



# Technical Assistance Report

Project Number: 39370  
November 2005

## Technical Assistance Islamic Republic of Afghanistan: Preparing the Commercial Agriculture Development Project

## CURRENCY EQUIVALENTS

(as of 24 October 2005)

Currency Unit	–	afghani/s (AF)
AF1.00	=	\$0.02
\$1.00	=	AF49.50

## ABBREVIATIONS

ADB	–	Asian Development Bank
BDS	–	business development services
EA	–	executing agency
GDP	–	gross domestic product
MAAHF	–	Ministry of Agriculture, Animal Husbandry, and Food
MOF	–	Ministry of Finance
NGO	–	nongovernment organization
PPTA	–	project preparatory technical assistance
PM	–	person-month
SOA	–	state-owned agroenterprise
TA	–	technical assistance
WTO	–	World Trade Organization

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sector</b>	–	Agriculture and natural resources
<b>Subsector</b>	–	Agriculture production, agroprocessing, and agribusiness
<b>Theme</b>	–	Sustainable economic growth, private sector development
<b>Sub themes</b>	–	Promoting economic efficiency and enabling markets, private sector investment, private-public partnerships

## NOTE

In this report, "\$" refers to US dollars.

<b>Vice President</b>	L. Jin, Operations Group 1
<b>Director General</b>	K. Senga, South Asia Department
<b>Director</b>	B. Fawcett, Country Director, Afghanistan Resident Mission, South Asia Department
<b>Team leader</b>	J. Tokeshi, Senior Project Implementation Specialist, South Asia Department
<b>Team member</b>	S. Mahboob, Project Implementation Officer, South Asia Department

## I. INTRODUCTION

1. During the 2003 Country Programming Mission, the Government of Afghanistan requested the Asian Development Bank (ADB) to provide project preparatory technical assistance (PPTA) for the Commercial Agriculture Development Project. A technical assistance (TA) fact-finding mission was carried out in September 2005 to hold discussions with the Ministry of Agriculture, Animal Husbandry, and Food (MAAHF) and other government agencies; the private sector; development partners; nongovernment organizations (NGOs); and other stakeholders. The mission reached an understanding with the Government on the objectives, scope, impact, outcome, outputs, cost estimates and financing plan, implementation arrangements, and outline terms of reference for the TA. The Project will support agribusiness growth through the development of more competitive and sustainable agribusiness.<sup>1</sup>

## II. ISSUES

2. Years of war and civil conflict, progressively deteriorating infrastructure, and a recent severe prolonged drought have seriously affected Afghanistan's agriculture sector. Agriculture is still central to Afghanistan's economy, contributing an estimated 53% of gross domestic product and 67% to the labor force in 2003. However, annual growth in agricultural output (including crop and livestock products but excluding opium poppy) slowed dramatically from 2.2% (1961–1978) to 0.2% (1978–2001). Nonetheless, improved availability of seeds and fertilizers from 2002 and the return of normal rainfall in 2003 led to an increase of 82% in total cereal production in 2002, and a further 50% in 2003. Fruit, vegetable, and livestock production is also increasing, but it will take time to reach pre-1978 levels because of the destruction of orchards and a sharp reduction in the total livestock population.

3. Recent studies<sup>2</sup> indicate that Afghanistan has comparative and competitive advantages that could support higher agricultural growth, including: (i) an excellent climate for temperate fruit production; (ii) proximity to large markets such as India, Pakistan, and the Middle East; (iii) lack of major price and trade distortions; (iv) low labor costs; and (v) good surface water availability. The agriculture sector offers opportunities for growth, particularly in horticultural and livestock agribusiness. Among horticultural crops, raisins, apricots, pistachios, almonds, melons, and pomegranates have a greater comparative and competitive advantage. Demand for Afghanistan's horticulture products is growing, driven by increased population and income elasticities in India and Pakistan, and the creation of new export opportunities in the Middle East. However, product quality and market penetration are the main challenges facing the sector. In addition to the need for road and other infrastructure, access to credit, better technology, and agricultural research and extension services are essential to improve crop varieties and develop export markets. For livestock, the priority is to restore the population, which was severely decimated by the drought, and provide better animal services and nutrition.

4. While opportunities for agribusiness development are available, constraints throughout the product value chain, from input supply to processing and exports, lead to low productivity and value added. The key constraints are: (i) market failures, including (a) limited availability of business development services (BDS) to small entrepreneurs to support business activities and start new enterprises, (b) limited access to finance and market information, (c) limited capacity to form farmer groups to develop agribusiness or agroenterprise opportunities, and (d) limited

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* (internet edition) on 14 September 2005.

<sup>2</sup> United Nations, Food and Agriculture Organization, 2003, *Survey of the Horticulture Sector in Afghanistan*. United States Agency for International Development, 2003, *Horticultural Market Survey*.

continuity of supply to capture markets; (ii) institutional constraints, including weak public-private partnerships, weak government and private sector institutional capacity, poor coordination between government agencies, and an absence of demand-driven agricultural research and extension; and (iii) lack of a guiding national policy and long-term strategy aimed at developing dynamic and competitive agribusiness.

