



Grant Assistance Report

Project Number: 45259-001
August 2012

Proposed Grant Assistance Islamic Republic of Afghanistan: Enhanced Agricultural Value Chains for Sustainable Livelihoods (Financed by the Japan Fund for Poverty Reduction)

CURRENCY EQUIVALENTS

(as of 8 August 2012)

Currency Unit	-	afghani/s (AF)
AF1.00	=	\$0.02069
\$1.00	=	AF48.32

ABBREVIATIONS

ADB	-	Asian Development Bank
AMIP	-	Agriculture Market Infrastructure Project
ANDS	-	Afghanistan National Development Strategy
JFPR	-	Japan Fund for Poverty Reduction
JICA	-	Japan International Cooperation Agency
M&E	-	monitoring and evaluation
MAIL	-	Ministry of Agriculture, Irrigation & Livestock
NGO	-	nongovernment organization
NRVA	-	National Risk and Vulnerability Assessment
PIU	-	project implementing unit
PMU	-	project management unit
PSC	-	project steering committee
RBSP	-	Rural Business Support Project

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 20 March. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2011 ends on 20 March 2011.
- (ii) In this report, "\$" refers to US dollars

Vice President	X. Zhao, Vice President, Operations 1
Director General	K. Gerhaeusser, Central and West Asia Department (CWRD)
Director	M. Ojira, Environment, Natural Resources, and Agriculture Division, CWRD
Team leader	R. Jones, Natural Resources and Agriculture Economist, CWRD
Team members	M.H. Ayubi, Senior Project Officer, Afghanistan Resident Mission
	J. Chenoweth, Counsel, Office of General Council
	N. Djenchuraev, Social Development Specialist (Safeguards), CWRD
	S. Roth, Social Development Specialist (Gender and Development), CWRD
	A. Rullan, Associate Project Officer, CWRD
	I. Setyawati, Social Development Specialist, CWRD

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JAPAN FUND FOR POVERTY REDUCTION (JFPR)

JFPR Grant Proposal

I. Basic Data	
Name of Proposed Activity	Enhanced Agricultural Value Chains for Sustainable Livelihoods
Country	Afghanistan
Grant Amount Requested	\$18.5 million
Project Duration	4 years
Regional Grant	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Grant Type	<input checked="" type="radio"/> Project / <input type="radio"/> Capacity building

II. Grant Development Objective(s) and Expected Key Performance Indicators

<p>Grant Development Objectives (GDO): The expected project impact will be improved farm incomes for vegetable farmers in Bamyan, Kabul, and Panjsher provinces and for oilseed producers in Nangahar and Balkh provinces. The project outcome will be increased production of marketable outputs of selected vegetable and oilseed commodities. This will be achieved by (i) improving the production management capacity of participating communities, (ii) reducing on-farm storage losses, and (iii) improving the quality of edible oil produced for human consumption from processing facilities in Jalalabad and Mazar-e-Sharif.</p>
<p>Expected Key Performance Indicators:</p> <ol style="list-style-type: none"> 1. Returns from vegetable production (potato, onion) are sustainably increased by 30% by 2018 over the returns reported in the 2013 baseline survey 2. Returns from oilseed production are sustainably increased by 5% by 2018 over the returns reported in the 2013 baseline survey 3. Potato (marketed) yield is increased from 14 tons per hectare (t/ha) in 2013 to 20 t/ha in 2016 4. Onion (marketed) yield is increased from 15 t/ha in 2013 to 20 t/ha in 2016 5. The area planted to oilseed crops by farmers supplying oil processing facilities in Jalalabad and Mazar-e-Sharif is increased by 10% by 2016 compared to 2013 baseline survey.

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures

Category	Amount of Grant Allocated in \$	Percentage of Expenditures
1. Civil works	1,170,000	6.3
2. Equipment and supplies	2,202,000	11.9
3. Consultancy services	1,711,000	9.2
4. Grant management	2,395,000	12.9
5. Other inputs/equity scheme	10,475,000	56.6
6. Contingencies	547,000	3.1
TOTAL	18,500,000	100.0

JAPAN FUND FOR POVERTY REDUCTION

**JFPR Grant Proposal
Background Information**

A. Other Data	
Date of Submission of Application	15 May 2012
Project Officer	Randall Jones, Natural Resources and Agriculture Economist
Project Officer's Division, E-mail, Phone	Environment, Natural Resources, and Agriculture Division, Central and West Asia Department, rjones@adb.org , +63-2-6326288
Other Staff Who Will Need Access to Edit/Review the Report	Mohammad Hanif Ayubi, Senior Project Officer (Natural Resources and Agriculture), Afghanistan Resident Mission
Sector	Agriculture and natural resources
Subsector(s)	Agricultural production and markets
Theme	Economic growth (GRO), capacity development (CAD)
Subtheme(s)	Promoting economic efficiency and enabling business environment; organizational development
Targeting Classification	TI-G
Was JFPR Seed Money used to prepare this grant proposal?	Yes [X] No []
Have SRC comments been reflected in the proposal?	Yes [X] No []
Name of Associated ADB Financed Operation(s)	Agriculture Market Infrastructure Project
Executing Agency	Ministry of Finance
Grant Implementing Agency(ies)	Ministry of Agriculture, Irrigation, & Livestock Jamal Mina, opposite Kabul University Kabul, Afghanistan

B. Details of the Proposed Grant

1. Description of the Components, Monitorable Deliverables/Outcomes, and Implementation Timetable

Component A	
Component Name	Production management capacity of participating communities is improved
Cost (\$)	2,458,767
Component Description	Consultants will be recruited to provide services that will include (i) undertaking feasibility studies, (ii) preparing training manuals and other materials, (iii) coordinating the conduct of the workshops and other training programs, (iv) undertaking business development services training, and (v) conducting impact analysis of the project activities. The feasibility studies will be conducted to (i) determine

	<p>improved potato and onion management and storage options, (ii) study onion value chains and develop on-farm storage designs for these commodities, and (iii) create a framework to establish village storage facilities, including institutional arrangements. A gender analysis will be conducted to assess which value chains women are involved in and how women can benefit from value chain upgrading.</p> <p>This component will provide training, demonstration, and advice on improved production management for vegetable crops to participating farmers and communities to help them engage in more efficient vegetable production. The project will</p> <ul style="list-style-type: none"> (i) establish 40 demonstration farms (10–15 per province) to showcase efficient levels of agricultural inputs and practices; (ii) establish 40 individual (10–15 per province) and 10 community (3–4 per province) potato and onion storage facilities in the selected provinces to pilot test the relevance of the proposed design and train farmers and communities (including 10% women) on the proper use of the facilities; and (iii) prepare guidelines for and train farmers in good agricultural practices (10% women). <p>The demonstration plots will be owned by local farmers and established under an agreement between the project and the individual farmers. Under the agreement, the farmer will voluntarily supply the land and the project will be obligated to provide agricultural inputs. Crop outputs will remain the property of the farmer.</p> <p>Business development activities will include the creation of cooperatives and marketing associations, when appropriate.</p> <p>The project will identify and procure the agricultural inputs (such as seeds, fertilizers, and chemicals) and the equipment (such as hoes, shovels, and hand sprayers) that will be needed for the training. Because work opportunities are limited, the project will safeguard the interests of rural wage laborers by not procuring equipment that reduces the labor inputs in agricultural production (tractors, for example).</p> <p>On-farm pilot storage facilities will be constructed in highly visible locations for maximum demonstration effects. Recipients will be selected based on eligibility criteria including crop area, geographic location in relation to main production areas, and accessibility. Pilot community storage facilities will be built in village centers to give farmers easy access. The land will be provided by the recipient farmer or cooperative and the storage facility will be used to demonstrate the benefits of vegetable storage. The project</p>
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	will cover the full construction costs under the project's demonstration storage activity but individual farmers (or the community) will pay 50% of these costs under the equity scheme storage activity (see component B).
Monitorable Deliverables/Outputs	(i) 10,000 community members (10% women) trained in improved agricultural practices by 2016

Implementation of Major Activities: Number of months for grant activities	<ul style="list-style-type: none"> (i) Conduct feasibility study on onion and potato improved production technologies (9 months) (ii) Conduct feasibility study and develop guidelines for community-level storage development and management (9 months) (iii) Establish 40 pilot demonstration farms (9 months) (iv) Establish 40 individual pilot on-farm storages (9 months) (v) Establish 10 pilot community-level storages (9 months) (vi) Develop guidelines on efficient agricultural input use—integrated pest management, fertilizer management, post-harvest management (9 months) (vii) Develop and implement training programs for participating farmers and communities, including distribution of agricultural inputs and provision of business development services (Jan 48 months) (viii) Identify other agricultural input needs and establish a procurement and distribution framework (12 months) (ix) Implement other technical assistance programs as identified during project implementation (48 months)
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Component B	
Component Name	On-farm storage losses of potatoes and onions are reduced
Cost (\$)	10,794,460
Component Description	<p>This component will facilitate the improvement in potato and onion value chains by providing an equity grant program. This program will allow participants in the agricultural value chains to invest in on-farm and village-level community vegetable storage facilities.^a On-farm storage units will be constructed on an individual farmer's land, with the farmer contributing 50% of the cost in cash and the equivalent in labor and materials. The farmer will own the facility and be responsible for all repairs and maintenance. Community storage facilities will be built on village land and owned, operated, and maintained by a cooperative, which will contribute 50% of the cost in cash and the equivalent in labor and materials.</p> <p>The project will finance 1,300 on-farm and 422 community storage units under the project, or about 430 on-farm and 140 community facilities per province.^b This is considered achievable, based on the experience of AFG-9100 Rural Business Support Project (RBSP) of the Japan Fund for</p>

	<p>Poverty Reduction (JFPR). These facilities will enable farmers to (i) significantly reduce post-harvest losses, and (ii) delay the sale of produce until periods of more favorable market prices 3–5 months after harvest. Reducing storage losses is expected to have significant economic benefits for individual farmers.</p> <p>Most agricultural producers who have opted for vegetable production have done so in the face of socioeconomic uncertainty and are often considered poor. To reach the poorest vegetable producers, including farmers with marginal land holdings and women, the community storage unit provided under the project will be established and managed by community organizations. Including community storage units in the project increases the number of potential beneficiaries, particularly among the poorest farmers. The experience of the RBSP indicated that those who benefitted most from on-farm storage facilities tended not to be the poorest farmers in the project communities.</p> <p>The project will limit activities under this component to three provinces in Central Afghanistan; Bamyan, Kabul, and Panjshahr. Individual farmers who express interest will be selected on the basis of a set of eligibility criteria (Appendix 8). A selected farmer will be obliged to supply the land, provide 50% of the total cost in cash and the equivalent in labor and materials, open a bank account to deposit equity grant proceeds, and make contractor payments. The farmer will be responsible for the operation and maintenance of the storage facility. The project will be responsible for the remaining 50% of the cash cost, will provide the storage design, and will monitor the successful completion of the facility prior to completing the equity payment. The contracting for storage construction will be through community participation, with the individual farmers responsible for contracting small local construction companies and individual workers who will follow the construction design provided by the project. In the case of community storage facilities, a cooperative of local farmers will be formed if one does not already exist. The terms of the equity grant will be similar to those of the individual farmer grants, except that the cooperative and its members will provide the cash and material inputs, the land will be provided by the cooperative (through a community development council), and the cooperative will be responsible for the construction and ongoing management of the storage facility. Construction of the storage facility will be through community participation, with the cooperative responsible for contracting construction through local builders. The project will ensure successful facility completion before disbursing final cash payments under the equity scheme.</p>
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	None of the project components and activities is expected to entail land acquisition, conversion, donation, or restriction of access that will trigger the Asian Development Bank's involuntary resettlement policy.
Monitorable Deliverables/Outputs	(i) Average potato storage losses reduced from 40% in 2013 to 2% in 2016 (ii) Average onion storage losses reduced from 40% in 2013 to 2% in 2016
Implementation of Major Activities: Number of months for grant activities	(i) Construct 700 on-farm and 272 community potato storage facilities and make operational (36 months) (ii) Construct 600 on-farm and 150 community onion storage facilities and make operational (27 months)

^a The storage facilities will be stone or brick structures that will rely on design and weather conditions rather than electrical cooling equipment to maintain temperatures at 7–10°C degrees for 3–5 months.

^b The investment cost will be divided equally between on-farm and community storage facilities.

^c A benefit–cost analysis was conducted of on-farm vegetable storage for a typical three-hectare potato farm using the following data and assumptions from the RBSP: base yield of 14 t/ha, 40% losses without project, 2% losses with project, a potato price of AF7 per kilogram, a storage unit cost of \$8,000, annual repair and maintenance cost of \$400, a 15-year investment period, and a discount rate of 12%. This resulted in an internal rate of return of 22%, a net present value of \$3,873, and a benefit–cost ratio of 1.73:1.

