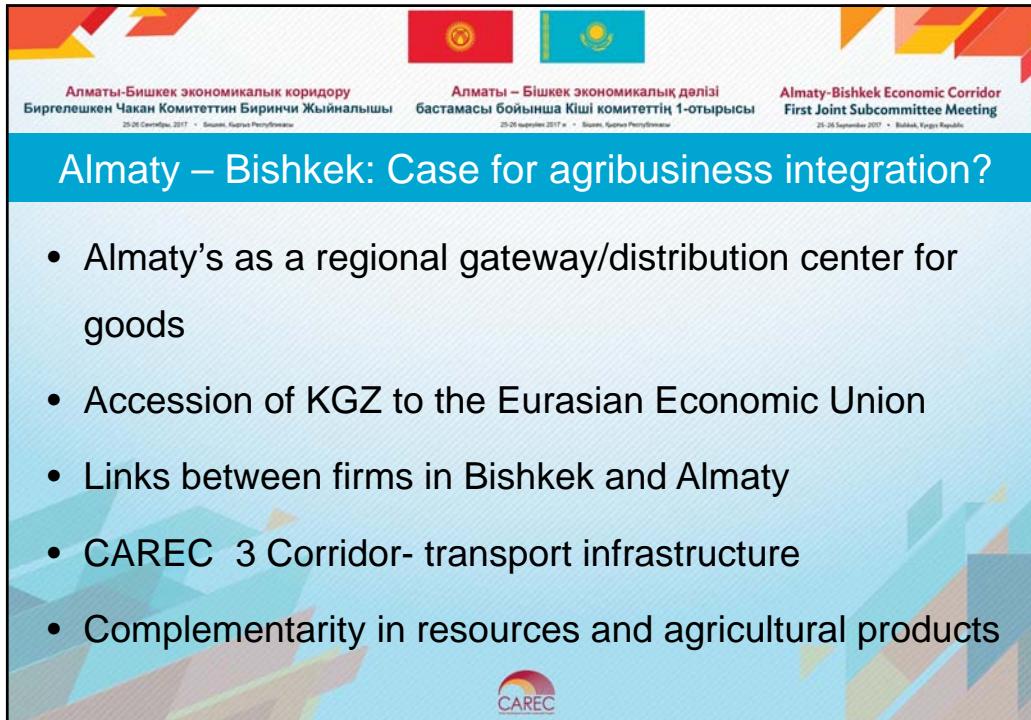


The banner features the flags of Kazakhstan and Kyrgyzstan at the top. Below the flags, there are three sections of text in Russian, Kyrgyz, and English, all referring to the Almaty-Bishkek Economic Corridor and the First Joint Subcommittee Meeting. The date is given as 25-26 September 2017, and the location is Bishkek, Kyrgyz Republic. The background of the banner has a light blue gradient with abstract geometric shapes.

Modern Agriculture Market Infrastructure (MAMI) Development under PPP Framework

Environment, Natural Resources and Agriculture/CWRD

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Almaty – Bishkek: Case for agribusiness integration?

- Almaty's as a regional gateway/distribution center for goods
- Accession of KGZ to the Eurasian Economic Union
- Links between firms in Bishkek and Almaty
- CAREC 3 Corridor- transport infrastructure
- Complementarity in resources and agricultural products

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  Almaty-Bishkek Economic Corridor First Joint Subcommittee Meeting 25-26 September 2017 • Bishkek, Kyrgyz Republic		
Strengths and Challenges		
Strengths	Kyrgyzstan	Kazakhstan
	<ul style="list-style-type: none"> • Small competitive enterprises • Small farms • Traditionally rearing livestock for dairy production • Access to middle eastern heavy meat consumption markets 	<ul style="list-style-type: none"> • Relatively larger enterprises • Mix of large, medium and small farms • Established strengths in grain production • direct access to the rest of Central Asia, China
Common Challenges	<ul style="list-style-type: none"> • Low utilization of food processing capacity • Inconsistent compliance with food safety • Inability to export higher value forms of produce • Policies limiting land consolidation and transactions 	

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Trade in the Corridor		
2016 Trade KYR to KAZ		
Agricultural products	Kyrgyzstan Total exports	Kazakhstan imports from Kyrgyzstan
Vegetables, t		
Potato	6 367	4 877
Cabbage	2 552	2 118
Tomato	259	224
Carrot	3 844	2 113
Onion + garlic	6 202	937
Fruits, t		
Apple	2 277	1 771
Apricot	2 137	517
Berries, t		
All berries	1 123	538
Livestock products, thousand USD		
Fresh milk	3 490	3 490
Meat (at slaughter weight)	1 659	981
Eggs, pieces	16	0
Fish	124	1

