



Project Data Sheet

Project 51276-001

Project Name Climate-Resilient Agricultural Value Chain Development Project

Project Number 51276-001

Country / Economy Kyrgyz Republic

Project Status Proposed

Project Type /
Modality of
Assistance Grant
Loan

Grant: Climate-Resilient Agricultural Value Chain Development Project

Source of Funding / Amount Asian Development Fund US\$ 20.00 million

Loan: Climate-Resilient Agricultural Value Chain Development Project

Concessional ordinary capital resources lending US\$ 20.00 million

Operational Priorities OP1: Addressing remaining poverty and reducing inequalities
OP2: Accelerating progress in gender equality
OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
OP5: Promoting rural development and food security

Sector / Subsector **Agriculture, natural resources and rural development** / Agricultural policy, institutional and capacity development - Agro-industry, marketing, and trade

Gender Effective gender mainstreaming

Description The project will provide a loan to the Kyrgyz Republic to channel through qualified participating financial institutions who will on-lend to horticulture-related value chain businesses for investments in refrigerated vehicles, cold storage facilities, primary processing equipment (grading and/or sorting platforms, washing facilities, packaging equipment) and value addition processing equipment together with associated fixed assets such as warehouses and buildings. The project will address the critical constraint of providing long-term financial resources for agri-business in the Kyrgyz banking system. In parallel, it will provide support to value chain participants to consolidate the delivery of quality horticultural produce from participating farmer groups and key members of identified value chains. As the horticultural subsector generates high value produce, the project will contribute significantly to creating sustainable enterprises, increasing employment, and improving household incomes. Key lessons learned from previous and ongoing projects financed by ADB and development partners are taken into account in the project design: (i) there needs be dedicated project implementation units located in PFIs to monitor PFI lending activities and safeguards compliance; and (ii) terms and conditions of PFIs subloans must be demand-based and without government intervention.

Under the National Development Strategy of Kyrgyz Republic for the period of 2018-2040, agriculture is expected to (i) provide the population with high-quality food; (ii) supply environment-friendly organic products to world and regional markets; (iii) overcome the country's limited competitive status on foreign markets; and (iv) implement an international standard quality control system for production, storage and processing of agricultural products. Its agrarian policy is to (i) promote agro-clusters to (a) supply raw materials for processing including milk, meat, walnuts, medicinal herbs, fish, cotton, wool and leather; and (b) improve farmer-access to modern resource-saving technologies; (ii) study issues associated with agro-logistic centers and create conditions to enable their establishment; and (iii) expand irrigation networks and introduce new technologies to enhance agricultural productivity.

Within the horticultural subsector, the realization of these objectives is compromised by the large number of small-scale producers. Consequences include (i) few opportunities for more efficient mechanized production, (ii) tradeable quantities are often small and difficult and costly to assemble and invariably are of mixed quality and variety, (iii) low farm-gate prices provide little incentive for farmers to introduce higher productivity systems, (iv) market signals are masked by extended value chains many participants being opportunist traders motivated by short-term profit, and (v) farmers are unwilling (and unable) to invest in modern production systems. The widespread fragmentation over large geographic area of these farms render aggregation of perishable goods a high-risk activity. Other constraints include (i) the declining availability of water resources under climate change and competition for arable land from expanding urban settlements, (ii) limited access to suitable development finance for all participants along the value chain, (iii) a reliance on imported planting material (genetically superior being free of virus and disease), and (iv) lingering low productivity traditional production systems.

Climate change impacts are likely to trigger an increased frequency and intensity of natural hazards and exacerbate existing vulnerabilities across all socioeconomic sectors in the Kyrgyz Republic. The risk of disasters such as landslides, mudflows, and floods will increase the most as a result of rapid glacial melting due to temperature rise and increase in winter and spring precipitation. The increase in the number of hot days and heat waves will, on the other hand, increase the risk of droughts in the country with the water scarcity risk being considered as medium. Under the median range of simulations for representative concentration pathways (RCP) 4.5 and RCP 8.5, future climate projections demonstrate (i) a warming trend across the country with an annual average temperature rise of 2.0C by mid-century in comparison with a reference period of 1986-2005, increasing the risks of heatwaves, glacial melting and drought in the country; and (ii) a 1.6-2.6 millimeters increase in monthly precipitation by 2040-2059, mainly in winter and spring, increasing the risks of floods, landslides, mudslides and mudflows, especially in the mountainous regions. A projected decrease in precipitation during the summer season, on the other hand, may lead to droughts.

The share of agriculture in GDP in Kazakhstan must increase five-fold by 2050.

Raising the well-being in the Kyrgyz Republic by improving connectivity with regional markets and developing the agriculture sector.

Share of safe and certified horticultural exports increased

Project Rationale and Linkage to Country/Regional Strategy

Impact

Outcome

Outputs Wholesale market storage and logistics facilities constructed.
Export certification for EEU and other major markets established.
Effective ownership and management of collection centers established.

Geographical Location Nation-wide

Safeguard Categories

Environment FI
Involuntary Resettlement FI-C
Indigenous Peoples FI-C

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer Bui, Giap Minh

Responsible ADB Department Central and West Asia Department

Responsible ADB Division Environment, Natural Resources & Agriculture Division, CWRD

Executing Agencies *Ministry of Finance*

Timetable

Concept Clearance 07 Dec 2018
Fact Finding 20 Mar 2022 to 31 Mar 2022
MRM 17 Jun 2022
Approval -
Last Review Mission -
Last PDS Update 11 Dec 2018

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