Component C	
Component Name	Two oil-processing facilities in Jalalabad and Mazar-e-Sharif produce high-quality edible oil for human consumption
Cost (\$)	2,060,995
Component Description	<p>This component will improve the quality and safety of edible oil produced for human consumption by oil processing facilities in Jalalabad in Nangahar Province and Mazar-e-Sharif in Balkh Province. The project will procure and install storage facilities and oil refining equipment under this component.</p> <p>Oilseeds from cotton, sesame, flax, sunflower, and safflower are processed into edible oils in Afghanistan. Given the limited production so far, this value chain holds considerable potential for increasing volumes. The RBSP identified a lack of appropriate technology and packaging as a significant constraint to the industry and a cause of poor efficiency in edible oil production. The RBSP invested in upgrading oil processing equipment at the facilities in Jalalabad and Mazar-e-Sharif. The upgrade increased the production rate from the 7 tons per 24 hours under the previous traditional oil extracting machinery to 30 tons per 24 hours. However, the oil, which is being produced for human consumption, is crude and of very poor quality. This component will procure and install specialized refining equipment to address this problem at both the Jalalabad and Mazar-e-Sharif facilities. The enhanced refining equipment will improve the taste, odor, and clarity of the edible oil output. A higher market price of AF110 per liter will result, compared with the AF70 per liter now received for the lower quality oil. Additional storage for</p>

	<p>cottonseed lint will also be provided under the component.</p> <p>The oil processing facilities in Nangahar and Mazar-e-Sharif are owned and operated by two cooperatives. This project will provide (i) enhanced refining equipment; (ii) additional equipment, such as conveyors, water supply and drainage systems, bottle labeling machines, and equipment to convert byproducts to soap; (iii) two 1,000 ton storage facilities for storing lint after it is separated from seed; and (iv) training on the use of the equipment.</p> <p>This component will (i) prepare technical specifications, (ii) draft required bidding documents, and (iii) procure and install required equipment and civil works.</p>
Monitorable Deliverables/Outputs	(i) Market price of edible oil produced from Jalalabad and Mazar-e-Sharif facilities increases from AF70 per liter in 2013 to AF110 per liter in 2016
Implementation of Major Activities: Number of months for grant activities	<p>(i) Develop technical specifications and prepare contract for storage facilities (9 months)</p> <p>(ii) Develop technical specifications and prepare contract for refining equipment (9 months)</p> <p>(iii) Mobilize contractor and construct storage facilities (12 months)</p> <p>(iv) Mobilize contractor and install refining equipment and provide staff training (12 months)</p>
Component D	
Component Name	Project is managed, monitored, and evaluated properly
Cost (\$)	3,185,779
Component Description	<p>This component will ensure effective project management by (i) supporting central and field operations, supervision, and management; (ii) contracting and/or leading required studies and surveys; (iii) recruiting and supervising consultants, as required; (iv) preparing implementation guidelines, work plans, and terms of references; (v) developing and operating a monitoring and evaluation (M&E) database system; (vi) conducting a poverty impact assessment, including gender analysis; (vii) providing technical support to field operations, as necessary; (viii) preparing and administering bidding and tender documents and supervision of civil works, (ix) articulating and disseminating lessons learned; and (x) ensuring quality annual external audits and administrative reporting.</p> <p>Project management will benefit from the successful arrangements established during the implementation of the RBSP. A national project steering committee and the project management unit (PMU) based at the Ministry of Agriculture, Irrigation & Livestock (MAIL) in Kabul will be responsible for managing, monitoring, and evaluating the project. Field operations in Bamyan Province will be handled by a project</p>

	<p>implementation unit (PIU), while field operations in Kabul and Panjsher provinces will be conducted from the PMU (Kabul) office.</p> <p>The role of the project steering committee will be to review implementation progress on a quarterly basis. The PMU will manage daily project activities and all major aspects of the project overall, including (i) field coordination and supervision; (ii) financial management; (iii) logistics; (iv) reporting; (v) monitoring and evaluation; (vi) quality control of established facilities; and (vii) ensuring the quality of annual external audits. The PMU will be strengthened by international consultants during the start-up phase to help establish critical management systems (financial, monitoring, and evaluation). After the inception phase the PMU will handle project management and will contract international staff on an as needed basis. The PIU in Bamyan will provide technical support to field operations within the province and report directly to the PMU.</p> <p>The project will also include a baseline and project completion surveys to collect data and information that will be used to measure the extent to which it achieves its outcome and output targets and indicators. The PMU will conduct case studies to determine whether project interventions have achieved the required impact.</p>
<p>Monitorable Deliverables/Outputs</p>	<ul style="list-style-type: none"> (i) Contract awards and disbursements carried out on schedule throughout the implementation period (ii) Monitoring and evaluation action plan implemented as scheduled (iii) All required reports (technical and administrative) completed and submitted as scheduled
<p>Implementation of Major Activities: Number of months for grant activities</p>	<ul style="list-style-type: none"> (i) Recruit PMU staff consultants (6 months) (ii) Recruit monitoring and evaluation, financial systems, and impact analysis specialists (6 months) (iii) Update and put financial management into operation (6 months) (iv) Establish and make monitoring and evaluation system operational (9 months) (v) Conduct baseline survey, with sex-disaggregated data (6 months) (vi) Monitor, supervise, and control quality of project activities and civil works (48 months) (vii) Conduct capacity training for PMU and PIU (18 months) (viii) Prepare procurement documents for approval, tender, and evaluation (48 months) (ix) Submit quarterly progress and other required reports (38 months) (x) Conduct project completion survey (6 months)

2. Financing Plan for Proposed Grant to be Supported by JFPR

Funding Source	Amount (\$)
JFPR	18,500,000
Government ^a	500,000
Other Sources (Communities ^b)	10,450,000
Total	29,450,000

^a Government in-kind contribution will be office accommodation and staff salaries.

^b Community contribution will comprise of direct cash and equivalent in labor and materials (50% of storage infrastructure cost).

3. Background

1. Afghanistan is a poor and mainly rural country. According to the government National Risk and Vulnerability Assessment (NRVA) for 2007-08 80% of the country's population lived in rural areas and rural poverty accounted for 84% of the poverty nationwide.¹ The national poverty rate is 36% but the extent of poverty varies greatly by region.

2. The agriculture sector accounts for about 53% of Afghanistan's gross domestic product and 36% of all households rely on farming for their main income, with another 6% dependent on farm wages. Due to neglect and more than three decades of civil conflict, productivity in many agricultural industries is low and farmers often lack the means to capture the potential benefits of crop production. Agricultural input use is low and post-harvest losses are significant. Because farmers do not have the infrastructure to store commodities, they cannot delay sale of their produce to wait for optimal market prices. This is a major obstacle to increasing agricultural incomes and reducing poverty in rural communities.

3. The objective of the Afghanistan National Development Strategy is to substantially reduce poverty, improve the lives of the Afghan people, and create the foundation for a secure and stable country.² One of the strategy's three pillars is economic and social development, including (i) the development of water and irrigation, and (ii) agriculture and rural development. Development of the agriculture and natural resources sector is one of the priorities of the Asian Development Bank (ADB) country partnership strategy for Afghanistan for 2009–2013.³

4. The government recognizes that economic growth is critical to reducing poverty and that agriculture is an important sector in this process. The Ministry of Agriculture, Irrigation & Livestock (MAIL) agriculture sector development master plan emphasizes that rising farm incomes drive the rural nonfarm sector and that efforts to stimulate its growth without increasing demand for agricultural products will not bring about the targeted results. The MAIL prioritizes activities that rapidly stimulate employment and thus increase farm incomes and wage rates.

5. Central Afghanistan has low economic growth and faces chronic food insecurity due largely to its (i) geographic isolation, (ii) poor transport infrastructure, (iii) inaccessible markets, (iv) high population density relative to the natural resources base, (v) cold climate and restrictions on transport during winter snows, and (vi) diminishing livestock assets.⁴ In Central

¹ Islamic Republic of Afghanistan. 2010. *Poverty Status in Afghanistan: A Profile based on National Risk and Vulnerability Assessment (NRVA) 2007/08*. Kabul.

² Islamic Republic of Afghanistan. 2008. *Afghanistan National Development Strategy 2008-2013: A Strategy for Security, Governance, Economic Growth and Poverty Reduction*. Kabul.

³ ADB. 2008. *Country Partnership Strategy: Afghanistan, 2009–2013*. Manila.

⁴ Famine Early Warning Systems Network. 2007. *Labor Markets, Livelihood Strategies, and Food Security in Afghanistan: A special report by the Famine Early Warning Systems Network*. Washington.

Afghanistan agriculture provides the main sources of income for rural households. For example, dependence on agriculture for household income in Bamyan Province (86%) was higher than in any other province except one (footnote 2). The unemployment rate in the Central Region is reported to be the second highest in the country (footnote 4).

6. The shortage of livelihood opportunities in rural Afghanistan has had significant demographic effects. Seasonal and permanent out-migration has occurred as farmers seek employment and income opportunities elsewhere. Although this results in remittances, it also leaves women and the elderly, two groups particularly prone to poverty, in charge of farm operations. The uncertain socioeconomic conditions that rural Afghans face has also resulted in a focus on short-cycle crops that can produce immediate income. Vegetables are an example. A Food and Agriculture Organization study found that Afghanistan has excellent conditions and considerable scope for producing a wide variety and greater amounts of vegetables, subject to the availability of sufficient water and recommended that vegetable production be further promoted.⁵ The most common vegetable crops cultivated in Central Afghanistan are potatoes and onions.

7. Vegetable producers in Afghanistan face a host of challenges in managing and marketing their crops. These include limited use of improved seed varieties, lack of inputs (including water), frequent disease and insect damage, and poor access to markets but post-harvest losses are a particularly common and persistent problem. The sharp increase in vegetable supply immediately after harvest means that farmers cannot always sell their entire crop and the produce they do successfully market brings a lower price than it would several months later. For example, potato prices average around AF6–7 per kilogram soon after harvest compared with AF11–14 per kilogram during the off-season. Farmers try to take advantage of the off-season prices by storing vegetables in traditional ways, largely in covered earthen pits, but these methods do not provide adequate ventilation or moisture and temperature control and losses of up to 40% due to wastage and damage are common.

8. The Japanese Fund for Poverty Reduction (JFPR) funded Rural Business Support Project (RBSP) introduced improved vegetable storage structures made of stone or brick in Bamyan province.⁶ They were designed to reduce damage from weather and pests, and maintain temperatures within 7–10 degrees and relative humidity below 95%. These structures do not require power and are constructed partly below ground, which makes the required temperature range possible and allows vegetables to be stored for 3–5 months, with losses of only around 2%.

9. Potatoes and onions produced in Central Afghanistan are mostly sold in markets in the capital city of Kabul. This involves transport from rural areas on unreliable roads that are subject to the vagaries of the variable weather conditions that follow the harvest season. It is not uncommon for roads to be blocked by snow for extended periods, which drives up post-harvest losses. Having access to a vegetable storage facility will give farmers greater flexibility to consider prevailing market prices and road conditions when deciding on the best time to transport their crops to market.

10. The project is based on the premise that the most direct way to benefit farmers and the rural poor, including women, is to help them produce more efficiently, reduce their post-harvest losses, and determine the optimal timing for the sale of their agricultural produce. These goals will be addressed by

⁵ Food and Agriculture Organization of the United Nations. 2004. *Afghanistan - Survey of the Horticulture Sector 2003*. Rome.

⁶ ADB. 2006. *Proposed Grant Assistance to Afghanistan for the Rural Business Support Project*. Manila.

- (i) helping farmers individually and on a cooperative village basis to establish effective on-farm and community storage facilities that will allow producers to benefit from reduced losses and higher seasonal market prices;
- (ii) demonstrating and training farmers in the best use of agricultural inputs;
- (iii) improving efficiency in the use of donor and government-provided resources; and
- (iv) encouraging Afghans to work in and lead democratic organizations to support their economic activities.

11. The project builds upon the principles developed and lessons learned under the JFPR-funded RBSP (footnote 6). That earlier project focused originally on developing rural business support centers in four provinces: Balkh (Dawlat Abad District), Bamyan (Bamyan District), Kandahar (Daman District), and Nangarhar (Rodat District). The RBSP found that providing farmers with on-farm storage facilities gave them several benefits, including (i) the ability to delay potato sales 3–5 months and thus achieve higher off-season market prices, and (ii) reduce storage losses due to inadequate storage from 40% to 2% of crops. Improved cultivation techniques delivered under the RBSP also contributed to average yield increases of more than 20%.⁷ The RBSP was considered successful by the MAIL and has generated a strong local demand for an extension of the project principles to other areas and industries.

4. Innovation and Knowledge Sharing

12. The rural business support centers under the RBSP were to house a vertically integrated value-added agri-processing plant, with participating financial institutions delivering credit and financial products, and a training and capacity development center. The rural business support centres were not fully established as the approach was unsuccessful because the benefits of the centers were confined to only one district in each province and reached only a limited number of farmers and rural people.

13. The RBSP provided several other key lessons:

- (i) While on-farm storage did improve the living conditions of farmers, the selection criteria for the equity scheme that provided 50% financial support for storage facilities excluded some of the most vulnerable farmers. The criteria required that farmers have at least 0.5 hectare under cultivation and total production greater than 15 tons, making it impossible for smaller landholders and farmers with limited production capacity to take part and benefit.
- (ii) Implementation challenges and delays could have been reduced by including a clear plan for the procurement of civil works, equipment, and consultancy services. Substantial implementation delays and low disbursement during the inception phase of the RBSP have been attributed to inefficient communication between the government, the consultant, and ADB. While this shortcoming was overcome through regular tripartite meetings, the project could not make up for the initial time lost.
- (iii) The RBSP PMU performed satisfactorily and demonstrated sufficient capability to implement a project with only limited support from international consultants. This would significantly reduce management costs. Grant management (10.7%) and implementing partner consultant costs (24.2%) during the RBSP consumed more than one-third of the total budget, thereby limiting actual field operations.

⁷ Rural Business Support Project. Undated. *Potato production and potato storages in one glance in Bamyan Province: Background Information*. Kabul.

14. Based in part on these lessons, the Agricultural Value Chains for Sustainable Livelihoods project aims to focus on potato and onion activities in the Central Afghanistan provinces of Bamyan, Kabul, and Panjshir and on edible oil activities in the cities of Jalalabad in Nangarhar Province and Mazar-e-Sharif in Balkh Province. This will extend the successful reduction of post-harvest losses and more efficient production achieved under the RBSP to another vegetable. By developing community storage facilities as well as individual on-farm units, the project will target poorer and more marginalized producers who missed out on the RBSP's benefits. The project also aims to help increase edible oil prices, with some of the gains flowing back to individual farmers. These efforts to benefit a broader range of agricultural producers addresses one of the RBSP's shortcomings.

