will be implemented by the provincial Rural Revitalization Bureau (PRRB) of the provincial Department of Agriculture and Rural Affairs (DARA) of Gansu Province in China” (PDR#150). At PCN, the PDT was requested to ensure that DARA would have environmental and social experts to advise on project implementation. However, neither the main PMO nor the county PMOs have environmental and social experts listed as team members (PIM#17).

Recommendation: At early implementation, the PDT is requested to ensure the entity established to manage the project includes an Environment & Climate Specialist and Social Specialist (or similar) who will be responsible to ensure that the ESCMP is properly implemented, that costs for these specialists are included in the AWPB, and their TORs for the specialists reflected in the PIM.

SECAP documentation/studies required at QAG Desk Review:

- Revised Environmental, Social and Climate Management Plan (ESCMP)
- Environmental and Social Action Plan (if Financial Intermediaries or Direct Investees are involved)

- Revised AWPB
- Revised PIM

Proposed climate category by PDT: High Substantial Moderate Low

Classification validated by OPR: Yes No

Gansu Province in China has a climate that ranges from semi-arid to arid continental (BSk or BWk). It is characterized by warm to hot summers and cold to very cold winters. The temperature difference between day and night is significant, ensuring that maximum temperatures remain above freezing even during winter. In certain elevated areas of Gansu, a subarctic climate (Dwc) is present, with extremely cold winters reaching temperatures as low as -40 °C (-40 °F). Most of the limited rainfall in the region occurs during the summer months. Winters are dry, and snowfall is confined to higher elevations. The snow line can be as high as 5,500 meters (18,040 feet) in the southwestern part of the province.

OPR notes inconsistency in risk rating across documents. The climate Screening Tool rates the climate risk category as moderate. The SRN rates it as low (SRN#7). The ESCMP (#7) rates it as moderate. The PDR rates it both as moderate (#3) and low (#79). Please ensure consistency across documents prior to QAG.

The agricultural drought risk in southeast Gansu province highlights the need for targeted measures to address the increasing threat in the region. The project will be implemented in five counties which are defined as arid and semi-arid areas, with the exposure to climate-related hazards identified as drought, flooding, low temperature, and hail disasters. Based on the above and the SECAP Screening Tool, **OPR validates the climate risk classification as moderate.**

Recommendation: Prior to QAG desk review, the PDT is invited to ensure the climate risk rating specified consistently across all the project documentation.

Climate risk analysis required:

- Vulnerability impact and adaptation assessment
- Targeted adaptation assessment
- Literature review of climate assessments
- No climate assessment required

Cleared By OPR Director: Yes No