5. Market failures include the virtual absence of private sector technical, managerial, marketing, and legal advisory services to agribusiness. The low levels of technical and managerial capacity, low product quality and market penetration, limited access to market information, and limited access to finance could be improved by better access to BDS to increase the creditworthiness of agribusiness enterprises. Access to credit is also one of the main constraints on the development of agribusiness. Banking services remain severely limited. Financial sector lending to agribusiness needs to be promoted by focusing on: (i) improving agribusiness enterprise creditworthiness (to be achieved in part through access to BDS) thereby reducing the level of perceived risk by financial institutions in lending to agribusiness, and (ii) enhancing the capacity of financial institutions to identify agribusiness lending opportunities.

6. Institutional constraints include inadequate horticultural, livestock, and agribusiness research and extension services. Prior to 1979, an extensive agricultural research system comprised 24 research stations and over 1,000 staff, 25% of which were technical research staff. However, this system is now dysfunctional as a result of widespread degradation of infrastructure and human capital. The agricultural extension system, which used to operate through about 400 extension units, is in a similar state of disarray. Although there are still about 10,000 staff on payroll, most have little exposure to modern agricultural management practices. Capacity building needs to focus on updating technical skills and developing new skills related to management, monitoring and evaluation, participatory approaches, and modern agribusiness.

7. An integrated national agribusiness strategy and policy is needed to: (i) support and promote agribusiness growth and performance, including enterprise start-up and expansion, value-chain integration, and product specialization; and (ii) bring traditional farmers and informal agro-processors into the agribusiness mainstream.

8. Agriculture is a key sector in the Government's Tenth Five-Year Plan (2005–2010), which supports development of the sector through diversification of production. While it is still early to obtain firm lessons from ongoing projects given the relatively short implementation period,<sup>3</sup> the following are some relevant lessons from similar projects in the region: (i) a comprehensive approach is required to overcome technical and financial market failures, institutional constraints, and lack of a guiding national policy and long-term strategy for agribusiness development; (ii) governments can play a key facilitating role for market development, but direct service provision should be left to the private sector, except where a clear market failure requires public sector provision; (iii) regulatory support and stimulation of market-based BDS has proven effective in promoting sector growth and employment generation; (iv) BDS should be demand driven; and (v) sound business ethics must be established to ensure good governance and public credibility. These lessons will be carefully considered during the preparation of the Project.

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<sup>3</sup> The United States Agency for International Development started the Rebuilding Agricultural Markets Program for \$250 million (2003-2006), which aimed to jump-start the sector rebuilding process by improving production and marketing of fruits, vegetables, nuts, livestock and poultry, and wheat and food grains through commodity-specific initiatives in 13 provinces. Since 2002, the European Commission has provided about \$57 million in initial reconstruction support aimed at perennial crops, germplasm collection and storage, farmers' organizations, capacity building for related public agencies, and animal health improvement. There are other small-scale interventions in horticulture development by NGOs, which are mostly targeting subsistence-level farmers.

9. The Project will address the constraints outlined (paras. 3–7) and exploit domestic and export market opportunities in agribusiness, contributing to increased economic growth and rural employment. The Project will promote the realization of these opportunities by: (i) improving the managerial, production, and processing skill levels of farmers and entrepreneurs to ensure the production of good quality raw material, and uniform and high standard products; (ii) supporting participating financial institutions to increase agribusiness lending to allow stakeholders to exploit market opportunities; (iii) strengthening government institutions to build capacity to support agribusiness development using public-private partnerships where appropriate; (iv) improving the policy, regulatory, legal, and financial environment to make it more responsive to private sector needs, and encourage investment in the subsector; and (v) establishing a system to ensure compliance with international standards.

10. The TA is consistent with the operational thrusts of ADB's Country Strategy and Program Update (2006–2008) for Afghanistan which aims, among other objectives, to: (i) develop a sound policy framework and establish efficient sector institutions, (ii) formulate sound programs for sector investment, (iii) improve the efficiency of sector support services, and (iv) improve the efficiency of agricultural commodity markets. The Project will support and build on the ongoing ADB Agriculture Sector Program<sup>4</sup> by developing a sound policy framework for agribusiness, strengthening and improving the efficiency of sector support services and agricultural commodity markets, and restructuring state-owned agribusiness enterprises; and help carry forward the sector reconstruction process begun under earlier donor initiatives (see footnote 3). The TA will be implemented in close coordination with other development partners in the context of ADB's role as focal point of the consultative group for the agriculture sector.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

11. The impact of the TA is agribusiness growth. The outcome is a full feasibility study and project design formulated to develop more competitive and sustainable agribusiness. The TA will help the Government design an investment project with activities all over the country, focusing in particular on: (i) strengthening BDS providers to enhance skills throughout the agribusiness subsector, (ii) improving the access of agribusiness enterprises to BDS, (iii) expanding access to agribusiness finance, and (iv) developing institutional capacity. The Project will seek to create a flexible support service delivery mechanism driven by market demand. The Project will concentrate on horticulture and hortibusiness, and will also support interventions to improve the livestock and dairy institutional framework. Project interventions will contribute to strengthening and developing both public and private sector capacity, involvement, and investment in agribusiness. This will create a strong enabling environment for small and medium agribusiness enterprises. Potential project components are: (i) agribusiness support service provision; (ii) agribusiness finance development; (iii) agribusiness capacity building; (iv) agribusiness policy and enabling environment development;<sup>5</sup> and (v) project management support. A design and monitoring framework for the TA is in Appendix 1.

<sup>4</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Afghanistan for the Agriculture Sector Program*. Manila.

<sup>5</sup> This could potentially involve implementation of a policy reform package through a sector development program. The quick disbursing funds provided under such an approach could be used to help offset the adjustment costs arising from implementation of the policy reforms, for example, to cover severance payments for staff made redundant through restructuring of MAAHF and other sector institutions.

