



## Regional: Climate-Friendly Agribusiness Value Chains Sector Project

Project Name	Climate-Friendly Agribusiness Value Chains Sector Project	
Project Number	48409-001	
Country	Regional	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	<b>TA 8897-REG: Climate-Friendly Agribusiness Value Chains Sector Project</b>	
	Asian Clean Energy Fund under the Clean Energy Financing Partnership Facility	US\$ 1.50 million
	Canadian Climate Fund for the Private Sector in Asia under the Clean Energy Financing Partnership Facility	US\$ 1.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	<b>Agriculture and Natural Resources</b> - Agriculture, natural resources and rural development	
Gender Equity and Mainstreaming	Effective gender mainstreaming	

## Description

The proposed Climate-friendly Agribusiness Value Chains Sector Project (the project) will invest in pro-poor and inclusive agricultural value chains in three countries of the Greater Mekong Subregion (GMS) – Kingdom of Cambodia (Cambodia), the Lao People's Democratic Republic (Lao PDR) and the Republic of the Union of Myanmar (Myanmar). The project will enhance rural household incomes and agricultural competitiveness by (i) providing improved critical production and post-harvest infrastructure, (ii) reducing energy costs by promoting bio-energy use and sustainable biomass management, and (iii) offering targeted agribusiness support services for selected value chains.

The project has been conceptualized through consultations of the GMS working group on agriculture and Phase 2 of the Core Agriculture Support Program. It will build on lessons from the ADB evaluation on agricultural value chains, the Climate-resilient Rice Commercialization Project in Cambodia, and the Sustainable Natural Resource Management and Productivity Enhancement Project in Lao PDR. The lessons include the need for (i) strengthening critical rural infrastructure, (ii) supporting enabling policy environment, (iii) promoting public-private-community partnerships, (iv) building technical and business development capacity of stakeholders, and (v) promoting climate smart agriculture practices. The project will strengthen regional cooperation by targeting investments along the GMS economic corridors, and complement initiatives such as Trade Facilitation: Improved Sanitary and Phyto-sanitary (SPS) Handling project, and the GMS Core Environment Program.

The impact will be increased productivity and rural household income in the project areas in Cambodia, Lao PDR and Myanmar. The outcome will be more efficient resource utilization and climate resilience for competitive and inclusive agribusiness value chains in Cambodia, Lao PDR and Myanmar. The project will have four outputs.

Output 1: Improved and climate resilient critical agribusiness value chain infrastructure will include rehabilitating and modernizing critical infrastructure (e.g. farm roads, water storage and small scale irrigation systems, drying, storage, milling and packaging facilities). Output 2: Expanded bio-energy use and sustainable biomass management will include installation of agricultural waste to energy infrastructure (hard and soft) such as bio-digesters, bio-fertilizer facilities, and improved cook stoves for effective biomass management. These activities will increase value chain price competitiveness by lowering production costs. Output 3: Strengthened agribusiness policy and capacity support services will include enabling agribusiness policy/regulatory development focusing on selected value chains, provision of information on climate-friendly agriculture and resource efficient practices, harmonization of standards, and capacity building for productivity and quality improvement and reduction of post-harvest losses, marketing, potential public-private partnerships, and financing options. Output 4: Effective project implementation and knowledge management will include consultant's support and institutional strengthening for subproject feasibility preparation, procurement, financial management and safeguards, as well as diffusion of knowledge and technologies for agribusiness value chains. A project preparatory technical assistance (PPTA) is required to conduct technical, financial and economic feasibility and due diligence of priority investments and prepare relevant documents for approval of funding. The main outputs of the PPTA will include detailed reports on feasibility assessment, including technical, economic and financial due diligence, of priority agribusiness value chains in CLM countries. The PPTA will produce an agreed project design in relation to the four outputs of the investment project (agribusiness value chain infrastructure, bio-energy use and sustainable biomass management, agribusiness policy and capacity support services, and project implementation and knowledge management) with implementation arrangements suitable for each country. The PPTA will prioritize subprojects based on needs, circumstances and capacities of each country (Supplementary Document 1) and conduct a detailed assessment of policy-related, regulatory, institutional, technical, financial and other barriers for improving the competitiveness of selected value chains (one bulk commodity such as rice in all countries, and one or two high value commodities such as spices, fruits) in priority regions. It will identify measures to overcome such barriers, including identification of incentives to promote public-private partnerships (PPP) and private sector investments. The PPTA will define the scope and cost of investments, subproject locations and activities, financing plan, implementation arrangements, procurement strategy, technology issues, capacity development needs, and post-project operation and maintenance arrangements of the project. PPTA will carefully examine potential adverse impacts of investments in rural infrastructure on small markets and suggest countermeasures. Lessons learned from the roads to markets project in Cambodia, Sustainable Natural Resource Management and Productivity Enhancement Project in Lao PDR and other projects will be integrated in designing the investment project. The PPTA will build on vulnerability assessments, climate risk financing assessments, green value chain assessments and other pilots, including results-based disbursement models being conducted through Phase 2 of GMS Core Agriculture Support Program and the GMS Core Environment Program.

