Early Warning System

ADB-58186-001

Agriculture Value Chain Financing and Commercialization Sector Development Program

Early Warning System

ADB-58186-001

Agriculture Value Chain Financing and Commercialization Sector Development Program

Quick Facts

Countries	Sri Lanka
Financial Institutions	Asian Development Bank (ADB)
Status	Proposed
Bank Risk Rating	B
Borrower	Government of Sri Lanka - Ministry of Finance and Planning
Sectors	Agriculture and Forestry
Investment Type(s)	Grant, Loan
Loan Amount (USD)	$ 100.00 million
Grant Amount (USD)	$ 2.50 million
Project Cost (USD)	$ 102.50 million

Project Description

According to the Bank's website, to address the development problems and constraints identified earlier, the proposed Agriculture Value Chain Financing and Commercialization Sector Development Project, offers an innovative approach aimed at enhancing economic and climate resilience as well as improving rural livelihoods and food security in Sri Lanka. The expected outcomes of the project are to enhance competitiveness and inclusivity of select agri-food value chains in Sri Lanka.

The project is designed to enhance economic and climate resilience, reduce rural poverty, and improve food security by fostering sustainable and inclusive agri-food value chains. It will be implemented through two main modalities: policy-based lending (PBL); and project-based lending as described below. Value chain development strengthens industries by improving efficiency, fostering innovation, and creating new market opportunities, making businesses more resilient even when exports lose competitiveness.

(i) Policy-based lending (30 million $US, ADB COL). The proposed policy actions will be selected from a broader set of reform measures currently being developed and implemented under national policy and planning frameworksthe National Dairy Development Policy, and the 2025 Agriculture Sector Budget. These actions aim to address institutional and regulatory constraints that hinder agri-food entrepreneurs from launching or expanding value chain operations, thereby complementing the FIL. Priority reforms include the restructuring of public support institutions, alignment of sector strategies with overarching development objectives, modernization of regulatory frameworks for plantation crops, fisheries, and dairy, and stronger inter-ministerial coordination to enable a more competitive, inclusive, and climate-resilient agri-food system.

(ii) Financial Intermediary Lending (70 million $US, ADB OCR): Credit Facility for Agri-Food Value Chain Investments

The $70 million credit facility will expand access to agricultural value chain finance in high-potential sectors such as tea, spices, horticulture, and aquaculture. It will support the integration of smallholders and SMEs by improving access to financial services and mitigating investment risks through structured value chain relationships. The Financial Intermediary Loan (FIL) will be implemented through selected banks and nonbank financial institutions, chosen based on financial and institutional performance criteria. Financing instruments will be tailored to the specific needs of each value chain and finalized in consultation with participating financial institutions . The facility will support both working capital loans to ease liquidity constraints and capital investment financing to enable the purchase of modern processing equipmentcritical for value chain modernization, improved efficiency, and enhanced competitiveness..

(iii) Capacity Development and Innovation for climate resilient Agri-Food Chains ($6 million, Grant and TA)

Agri-food value chain development will be advanced through two core elements. First, advisory services will enhance agricultural value chain financing models financed under the FIL by building capacity among agribusiness entrepreneurs and smallholders, emphasizing business skills, financial literacy, product standardization, market analysis, technology adoption, and certification to boost creditworthiness and chain maturity. Support will also be extended to financial institutions to develop tailored lending products such as warehouse receipt financing and receivables-based credit, improve risk assessment practices, and adopt digital tools for credit delivery and monitoring. Lead firms will be supported to design inclusive procurement models that embed financing, while policy dialogue and regulatory facilitation will help enable innovations such as digital warehouse receipts and contract-based lending. Second, a policy advisory element will build on the PBL, further developing capacities for designing and evaluating reforms through policy studies and modeling, paving the way for longer-term, ambitious sectoral transformations to tackle structural challenges.

Early Warning System Project Analysis

The program is tentatively categorized as B for the environment under the ADB Safeguard Policy Statement (2009). The PBL output will support policy actions from which downstream impacts may occur, requiring mitigation measures to be incorporated into the program design. Policy actions will be assessed during further processing of the program, after which the categorization will be confirmed.

The program has been tentatively categorized as C for involuntary resettlement following the Safeguard Policy Statement. No land acquisition or involuntary resettlement impacts are expected because project activities will be limited to existing production areas and private enterprise facilities.

No impact on Indigenous Peoples is expected.

Investment Description

- Asian Development Bank (ADB)

Grant (Asian Development Fund): US$ 2.50 million
Loan (Concessional ordinary capital resources lending): US$ 30.00 million
Loan (Ordinary capital resources): US$ 70.00 million

Contact Information

No contacts available at the time of disclosure.

ACCESS TO INFORMATION

You can submit an information request for project information at: https://www.adb.org/forms/request-information-form

ADB has a two-stage appeals process for requesters who believe that ADB has denied their request for information in violation of its Access to Information Policy. You can learn more about filing an appeal at: https://www.adb.org/site/disclosure/appeals

ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main.

Bank Documents

- Agriculture Value Chain Financing and Commercialization Sector Development Program: Concept Note