## **B. Methodology and Key Activities**

12. The TA will be carried out in two phases in close consultation with government agencies, private sector stakeholders, stakeholder associations and organizations, NGOs, and other development partners. The first phase (4 months) will be divided into two parts. The first part of phase one (1 month) will involve preparation of an inception report and the second part (3 months) will require awareness-raising and data collection. A series of participatory stakeholder workshops and seminars will be conducted at the central and regional levels to acquaint stakeholders with the concept and operation of modern agribusiness systems and consumer organizations. Seminars and participatory workshops will serve as a forum for stakeholders to give feedback on the factors limiting agribusiness development. This feedback will constitute initial data to identify key constraints in the system, which will receive further study during the second part of phase one. A review will be conducted of existing sector studies and lessons learned from similar projects and traditional farming systems, with particular emphasis on horticulture and dairy processing, and their role in agribusiness development.

13. After the initial reviews of the first part of phase 1, the consultants will in the second part: (i) review and assess the potential of agribusiness; (ii) review existing studies and analyze in detail the market, institutional, and systemic constraints to development of the subsector (discussed in paras. 3–7); and (iii) formulate recommendations for overcoming them. The assessment will include a systematic analysis of the relevant institutions and mechanisms for financing, provision of inputs (including research and extension services), production, and marketing to determine their effectiveness and responsiveness to subsector needs. The analysis will also examine the policy, legal, and regulatory frameworks affecting the agribusiness environment as well as the roles of the Government and the private sector. The consultants will confirm a sound economic rationale for the proposed Project, and assess its financial viability and sustainability. The consultants will also prepare poverty impact and gender assessments covering the issues defined in Appendix 2.

14. The second phase (5 months) will involve formulation of an agribusiness development project based on the findings of phase 1, with emphasis on value added. The proposed Project would act as a catalyst and introduce facilitating mechanisms to enable establishment of effective agribusiness systems by private sector stakeholders, and define the areas in which the Government would play a supporting role. The Project may propose initiatives to improve the following: (i) availability of BDS, agricultural extension and research, and training provided by agribusiness service providers; (ii) access to agribusiness finance; (iii) public and private sector capacity to provide services to agribusiness producers and entrepreneurs; and (iv) agribusiness policy and enabling environment.

## **C. Cost and Financing**

15. The total cost of the TA is estimated at \$1.1 million equivalent, of which the Government has requested that ADB finance \$995,000 equivalent. The TA will be financed on a grant basis by ADB's TA funding program. The Government will finance the remaining \$105,000 equivalent to cover the local costs of counterpart staff, office accommodation, and administrative expenses. Details of the cost estimates and financing plan are in Appendix 3. The Government has been informed that approval of the TA does not commit ADB to finance any ensuing project.

## D. Implementation Arrangements

16. The Ministry of Finance (MOF) will be the Executing Agency (EA) and MAAHF will be the Implementing Agency for the TA. Prior to TA start-up, MAAHF has agreed to: (i) appoint a counterpart TA project director; (ii) select at least three staff members to work with the TA team; (iii) assist in data collection; and (iv) provide office space and utilities. To support TA activities, two committees will be established by November 2005 to coordinate TA implementation. A TA steering committee, chaired by the Minister of MAAHF,<sup>6</sup> will be established to: (i) review TA implementation performance every 3 months, and provide guidance on related issues; (ii) provide policy and strategic advice and oversight; and (iii) facilitate coordination among government agencies and development partners. A TA technical advisory committee chaired by the Deputy Minister of MAAHF, comprising senior technical staff from MAAHF and representatives of other relevant agencies working in the sector, will be established and meet once a month to provide guidance and advice on technical issues.

17. The TA will be implemented over 9 months from March 2006 to November 2006. A consulting firm will be selected in accordance with ADB's Guidelines on the Use of Consultants and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants. The quality and cost based selection method, using a simplified technical proposal, will be adopted for selecting the consultant firm. The TA will include 50.5 person-months of consulting services, comprising 34.5 person-months of international and 16.0 person-months of domestic specialists. The consultants will provide expertise in agribusiness development and marketing, horticulture, livestock, institutional development, policy analysis, financial markets, financial and economic analysis, financial management, training, research and extension, rural poverty analysis, and environmental analysis. Outline terms of reference for consulting services and reporting requirements are in Appendix 4. Goods and related services financed by ADB will be procured following ADB's *Guidelines for Procurement*.

18. The consultants will prepare: (i) an inception report within three weeks of the TA's start for discussion at the tripartite inception meeting; (ii) a progress report to be submitted 4.5 months after the TA starts, before the second tripartite meeting; (iii) a draft final report after 8 months, prior to the final tripartite meeting; and (iv) a final report at the conclusion of the consulting services. An initial environmental examination and/or summary initial environmental examination will also be prepared. All reports will be submitted to the Government, TA steering and technical advisory committees, and ADB. The active involvement of stakeholders will be achieved through national and regional workshops.

## IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$995,000 on a grant basis to the Government of Afghanistan for preparing the Commercial Agriculture Development Project, and hereby reports this action to the Board.