15. If not already formed the project will assist establishment of cooperatives for the community structures. The project will sign a contract with the executive board of the cooperative before building a community storage facility. The members of the cooperative will then have the right to access the storage unit. The RBSP developed a clear procedure that allows direct contracting with an individual farmer. A copy of a memorandum of understanding between a farmer and the project is given in Appendix 8.

16. The project will also design and implement a gender-sensitive equity payment scheme that recognizes the important role played by female farmers in agricultural production and work to extend full project benefits to a very vulnerable segment of rural Afghanistan's population.⁸ It will also seek to involve poor rural women in project-related activities.

17. The project will collaborate closely with mature community development councils (CDCs), local *shuras* (council of elders and notables), and women *shuras* to strengthen democratic local governance and leverage National Solidarity Program (NSP) activities or complementarities.⁹

5. Sustainability

18. The project will include a capacity building program to help farmers adopt better production and management techniques. The MAIL, which will be the implementing agency, employs extension services staff who will participate in this capacity development. The project will also train cooperatives and local farmers in improved vegetable production techniques and storage activities. The project has been designed for potential replication in other provinces and for other vegetable crops.

19. The project will choose options for more efficient agricultural management that will not negatively impact local labor markets and wage rates. It will not invest in capital intensive equipment such as tractors whose use could be captured by the elite or which could be used to offset demand for local labor and displace tenant farmers.

20. Local and village-level vegetable storage facilities will have a pro-poor design that minimizes operation and maintenance costs and ensures that the project's benefits continue well beyond its completion. The project will build capacity to support agricultural producers and better link them to national and regional markets through close collaboration with local CDCs.

⁸ The specific needs of households headed by females will be ascertained during the project to increase its relevance to women and the adoption rate of female farmers.

⁹ The National Solidarity Program is being implemented by the Ministry of Rural Rehabilitation and Development in rural areas of Afghanistan. The program implements such small rural rehabilitation and development projects as small power systems and the rehabilitation of irrigation systems. The latter can complement the improvements in the vegetable market chain that will be achieved under the project.

21. One project sustainability concern arises from the scheduled withdrawal of the International Security Assistance Force in 2014 and the possible deterioration in security conditions that may follow. This project and others like it that clearly improve local incomes, increase employment opportunities, and raise living standards are likely to retain strong community support and thus have some protection from attack or other effects of civil conflict. This should give the project's impact and outcomes a relatively high degree of sustainability even in a poor security environment.

22. The project complies with ADB safeguard policies and has been categorized as category C for its potential impacts on indigenous peoples, resettlement, and the environment.

6. Participatory Approach

23. The project will promote collaboration and participation at the government, project, and beneficiary levels. It will seek in particular to empower local farmers and local government entities to take part in rural development. It will collaborate with the MAIL staff to provide opportunities for government employees to engage in participatory approaches and methods and to deliver training and other services.

24. Primary beneficiaries will include (i) men and women farmers and their families, (ii) the employees of agri-processing plants and their families, (iii) extremely poor families, (iv) members of CDCs, and (v) the *shuras* that will participate in project preparation, implementation, and monitoring and evaluation.

25. Through the feasibility studies during implementation, the project will seek to engage the beneficiary community in shaping the project and will use the local knowledge, input, and feedback the studies gain in decision making.

26. No ethnic minorities have been identified. If identified through project activities, ethnic minority needs will be taken into account.

27. The project will design a monitoring and data collection system that will support the primacy of community participation. Individual and group beneficiaries will be asked to assess the extent to which they and their families are benefiting from the project generally and from the long- and short-term income-generating opportunities it will support, in particular. The project will conduct an annual customer satisfaction survey in each project community to gather data that will benefit the project participants.

Primary beneficiaries and other affected groups and relevant description	Other key stakeholders and brief description
<p>The project will provide better agricultural facilities and management. This will reduce product losses, raise product standards, and increase product competitiveness in domestic and international markets. The improved productivity will increase returns to producers and traders, provide opportunities for developing value addition to products in Afghanistan, and create employment. These facilities will have significant public health benefits and reduce health and environmental risks.</p>	<ul style="list-style-type: none"> (i) Government agencies such as the MAIL at the central level and Department of Agriculture, Irrigation, and Livestock at the provincial level: their works will be supported. (ii) Local and regional private sector business: they will be affected by and cooperate in increased agriculture production. (iii) Donors and development partners active in the agriculture and natural resources sector, including the Canadian International Development Agency, the Japan International Cooperation Agency, the United States Agency for International Development, and the World Bank (iv) Nongovernment organizations such as Acted, ActionAid, Aga Khan Foundation, Madera, Mercy Corps, People in Need, Tearfund—they are active support of agriculture production in the areas where the project will be implemented.

7. Coordination

28. The project design is based on a proposal by the MAIL and was discussed initially by ADB's Afghanistan Resident Mission, the Embassy of Japan in Kabul, and representatives of the Japan International Cooperation Agency (JICA) based in Afghanistan.

29. An ADB mission to Kabul met with the Embassy of Japan on 27 March 2011 and discussed the concept of a new JFPR project to follow the RBSP.¹⁰ To discuss potential collaboration and coordination in a new JFPR project, the director general of ADB's Central West Asia Department met with representatives of the Embassy of Japan and JICA in October 2010. This was followed by a meeting to discuss the envisioned project between the director of ADB's Environment, Natural Resources, and Agriculture division and Embassy of Japan and JICA officials in March 2012. The RBSP project teams have met regularly with JICA to discuss RBSP activities and the potential role for JICA in a follow-up project.¹¹ The RBSP team has presented regular project updates to a coordination meeting of development partners funding projects in Afghanistan, including JICA. ADB and JICA have a long history of coordination efforts and information sharing during JICA and ADB missions to Afghanistan.¹²

30. An ADB fact-finding mission (28 November–4 December 2011) met with officials at the Embassy of Japan in Kabul on 30 November 2011 to present additional details and refinements to the initial project proposal that had been worked out between the ADB project team and the MAIL.¹³ Comments and recommendations from this consultation were incorporated into the project design.

¹⁰ Attendees were Philippe Floch and Shafiqullah Ahmadzai (ADB), Assad Zamir (MAIL), Aoi Yamagishi (Embassy of Japan), and Hattori Osamu, and Mr. Takahiro Suzuki (JICA).

¹¹ RBSP and JICA staff agreed that JICA would facilitate the importation of improved potato varieties into Bamyan Province and would test these varieties to see whether they are well suited to the region. JICA has agreed to help local farmers identify lucrative markets for potato production.

¹² An example was the JICA mission for support program formulation in the agriculture and rural development sector in Afghanistan 11–28 August 2010.

¹³ Attendees were Randall Jones and Mohammed Hanif Ayubi (ADB); Philippe Floch (consultant); Takeshi Komoto, Ayako Oi, and Zakia Nasery (Embassy of Japan); and Takahiro Suzuki and Kazahiro Yoshida (JICA).

31. Through representation by the RBSP, the project has already reached a formal collaboration agreement with JICA through a signed memorandum of understanding.¹⁴ According to this agreement, JICA's Project for Socioeconomic Activation in Rural Afghanistan will conduct four 2-day training programs on potato cultivation for farmers in the Munara community development council in Bamyán Province during April–October 2012.

32. The grant amount of \$18.5 million substantially exceeds the normal \$2.5 million threshold for JFPR grant projects. This budget has been discussed and has been supported by the Embassy of Japan in Kabul.

8. Visibility

33. The project will ensure that Japan's support for it is visible and that it is recognized by the communities where activities are undertaken. All publications and written material for training programs and workshops, as well as banners at training venues, will bear the JFPR logo and state that funding is being provided by the Government of Japan. All press releases dealing with the project will include the JFPR logo and refer to the financial contribution of the Government of Japan. A grant signing ceremony will be held in the field and invitations will be extended to Embassy of Japan officials and the domestic and international media. Each civil works subproject and each storage facility constructed with equity finance will include signage bearing the JFPR logo and signage, the logo of Japan's Official Development Assistance, and stating that the project is funded by the Government of Japan.

34. In addition to the collaboration arrangement already established with JICA (para. 31), the project will work to establish links with JICA activities and seek contributions from JICA field experts in subproject training programs. Where possible, JICA technical experience will be sought to guide project activities. The project's principles, successes, and lessons will be shared with JICA and Japanese nongovernment organizations to support other projects funded by Japan and to encourage development of future projects with a similar focus. Representatives of the Embassy of Japan will be invited to key project milestones, including field monitoring activities.

9. Detailed Cost Table

35. Appendix 3 contains the detailed cost estimates and the fund flow arrangement is in Appendix 4.

C. Linkage to ADB Strategy and ADB-Financed Operations

1. Linkage to ADB Strategy

36. The project will support the principles of ADB's Strategy 2020, which designates infrastructure—including rural infrastructure—one of ADB's five core areas of operations.¹⁵ The project complies with an ADB priority to provide rehabilitation and reconstruction assistance in post-disaster and post-conflict situations. The project is consistent with the Country Partnership Strategy 2009-2013 (footnote 3) with support to agriculture being one of the priority sectors for Afghanistan. By improving agricultural productivity, it is also in line with the activities outlined in ADB's Operation Plan for Sustainable Food Security in Asia and the Pacific.¹⁶ The project will

¹⁴ The memorandum was signed on 7 April 2012 by Wali Salari, acting director of the RBSP, and Atsuhiko Yamamoto, of the JICA Project for Socio Economic Activation in Rural Afghanistan.

¹⁵ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

¹⁶ ADB. 2009. *Operational Plan for Sustainable Food Security in Asia and the Pacific*. Manila.

address gender equity, which is one of the five drivers of change under Strategy 2020. The needs of women farmers will be analyzed and the project will support groups working on behalf of women, such as women farmer groups and by women shuras, to allow women to access higher levels in the value chain and build capacity.

Document	Document Number	Date of Last Discussion	Objective(s)
Afghanistan: Country Partnership Strategy 2009–2013	Sec.M92-08	November 2008	ADB's assistance to Afghanistan focuses on four priority sectors, including the agriculture and natural resources sector.

2. Linkage to Specific ADB-Financed Operation

Project Name	Agriculture Market Infrastructure Project
Project Number	39370-022
Date of Board Approval	21 November 2008
Grant Amount (\$ million)	\$30 million

3. Development Objective of the Associated ADB-Financed Operation

37. The project will complement the activities of ADB's Agriculture Market Infrastructure Project (AMIP).¹⁷ The AMIP's target impact is to increase agriculture's contribution to Afghanistan's gross domestic product from 2008 by 2% by 2013. Its envisaged outcome is increased efficiency in the horticulture and livestock agribusiness industries. Key outputs are to include (i) improved agricultural marketing infrastructure and (ii) improved product standards and certification systems. The AMIP is investing in (i) two slaughterhouses in Kabul and three in the provinces; (ii) small-scale packing, sorting, grading, drying, and cold storage facilities in horticultural production areas; and (iii) laboratories for product certification. It is providing technical support in market infrastructure design, product standards, laboratory systems and certification, and produce marketing. The AMIP is strengthening the MAIL's capacity in sanitary and phytosanitary policy and regulations, product standards, and agricultural aspects of accession to the World Trade Organization. The main link between this project and AMIP will be the AMIP's investment in packaging and other post-harvest activities for horticulture, which can contribute to an improvement in the value chain of potatoes and onions.

4. List the main components of the Associated ADB-Financed Operation

No.	Component Name	Brief Description
1.	Improved agricultural marketing infrastructure	Establish slaughterhouses in Kabul and three other provincial cities and establish product standards laboratories
2.	Improved product standards and certification systems	Build technical capacity in value chain management by (i) undertaking a commodity value chain gap assessment; (ii) evaluating priority needs for small-scale infrastructure, technology support, and training; and (iii) training agribusinesses, traders, marketers, and the MAIL in market and product management of targeted commodities

¹⁷ ADB. 2008. *Proposed Asian Development Fund Grant Agriculture Market Infrastructure Project (Afghanistan)*. Manila.

5. Rationale for Grant Funding versus ADB Lending

38. Afghanistan is in a fragile and conflict-affected situation and all ADB investments in the natural resources sector are eligible for grant funding, particularly given the country's low debt service-to-revenue rate of about 2%.¹⁸ The agriculture and natural resources sector has suffered through varying degrees of depredation for more than 30 years. War, civil conflict, exploitation, and enforced neglect have left a legacy of degraded natural resources, damaged infrastructure, and fragmented rural institutions. While nongovernment and United Nations agencies have worked with rural communities throughout this period and have had some positive impacts at the local level, the sector performs poorly overall. Since 2005 severe droughts have added to the degradation of agriculture and resources and future climate change effects may make matters worse still. Improving the sector's performance while at the same time rebuilding resilience through the adoption of technologies that reduce vulnerability presents a significant challenge.

39. Grant funding for this project will allow it to combine activities to develop social capital and capacity by providing new infrastructure. The approach will be to focus on community-based contracting and to engage local support and ownership as much as possible. ADB has been the lead development partner in the agriculture and natural resources sector in Afghanistan, covering agriculture, irrigation, and the environment, and it expects to be able to continue facilitating the long-term recovery and rehabilitation in the sector.

D. Implementation of the Proposed Grant

1. Provide the Name of the Implementing Agency	Ministry of Agriculture, Irrigation, & Livestock
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40. The implementing agency will be assisted by national experts staffing a PMU and international and national consultants. Consultants will be recruited in accordance with ADB's Guidelines on Use of Consultants (2010, as amended from time to time). All procurement will be conducted in accordance with ADB's Procurement Guidelines (2010, as amended from time to time).