Specific TA activities will include: (i) detailed scoping and assessments of demand and opportunities for public and private investments to support agribusiness development, (ii) assessment of institutional capacity, human resources development needs and monitoring mechanisms for the proposed interventions, (iii) meaningful stakeholder engagement initiatives and focus group discussions with civil society organizations, national and sub-national governments, private sector and local communities, (iv) baseline data collection for all indicators identified in the design and monitoring framework, (v) identification of specific areas to direct support and consult with organizations currently working in those areas to assess feasible partnership arrangements, (vi) due diligence assessments (technical, economic, social safeguards [involuntary resettlement and indigenous peoples' impacts], environmental, risk, etc.) for project financing proposal and any necessary surveys, consultation and refinement for development of implementation plan, to provide options for procuring and managing the contracts, (vii) preparation of project procurement risk assessment and management plan, procurement capacity building plan, draft procurement plan, and master bidding documents for different types of contracts, including a request for proposal for selection of implementation consultant, and (viii) preparation of necessary documents for approval of grant funding/ cofinancing, where appropriate. The social and environmental specialists will prepare reports on poverty and social assessment, environmental assessment, social safeguard frameworks (and plans, if needed), stakeholder communication strategy, and consultation and participation plan for local community engagement to ensure beneficiaries leverage full impact of the project's activities. The basic approach is to identify a few core subprojects based on established criteria (e.g., contribution to food security, energy security, water security, environmental sustainability, positive social impacts) and through stakeholder consultations.

Project Rationale and Linkage to Country/Regional Strategy

Recent studies have shown that investing in agriculture is one of the most cost-effective strategies to reduce poverty and hunger. Cambodia, Lao PDR and Myanmar (CLM countries) together supply a range of critical agricultural commodities for the GMS and beyond. Yet, their agriculture sector is not competitive in several dimensions. First, their agricultural value chains are not well-developed in comparison with neighboring countries and with respect to domestic as well as export markets. Second, the sector as a whole suffers from a range of infrastructure constraints. Third, production and distribution costs are high largely due to high energy and transport costs, and high post-harvest losses in weight and quality. Although over 60% of inhabitants are engaged in farming, with women accounting for 70%, agriculture sector investments in CLM countries have not yet translated into substantial benefits to these sections. Private sector investments remain low due to unfavorable business environment. Market liberalization and changing global trade rules that require stringent quality and food safety standards are constraining smallholder farmers to access competitive markets. Despite a strong market demand, agribusiness value chains in CLM countries remain fragmented, leading to sub-optimal efficiency with poor geographic reach, and low transmission of retail prices to the producer. Key constraints include low level and quality of production and post-harvest infrastructure, high energy costs, insufficient access to agribusiness input and output markets and support services, and increased vulnerability of agribusiness value chains to climate change impacts.