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<sup>6</sup> Other members of the steering committee, besides MAAHF and MOF representatives, may include senior officers from the Ministries of Commerce, Rural Rehabilitation and Development, and Energy and Water; and representatives from the private sector, including farmers groups, agribusiness firms, exporters, bank and nonbank financial institutions, and business groups.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Agribusiness growth	Agribusiness contribution to gross domestic product increased by 31 Dec 2012 over baseline of 31 Dec 2007  Increase in number of new and expanded agroenterprises (about XXX), and employment generated by agribusiness (up to XXX person-years) by 31 Dec 2012	Government economic and agribusiness surveys  Project completion report, gender disaggregated impact report, and possible project performance audit report	<b>Assumption</b> <ul style="list-style-type: none"> <li>Government policies continue to support and stimulate economic growth</li> </ul>
<b>Outcome</b> Full feasibility study and project design formulated to develop more competitive and sustainable agribusiness	Agreement reached between the Government and ADB on the final design—scope, components, implementation arrangements, and financing plan	MOU signed by the Government and ADB	<b>Risk</b> <ul style="list-style-type: none"> <li>The Government rejects the consultant's design study</li> </ul>
<b>Outputs</b> Project design—feasibility document suitable for ADB loan processing prepared, including possible components for: <ul style="list-style-type: none"> <li>(i) Agribusiness support service provision</li> <li>(ii) Agribusiness finance development</li> <li>(iii) Agribusiness capacity building</li> <li>(iv) Agribusiness policy and enabling environment development</li> <li>(v) Project management support</li> </ul>	PPTA final report submitted by Oct 2006	Report reviewed and accepted by ADB and the Government  MOU signed	<b>Assumption</b> <ul style="list-style-type: none"> <li>The Government supports the design activities</li> </ul> <b>Risks</b> <ul style="list-style-type: none"> <li>The Government and ADB have different visions of the Project's formulation</li> <li>Policy changes recommended by the consultants are not accepted, as they may differ from the Government's development agenda</li> </ul>
<b>Activities with Milestones</b> <ul style="list-style-type: none"> <li>1.1 Review and assessment of potential of agribusiness sector (by May 2006)</li> <li>1.2 Study and detailed analysis of market, institutional, and systemic constraints to development of agribusiness support services (by June 2006)</li> <li>1.3 Formulation of recommendations to overcome analyzed constraints (by June 2006)</li> <li>1.4 Formulation of project component for agribusiness support service provision (by Sep 2006)</li> </ul>			<b>Inputs</b> International consultants: 34.5 person-months  Domestic consultants: 16 person-months

<p><b>Activities with Milestones</b></p> <p>2.1 Review and assessment of agribusiness financial system and mechanisms (by May 2006)</p> <p>2.2 Formulation of recommendations for facilitating access to agribusiness financing (by Jun2006)</p> <p>2.3 Formulation of project component for agribusiness finance development (by Sep 2006)</p> <p>3.1 Review and assessment of public and private sector capacity building needs for provision of agribusiness support services (by May 2006)</p> <p>3.2 Formulation of recommendations and plans to enhance public and private sector capacity to provide agribusiness support services (by Jun 2006)</p> <p>3.3 Formulation of project component for capacity building (by Sep 2006)</p> <p>4.1 Review and assessment of agribusiness policy and enabling environment conditions (by May 2006)</p> <p>4.2 Formulation of recommendations for improvement of agribusiness policy and enabling environment conditions (by Jun 2006)</p> <p>4.3 Formulation of project component for agribusiness policy and enabling environment development (by Sep 2006)</p> <p>5.1 Formulation of project management support arrangements (by Jun 2006)</p> <p><b>Other Activities with Milestones</b></p> <p>1. Appoint TA project director (by Oct 2005)</p> <p>2. Appoint TA steering and technical advisory committees (by Nov 2005)</p> <p>3. Submit inception report (by third week of Mar 2006)</p> <p>4. Organize participatory workshops and seminars for stakeholders, including government agencies, private sector representatives, NGOs, and representatives of ethnic minorities, to acquaint them with the concept and operation of modern agribusiness systems and consumer organizations (Apr 2006)</p> <p>5. Organize participatory workshops and seminars for stakeholders, including government agencies, private sector representatives, NGOs, and representatives of ethnic minorities to discuss findings of phase one (Jun 2006)</p> <p>6. Submit progress report (by Jun 2006)</p> <p>7. Organize participatory workshops and seminars for stakeholders, including government agencies, private sector representatives, NGOs, and representatives of ethnic minorities to discuss TA's progress report (Aug 2006)</p> <p>8. Organize participatory workshops and seminars for stakeholders, including government agencies, private sector representatives, NGOs, and representatives of ethnic minorities to discuss findings of phase two (Oct 2006)</p> <p>9. Complete social, including gender and poverty, assessment (by Sep 2006)</p> <p>10. Complete financial and economic analyses (by Sep 2006)</p> <p>11. Complete institutional analysis (by Sep 2006)</p> <p>12. Complete initial environmental examination (by Sep 2006)</p> <p>13. Finalize draft project design and monitoring framework and mechanisms (by Sep 2006)</p> <p>14. Submit draft final report (by Oct 2006)</p> <p>15. Submit final report (by Nov 2006)</p>	<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• ADB: \$995,000</li> <li>• Government: \$105,000</li> </ul>
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ADB = Asian Development Bank, MOU = memorandum of understanding, NGO = nongovernment organization, PPTA = project preparatory technical assistance, TA = technical assistance, XXX = values to determined during the PPTA.

