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Bhutan: Hazelnut Value Chain Development Project

Project Name

Hazelnut Value Chain Development Project

Project Number

49039-001

Borrower / Company

- Mountain Hazelnuts Group Limited

Country / Economy

- Bhutan

Location

Type or Modality of Assistance

| Approval Number | Facility Fund Source | Amount | Status |
|-----------------|-----------------------------------|------------------|-----------|
| 7449 | Equity Ordinary capital resources | USD 3.00 million | Committed |

Strategic Agendas

- Inclusive economic growth

Drivers of Change

- Private sector development

Sector / Subsector

- **Agriculture, natural resources and rural development** / Agro-industry, marketing, and trade

Gender

Effective gender mainstreaming

Project Sponsor(s)

- Mountain Hazelnut Venture Private Limited

Description

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.

Objectives and Scope

- (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.

Status of Operation/Construction

Pollen shortage is still the most significant issue that the company faces which has negatively impacted MH and to mitigate pollen shortfall, MH is using suckers' from existing trees to get more pollinizer trees. MH has also been emphasizing to the farmers additional plant care and nutrition to ensure that hazelnut plants grow faster and catch up with production trees.

Linkage to Country/Regional Strategy

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 2014-2018: inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration.

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.

Safeguard Categories

Environment

B

Involuntary Resettlement

C

Indigenous Peoples

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

No impact on involuntary resettlement 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

No impact on Indigenous Peoples and MH's operations are not expected to have impacts on identity, culture, and natural resource based livelihoods.

Stakeholder Communication, Participation, and Consultation

Contact

Responsible ADB Officer

Singh, Samarendra

Responsible ADB Division

Portfolio Management Division, PSOD

Responsible ADB Department

Private Sector Operations Department

Timetable for assistance design, processing, and implementation

Concept Clearance

16 Feb 2015

Credit Committee Meeting

01 Jun 2015

Approval

11 Jun 2015

Last PDS Update

03 Oct 2018

Project Page <https://www.adb.org/projects/49039-001/main>

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