2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Safety and Security	In Afghanistan risks include general insecurity, weak central government administrative control, and fighting between rival warlords. Security may deteriorate after the withdrawal in 2014 of the International Security Assistance Force.	Adoption of a participatory approach involving communities and government will minimize the risk of poor security and conflict to the safety of project personnel. The use of predominantly national personnel will allow project operations without the considerable security overheads necessary to ensure safety of international experts. The project will also focus on areas that have comparatively better security conditions. The project will demonstrate clear improvements in local incomes, increase employment

¹⁸ International Monetary Fund. 2010. *Staff Country Reports – Afghanistan: HIPC Initiative Paper*. Washington.

Type of Risk	Brief Description	Measure to Mitigate the Risk
		opportunities, and raise living standards and consequently will likely have strong community support.
Delayed implementation process	Project implementation could be slowed due to nonfunctioning local government staff or facilities, limited development agencies involvement, and resistance by local <i>shuras</i> .	The project will attempt to hire staff consultants with experience from the previous RBSP. At critical stages (e.g., inception), international experts will support the PMU to establish its core management functions (financial system, monitoring and evaluation). PMU staff consultants will also receive adequate training on the application of ADB's guidelines and procedures. An established procurement plan (Appendix 12) reduces uncertainty in contracting and administration. The project administration will transfer to the Afghanistan Resident Mission within the first year of implementation. This will allow for greater project oversight of international consultants and PMU staff consultants.
Governance	<p>Problems of corruption in implementing labor-intensive rehabilitation works may arise in the project area.</p> <p>Community development councils are occasionally said to exclude the poorest segments of society and women from their decision making processes.</p> <p>Resources and development assistance under the project may be captured by the elite in project areas.</p>	<p>Good governance and strict financial control will be required of the government and monitored through external audits. Capacity building for the MAIL will aim to introduce good management practices.</p> <p>The PMU will be trained and held accountable for ensuring that project funds reach target beneficiaries. Women are active family members in the farming community and will be directly involved in the decision making process. Poor farmers will be involved in the decision making process on the use of storage facilities through their participation in a cooperative.</p> <p>Elite capture of resources will be avoided by excluding from the project design purchases of such large capital items as farm machinery. Inappropriate direction of development priorities by the elite or warlords will be minimized through use of community participation through community development council decision making. A community contracting procurement</p>

Type of Risk	Brief Description	Measure to Mitigate the Risk
		approach will be used and will result in small amounts of capital invested in each project area. This reduces the incentives for elites to overly influence the investment process.

3. Incremental ADB Costs

Component	Incremental Bank Cost
Amount requested	\$0
Justification	
Type of work to be rendered by ADB	

4. Monitoring and Evaluation

41. Monitoring of the implementation status of subprojects will be carried out by the PMU with assistance from the MAIL staff. Overall monitoring and evaluation of the project will be the responsibility of the MAIL.

42. The PMU will prepare quarterly narrative and financial information reports to be submitted to the project manager for review as part of the overall reporting requirements. The project manager will then report progress to the MAIL and ADB, as specified in the grant agreement. Regular reports received from the field will form the basis of the quarterly reports. An annual report will be compiled at the end of each calendar year and a final report will be produced upon completion of the project.

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
1. Returns from vegetable production (potato, onion) are sustainably increased by 30% by 2018 over the returns reported in the 2013 baseline survey	Government statistics	Annual
2. Returns from oilseed production are sustainably increased by 5% by 2018 over the returns reported in the 2013 baseline survey	Government statistics	Annual
3. Potato (marketed) yield is increased from 14 tons per hectare in 2013 to 20 tons per hectare in 2016	MAIL project performance and monitoring system Case studies by province	Annual
4. Onion (marketed) yield is increased from 15 tons per hectare in 2013 to 20 tons per hectare in 2016	MAIL project performance and monitoring system Case studies by province	Annual
5. The area planted to oilseed crops by farmers supplying oil processing facilities in Jalalabad and Mazar-e-Sharif is increased by 10% by 2016 compared to 2013 baseline survey	MAIL project performance and monitoring system MAIL crop area reports	Annual
6. 10,000 community members (10% women) trained in improved agricultural practices by 2016	MAIL project performance and monitoring system	Annual

7. Average potato storage losses reduced from 40% in 2013 to 2% in 2016	MAIL project performance and monitoring system	Annual
8. Average onion storage losses reduced from 40% in 2013 to 2% in 2016	MAIL project performance and monitoring system	Annual
9. Market price of edible oil produced from Jalalabad and Mazar-e-Sharif facilities increases from AF70 per liter in 2013 to AF110 per liter in 2016	MAIL project performance and monitoring system	Annual
10. Contract awards and disbursements carried out on schedule throughout the implementation period	Quarterly and annual progress reports	Quarterly and annual
11. Monitoring and evaluation action plan implemented as scheduled	Quarterly and annual progress reports	Quarterly and annual
12. All required reports (technical and administrative) completed and submitted as scheduled	Quarterly and annual progress reports	Quarterly and annual

5. Estimated Disbursement Schedule

Fiscal Year (FY)	Amount (\$)
FY 2013	2,800,000
FY 2014	4,500,000
FY 2015	6,500,000
FY 2016	4,700,000
Total Disbursements	18,500,000

Appendixes

1. Design and Monitoring Framework
2. Summary Cost Estimates
3. Detailed Cost Estimates
4. Fund Flow Arrangement
5. Implementation Arrangements
6. Implementation Schedule
7. Implementation of Equity Scheme
8. Example of Memorandum of Understanding
9. Description of Consulting Services
10. Description of Storage Facilities
11. Summary Poverty Reduction and Social Strategy (SPRSS)
12. Procurement Plan

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions And Risks
<p>Impact</p> <p>Incomes of vegetable farmers (Bamyan, Kabul, Panjsher provinces) and oilseed producers (Nangahar and Balkh provinces) are improved</p>	<p>Returns from vegetable production (potato, onion) are sustainably increased by 30% by 2018 over the returns reported in the 2013 baseline survey</p> <p>Returns from oilseed production are sustainably increased by 5% by 2018 over the returns reported in the 2013 baseline survey</p>	<p>Government statistics</p> <p>Government statistics</p>	<p>Assumption Agriculture sector development remains a government priority</p> <p>Risks Deterioration in security conditions hinders civil works and training</p> <p>Market prices for selected commodities decline</p>
<p>Outcome</p> <p>Production of marketable outputs of selected vegetable and oilseed commodities in target provinces is increased</p>	<p>Potato (marketed) yield is increased from 14 tons per hectare in 2013 to 20 tons per hectare in 2016</p> <p>Onion (marketed) yield is increased from 15 tons per hectare in 2013 to 20 tons per hectare in 2016</p> <p>The area planted to oilseed crops by farmers supplying oil processing facilities in Jalalabad and Mazar-e-Sharif is increased by 10% by 2016 compared to 2013 baseline survey</p>	<p>MAIL project performance and monitoring system Case studies by province</p> <p>MAIL project performance and monitoring system Case studies by province</p> <p>MAIL project performance and monitoring system MAIL crop area reports</p>	<p>Risks Poor climatic conditions hinder agricultural production</p>
<p>Outputs</p> <p>1. Production management capacity of participating communities is improved</p>	<p>10,000 community members (10% women) trained in improved agricultural practices by 2016</p>	<p>MAIL project performance and monitoring system</p>	<p>Assumption MAIL staff provide adequate support</p>
<p>2. On-farm storage losses of potatoes and onions are reduced</p>	<p>Average potato storage losses reduced from 40% in 2013 to 2% in 2016</p> <p>Average onion storage losses reduced from 40% in 2013 to 2% in 2016</p>	<p>MAIL project performance and monitoring system</p> <p>MAIL project performance and monitoring system</p>	<p>Qualified, competent building contractors are available in project areas</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions And Risks
3. Two oil-processing facilities in Jalalabad and Mazar-e-Sharif produce high-quality edible oil for human consumption	Market price of edible oil produced from Jalalabad and Mazar-e-Sharif facilities increases from AF70 per liter in 2013 to AF110 per liter in 2016	MAIL project performance and monitoring system	
4. Project is managed, monitored, and evaluated properly	<p>Contract awards and disbursements carried out on schedule throughout the implementation period</p> <p>Monitoring and evaluation action plan implemented as scheduled</p> <p>All required reports (technical and administrative) completed and submitted as scheduled</p>	<p>Quarterly and annual progress reports</p> <p>Quarterly and annual progress reports</p> <p>Quarterly and annual progress reports</p>	
Activities with Milestones			Inputs
<p>1. Production management capacity of participating communities is improved</p> <p>1.1 Conduct feasibility study on onion and potato improved production technologies (Jan 2013–Sep 2013)</p> <p>1.2 Conduct feasibility study and develop guidelines for community-level storage development and management (Jan 2013–Sep 2013)</p> <p>1.3 Establish 40 pilot demonstration farms (Oct 2013–Jun 2014)</p> <p>1.4 Establish 40 individual pilot on-farm storages (Oct 2013–Jun 2014)</p> <p>1.5 Establish 10 pilot community-level storages (Oct 2013–Jun 2014)</p> <p>1.6 Develop guidelines on efficient agricultural input use—integrated pest management, fertilizer management, post-harvest management (Apr 2014–Dec 2014)</p> <p>1.7 Develop and implement training programs for participating farmers and communities, including distribution of agricultural inputs and provision of business development services (Jan 2013–Dec 2016)</p> <p>1.8 Identify other agricultural input needs and establish a procurement and distribution framework (Jan 2013–Dec 2013)</p> <p>1.9 Implement other technical assistance programs as identified during project implementation (Jan 2013–Dec 2016)</p> <p>2. On-farm storage losses of potatoes and onions are reduced</p> <p>2.1 Construct 700 on-farm potato storage facilities and make operational (Jan 2013–Dec 2016)</p> <p>2.2 Construct 272 community potato storage facilities and make operational (Jan 2013–Dec 2016)</p> <p>2.3 Construct 600 on-farm onion storage facilities and make operational (Oct 2014–Dec 2016)</p> <p>2.4 Construct 150 community onion storage facilities and make operational (Oct 2014–Dec 2016)</p> <p>3. Two oil-processing facilities in Jalalabad and Mazar-e-Sharif produce high-quality edible oil for human consumption</p> <p>3.1 Develop technical specifications and prepare contract for storage facilities (Jan 2013–Sep 2013)</p> <p>3.2 Develop technical specifications and prepare contract for refining equipment (Jan 2013–Sep 2013)</p>			<p>JFPR: \$18.5 million</p> <p>Civil works: \$1.17 million Equipment and supplies: \$2.20 million Consulting services: \$1.71 million Grant management: \$2.39 million Equity scheme: \$10.48 million Contingencies: \$0.55 million</p> <p>Government Financing (in-kind contribution): estimated \$0.5 million equivalent</p> <p>Community Financing (cash contribution): estimated \$10.48 million equivalent</p> <p>Personnel: Consulting services - international consultants (43 person-months), national consultants (29 person-months)</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions And Risks
3.3 Mobilize contractor and construct storage facilities (Oct 2013–Sep 2014) 3.4 Mobilize contractor and install refining equipment and provide staff training (Oct 2013–Sep 2014) 4. Project is managed, monitored, and evaluated properly 4.1 Recruit PMU staff consultants (Jan 2013–Jun 2013) 4.2 Recruit monitoring and evaluation, financial systems, and impact analysis specialists (Jan 2013–Jun 2013) 4.3 Update and put financial management into operation (Apr 2013–Sep 2013) 4.4 Establish and make monitoring and evaluation system operational (Apr 2013–Dec 2013) 4.5 Conduct baseline survey, with sex-disaggregated data (Apr 2013–Sep 2013) 4.6 Monitor, supervise, and control quality of project activities and civil works (Apr 2013–Dec 2016) 4.7 Conduct capacity training for PMU and PIU (Oct 2013–Mar 2015) 4.8 Prepare procurement documents for approval, tender, and evaluation (Jan 2013–Dec 2016) 4.9 Submit quarterly progress and other required reports (Oct 2013–Dec 2016) 4.10 Conduct project completion survey (Jan 2016–Jun 2016)			

JFPR = Japan Fund for Poverty Reduction, MAIL = Ministry of Agriculture Irrigation and Livestock, PIU = project implementation unit, PMU = project management unit.

SUMMARY COST ESTIMATES

	Output 1: Production management capacity of participating communities is improved (\$)	Output 2: On-farm storage losses of potatoes and onions are reduced (\$)	Output 3: Two oil-processing facilities in Jalalabad and Mazar-e-Sharif produce high- quality edible oil for human consumption (\$)	Output 4: Project is managed, monitored, and evaluated properly (\$)	Total (\$)	Percent (%)
1. Civil works	570,000	0	600,000	0	1,170,000	6.3
2. Equipment and supplies	360,000	0	1,400,000	441,946	2,201,946	11.9
3. Consulting services	1,456,000	0	0	255,000	1,711,000	9.2
4. Grant management	0	0	0	2,394,550	2,394,550	12.9
5. Equity scheme	0	10,475,000	0	0	10,475,000	56.6
6. Contingencies ^a	72,767	319,460	60,995	94,283	547,504	3.0
Sub-total	2,458,767	10,794,460	2,060,995	3,185,779	18,500,000	100.0
Government contribution ^b	0	0	0	500,000	500,000	
Other donors	0	0	0	0	0	
Community's contributions ^c	0	10,475,000	0	0	10,475,000	
Total	2,458,767	21,269,460	2,060,995	3,685,779	29,475,000	
Incremental costs	0	0	0	0	0	

^a use of contingencies requires prior ADB approval; ^b will comprise of office accommodation and staff salary; ^c will comprise of cash and equivalent in labor and materials.