## INITIAL POVERTY AND SOCIAL ANALYSIS

### A. Linkages to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
<p><b>Contribution of the sector or subsector to reduce poverty in Afghanistan:</b></p> <p>The Government has recognized that economic growth is a key factor for poverty reduction and that agriculture plays an important role in this process. The agriculture sector, which has been severely affected by years of war and neglect, is estimated to support nearly 85% of the country's population and accounts for more than half of the gross domestic product (GDP). Given the economy's dependence on agriculture, the rate of recovery in the sector will largely determine the overall rate of economic recovery and poverty reduction.</p> <p>The ensuing project from the project preparatory technical assistance (PPTA) will directly support development of the private sector—one of the pillars of the Government's National Development Framework, which is part of the country's poverty reduction strategy. The ensuing Project will propose initiatives for improvement of: (i) availability of business development services (including market information systems), agricultural extension and research, and training provided by agribusiness service providers; (ii) access to agribusiness financing; (iii) public and private sector capacity to provide services to agribusiness producers and entrepreneurs; and (iv) formulation and implementation of agribusiness policy. Production diversification and investment in agribusiness will be promoted through the Project, contributing to economic growth in the agriculture sector. Project interventions will promote the development of small and medium size agricultural enterprises and the creation of employment opportunities in rural areas.</p>			

### B. Poverty Analysis

**Targeting Classification:** General intervention

<b>What type of poverty analysis is needed?</b>	
<p>According to World Bank reports, Afghanistan is one of the poorest countries in the world. In 2003, GDP was about \$180–190 per capita (excluding the opium economy), which is one of the lowest in the world. The United Nations Development Programme Human Development Index puts Afghanistan at 173 out of 178 countries worldwide. Social indicators reflect a dismal picture with large gender gaps: gross primary school enrollment is 54% (40% for girls), life expectancy is about 47 years, infant mortality is 115 (per 1,000 live births), under-five mortality is 172 (per 1,000 live births), 70% of the population is malnourished, and about 57% of men and 86% of women about 15 years of age are illiterate. Lack of reliable data on poverty makes it difficult to estimate the proportion of the population of 22 million that are poor, but various estimates place it at 60–80%.</p> <p>There are no extensive studies on the causes of poverty in Afghanistan, but there is a consensus that poverty is linked to low economic growth and the absence of adequate income-generating and employment opportunities, which were severely affected due to long periods of war, civil unrest, and neglect, especially in rural areas. Other causes of poverty are: (i) prolonged droughts; (ii) natural resource degradation; (iii) land ownership and tenure problems; (iv) depletion of livestock and destruction of orchards and farm land, (v) difficult access to inputs and financing, (vi) lack of adequate off-farm opportunities; and (vii) problems with refugee/displaced population status, gender, ethnicity, and war-related physical disability.</p> <p>The Government has set ambitious development goals, such as raising gross primary school enrollment from 54% to 100% by 2015, and reducing infant mortality from 115 to 55 (per 1,000 live births), under-five mortality from 172 to 130 (per 1,000 live births), and maternal mortality from 1,600 to 205 (per 100,000 live births). To achieve these goals, economic growth must be accelerated, supported by a sustained increase of an estimated 5% per year in the agriculture sector. The ensuing Project interventions will promote increased investment in agribusiness production and processing, leading to economic growth, which will reduce poverty in rural areas. Support for the development of agroenterprises will contribute to economic growth and create the conditions for creation of on and off-farm employment opportunities that will also reduce poverty.</p>	

### C. Participation Process

<b>Is there a stakeholder analysis?</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No. To be undertaken as task under the PPTA
<b>Is there a participation strategy?</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No. To be undertaken as task under the PPTA

**D. Gender Development****Strategy to maximize impacts on women:**

Gender analysis is to be conducted during the PPTA on issues such as the roles and responsibilities of women in the agriculture sector (including agriculture production, processing, and marketing); women's access to control over land and water resources for agriculture uses; income levels; and participation in decision making and community-based organizations. The gender analysis will: (i) identify ensuing Project implications for women in terms of opportunities and adverse impacts of the Project according to gender; and (ii) recommend mitigation measures.

It is expected that the ensuing Project will promote equal opportunities for women to establish agroenterprises and benefit from project services. These benefits may include training and employment provided by agroenterprises. As agribusiness opportunities in production, processing, and marketing increase, there is an incentive for women to participate and benefit from income-generating opportunities and employment.

Has an output been prepared?  Yes  No

**E. Social Safeguards and Other Social Risks**

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
<b>Resettlement</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
<b>Affordability</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Labor</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>A. Asian Development Bank Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	605.00
ii. Domestic Consultants	64.00
b. International and Local Travel	73.00
c. Reports and Communications	10.00
2. Equipment <sup>b</sup>	20.00
3. Vehicle Rental	30.00
4. Workshops, Seminars, and Conferences	10.00
5. Studies and Surveys	20.00
6. Miscellaneous Administration and Support Costs	25.00
7. Representatives for Contract Negotiations	5.00
8. Contingencies	133.00
<b>Subtotal (A)</b>	<b>995.00</b>
<b>B. Government Financing</b>	
1. Office Accommodation and Transport	45.00
2. Remuneration and Per Diem of Counterpart Staff	30.00
3. Administrative and Others Expenses <sup>c</sup>	30.00
<b>Subtotal (B)</b>	<b>105.00</b>
<b>Total</b>	<b>1,100.00</b>

<sup>a</sup> Financed by the Asian Development Bank's technical assistance funding program.