Source: ITC, 2017 Export from Kyrgyzstan by products and countries



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Potential to MAMI and Agro-processing

Vegetables ('000 t)	Production		Export		Import	
	KAZ 2016	KYR 2016	KAZ 2016	KYR 2015	KAZ 2016	KYR 2015
Onion	757	183.4	43.5	3.6	127	na
Tomato	706	231.1	2.8	0.3	53.9	na
Carrots	554	179.7	0.6	12.8	11.2	na
Cabbage	548	142.8	3.8	0.006	33.4	na
Cucumber	404	na	2.4	na	8.2	na
Potato	na	1378	na	31	na	
Fruits ('000 t)						
Apple	188	127.6	0.4	6.3	99	na
Apricot	19	60.6	4.2	1.1	32.4	na
Meat ('000 t carcass)						
Beef	431	96.9	1.6	1	9.5	na
Poultry	153	0.007	8.8	0	165.2	na
Milk ('000 t)						
Cow milk	5 300	1481	12	8.6	34.9	na

Source. Committee on Statistics, Kazakhstan; National Statistics Committee, Kyrgyzstan;; UN Comtrade Database





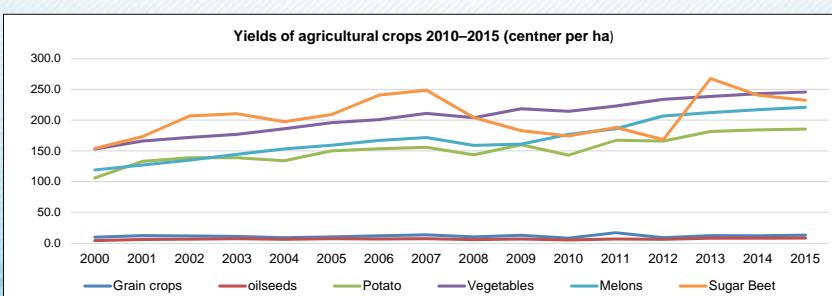
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Agricultural production potential-KAZ

Yields of agricultural crops 2010–2015 (centner per ha)



Product	Share
Potatoes	10-30%
Milk (cow milk)	5-10%
Meat (beef)	3-5%

Source: Committee on Statistics. Productivity of Agricultural Crops 1990–2015.

Postharvest handling and storage losses in 2013, %

Product	Share
Potatoes	10-30%
Milk (cow milk)	5-10%
Meat (beef)	3-5%

Source: FAO. 2014. Country Report. Food Losses and Waste in Kazakhstan



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Inefficiencies and Market Failures

- Current facilities are inadequate for growing domestic and export market
- Private sectors have not invested adequately in modernizing markets
- Lack of linkages between primary storages to wholesale markets
- Primary producers are dependent on buyers and intermediaries to reach out to farms;
- Farmers are not organized in groups or cooperatives to store and market to take advantage of higher off-season prices
- Agro-processing capacity remains under-utilized



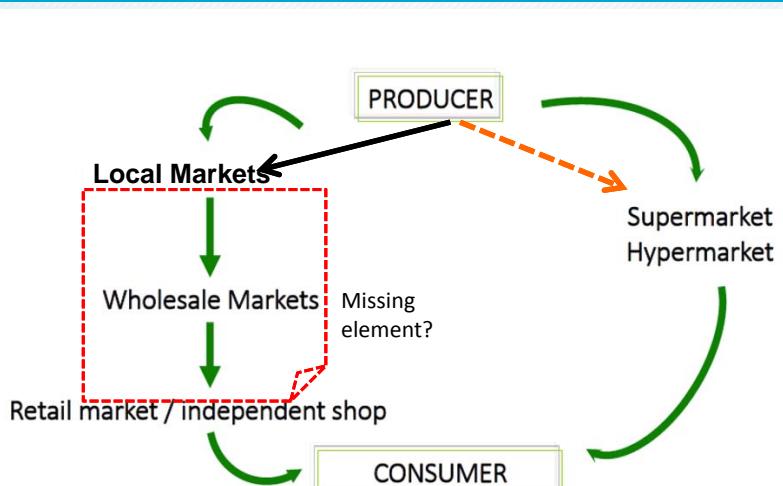


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Getting products to consumer



```

graph TD
    PROD[PRODUCER] --> LM[Local Markets]
    PROD -.-> SH[Supermarket Hypermarket]
    LM --> WM[Wholesale Markets]
    WM --> RS[Retail market / independent shop]
    RS --> CON[CONSUMER]
    SH -.-> CON
    
```

