



China, People's Republic of: Yellow River Ecological Corridor and Climate Resilient Agriculture Development

Project Name	Yellow River Ecological Corridor and Climate Resilient Agriculture Development				
Project Number	54027-002				
Country	China, People's Republic of				
Project Status	Proposed				
Project Type / Modality of Assistance	Loan				
Source of Funding / Amount	<table border="1"> <tr> <td>Loan: Yellow River Ecological Corridor and Climate Resilient Agriculture Development</td> <td></td> </tr> <tr> <td>Ordinary capital resources</td> <td>US\$ 200.00 million</td> </tr> </table>	Loan: Yellow River Ecological Corridor and Climate Resilient Agriculture Development		Ordinary capital resources	US\$ 200.00 million
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Ordinary capital resources	US\$ 200.00 million				
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth				
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development				
Sector / Subsector	Agriculture, natural resources and rural development - Agricultural policy, institutional and capacity development - Agricultural production - Agro-industry, marketing, and trade				
Gender Equity and Mainstreaming	Effective gender mainstreaming				
Description	<p>The Ministry of Agriculture and Rural Affairs (MARA) is seeking support from ADB to demonstrate how the agriculture sector in the Yellow River basin can be transformed into one which is based on: (i) stronger and more capable institutions that can support sustainable sector development; (ii) sustainable and resilient production bases that balance producing food and agricultural products with environmental protection and rehabilitation and climate adaptation and mitigation; and (iii) vital rural agribusiness that add value to basic commodities through value chain development and market connectivity. The proposed project will capture and share knowledge and lessons from project initiatives to serve as an example within the PRC and to other developing member countries. The proposed project will have three outputs:</p> <p>Output 1: Institutional, technical and management capacity and coordination strengthened. This output will address the issue of insufficient institutional capacity and coordination which inhibits agriculture sector development and environmental protection along the Yellow River. This output will support: (i) the implementation of sustainable agriculture modernization through policy reform, improved governance and institutional strengthening and organizational capacity building that focus on balancing production and environmental protection priorities; (ii) the building of stronger coordination mechanisms within and across other sectors for comprehensive rural economic development; (iii) sustainable financing mechanisms to bridge the funding gap and promote investment in agribusiness, which can increase sector output and value; (iv) explore opportunities for use of financial incentive mechanisms such as eco-compensation to strengthen environmental protection; and (v) provide training, capacity building, knowledge sharing based on stronger links to science and research and extension services for sustainable and high-quality development. Through this output the enhanced capacity and coordination will enable a more unified and sustainable development pathway for the agriculture sector, environmental protection, and rural development.</p> <p>Output 2: Green and climate resilient agricultural production bases constructed. This output will address the outdated and inefficient agricultural production system issues which constrain production efficiencies and limits farmer income potential. This output will (i) invest in the development of medium to high quality farmland; (ii) provide equipment and materials to implement sustainable and modern farming practices; (iii) support climate smart agriculture practices including training, awareness raising, and capacity building for improved practices, approaches and technologies; (iv) put in place waste management systems for plastic film, fertilizer and pesticide packaging, and organic waste (crop residue and livestock manure) recycling; (v) build the capacity of farmer specialized cooperatives to support and organize of small-holder farmers production activities. This output will upgrade production systems to ensure they are more efficient with positive impact on the environment.</p> <p>Output 3: Agricultural value chains strengthened. This output will address the constraints faced by agribusiness's that hamper their ability to add value to food and agricultural raw products through processing, storing, and marketing their products. This output will support: (i) stronger cooperation linkages between farmers and agribusiness to ensure the stable supply of high-quality raw products; (ii) agribusinesses to upgrade infrastructure and facilities such as warehouses, cold storage facilities, and marketing facilities to increase value addition; (iii) improvement of systems and processes for and increased production efficiency, and coordination with other supply chain segments of the agriculture sector; (iv) demonstrate use of high-level technology including digitalization and e-commerce to promote business development; and (v) put in place an enabling environment as an incubator for rural enterprises and agribusiness. This output will strengthen agribusiness to enable them to become a leader for sector economic development that can support local livelihoods, contributes to food security, and increases rural employment.</p> <p>These outputs will result in the following outcome: sustainability of green agricultural production systems in the participating project provinces improved. The project will be aligned with the following impact: resilient ecological protection and food security in the Yellow River basin achieved.</p>				

Project Rationale and Linkage to Country/Regional Strategy

The Yellow River runs for 5,464 kilometers, from its source in Bayan Har mountains on the Tibetan Plateau to the Bohai sea. It is the second largest river in the People's Republic of China (PRC), after the Yangtze, yet has only 2% of the country's water resources and is considered one of the most hydrologically complex rivers in the world. The river covers a basin area of 752,400 square kilometers, crosses seven provinces and two autonomous regions, is home to around 150 million people, contributes feeding about 12% of the population with its agricultural output to which is produced from only 15% of the total irrigable arable land in the country, supplies water to 66 prefectural-level cities and 340 counties and contributes 8% of the national gross domestic product. The river basin is made up of important ecological zones from the Qinghai-Tibet plateau, the Loess plateau, and the Northern Plain, that form corridors which function as major connectors for national ecological, water, and food security: the Yellow River Ecological Corridor.