<sup>b</sup> Includes four computers, printer, fax, and photocopying machine. The equipment will be procured in accordance with ADB's *Guidelines for Procurement*. The equipment will be transferred to the Government upon the completion of the technical assistance.

<sup>c</sup> Includes maps, surveys, data collection, and translations.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will require the services of about 34.5 person-months (pm) of international and 16 pm of domestic consultants in the areas of agribusiness (team leader, 7.5 pm international); agribusiness marketing (4.0 pm international, 7.5 pm domestic); horticulture (3.5 pm international, 3.5 pm, domestic); livestock industry (3.5 pm international); institutional development and policy analysis (3.0 pm international); financial markets (3.0 pm international); financial and economic analysis (4.0 pm international); financial analysis and management (1.0 domestic); training (3.0 pm international); privatization (2.0 pm international); environmental analysis (1.0 pm international); research and extension (2.0 pm domestic); and rural poverty analysis (2.0 pm domestic).

2. **Agribusiness Specialist/Team Leader** (7.5 pm international). The consultant will: (i) review reports and ongoing aid agency initiatives in agribusiness and small- and medium-sized enterprise development in Afghanistan to identify areas that have received external support, assess the success of external programs and the extent to which they complement each other, and determine in consultation with other development partners possible areas for Asian Development Bank (ADB) support; (ii) conduct participatory workshops and seminars for representatives of the public sector, private sector, and nongovernment organizations (NGOs) to enhance their awareness and understanding of agribusiness concepts, needs, and opportunities, including World Trade Organization (WTO) issues; and obtain feedback on business procedures, access to credit, marketing system deficiencies, and other factors that cause market distortions; (iii) carry out a rapid assessment of the agribusiness sector (using the feedback) in the selected regions—from input distribution and production to processing, handling, marketing, and exports—to identify subsectors with the greatest potential for growth; (iv) assess the readiness of farmers, processors, and marketers to adopt new technology; identify constraints in introducing new technology; and recommend mechanisms for effective technology identification and transfer; (v) assess opportunities, constraints, and requirements for achieving higher levels of domestic and foreign investment in private sector agribusiness enterprises; recommend measures to reduce risk and risk perception; and determine the capacity-building measures and structural reforms required to encourage such investment; (vi) assess the factors influencing comparative and competitive advantage of selected commodities and recommend measures for enhancing competitiveness; (vii) analyze existing and future needs for quality assurance systems to enable agro-products to comply with the hygienic and social requirements imposed by WTO and consumer organizations; (viii) carry out a comparative analysis of existing agricultural trading practices and future requirements to comply with the WTO agreement on trade-related issues; (ix) formulate an agribusiness project to increase the efficiency and improve the competitiveness of Afghanistan's agribusiness, including objectives, components,<sup>1</sup> implementation arrangements, project cost estimates, and project benefits and impact; (x) describe the project scope (inputs, components and activities, outputs, and underlying technical assumptions); and define project areas and target groups; (xi) assess and make recommendations on implementation arrangements for project components, including procurement; give detailed recommendations for implementation support through consultants, NGOs, and other sources, including detailed terms of reference; (xii) prepare a detailed design and monitoring framework for the ensuing project and recommend project performance monitoring and evaluation arrangements, including quantifiable time-bound monitoring indicators and relevant baseline data; and (xiii) prepare an overall implementation schedule of the various project components with supporting Gantt charts.

<sup>1</sup> This could include formulation of a policy reform agenda that could be implemented through a sector development approach to improve the enabling environment for agribusiness activity.

3. **Agribusiness Marketing Specialist** (4.0 pm international, 7.5 pm domestic). The consultants' tasks are to: (i) review past and present initiatives in marketing various agricultural commodities and products in Afghanistan; (ii) help conduct participatory workshops and seminars and guide discussions to obtain feedback on deficiencies in agricultural marketing systems that inhibit efficiency and profitability, including but not limited to marketing information and intelligence, transportation and post-harvest infrastructure, packaging, informal payments standardization and grading, and meeting international buyers' quality requirements; (iii) carry out a detailed supply chain analysis in the marketing system for selected commodities and products to identify the primary inefficiencies, barriers to entry, and other underlying problems that increase transaction costs; recommend measures for improvement, training, and capacity building; consider supply-side issues (physical factors; resource access and costs; access to technology; price, quality, timing of outputs; procurement arrangements; and financial and economic performance) and demand-side issues (consumer analysis; supply chain, storage, and marketing costs; suppliers; and competitor analysis for differentiated and export products); (iv) analyze production cost and returns for agricultural crops and agro-products, using economic internal rate of return, domestic resource cost, and effective protection rate, or other approaches; and conduct market analysis to assess products' comparative and competitive advantages; (v) recommend management techniques for rural market operations, assess the need for detailed commodity-oriented market studies or other studies, and procedures for conducting such studies; (vi) determine the need for market information and intelligence systems, at project and grassroots levels, to help agribusiness enterprises identify domestic and international market opportunities, how and where these systems should be established, and the capacity building required for operating the systems; (vii) assess the potential for establishment of marketing cooperatives and recommend an institutional framework to accomplish this; (viii) examine existing post-harvest and storage facilities and recommend measures for instituting proper storage, handling, and transportation of spices, fruits, vegetables, and other perishable produce to improve the reputation of Afghanistan's produce; and (ix) examine existing market systems for agricultural inputs including seeds, pesticides, fertilizers, and other inputs; and recommend strategies for improving availability.