Source: Asian Development Bank estimates.

DETAILED COST ESTIMATES

		Costs				Contributions		
		Units	Number of units	Cost per unit	Total	Method of procurement	JFPR	Govt
Output 1: Production management capacity								
1.1	Civil works							
1.1.1	Pilot on-farm facilities	structure	40	8,000	320,000	Shopping	320,000	
1.1.2	Pilot community facilities	structure	10	25,000	250,000	Shopping	250,000	
1.2	Equipment and supplies							
1.2.1	On-farm demonstration plots				360,000	Shopping	360,000	
	- farm equipment	plot	100	1,000				
	- fertilizer	plot	100	1,000				
	- seed	plot	100	600				
	- chemicals	plot	100	1,000				
1.3	Consulting services							
1.3.1	Feasibility studies	month	12	30,000	360,000	ICS	360,000	
1.3.2	Consulting firm				1,096,000	QCBS	1,096,000	
	- BDS specialist-national (3)	month	9	27,000				
	- vegetable extension specialist-international	month	5	27,000				
	- training specialist-international	month	8	27,000				
	- training specialist-national	month	8	5,000				
	- agronomist-international	month	8	27,000				
	- impact assessment specialist-international	month	3	27,000				
	- impact assessment specialist-national	month	3	5,000				
	- out of pocket expenses	lumpsum	1	150,000				
	Subtotal				2,386,000		2,386,000	
Output 2: On-farm storage losses								
2.1	Equity scheme							
2.1.1	Potato on-farm facilities	structure	700	8,000	5,600,000	CP	2,800,000	2,800,000
2.1.2	Potato community facilities	structure	272	25,000	6,800,000	CP	3,400,000	3,400,000
2.1.3	Onion on-farm facilities	structure	600	8,000	4,800,000	CP	2,400,000	2,400,000
2.1.4	Onion community facilities	structure	150	25,000	3,750,000	CP	1,875,000	1,875,000
	Subtotal				20,950,000		10,475,000	10,475,000

	Units	Costs			Method of procurement	Contributions	
		Number of units	Cost per unit	Total		JFPR Amount	Govt
Output 3: Oil-processing facilities							
3.1	Civil works						
3.1.1	Storage facilities	structure	2	300,000	600,000	NCB	600,000
3.2	Equipment and supplies						
3.2.1	Oil refining equipment	structure	2	700,000	1,400,000	ICB	1,400,000
	Subtotal				2,000,000		2,000,000
Output 4: Project management							
4.1	Equipment and supplies						
4.1.1	Internet service charge (Kabul)	month	48	1,222	58,656		58,656
4.1.2	Stationary, tea, gas, etc (Kabul)	month	48	1,000	48,000		48,000
4.1.3	Generator fuel cost (Kabul)	month	48	500	24,000		24,000
4.1.4	Fuel costs (Kabul)	month	48	2,500	120,000		120,000
4.1.5	Vehicle rent (Bamyan)	month	47	2,400	112,800		112,800
4.1.6	Stationary etc (Bamyan)	month	47	600	28,200		28,200
4.1.7	Generator cost (Bamyan)	month	47	500	23,500		23,500
4.1.8	Internet service charge (Bamyan)	month	47	570	26,790		26,790
4.2	Consulting services						
4.2.1	M&E specialist	month	5	30,000	150,000	ICS	150,000
4.2.2	Financial systems specialist	month	2	30,000	60,000	ICS	60,000
4.2.3	Baseline survey specialists (3)	month	9	5,000	45,000	ICS	45,000
4.3	Grant management						
4.3.1	Staff				1,994,550		1,994,550
	Kabul office:						
	- Project director	month	48	5,000			
	- Technical advisors (2)	month	96	3,500			
	- Finance manager	month	48	2,500			
	- M&E manager	month	47	2,500			
	- Finance officer	month	48	1,000			
	- M&E officer	month	47	1,000			
	- Procurement officer	month	48	1,000			
	- Logistic officer	month	48	1,000			
	- Marketing officer	month	47	1,000			

	Units	Costs		Total	Method of procurement	Contributions		
		Number of units	Cost per unit			JFPR Amount	Govt	Communities
- Administration officer	month	47	1,000					
- Extension specialists (3)	month	141	1,500					
- Extension officers (5)	month	235	600					
- Procurement assistant	month	47	600					
- Office assistant	month	47	600					
- Drivers (6)	month	288	300					
- Guards (3)	month	144	250					
- Cleaners (2)	month	96	250					
Bamyán office:								
- PIU manager	month	47	1,500					
- Extension specialist	month	47	1,500					
- Extension officers (4)	month	188	600					
- Finance officer	month	47	600					
- Administration assistant	month	47	500					
- Guards	month	94	250					
- Cleaner	month	47	250					
4.3.2 MAIL staff and office in-kind contribution	lumpsum			500,000			500,000	
4.3.3 Travel and per diem	annual	4	10,000	40,000	Shopping	40,000		
4.3.4 Miscellaneous operational costs	annual	4	80,000	320,000	Shopping	320,000		
4.3.5 Financial audit	annual	4	10,000	40,000	LCS	40,000		
Subtotal				3,091,496		3,091,496	500,000	
Contingency				547,504		547,504		
Total				29,475,000		18,500,000	500,000	10,475,000

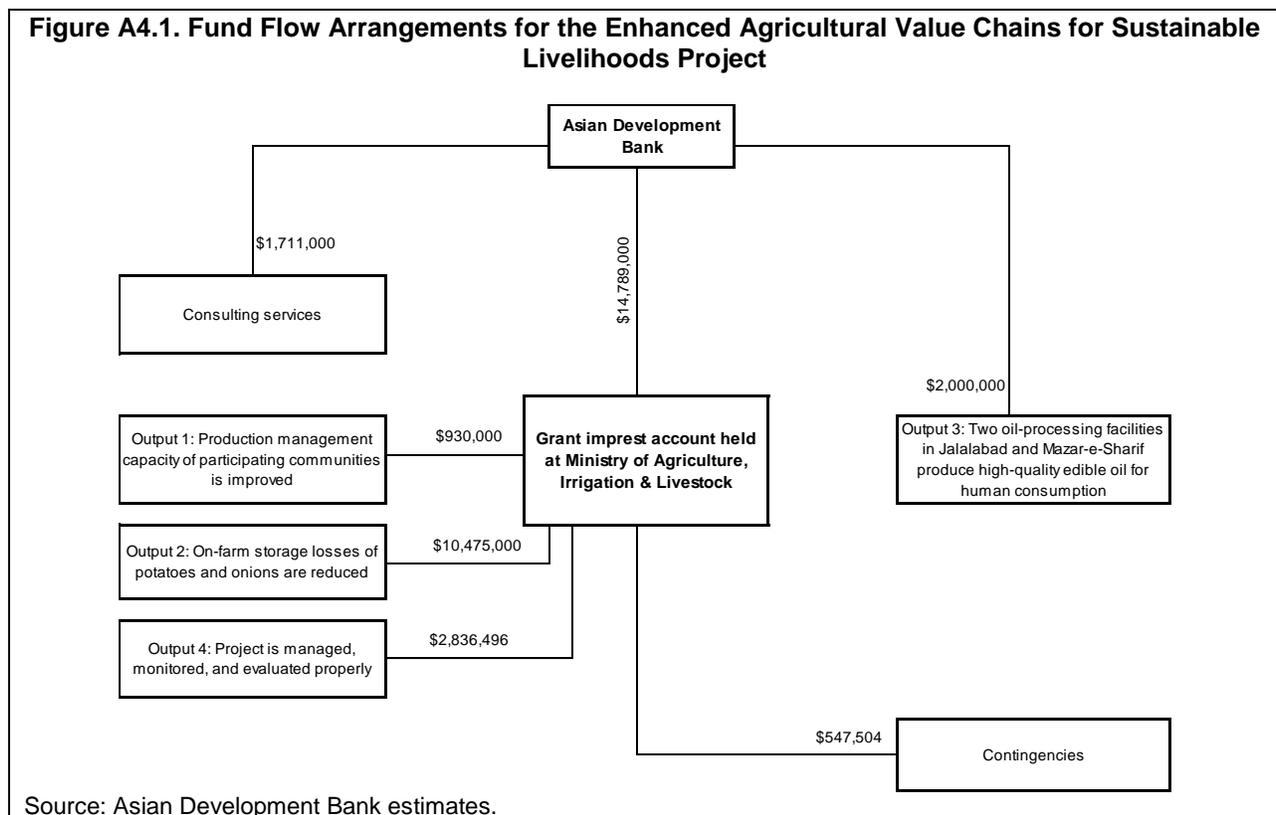
BDS = business development services; CP = community participation; Govt = government; ICB = international competitive bidding; ICS = individual consultant selection; JFPR = Japan Fund for Poverty Reduction; LCS = least-cost selection; M&E = monitoring and evaluation; NCB = national competitive bidding; PIU = project implementation unit; QCBS = quality- and cost-based selection.

Source: Asian Development Bank estimates.

FUND FLOW ARRANGEMENT

1. All the proceeds of the Japan Fund for Poverty Reduction (JFPR) grant for the Enhanced Agricultural Value Chains for Sustainable Livelihoods Project will be disbursed in accordance with the ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) as well as with detailed arrangements agreed upon between the Government of Afghanistan and the Asian Development Bank (ADB.) The direct payment may be made to suppliers and contractors as appropriate. The imprest account will be opened and maintained by the project management unit under the Ministry of Agriculture, Irrigation & Livestock in Kabul, at a bank acceptable to ADB and endorsed by the Ministry of Finance (the executing agency), to facilitate day-to-day project expenditures in local currency. Total outstanding advances are not to exceed ADB's estimated share of eligible project expenditures to be financed through the imprest account for the next 6 months or 10% of the grant amount, whichever is lower. The Ministry of Agriculture, Irrigation & Livestock and the Ministry of Finance will be kept informed by the project management unit about all transactions and receive copies of all financial statements and audit reports. The JFPR imprest account will be established, managed, liquidated, and replenished in accordance with the *Loan Disbursement Handbook* and will be managed by the project management unit based on the principles of cosignatory arrangement with the executing agency.

2. The statement of expenditures procedure may be used for all payments and transactions not exceeding \$10,000 per individual payment to ensure speedy project implementation. Detailed implementation arrangements, such as the flow, replenishment, and administrative procedures will be detailed in the grant implementation memorandum and be established between ADB and the government through the JFPR letter of agreement. The JFPR grant will finance local taxes and duties in Afghanistan as an exceptional case. Figure A4.1 illustrates the fund flow.



IMPLEMENTATION ARRANGEMENTS

A. Project Management

1. Executing Agency

1. The Ministry of Finance (MOF) will be the executing agency for the Enhanced Agricultural Value Chains for Sustainable Livelihoods Project and the Ministry of Agriculture and Irrigation and Livestock (MAIL) will be the implementing agency.

2. Project Steering Committee

2. The project steering committee (PSC) will be established in Kabul and chaired by the minister of agriculture, irrigation, and livestock or by his designee. The PSC will include representatives from the MOF, the Ministry of Rural Rehabilitation and Development, and other stakeholders, as necessary. Representatives from the Asian Development Bank (ADB), the Embassy of Japan, and Japan International Cooperation Agency will be observers only. The project management unit (PMU) will serve as secretariat of the PSC. The PSC will review the progress and problems of the project, meet quarterly, and provide advice and consultations to facilitate implementation and address issues. The PSC will also provide guidance on such things as national policy. Minutes of each PSC meeting will be forwarded to ADB within 2 weeks of each meeting. In addition, the MAIL will

- (i) provide institutional support to the project at the national level, including coordination with government agencies;
- (ii) ensure that project activities are consistent with government development objectives;
- (iii) ensure that the necessary national approvals are obtained in a timely manner to advance the implementation of the project;
- (iv) allocate project coordination and implementation staff at the central and district levels; and
- (v) provide advice and guidance to facilitate the start-up and implementation of the project.

3. Project Management Unit

3. The PMU will be established in Kabul in facilities provided by the MAIL. The PMU will have overall management responsibility for the project, including field coordination and supervision, finances, logistics, credit programs, reporting, monitoring and evaluation (M&E), and ensuring quality annual external audits. The PMU, in consultation with ADB, will develop a detailed grant implementation manual to meet the project's specific needs. PMU staff will be employed as consultants to comply with 2012 policy guidelines of the Japan Fund for Poverty Reduction (JFPR), which is financing the project. Government staff can be employed by the PMU as consultants so long as they take leave from their current positions and do not receive additional pay from the government. A project implementation unit (PIU) office will be created in Bamyan province, while all activities for Kabul and Panjsher provinces will be conducted from the Kabul office.

4. The following PMU staff consultant positions will be created in the Kabul office:
 (i) Project director, (ii) Technical advisors (2 positions), (iii) Finance manager, (iv) Monitoring and evaluation manager, (v) Finance officer, (vi) Monitoring and evaluation officer, (vii) Procurement officer, (viii) Logistic officer, (ix) Marketing officer, (x) Administration officer, (xi)

Extension specialists (3 positions), (xii) Extension officers (5 positions), (xiii) Procurement assistant, (xiv) Office assistant, (xv) Drivers (6 positions), and (xvi) Guards (3 positions).

5. The following PMU staff consultant positions will also be created in the Bamyan province office:

(i) Project implementation unit manager, (ii) Extension specialist, (iii) Extension officers (4 positions), (iv) Finance officer, (v) Administration assistant, (vi) Guards (2 positions), and (vii) Cleaner.