Support for the Yellow River Ecological Corridor. Although a cultural and economic hub for the PRC, it has been facing ever increasing constraints to balance the economy, ecology and community while striving to meet its sustainable development potential. In response, the PRC Government has promoted new ecological protection and high-quality development goals for the Yellow River basin which takes water security, by balancing the resource as a human basic need and a socio-economic good, as the entry point for sustainable, high-quality development and equitable growth across. To address these challenges the Asian Development Bank (ADB) is supporting the Government of the PRC to create the Yellow River Ecological Corridor (YREC) initiative to promote high productivity of natural, human, social and physical capitals as the building blocks for sustainable development. The YREC initiative, supported through a cluster technical assistance (TA), proposes to restore and enhance the basin's ecological security by addressing the conflicting and competing demands for the four capitals from all users (agriculture, urban, and industry) to reduce the resulting pollution and degradation of ecosystems and overuse of natural resources, especially water, for more transformative high-quality development that promotes a whole-of-ecosystem approach and integrated river basin management.

Issues to be addressed by the project. The YREC suffers from severe water scarcity and faces extreme climatic conditions. Since the 1990s, the total water resources have been reduced by 13.4%, yet the frequency and intensity of devastating floods, destroying land and livelihoods has increased and water stress and insecurity remain a significant constraint. As a result, more than three-fourths of the total basin area is defined as ecologically fragile, which is putting rural livelihoods and food security at risk considering the agriculture sector is the largest consumer of water in the basin accounting for about 69.6% of total withdrawal.

The production level constraints include outdated and inefficient practices, inefficient use of land and water resources, land conversion, inadequate agricultural extension services, excessive fertilizer and pesticide use, rapid expansion of intensive livestock operations with improper waste management, disposal and recycling systems and limited investment. Additionally, there is limited value adding as inadequate market infrastructure, limited uptake of new technologies, lack of access to capital and barriers to private sector participation and are all inhibiting potential growth from the sector. An enabling environment for better production systems and agricultural value chains does not exist. Sector development is further exacerbated by ever changing situations whereby the sector is exposed to unpredictable and uncontrollable events such as extreme weather, economic crises, and disease epidemics, that put food systems at risk. Additional pressures come from the future challenges that need to be faced, feeding a growing and urbanizing population with changing dietary demands from an ever-decreasing natural resource base. There is a greater need to balance between producing food, managing natural resources and dealing with uncertainty.

The proposed project will promote sustainable and resilient agricultural and food systems by addressing the constraints across three levels, the enabling environment (institutional, governance and policy), the production bases, and the value chain to transform the way food is produced, processed and delivered to consumers. These systems will provide a more secure livelihood base for the rural population as the drivers for economic growth, higher rural incomes, and employment opportunities, meet increased food security demands and contribute to achieving the Sustainable Development Goals. Additional benefits will see a closing of the gap between rural and urban areas with increased livelihood and income opportunities, which will in part be supported by increased private sector agribusinesses as the new leaders in agricultural value chain development. The proposed project will be implemented in one-two demonstration sites in the participating seven provinces and two autonomous regions of the Yellow River basin.

Impact	Resilient ecological protection and food security in the Yellow River basin achieved
Outcome	Sustainability of green agricultural production systems in the participating project provinces improved
Outputs	Institutional, technical and management capacity and coordination strengthened
Geographical Location	Nation-wide

Safeguard Categories	
Environment	B
Involuntary Resettlement	C
Indigenous Peoples	B

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

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Responsible ADB Department	East Asia Department
Responsible ADB Division	Environment, Natural Resources & Agriculture Division, EARD
Executing Agencies	Ministry of Agriculture and Rural Affairs 11 Nong Zhan Guan Nan Li, Beijing People's Republic of China

Timetable	
Concept Clearance	08 Dec 2020
Fact Finding	24 Jan 2022 to 28 Jan 2022
MRM	18 Mar 2022
Approval	-
Last Review Mission	-
Last PDS Update	08 Dec 2020

Project Page	https://www.adb.org/projects/54027-002/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=54027-002
Date Generated	10 December 2020

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