4. **Horticulture Specialist** (3.5 pm international; 3.5 pm domestic). The consultants' tasks are to: (i) assess the inputs for horticulture crops, including seeds, fertilizers, pesticides, and others; and recommend improved technologies and input delivery systems; (ii) appraise the horticulture commodity processing and marketing industries and systems rapidly and recommend improved approaches and technology; (iii) evaluate training needs and approaches for technical extension services officers, farmers, and agroprocessing firms; and (iv) evaluate current and prospective international markets for horticultural products and recommend strategies to gain access to these markets.

5. **Livestock Specialist** (3.5 pm international). The consultant's tasks are to: (i) review reports and aid agency initiatives in livestock development in Afghanistan to identify areas that have received external support, assess the success of the external programs and the extent to which they complement each other, and determine possible areas for ADB support; (ii) review and assess livestock production, and livestock product markets and marketing, including present and projected consumer demand and product preferences; (iii) assess the inputs for livestock production, including fodder production and marketing, and recommend improved technologies and input delivery systems; (iv) identify activities that can be supported by the Project and prepare an implementation plan; (v) evaluate training needs and approaches for technical extension service officers, farmers, and agroprocessing firms; and (vi) evaluate current and prospective international markets for livestock products and recommend strategies to gain access to these markets.

6. **Financial Markets Specialist** (3.0 pm international). The consultant's tasks are to: (i) assess the banking policy, the public and private banking system, and the operations of other financial system participants, including NGOs and the informal lending sector; (ii) identify and evaluate the various equity and credit funds established by the Government, aid agencies, and others to determine the reasons for nonuse by agribusiness enterprises and entrepreneurs; and recommend measures to increase their use; (iii) recommend measures for improving ease of access and fund availability for agribusinesses; (iv) determine the need for a credit or agribusiness finance development component in the Project, and estimate the credit demand and supply, implementation arrangements for a credit or agribusiness finance development component, criteria for selecting subborrowers and subprojects, and terms and conditions of credit or financial services; and (v) determine the capacity building required in the financial sector to facilitate agribusiness development and formulate required training activities.

7. **Institutional Development Specialist** (3.0 pm international). The consultant's tasks are to: (i) identify the public and private sector institutions that have the potential to play a greater role in agribusiness development, analyze their strengths and weaknesses, and recommend measures for improvement; (ii) review the public, private, and cooperative sector institutions to determine their performance, effectiveness, and responsiveness to agribusiness needs during key stages of input supply, production, and marketing; (iii) recommend institutional reforms and reorganization, if needed, to strengthen and improve their effectiveness and accountability; describe strategies for institutional strengthening, particularly in terms of policy support, human resource development, and supply of inputs and services; (iv) assess the extent to which private sector organizations and NGOs have helped develop agribusiness, and their functions and effectiveness; (v) recommend measures for further organizing the private agribusiness sector, with emphasis on participation of small-scale farmers, to help ensure product marketability, effective advocacy, and equitable representation for all segments of the industry; (vi) indicate mechanisms that allow for partnership between government agencies and the private sector in development activities; (vii) examine the possibility of designing regional-level projects that address local gaps in agribusiness systems and help integrate local agribusiness into national and export systems; (viii) assess the performance of the Ministry of Agriculture, Animal Husbandry and Food (MAAHF) as a key player in agribusiness development and executing agency for externally assisted projects to draw lessons learned; and (ix) recommend implementation arrangements (including an implementation schedule) for the proposed project, and delineate the roles and responsibilities of the private and public sectors and NGOs in project implementation.

8. **Training Specialist** (3.0 pm international). The consultant's tasks are to: (i) determine the training and capacity building needs of participating line public agencies, farmers, agribusiness firms, and other stakeholders involved in the implementation of project activities at all levels; (ii) identify specific capacity building requirements and define the skills needed for participating stakeholders; (iii) propose a training program outlining training requirements in various subdisciplines and operations, the number of trainees, procedures for selection of trainees, training venues and durations, and training costs; and recommend ways to promote exchange of experience through study visits and information sharing; and (iv) conduct required training of trainer workshops and evaluate results.

9. **Financial and Economic Analysis Specialist** (4.0 pm international). The consultant will: (i) identify the subsectors and commodities that the Project should focus on to realize the greatest benefits to the largest number of farmers, agribusiness sector, and national economy, based on comparative and competitive advantage analysis, agronomic, and social conditions;

(ii) analyze and review the role of the private sector, particularly the potential, opportunities, constraints, and reasons for market failure in small and micro agroenterprises and initiatives; (iii) analyze labor markets, including constraints in employment access and promotion in the formal and informal sectors, and identify potential opportunities; (iv) make recommendations to facilitate and promote employment and income generation; (v) assess implications on the competitiveness of current policy and regulatory initiatives for the development and growth of the agribusiness sector by comparing the cost of services provided by the public and private sectors and NGOs; and recommend measures for enhancing the competitiveness of the agribusiness sector; (vi) prepare detailed project cost estimates and financing plan using Costab computer software; (vii) prepare model agroenterprise budgets to help assess the incentives for beneficiaries to participate in project-related market and nonmarket opportunities; undertake financial analysis for other groups benefiting from the project investment; and include assessments of local market conditions, marketing costs, and other identified and measurable transaction costs; (viii) use fiscal, institutional, financial and economic, environmental, and poverty and social (distributional) analyses to develop subproject selection criteria to meet project stakeholder and poverty alleviation objectives; (ix) conduct detailed financial and economic analysis for each proposed component using ADB's *Guidelines for the Economic Analysis of Projects*, including cost benefit analysis and indicative internal rates of return or benefit incidence analysis, and estimates of adjustment costs arising from sector reforms, as appropriate for independent subcomponents; (x) identify the plausible range of variability for key parameters or assumptions and conduct sensitivity and risk analysis as appropriate; (xi) outline the design and support for an effective project performance management system, clearly identifying monitoring indicators and meeting ADB requirements, including adequate quantifiable time-bound monitoring indicators and relevant baseline data; (xii) prepare the financing plan and assess the veracity of various financing sources; (xiii) supervise a financial management assessment of the implementing agencies; (xiv) perform financial evaluation and analyze the financial sustainability of the Project; and (xv) recommend measures to mitigate financial management and/or sustainability risks.