B. Financial and Procurement Arrangements

1. Flow of Funds

6. The Minister of Finance will authorize disbursements from the imprest fund in accordance with the agreed budget and ADB rules. ADB will replenish the imprest account based on withdrawal applications prepared by the project finance and administration coordinator. The interest earned on the imprest account, net of bank charges, can be used for the project, subject to ADB approval and within the approved total amount of the JFPR grant. Any balance should be refunded to the JFPR fund account maintained at ADB before the financial closing of the account. Disbursement under the project will be done in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time). Disbursement for consultants engaged by ADB will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

2. Procurement

7. Procurement under the project will be conducted in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). Goods and services and works costing less than \$10,000 will be procured using community contracting. Goods, services, and works estimated to cost the equivalent of less than \$100,000 will be procured using ADB's shopping procedure. Goods and services costing less than \$500,000 and works estimated to cost less than \$1,000,000 will be procured using national competitive bidding.

3. Consulting Services

8. The project will recruit three international experts (19 person-months, intermittent) to conduct feasibility studies, establish a M&E system, and establish financial systems. Three national experts (9 person-months) will be recruited to undertake the baseline survey. All national and international consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). An international consulting firm will be contracted to provide 24 person-months of international consultancy services and 20 person-months of national consultant services intermittently over the life of the project. These services will involve three business training specialists, two training specialists, two impact assessment specialists, a vegetable extension services expert, and an agronomist. The consulting firm will be recruited under the quality- and cost-based selection method. A description of the consultancy services required is in Appendix 9.

C. Reporting, Monitoring and Evaluation, and Timing

1. Reporting

9. A project monitoring unit will be established within the PMU and will prepare quarterly and annual reports on project implementation, the form and content of which will be agreed upon with ADB. The project steering committee will officially endorse these reports to ADB, with comments. The project monitoring unit will maintain separate accounts for all project components financed by the JFPR and by the government, and have them audited by an independent auditor with adequate knowledge of, and experience with, international accounting practices, and acceptable to ADB. The audit report should include separate opinions on the use of the imprest account and the statement of expenditures procedure. The audited project accounts and the auditor's reports will be submitted to ADB within 6 months after the end of each fiscal year or the project closing date (whichever comes first). The government will be informed of ADB's requirement of the timely submission of audited project accounts and financial statements, including the suspension of disbursements in case of noncompliance. ADB will finance, through the project, annual audits by an independent audit company acceptable to ADB. The audit report should include certified copies of the audited accounts and financial statements together with the auditor's opinion on the use of JFPR funds.

10. The government will provide a project completion report to ADB, with the support of the project logistics and reporting coordinator, within 6 months of completion of the project. All reports will include an assessment of the project impact, outcome and outputs, findings from project performance monitoring and evaluation, as well as suggestions for improving project implementation.

2. Monitoring and Evaluation

11. The monitoring of project activities and outputs will be conducted by the project monitoring unit in partnership with the ADB project officer. The monitoring arrangements will be formalized in the grant implementation manual. The final evaluation of the project will include a report on the project's policy implications and lessons, including preparation of a knowledge product.

3. Project Review

12. ADB and the government will jointly undertake reviews of the project at least twice a year. The reviews will assess progress, identify issues and constraints, and determine necessary remedial action and adjustments. A midterm review will be conducted in the second year of implementation. It will (i) review the scope, design, and implementation arrangements and identify any adjustments required; (ii) assess progress of project implementation against performance indicators; and (iii) recommend changes in the design or implementation arrangements, if necessary.

4. Implementation Schedule

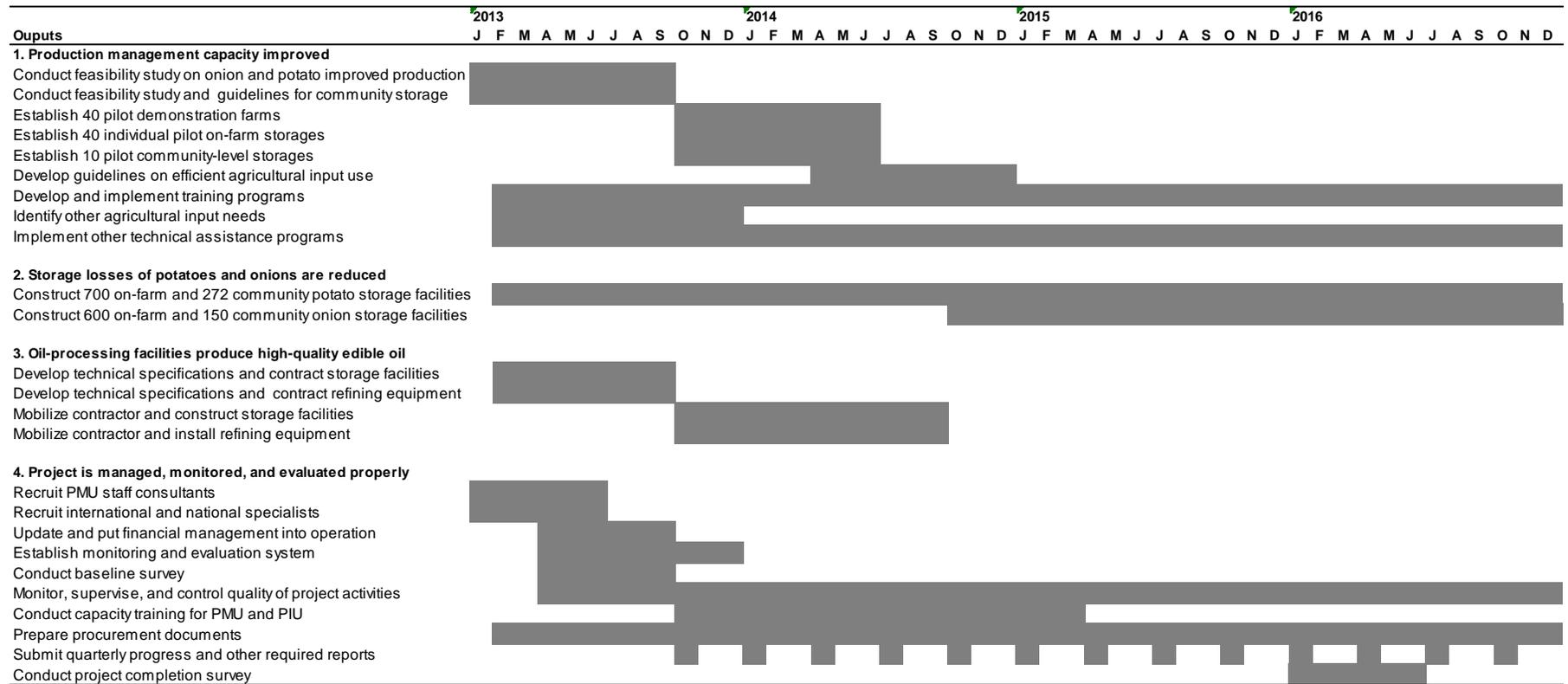
13. The project will be implemented over 4 years, tentatively from January 2013 to December 2017. Project preparation for startup is expected to begin in November 2012 with recruitment of the international consulting firm and individual consultants. The indicative implementation schedule in Appendix 6 provides details of the time frame of the project.

D. Implementation of Equity Scheme

14. The equity scheme operates as a 50% cash and in-kind contribution by both the project and beneficiaries. In the case of on-farm vegetable storages the beneficiary is the individual farmer, while in case of community storages the beneficiaries are farmer-members of a cooperative. Beneficiaries will own and be responsible for construction, management, and maintenance of the vegetable storage facilities. Individual farmers will provide their own land for storage construction, while the village *shura* (council of elders and notables) or cooperative will provide community land for the community vegetable storage.

15. Subject to meeting certain eligibility criteria (Appendix 8), individual farmers will be selected to participate in an equity scheme. A bank account will be established and the farmer will be required to contribute 50% of the cost in cash and material inputs. The procurement method for the storage structures will be through community participation. Once the site has been determined, the construction plans will be provided by project staff, a portion of the equity contribution from the project will be deposited in the bank account, and the farmer will then be responsible for contracting the building construction with local construction companies and individual workers. The process will be overseen by project and MAIL staff. If a final site investigation shows that works have been completed satisfactorily, the final payment will be deposited by the project into the bank account.

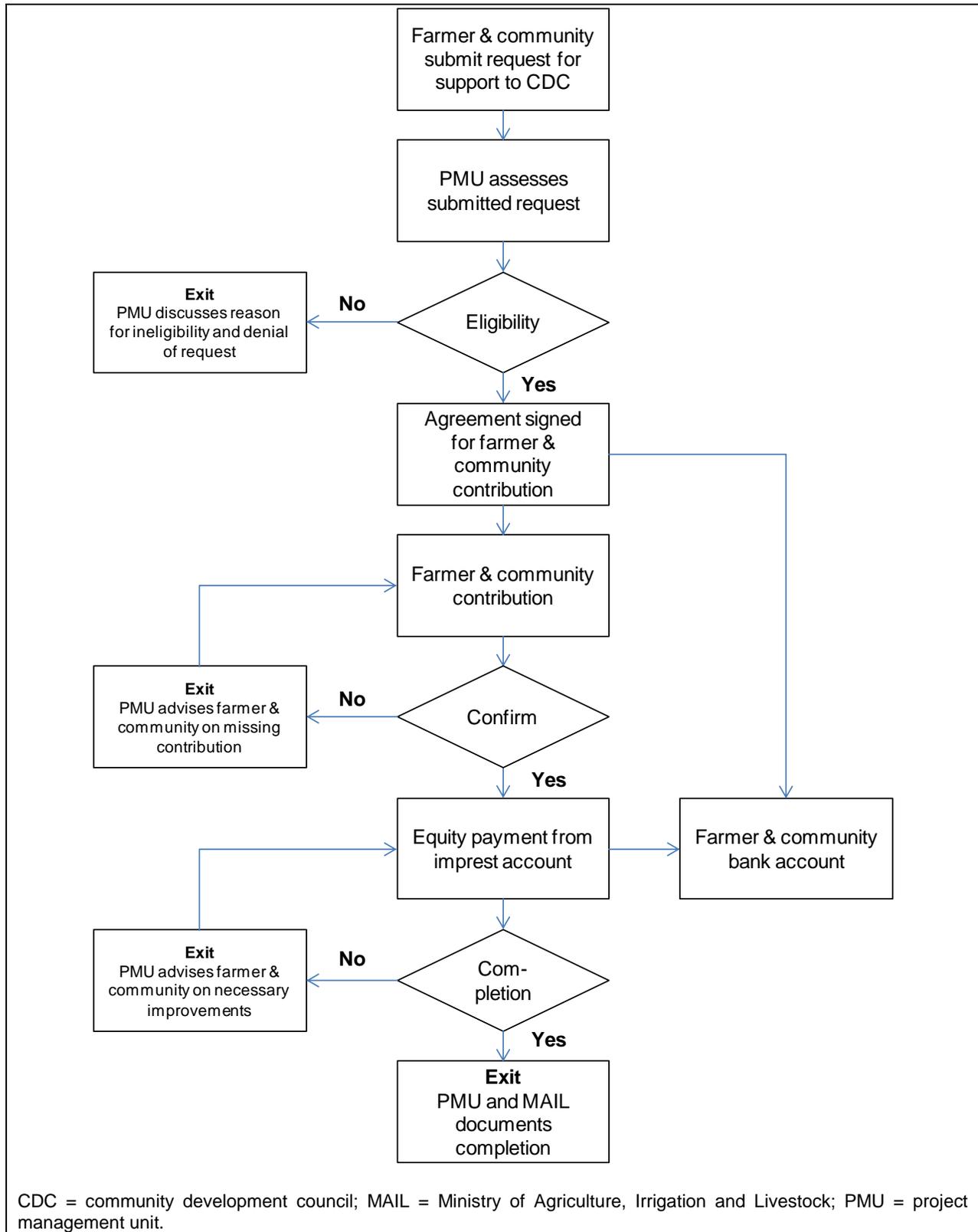
IMPLEMENTATION SCHEDULE



PIU = project implementation unit; PMU = project management unit.

Source: Asian Development Bank estimates.

IMPLEMENTATION OF EQUITY SCHEME



EXAMPLE OF MEMORANDUM OF UNDERSTANDING



MEMORANDUM OF UNDERSTANDING

BETWEEN

MINISTRY OF AGRICULTURE, IRRIGATION AND LIVESTOCK (MAIL)

AND

Farmer's Name

Concerning

Equity Grant for Construction of Vegetable Storage Facility

Under

Enhanced Agricultural Value Chains for Sustainable Livelihoods Project

XXX 2013

MEMORANDUM OF UNDERSTANDING

MINISTRY OF AGRICULTURE, IRRIGATION AND LIVESTOCK, Afghanistan (hereinafter called as “MAIL”), as part of its activities to support rural businesses under Enhanced Agricultural Value Chains for Sustainable Livelihoods Project (EVCP) desired to make an understanding with the:

Name and F/name:
 ID Card/Tazkira:
 Tel No:
 Province & District:
 Village:
 Association:

Hereinafter referred the “beneficiary”, regarding the provision of equity grant by MAIL to the beneficiary to enable him/her to construct a potato storage facility. They have come to the following understanding:

NATURE OF THE MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (hereinafter referred to as “MOU”) together with Annexes “A”, “B” which form an integral part hereof constitutes the entire understanding between MAIL/EVCP and Beneficiary in relation to the grant.

