



## Afghanistan: Agriculture Market Infrastructure Project - Additional Financing

Project Name	Agriculture Market Infrastructure Project - Additional Financing
Project Number	39370-023
Country	Afghanistan
Project Status	Approved
Project Type / Modality of Assistance	Grant
Source of Funding / Amount	<b>Grant 0437-AFG: Agriculture Market Infrastructure Project - Additional Financing</b> Afghanistan Infrastructure Trust Fund US\$ 11.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth
Drivers of Change	Partnerships Private sector development
Sector / Subsector	<b>Agriculture and Natural Resources</b> - Agriculture, natural resources and rural development
Gender Equity and Mainstreaming	No gender elements
Description	<p>The Asian Development Bank (ADB) approved a grant of \$30 million from its Special Fund Resources for the Agriculture Market Infrastructure Project (the original project) on 21 November 2008. The intended impact of the original project is increased growth in agriculture, through more efficient livestock and horticulture agribusiness industries as outcome. More specifically, the project aimed to improve agricultural marketing infrastructure with investment in livestock slaughterhouses, horticulture, farm level collection centers (FLCC), and improved standards for horticulture products and product management systems. The Ministry of Agriculture, Irrigation, and Livestock (MAIL) is the implementing agency for the project.</p> <p>The original project's outputs were: Output 1: five modern slaughterhouses in Kabul and three other provincial cities, built under the project, and managed by the private sector under lease/management contracts; Output 2: about 200 FLCC, managed by farmers' associations for collection, packaging, and storage of horticultural produce; and Output 3: established product standards and the internationally accredited laboratories to regulate the quality of fresh and dried fruits and nuts. Outputs 1 and 2 are in advanced stage of implementation. Contracts to construct facilities have been awarded, and works are progressing. Output 3 (nuts and fruit testing laboratories) has been reduced, by dropping the upgrading of nuts and dried fruits testing laboratories from the project in 2015.</p> <p>A number of design changes have been identified during the initial design and construction phase by the slaughterhouses contractor. These proposed design changes consisted of expansion of slaughterhouse facilities, including expansion of waste water treatment plant, capacity of electric generator, water tanks, paddock and parking area for environmentally sustainable operation, also by adding power grid connection (due to apparent omission in the original design), and various additional electric and mechanical equipment installation for more efficient and high quality operation of slaughterhouses. The proposed revisions in the contract also include enhanced security measures, such as perimeter security, security lighting, CCTV, access control, guard facilities, safe room, fire safety and a basic medical response capacity during the execution of the contract. Reflecting the prolonged implementation delays, the unit cost of contract has also been updated.</p> <p>These design modifications, along with the increased cost of materials and equipment due to general implementation delays increased the cost of component 1 by \$16 million in excess of the original cost estimates. A part of the cost overrun can be covered by reallocating the grant resources within the existing allocation of \$30 million, but an additional \$11 million is still needed. To cover the financial gap, the government requested ADB to provide additional financing. ADB subsequently obtained a confirmation from the Department for International Development of the Government of United Kingdom to provide \$11.0 million for the project through ADB-administered Afghanistan Infrastructure Trust Fund (AITF). The proposed additional financing was for the government to complete the project's component 1, with the scope and scale as originally envisaged, and to enable the project deliver the intended development outcomes.</p>

Project Rationale and Linkage to Country/Regional Strategy	Additional financing is proposed to meet a financing shortfall from the substantial increase in the cost of completing the five slaughterhouses. The cost increase is primarily due to changes in the design. The government places a high priority on the slaughterhouse component, as there are no modern slaughterhouses in Afghanistan. There has been increasing demand for safer and more hygienic meat from consumers, and stronger urban environmental and public health concerns from unhygienic and rudimentary slaughtering practices in all major cities. However, failure of agribusiness financing market, lingering security concerns and unfavorable investment climates prevent the private sector from investing in agribusiness in general, and slaughterhouse in specific.
Impact	Project Impact is Agricultural Growth Increased