10. **Financial Analysis/Management Specialist** (1.0 pm domestic). The consultant's tasks are to: (i) assess financial viability and sustainability in accordance with the *Guidelines for the Financial Governance and Management of Investment Projects financed by the ADB*; and (ii) complete a financial management assessment of the proposed executing/implementing agency, including review of corporate planning and budgetary control, financial and management accounting, cost accounting, internal control and audit system, and data processing.

11. **Privatization Specialist** (2.0 pm international). The consultant's tasks are to: (i) review past and present privatization initiatives of state-owned agroenterprises (SOAs) carried out by the Government; (ii) carry out technical analysis of privatization issues and develop privatization strategies of SOAs based on identified opportunities and constraints; (iii) identify potential SOAs for privatization and prepare a detailed financial and economic profile for each company, including valuation of assets; and (iv) recommend required legal steps for privatization and the costs involved.

12. **Environmental Specialist** (1.0 pm international). The consultant's tasks are to: (i) review the environmental impact of crop production systems and agro-processing enterprises to identify practices detrimental to the environment; (ii) evaluate the extent and impact of project activities, prepare an initial environmental examination in accordance with ADB's guidelines for environmental assessment of project loans, and the country's guidelines for the environment; recommend mitigation measures and monitoring programs taking into account implementation

capacity, and estimate their share in the total project cost; (iii) develop environmental guidelines and criteria to identify environmental implications of selected project elements; and (iv) review possible indirect or cumulative environmental impacts that may be generated by the Project, keeping in view that policy reform may produce positive or negative environmental impacts.

13. **Research and Extension Specialist** (2.0 pm domestic). The consultant will: (i) review and assess available documents related to the agricultural research and extension system; (ii) assist the MAAHF in restructuring existing agricultural research institutes to avoid duplication of effort, increase efficiency, and improve coordination in the agricultural research system; (iii) assist the MAAHF in orienting the priority of agricultural research focusing on an adaptive approach, and prepare a draft plan for further restructuring of research; (iv) assist the MAAHF in developing a system of governance that will permit a high degree of autonomy and independence of centers within the system but assure that the centers remain responsive to the MAAHF's goals and priorities; (v) assist the MAAHF in preparing a human development plan for strengthening agricultural research over the next 5–10 years, focusing on postgraduate and skills training to upgrade the capacity of the existing scientists to undertake high quality research and perform it in new research areas such as biotechnology, marketing, processing, and natural resource management; (vi) assist the MAAHF and local governments in preparing a joint plan to: (a) develop extension strategies and priorities, outputs, activities, monitoring indicators, and costs; (b) prepare a mechanism on how to strengthen linkages between research and extension; (c) redirect training of extension staff towards a new set of skills including participatory extension methodology, marketing, post-harvest activities, and rural finance; (d) institutionalize the participatory approach in extension services in which farmers will increasingly participate in the planning, implementation, monitoring, and evaluation of extension services; and (vii) assess opportunities and constraints for private-sector based technical extension services, and recommend required development initiatives.

14. **Rural Poverty Specialist** (2.0 pm, domestic). The consultant will: (i) confirm the dimensions of poverty and vulnerability, and the expected direct and indirect contribution of the Project to poverty reduction; identify people likely to be affected either positively or negatively; and identify barriers and constraints, demand problems, institutional weaknesses, absorptive capacity constraints, gender gaps, sustainability issues, and other social and institutional risks; (ii) conduct participatory workshops with farmers, agribusiness workers, and other stakeholders to gain an insight into how landholdings, land tenure, and farming systems affect the social conditions of the different segments of the farming community, their access to resources and markets; (iii) incorporate the findings of the analysis progressively into the design process, in parallel with the findings of the technical and economic analyses, including definition of (a) social development objectives, (b) effective mainstreaming and targeting mechanisms, (c) affordable and accessible services that meet specific needs, (d) strategies to address the absorptive capacity of beneficiaries and implementation arrangements, and (e) mitigation plans to address social risks and vulnerability; (iv) determine the role of women and the poor in agribusiness and recommend measures to create an enabling environment to enhance their participation and access to resources and technology; (v) identify project beneficiaries by income group and assess the likely distribution of project benefits among the groups; (vi) prepare a gender plan to identify strategies, mechanisms, and components for addressing gender concerns; and use ADB's *Gender Checklist: Agriculture* to identify key issues and strategies for gender mainstreaming in project design; (vii) analyze how agribusiness development in the selected regions will contribute toward reducing interregional disparities in poverty within Afghanistan; and (viii) prepare a summary poverty reduction and social strategy to be implemented as part of the Project. The poverty analysis will follow the ADB's *Handbook on Poverty and Social Analysis*.