The diagram illustrates the distribution chain from producer to consumer. It starts with a **PRODUCER** at the top, which has two paths: one leading to **Local Markets** (indicated by a red dashed box) and another leading directly to **Supermarket Hypermarket**. From **Local Markets**, the flow goes down to **Wholesale Markets**, then to **Retail market / independent shop**, and finally to the **CONSUMER**. A question mark labeled "Missing element?" is placed near the transition from Wholesale Markets to Retail market.

Current market looks like this

The collage consists of six photographs arranged in a grid:

- Top-left: An outdoor market with several small tents and people.
- Top-middle: A view of a large industrial building with many shipping containers stacked outside.
- Top-right: An outdoor market under a blue canopy, displaying boxes of fruit like tomatoes and peaches.
- Middle-left: Two people walking through an outdoor market with green canopies.
- Middle-middle: The interior of a large warehouse or industrial hall with pallets and boxes.
- Middle-right: An outdoor market under a blue canopy, showing boxes of fruit.
- Bottom-left: An outdoor market with a red canopy and a person standing near a stall.
- Bottom-middle: An outdoor market under a blue canopy, showing boxes of fruit.
- Bottom-right: A view of a large industrial building with shipping containers.

It could look different

The collage consists of four photographs:

- Fruits & vegetables:** An indoor supermarket aisle filled with various fruits and vegetables.
- Fish wholesale:** An indoor market hall where fish is being processed and packed on large white tables.
- Wholesale meat section:** An indoor market hall with a long counter and a sign that reads "UZ PLAZA".
- Exterior:** Two blue delivery trucks with the logo "mercazaragoza" parked in front of a building.



Examples of modern agriculture market infrastructure

France, Rongis Paris	Spain, Mercasa (network)	Germany, Frankfurt a.M.
<ul style="list-style-type: none"> • 9 billion Euros turnover • 234 ha, located 7km from Paris • 1200 companies • 18 million consumers 	<ul style="list-style-type: none"> • 12 million Euros turnover • Network hub: 3240 companies (volume 5.1 million tons) <ul style="list-style-type: none"> ◦ 23 fruit & vegetable wholesale markets ◦ 17 fish wholesale markets ◦ 3 flower wholesale markets 	<ul style="list-style-type: none"> • 440,000 tons turnover per year • 110 wholesale traders and importers • 3,000 customers (retail) • Own recycling system • PPP management • WTO Food and hygiene certified



The Way Forward

- MAMI is a classic public goods model
- Governments must lead with a master plan and investments under a PPP framework
- ADB project concept proposal
 - wholesale market in Almaty, Bishkek, Southern KAZ (Taraz or Shymkent)
 - managed under a PPP management framework
 - linked to primary storages / collection points, wholesale markets, processors, packaging, logistics & value addition.

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The Proposed Project

Impact	Improved contribution of horticulture, beef and dairy sectors to inclusive economic growth in KAZ and KGZ
Outcome	Increase in trade in horticultural, beef and dairy products along the Almaty-Bishkek Economic Corridor
Outputs	<ol style="list-style-type: none"> 1. Modernized and climate resilient wholesale market facilities linked to network of primary storage facilities established 2. Capacity to manage market infrastructure



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Indicative Financing Plan

Source	Amount (\$ million)	Share of Total (%)	Kazakhstan	Kyrgyzstan
Asian Development Bank				
Ordinary capital resources (concessional loan)	150.0	71.4	100.0	50.0
Government ^a	60.0	28.6	40.0	20.0
Total	210.0	100.0	140.0	70.0

a The government's contribution is through exemptions of taxes and duties for imported goods, works, and services. The amount is an initial estimate. The final contribution will be calculated and discussed with the government during the technical assistance for project preparation.

Source: Asian Development Bank.



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Proposed Processing Schedule

Milestones	Expected Completion Date
Concept paper and TA grant approval	Oct 2017
TA consultant mobilization	Jan 2018
Loan fact-finding mission	May 2018
Staff review meeting	Jun 2018
Loan negotiations	Jul 2018
Board consideration	Aug 2018
Signing of loan agreement	Aug 2018
Loan effectiveness	Sep 2018

Source: Asian Development Bank

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