The project will address the above constraints by (i) rehabilitating and improving climate resilience of critical production and/or distribution infrastructure, (ii) increasing the use of bioenergy to reduce energy and fertilizer input costs, and (iii) providing enabling environment for agribusiness through targeted policy, technical and marketing information support. The project aims to develop value chains for a bulk crop such as rice in all countries, and a cash crop like pepper in Cambodia, cashew nuts or coffee in Lao PDR and fruits in Myanmar. Project areas will be chosen in such a way that they complement ADB investments on transport and irrigation infrastructure along the GMS economic corridors. By providing critical infrastructure, targeted agribusiness support and capacity building, the project will enhance crop diversification and farm productivity, diversify livelihood options, and thereby assist smallholders' transition from subsistence to commercial agriculture in project areas. The project will foster public-private partnerships (PPPs) through identification of opportunities for the private sector particularly in agribusiness input and output markets and marketing. It will promote trade and deeper economic integration within the GMS through harmonization of standards for delivery of safe and value-added agri-food.

The project is included in the GMS Regional Investment Framework (RIF) for agriculture endorsed by the GMS Ministers in December 2013, and prioritized in the RIF implementation plan for 2014\_2018, which was endorsed by the GMS Summit in December 2014. It will contribute to the goals of National Poverty Reduction Strategies, National Adaptation Programs of Action, and Nationally Appropriate Mitigation Action plans. It is aligned with the GMS Strategy 2012\_2022, ADB Country Partnership Strategies, and strategic priorities identified by the mid-term review of ADB Strategy 2020, with regard to (i) poverty reduction and inclusive economic growth, (ii) environment and climate change, (iii) regional cooperation and integration, (iv) infrastructure development, (v) private sector development, and (vi) knowledge solutions. The project is consistent with ADB's draft Operational Plan for Sustainable Food Security, which aims at increasing value addition and expanded partnership with the private sector to attract investments in productivity enhancement, agro-processing, and agro-retailing. The project is included in Country Operations and Business Plans of CLM countries (2015\_2017).

Impact

**Project Outcome**

Description of Outcome

Progress Toward Outcome

**Implementation Progress**

Description of Project Outputs

Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location

**Summary of Environmental and Social Aspects**

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

**Stakeholder Communication, Participation, and Consultation**

During Project Design

The main stakeholders are participating national government units, the provincial and local governments, farmer groups, and agribusinesses in the supply chain, and local communities that will be employed by the expanded associated economic activities. Local farmers will be consulted to ensure they participate in project design and benefit, in particular as the project success depends on their up-take of participation in employment and value chain. Stakeholders, particularly the poor, will be engaged to maximize supply chain efficiency and to create a favorable environment for enterprise growth. Business oriented NGOs and foundations may be engaged in this program. The project will support existing farmer groups. During PPTA, vulnerable groups will be consulted to ensure that their needs are fully reflected.

During Project Implementation Diverse groups of stakeholders will be involved in project implementation.

## Business Opportunities

Consulting Services	An international consulting firm (with three country teams - one each for Cambodia, Lao PDR and Myanmar) using quality-and cost-based selection (90:10) and full technical proposal. Requirement International: 52 person-months; National: 110-person-months). Consulting firm was mobilized in November 2015; Inception workshops conducted in Cambodia (19 Jan 2016) and Lao PDR (11 Feb 2016); An international specialist on spatial information systems for two-person-months up to three additional international specialist for a total of six persons-months, and up to three national specialists for a total of 15 person-months may be recruited as individual consultants. All consulting services under the TA would be engaged on out-put-based (lump-sum) contracts.
Procurement	Office equipment and furniture procured

## Responsible Staff

Responsible ADB Officer	Ancha, Srinivasan
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Environment, Natural Resources & Agriculture Division, SERD
Executing Agencies	<i>Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines</i>

## Timetable

Concept Clearance	-
Fact Finding	-
MRM	-
Approval	12 May 2015
Last Review Mission	-
Last PDS Update	30 Mar 2017

## TA 8897-REG

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 May 2015	-	12 May 2015	31 Dec 2016	31 Dec 2017	-

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
0.00	2,500,000.00	0.00	0.00	0.00	0.00	2,500,000.00	12 May 2015	751,417.22

Project Page	<a href="https://www.adb.org/projects/48409-001/main">https://www.adb.org/projects/48409-001/main</a>
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