



## Bhutan: Hazelnut Value Chain Development Project

Project Name	Hazelnut Value Chain Development Project	
Project Number	49039-001	
Borrower/Company	Mountain Hazelnuts Group Limited	
Country	Bhutan	
Location		
Approval Number		
Type or Modality of Assistance	Equity	USD 3.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Gender Equity and Mainstreaming Private sector development	
Sector / Subsector	<b>Agriculture, natural resources and rural development</b> - Agro-industry, marketing, and trade	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Responsible ADB Department	Private Sector Operations Department	
Responsible ADB Division	Portfolio Management Division, PSOD	
Responsible ADB Officer	Patil, Avesh	
Project Sponsor(s)	Mountain Hazelnut Venture Private Limited	
Description	<p>The project will support the development of an inclusive and climate-resilient hazelnut value chain in Bhutan, which will involve about 15,000 smallholder farmers who will plant about 10 million trees on about 22,000 acres of previously fallow or degraded land. The project includes two components: (i) a \$14.8 million expansion plan of Mountain Hazelnut Venture Private Limited (MH), and (ii) a \$1.5 million TA to MH and value chain participants. The company's expansion plan includes investment in: (i) seedling development, (ii) tree planting, (iii) extension services, and (iv) processing and logistics. The TA will provide training and pilot technologies to strengthen the inclusiveness and climate resilience of the hazelnut value chain in Bhutan.</p>	
Objectives and Scope	<p>(i) The project will help boost Bhutan's agriculture GDP and exports. (ii) The project will promote private sector agribusiness development, in line with Bhutan's Eleventh Five Year Plans objectives. (iii) The project will contribute to poverty reduction in Dzongkhags with poverty levels above the national average, in line with Bhutan's Eleventh Five Year Plan's target.</p>	
Linkage to Country/Regional Strategy	<p>The project is aligned with the Midterm Review of Strategy 2020, which emphasizes the need for ADB to support food security, agricultural productivity, and inclusive business such as agribusiness development that connects farmers to local and global food markets. The project is also consistent with the three strategic pillars of the Bhutan Country Partnership Strategy 20142018: inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration.</p> <p>The project is fully aligned with ADB's Operational Plan for Agriculture and Natural Resources (2015-2020), which recommends greater agribusiness investment by ADB's private sector operations department, and in particular direct equity investments in agribusiness companies which have long term financial viability prospects and have the potential for scalable impact. The project will also complement ADB's assistance to the Government of Bhutan for rural roads and water management.</p>	

### Safeguard Categories

Environment	B
Involuntary Resettlement	C

## Summary of Environmental and Social Aspects

Environmental Aspects	No significant environmental disturbances are anticipated from hazelnut cultivation and processing as the screening criteria for site selection will avoid areas in the vicinity of environmentally sensitive areas. MH will help farmers plant and grow hazelnut trees exclusively on degraded or fallow land and no forestland will be encroached. MH has a monitoring system based on Geographical Information System and Global Positioning System to ensure that there are no adverse impacts on biodiversity and agricultural lands. MH takes all possible measures to comply with local and international environmental regulations.
Involuntary Resettlement	Involuntary resettlement impacts are not envisaged as hazelnut trees will be developed by contract farmers on their own lands, and on a voluntary basis. MH's land selection criteria for contract farming stipulates selection of lands that are (i) degraded or fallow and (ii) not used for agriculture or orchard purposes. No transfer of land ownership or rights is envisaged. Other facilities, such as the nursery and the processing facility, will be sited on leased lands or lands purchased from private land owners through negotiated settlement.
Indigenous Peoples	Impacts on Indigenous Peoples are unlikely and MH's operations are not expected to have impacts on identity, culture, and natural resource based livelihoods.
Stakeholder Communication, Participation, and Consultation	

## Timetable for assistance design, processing and implementation

Concept Clearance	16 Feb 2015
Due Diligence	17 Feb 2015
Credit Committee Meeting	01 Jun 2015
Approval	11 Jun 2015
Last PDS Update	02 Jun 2015
Project Page	<a href="https://www.adb.org/projects/49039-001/main">https://www.adb.org/projects/49039-001/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=49039-001">http://www.adb.org/forms/request-information-form?subject=49039-001</a>
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