ELIGIBILITY CRITERIA

- (i) The farmer must meet a minimum planted area of 2.5 jeribs for potatoes or 1.5 jeribs onions. Farmers who can not meet this requirement may still be eligible to participate in community storage scheme.
- (ii) The farmer must contribute 50% of the investment in cash or in forms of labor, material and land with an estimated value of US\$4,000.
- (iii) First priority is given to farmers who are a member of EVCP cooperatives.
- (iv) Second priority is to non-members of EVCP cooperatives but who have planted 2.4 jeribs of potatoes or 1.5 jeribs of onions according to EVCP extension staff best practice guidelines.
- (v) The farmer must agree to build facility according to the design provided by EVCP.
- (vi) The farmer should follow EVCP extension staff instructions.
- (vii) The farmer should not be involved in cultivation of illicit crops.
- (viii) The farmer agrees to participate in the training of best production, storage and marketing practices.

RESPONSIBLE AUTHORITIES

The Farmer will construct a potato/onion storage facility based on the model developed by EVCP, the designs and technical specifications provided in Annex “A” of this MoU, the farmer will invest 50% (if the storages are not pilot storages) the of the total cost of the facility, estimated at US\$8,000

(eight thousand United States Dollars) with detailed billed of quantity and estimate provide in “annex “B”; that includes following:

- Land
- Excavation of the facility foundation
- Construction of facility stone walls

While MAIL, after completion and verification of the beneficiary’s investment, will provide 50% of the investment with value of US\$4,000 (four thousand United States Dollars), to enable the beneficiary complete the construction of the facility that includes:

- Wooden beams for roofing
 - Planks, straw and mud plaster on roof
- A. Construction of corridor and doors
 - B. Pipes for ventilation
 - C. Angoff of the walls
 - D. Gravelling and placing pallets on the floor

Special Conditions

- E. The storage facility must be built according to the model designed and built by EVCP, as the model as been tested in farmers region and proven the minimum loss of storage products and of suitable facility and practice.
- F. The construction work of the facility will be undertaken at the discretion of the farmer by a construction company or local construction work contractors (the Dari term for ejara dar kaar sakhtomani).
- G. In order to ensure the quality and compliance with designed model the construction work will be supervised by EVCP field office regularly and recommendations will be made to ensure quality and compliance.
- H. Farmer must not must not be involved or be involved in future in cultivation of any illicit crops.
- I. Farmer should follow EVCP training and extension messages delivered by MAIL and EVCP extension workers.
- J. The grant is subject to beneficiary’s commitment to invest 50% of the total cost of the facility and will be provided upon confirmation of the investment by the farmer that will be based on following:
 1. Upon completion of the construction covered by beneficiary’s investment outlined in roles of the responsibilities of parties above, the beneficiary will inform the EVCP provincial office.
 2. Five working days after the information of beneficiary’s completed investment, a delegation will be in the field to perform due diligence of such claim.
 3. If the information is confirmed by the delegation and attested by Provincial MAIL Director, a request of payment for the grant will be initiated by EVCP and approved by MAIL, followed by the disbursement of the grant.
 4. The beneficiary must furnish a bank account number to MAIL/EVCP, so the grant is transferred to the account to be used for completion of the construction work.
 5. Any dispute arising out of this MoU, which cannot be amicably settled between the parties, shall be referred to adjudication/arbitration in accordance with the laws of Islamic Republic of Afghanistan.
- K. The beneficiary will complete the 50% of the construction work thirty days after the

signature of this MOU.

L. MAIL will verify the performance of the beneficiary in fulfilling its responsibility and compliance with provisions of this MoU and disburse the grant for the beneficiary with in thirty days after the beneficiary informs of 50% completion of works.

M. The beneficiary is obligated to provide a final report of completion of the storage facility construction and utilization. This report will be verified by MAIL/EVCP.

General Conditions

This MOU shall come into force on the date of signature and shall expire in _____. This Memorandum of Understanding may be amended from time to time, as deemed necessary, by mutual agreement, through an exchange of letters.

IN WITNESS WHEREOF, the undersigned have signed this Memorandum of Understanding, in duplicate on the _____ day of _____ 2012.

The Beneficiary

Full Name

Date

Director of EAVC

Date

Assad Zamir, Director of (PIU), MAIL

Date

Saleem Kundozi
Deputy Minister for Finance and Administration
Ministry of Agriculture, Irrigation and Livestock
Islamic Republic of Afghanistan

Date

DESCRIPTION OF CONSULTANCY SERVICES

1. One international consulting firm (providing both international and national consultants) will be recruited through quality- and cost-based selection (QCBS), and additional consultants will be individually recruited through individual consultant selection (ICS) to undertake project activities and provide support to the project management unit (PMU.)

A. Consulting Firm

2. The international firm will be contracted to provide intermittent international (24 person-months) and national (20 person-months) consultant services over the life of the project. The firm will be chosen based on 80%:20% quality- and cost-based selection. The firm will provide the following individual consultant inputs:

- (i) **Business training specialists** (national, 3 positions, 9 person-months). The specialists will develop business development service packages, prepare training materials, and conduct business development service training workshops—three positions with three person-month contracts each.
- (ii) **Vegetable extension services expert** (international, 1 position, 5 person-months). This expert will prepare two manuals on improved production technologies for potatoes and onions for Central Afghanistan farming systems.
- (iii) **Training specialists** (international, 1 position, 8 person-months; national, 1 position, 8 person-months). These two positions will prepare training materials based upon the manuals developed by the vegetable extension services expert and will conduct training workshops in Bamyan, Kabul, and Panjshir provinces.
- (iv) **Agronomist** (international, 1 position, 8 person-months). This specialist will prepare a detailed crop nutritional manual for onions and potatoes for Central Afghanistan farming systems.
- (v) **Impact assessment specialists** (international, 1 position, 3 person-months; national, 1 position, 3 person-months). These two specialists will undertake a business development service impact assessment toward the completion of the project to identify the benefits from the on-farm and community storages, the farmer capacity building activities, and the improved edible oil refining.

B. Individual Consultants

3. The individual consultants (international - 9 person-months; National - 9 person-months) will provide direct support to the PMU in the early stages of the project. The following individual consultant inputs are required:

- (i) **Feasibility study specialist** (international, 1 position, 12 person-months). The specialist will be engaged immediately after project inception and will conduct feasibility studies of (i) improved potato and onion technologies, (ii) implementation guidelines for on-farm storage facilities for potatoes and onions, and (iii) implementation guidelines for community storage facilities.
- (ii) **Monitoring and evaluation specialist** (international, 1 position, 5 person-months). The specialist will be recruited immediately after project inception and will prepare

guidelines and M&E systems. This specialist will be responsible for preparing the baseline survey.

(iii) **Financial specialist systems** (international, 1 position, 2 person-months). The specialist will be recruited immediately after project inception and will develop the financial and accounting systems for the PMU.

(iv) **Baseline survey specialists** (national, 3 positions, 9 person-months). Three national specialists will be recruited to undertake the baseline surveys, which will be prepared by the M&E specialist.

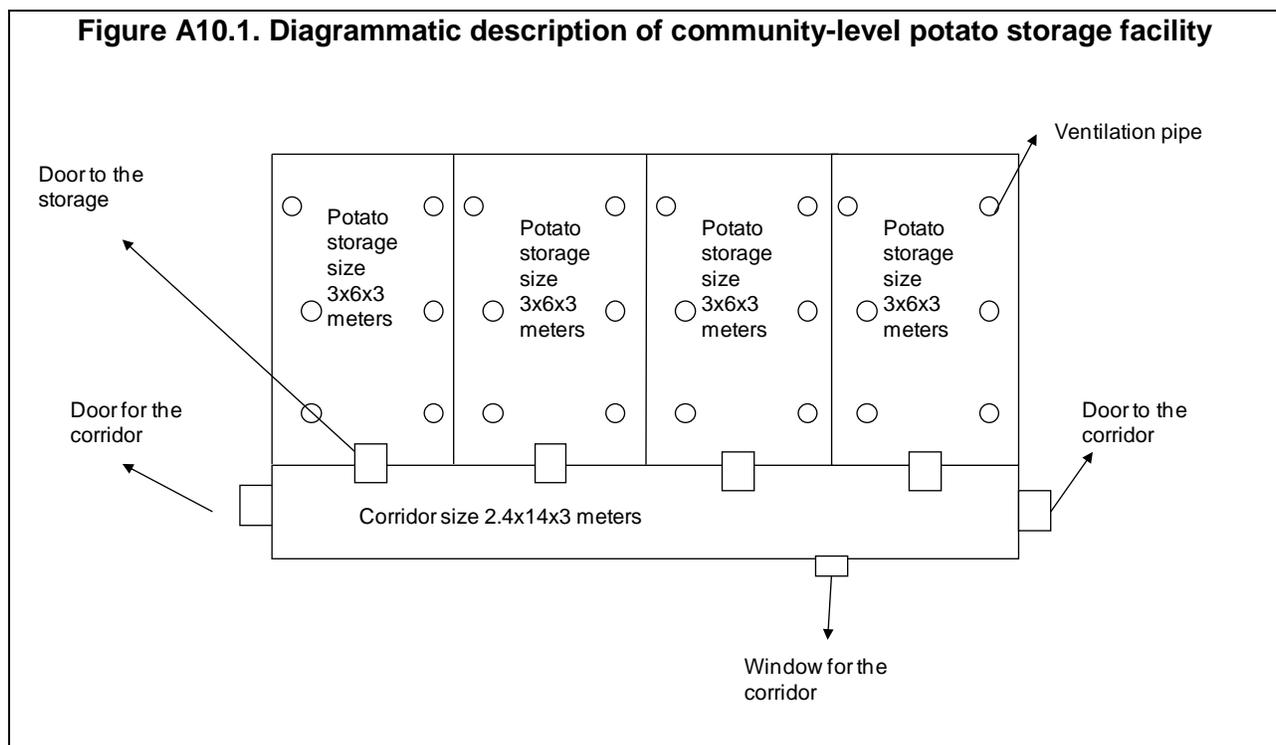
DESCRIPTION OF STORAGE FACILITIES

A. Specifications for Community Level Storage

1. As shown in Figure A10.1, community storage buildings for the Enhanced Agricultural Value Chains for Sustainable Livelihoods Project will have the following specifications:

- (i) Each facility will have four adjacent storage rooms aligned along a corridor from which they will each be accessible by a door.
- (ii) The four adjacent rooms will have an overall storage capacity of 40-50 tons of potatoes or onions.
- (iii) The community storage facilities will be located in the central areas of the project villages to provide maximum access to farmers and allow trucks to be loaded and unloaded easily.

2. The diagrammatic description of the on-farm potato and onion storages are given in Figures A10.2 and A10.3 respectively.

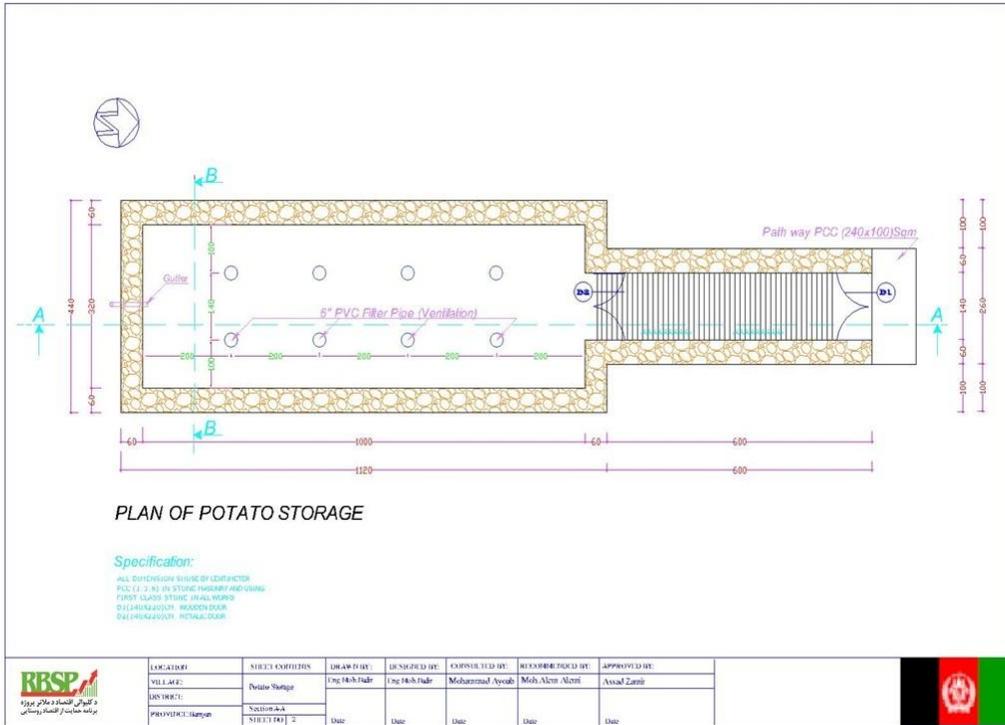


Source: Rural Business Support Project.

B. Specifications for On-Farm Potato Storage

3. The diagrammatic description of the on-farm potato storages is given in Figure A10.2.

Figure A10.2. Diagrammatic description of On-Farm Potato Storage

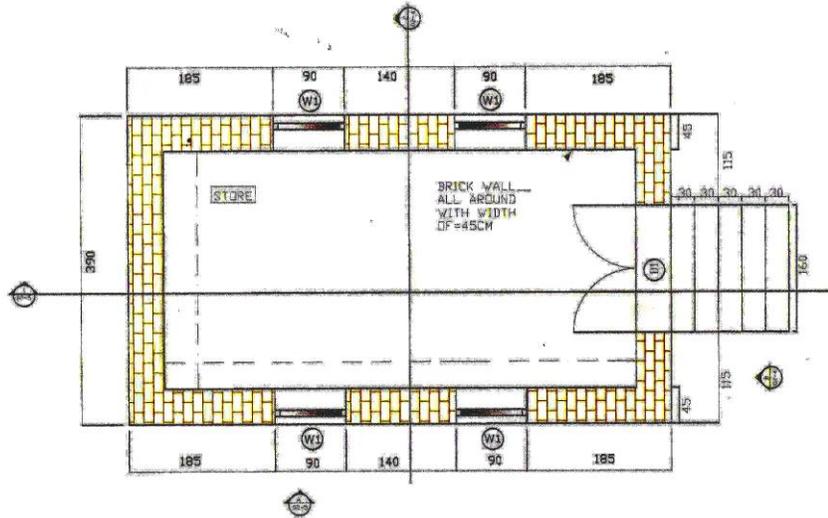


Source: Rural Business Support Project.