## Project Outcome

Description of Outcome	More efficient livestock and agribusiness industries
Progress Toward Outcome	
<b>Implementation Progress</b>	
Description of Project Outputs	Modern slaughterhouses in Kabul and three provincial cities Farm-level collection and marketing facilities for high-value horticultural commodities
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	

## Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

## Summary of Environmental and Social Aspects

Environmental Aspects	The activities to be supported under the additional financing will not alter the scope and scale of the original project. As such, it is likely to have minimal or no adverse environmental impacts. Nevertheless, MAIL is required to ensure construction and subsequent operations of the slaughterhouses are fully compliant with the safeguard policy requirements of the Government and ADB. Safeguards monitoring will be performed by the Environmental Safeguard Expert and the results will be included in the quarterly progress reports and semi-annual Environmental and Social Monitoring Reports. Such monitoring should adhere to the requirements in IEE and EMP.
Involuntary Resettlement	The additional financing does not involve land acquisition, hence no involuntary resettlement impacts, and is not expected to have impacts on indigenous peoples. Nevertheless, MAIL is required to ensure construction and subsequent operations of the slaughterhouses are fully compliant with the safeguard policy requirements of the Government and ADB. Safeguards monitoring will be performed by the Environmental Safeguard Expert and the results will be included in the quarterly progress reports and semi-annual Environmental and Social Monitoring Reports. Such monitoring should adhere to the requirements in IEE and EMP.
Indigenous Peoples	The additional financing does not involve land acquisition, hence no involuntary resettlement impacts, and is not expected to have impacts on indigenous peoples. Nevertheless, MAIL is required to ensure construction and subsequent operations of the slaughterhouses are fully compliant with the safeguard policy requirements of the Government and ADB. Safeguards monitoring will be performed by the Environmental Safeguard Expert and the results will be included in the quarterly progress reports and semi-annual Environmental and Social Monitoring Reports. Such monitoring should adhere to the requirements in IEE and EMP.

## Stakeholder Communication, Participation, and Consultation

During Project Design	Consultations were undertaken during the design stage of this additional financing with all key stakeholders. The team undertook extensive consultations, and meetings involving public and private sector agencies and individuals working in the sector, community groups, and producers.
During Project Implementation	During project implementation, project working groups and representatives of associations and private enterprises will have opportunities to raise concerns, propose and prioritize project activities, and comment on measures required to enhance the business environment. These groups need to include women and men, as well as representatives from different stakeholder groups and wealth categories. Project information will be strategically disseminated through media to the key stakeholders, including livestock traders, butchers, meat retailers, slaughtered animal by-products traders, and consumers

## Business Opportunities

Procurement Presently, the slaughterhouse contractors are on site, and construction and supervision are ongoing. Thus, additional financing will not entail new procurement. Additional finance will support the continuation of ongoing civil and installation works through amendments to existing contracts, with construction scheduled to be completed by 30 June 2017

## Responsible Staff

Responsible ADB Officer	Mohammad Hanif Ayubi
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Afghanistan Resident Mission
Executing Agencies	<i>Ministry of Finance Pashtunistan Watt, Kabul, Islamic Republic of Afghanistan</i>

## Timetable

Concept Clearance	-
Fact Finding	15 Jul 2015 to 18 Jul 2015
MRM	11 Aug 2015
Approval	25 Sep 2015
Last Review Mission	-
Last PDS Update	23 Aug 2015

## Grant 0437-AFG

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
25 Sep 2015	29 Nov 2015	14 Jan 2016	31 Dec 2017	-	-

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	11.00	Cumulative Contract Awards			
ADB	0.00	25 Sep 2015	0.00	0.00	0%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	11.00	25 Sep 2015	0.00	0.00	0%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	-	-	-	-	Satisfactory

Project Page	<a href="https://www.adb.org/projects/39370-023/main">https://www.adb.org/projects/39370-023/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=39370-023">http://www.adb.org/forms/request-information-form?subject=39370-023</a>
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