C. Specifications for On-Farm Onion Storage

- The diagrammatic description of the on-farm onion storages is given in Figure A10.3.

Figure A10.3. Diagrammatic description of On-Farm Onion Storage



ONION STORE PLAN
scale 1:50

Scale 1:50
all dimintions are
in centimeter
Drawing by Eng
Faroq watarwal

Source: Rural Business Support Project.

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Afghanistan	Project Title:	Enhanced Agricultural Value Chains for Sustainable Livelihoods Project
Lending/Financing Modality:	Japan Fund for Poverty Reduction Grant Project	Department/Division:	Central West Asia Department Environment, Natural Resources, and Agriculture Division

I.	POVERTY ANALYSIS AND STRATEGY	
A.	Links to the National Poverty Reduction Strategy and Country Partnership Strategy	
	<p>The overriding objective of the Afghanistan National Development Strategy (ANDS) is to substantially reduce poverty, improve the lives of the Afghan people, and create the foundation for a secure and stable country.^a The government recognizes that employment generation is the key to poverty reduction. The ANDS aims to sustain high economic growth rates in the medium term and expects such growth to reduce poverty and generate employment. It sees a need for more private investment to generate this employment but recognizes that access to markets and better infrastructure, security, and protection of property rights are critical preconditions for private investment to grow. The rural economy is the major source of employment and income for Afghanistan's people and nearly 80% of the population, or 19 million people, live in impoverished rural areas. Rural economic growth—through growth, diversification, and value addition in agriculture—is essential for any sustained improvement in livelihoods. Informal, largely agriculturally based enterprises are responsible for most private investment and employment in Afghanistan and will be the key to economic growth and generating employment. A shortage of skilled labor reduces the ability of domestic industry to compete with those of neighboring economies.</p> <p>To expand and diversify agriculture in Afghanistan and reduce poverty, improvements must be made all along the agriculture value chain, from production on through to processing, packaging, transport, and marketing. This will also increase rural non-farm incomes, help reduce the vulnerability of the poor to the risks inherent in agriculture, and ensure more equitable economic development.</p> <p>The project will help build efficiency in the targeted commodity value chains by improving infrastructure and supporting the adoption of better post-harvest technology and management practices and processes. Through its activities with agribusinesses and farmers' associations, the project will facilitate growth in production; improve commodity quality; expand capacity to meet demand in export and domestic markets; and improve returns for farmers, traders, and processors. It will focus on important gaps in the value chains of several commodities in the project areas and thereby facilitate and support commercial agricultural development by agribusinesses.</p> <p>The country partnership strategy of the Asian Development Bank (ADB) in Afghanistan is fully aligned with the priorities and outcomes of the ANDS. ADB's strategy highlights four sectors for ADB investments: (i) energy; (ii) transport and communication; (iii) agriculture and natural resources, including irrigation and water resources management; and (iv) governance.^b</p>	
B.	Poverty Analysis	Targeting Classification: TI-G
1.	Key issues.	
	<p>According to the National Risk and Vulnerability Assessment (NRVA) for 2007/08,^c the poverty rate was 36% in rural areas, 29% in urban areas, and 54% among the country's nomadic population (footnote a, page 30). Since the rural population makes up 80% of the population overall, the national poverty level (36%) is similar to the rate of rural poverty. Poverty rates vary by region, however, and range from a low of 22.7% in the Southwest to 35% in the West, 40% in the North, and a high of 45% in the East.</p> <p>The NRVA shows that poverty levels are also seasonal. Poverty was highest during the spring and summer of 2008 at around 44%–46%, the lowest in the fall of 2007 at 23%, and stood at 32% in during the winter of 2007–2008. The same quarterly pattern also appears in a measure of well-being based on food consumption. According to NRVA, the calorie deficiency rate—individual daily consumption below 2100 calories—was 24% in fall, 23% in winter, 32% in spring, and 34% in summer over the same time period.</p> <p>Rural populations face the highest rates of food insecurity, with 45% not meeting minimum food requirements. The rural population also has less access to infrastructure and basic public services, lower rates of education, and correspondingly high rates of illiteracy. The NRVA revealed that both literacy and a relatively higher education level of household heads tended to correlate with a lower level of household poverty. The poverty rate among households whose head had no education was 35%. Poverty rates were lower in households headed by individuals who had more education and generally reflected the number of years of schooling the household heads had been able to complete. The rate was 23% among households whose head had a high school education.</p>	

political instability, etc.)		will be made with local community development councils, which will improve local ownership.	
IV. MONITORING AND EVALUATION			
Are social indicators included in the design and monitoring framework to facilitate monitoring of gender and social development activities and/or social impacts during project implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
A monitoring and evaluation team will be established within the Ministry of Agriculture, Irrigation & Livestock and will monitor performance, including environmental, poverty, gender, and social impacts.			

Sources:

- ^a Islamic Republic of Afghanistan. 2008. *Afghanistan National Development Strategy 2008-2013: A Strategy for Security, Governance, Economic Growth and Poverty Reduction*. Kabul. (p. 40).
- ^b ADB. 2008. *Country Partnership Strategy: Afghanistan, 2009–2013*. Manila.
- ^c Islamic Republic of Afghanistan. 2010. *Poverty Status in Afghanistan: A Profile based on National Risk and Vulnerability Assessment (NRVA) 2007/08*. Kabul.

PROCUREMENT PLAN

Basic Data

Project Name: Enhanced Agricultural Value Chains for Sustainable Livelihoods project	
Country: Afghanistan	Executing Agency: Ministry of Finance
Grant Amount: \$18.5 million	Grant Number: 45259-001
Date of First Procurement Plan	Date of this Procurement Plan: September 2012

A. Process Thresholds, Review, and 18-Month Procurement Plan

1. Project Procurement Thresholds

1. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works

Method	Threshold
International competitive bidding for works	Above \$1,000,000
International competitive bidding for goods	Above \$500,000
National competitive bidding for works	Below that for international competitive bidding for works
National competitive bidding for goods	Beneath that for international competitive bidding for goods
Shopping for works	Below \$100,000
Shopping for goods	Below \$100,000
Community participation	Below \$10,000

2. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Method	Prior or Post Review	Comments
Procurement of Goods and Works		
International competitive bidding for works	Prior	
International competitive bidding for goods	Prior	
National competitive bidding for works	Prior and post	Prior review for first six contracts
National competitive bidding for goods	Prior and post	Prior review for first six contracts
Shopping for works	Prior	
Shopping for goods	Prior	
Recruitment of Consulting Firms		
Quality- and cost-based selection	Prior	
Least-cost selection of consultants	Prior	
Recruitment of Individual Consultants		
Individual consultants	Prior	

3. Goods and Works Contracts Estimated to Cost More Than \$1 Million

3. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (\$)	Procurement Method	Prequalification of Bidders (yes/no)	Advertisement Date	Comments
Oil refining equipment	1,400,000	ICB	No	Q1 2013	

ICB = international competitive bidding; Q = quarter.

4. Consulting Services Contracts Estimated to Cost More Than \$100,000

4. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (\$)	Recruitment Method	Advertisement Date ^a	International or National Assignment	Comments
Consulting services -firm	1,096,000	QCBS	Q1 2013	International	
Consulting services - feasibility studies	360,000	ICS	Q1 2013	International	
Consulting services-M&E specialist	150,000	ICS	Q1 2013	International	

ICS = individual consultant selection; M&E = monitoring and evaluation; Q = quarter; QCBS = quality- and cost-based selection.

5. Goods and Works Contracts Estimated to Cost Less Than \$1 Million and Consulting Services Contracts Less Than \$100,000

5. The following table groups smaller-value goods, works, and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Value of Contracts (\$, cumulative)	Number of Contracts	Procurement/ Recruitment Method	Comments
Works				
Storage facilities	600,000	2	NCB	
Pilot on-farm storages	320,000	40	Shopping	
Pilot community storages	250,000	10	Shopping	
Goods				
Equipment and supplies				
On-farm demonstration	360,000	100	Shopping	
Consulting Services				
Consulting—financial systems	60,000	1	ICS	
Consulting—M&E survey	45,000	1	ICS	
Audit	40,000	1	LCS	

ICS = individual consultant selection; LCS = least-cost selection; M&E = monitoring and evaluation; NCB national competitive bidding.

B. Indicative List of Packages Required Under the Project

6. The following table provides an indicative list of all procurement (goods, works, and consulting services) over the life of the project. Contracts financed by the borrower and others should also be indicated, with an appropriate notation in the comments section.

General Description	Estimated Value (\$, cumulative)	Estimated Number of Contracts	Procurement Method	Comments
Works				
Storage facilities	600,000	2	NCB	
Pilot on-farm storages	320,000	40	Shopping	
Pilot community storages	250,000	10	Shopping	
Goods				
Equipment and supplies				
Oil refining equipment processing/storage	1,400,000	1	ICB	
On farm demonstration	360,000	100	Shopping	
Consulting Services				
Feasibility studies	360,000	1	ICS	
Consulting firm	1,096,000	1	QCBS	
M&E specialist	150,000	1	ICS	
Financial system specialist	60,000	1	ICS	
M&E survey	45,000	1	ICS	
Audit	40,000	1	ICS	

ICB = international competitive bidding; ICS = international competitive selection; LCS = least cost selection; M&E = monitoring and evaluation; NCB national competitive bidding; QCBS = quality and cost based selection.

C. National Competitive Bidding

1. General

7. National competitive bidding for the procurement of goods and related services shall conform to the provisions for open tender without prequalification as prescribed in the Procurement Law of October 2005 and elaborated in the Rules of Procedure for Public Procurement issued by the Ministry of Finance in April 2007, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines (2010, as amended from time to time) of the Asian Development Bank (ADB).

2. Registration and Other Pre-Bid Requirements

- (i) Bidding shall not be restricted to shortlists or standing Lists.
- (ii) No bid shall be declared as ineligible on the grounds of debarment without ADB's prior concurrence.
- (iii) No bid shall be declared ineligible on the grounds of government regulations that restrict sources without ADB's prior concurrence.

- (iv) Foreign suppliers and contractors from ADB member countries shall be allowed to bid, without registration, licensing, and other government authorizations. However, in case these foreign suppliers and contractors are declared winning bidders, the requirements may be completed after award and before signing of contract, without unreasonable costs or additional requirements.

3. Prequalification

8. Post qualification shall be used unless prequalification is explicitly provided for in the grant agreement/procurement plan. Irrespective of the procedure applied (whether prequalification or post qualification), no domestic or foreign contractor shall be precluded from participation.

9. If prequalification is undertaken, the prequalification criteria should include "Eligibility Requirements", "Financial Situation", "Pending Litigation", and "Experience". Technical Capacity (personnel and equipment) should not be part of the prequalification criteria.

10. Interested bidders shall be given a minimum period of 28 days for the preparation and submission of prequalification applications.

4. Advertising

11. Bidding of national competitive bidding contracts (NCB) estimated at \$500,000 or more for goods and related services and NCB contracts estimated at \$1,000,000 or more for works shall be advertised on ADB's website via the posting of the procurement plan.

5. Bidding Documents

12. Procuring entities shall use standard bidding documents acceptable to ADB, based on the standard bidding documents issued by ADB.

6. Bidding Period

13. Procuring entities shall allow for a minimum of 4 weeks for submission of bids.

7. Bid Security

14. Where required, bid security shall be in the form of a bank guarantee or check from a reputable bank and should not be more than 2% of the estimated value of contract to be procured.

8. Preferences

15. No preference of any kind shall be given shall be given to domestic bidders or for domestically manufactured goods.

9. Evaluation

16. No bid shall be rejected on the grounds of price, or for any other reason(s) not related to the evaluation and qualification criteria, without ADB's prior concurrence.

17. Prompt payment discounts offered by bidders shall not be considered in bid evaluation.

10. Price Negotiations

18. Price negotiation shall be allowed only after receiving ADB's prior concurrence.

11. Advance Payments

19. No advance payment shall be made without an advance payment security in the form of a bank guarantee or check from a reputable bank.

12. Government-Owned Enterprises

20. Government-owned enterprises in Afghanistan shall be eligible to participate only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the procuring entity, or the project executing agency or the implementing agency.

13. Right to Inspect and Audit

21. A provision shall be included in all NCB works and goods contracts financed by ADB requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract and to have them audited by auditors appointed by ADB.

14. Anticorruption Policy

- (i) The borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question.
- (ii) ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, ADB-financed contract, as indicated in paragraph 1.14 (a) of ADB's Procurement Guidelines (2010, as amended from time to time).

15. Disclosure of Decision on Contract Awards

22. At the same time that notification of award of contract is given to the successful bidder, the results of bid evaluation shall be published in a local newspaper or on a well-known, freely accessible website, identifying the bid and lot numbers and providing information on (i) the name of each bidder who submitted a bid; (ii) the bid prices as read out at bid opening; (iii) the name of bidders whose bids were rejected and the reasons for their rejection; and (iv) the name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The executing agency/implementing agency/contracting authority shall respond in writing to unsuccessful bidders who seek explanations of the grounds on which their bids were not selected.

16. Member Country Restriction

23. Bidders must be nationals of member countries of ADB and offered goods, works, and related services must be produced in and supplied from member countries of ADB.