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World Bank/FAO Cooperative Program (CP)

**Technical Assistance to the  
Agriculture Development Task Force in Afghanistan**

**Final Report**

November 2008 to May 2009

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Kabul and Washington DC, May 2009

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## **ACKNOWLEDGEMENTS**

The authors would like to thank the Afghanistan Offices of the World Bank and FAO for the excellent support received during the various missions carried out. The logistical and technical support of both local and international project staff was very helpful in achieving results. Equal appreciation goes to MAIL and its dedicated staff, advisors and consultants who were very supportive of our work and with all of whom it was a pleasure to collaborate.

## **EXECUTIVE SUMMARY**

In October of 2008 the World Bank received a request from the Government of Afghanistan to provide technical assistance to the Agriculture Development Task Force (ADTF). The ADTF was established by President Karzai in September 2008. The Bank was also asked to assume co-chairmanship of the ADTF together with the Minister of Agriculture, Irrigation and Livestock. The main tasks of the ADTF are to assist the Minister in developing an actionable plan of interventions in order to revitalize the agricultural sector; provide analytical policy advice; and help the Minister with the re-structuring of the Ministry of Agriculture, Irrigation and Livestock (MAIL). The Bank assigned one of its staff members and obtained the services of a consultant through the World Bank/FAO Cooperative Program (CP). Together they provided the requested technical assistance to the ADTF during the period November 2008-May 2009, working in close collaboration with Bank staff based in Afghanistan; FAO staff in Afghanistan and Rome; MAIL staff, including a number of Senior Advisors; and members of the donor community.

This report summarizes the main outputs of the technical assistance provided which was concentrated in three areas: (1) development of MAIL's strategic priorities and investments for the immediate future/short term, medium term and longer term; (2) advising MAIL regarding the design of an appropriate structure of the Ministry and definition of corresponding responsibilities; (3) analytical policy advice regarding urgent issues that the Ministry of Agriculture (MAIL) has to deal with on a daily basis, but where it lacks the capacity to analyze alternative policy strategies and solutions.

A new institutional structure for MAIL was designed around four major program areas: (1) Agricultural Production and Productivity with a focus on increasing productivity; (2) Economic Regeneration with a focus on agri-business and value chain development; (3) National Resources Management focused on conservation and rehabilitation of the natural resources base; and (4) Program Support and Change Management as a cross-cutting program that embodies the implementation of the new MAIL institutional structure and culture. With the help of significant input supplied by donor-financed experts, programmatic documents were developed for each of these four areas. Together these documents now constitute the four pillars of the National Agriculture Development Framework. Each of the four programs consists of a number of sub-programs which further define the main work areas for MAIL and for which so-called Concept Papers were developed. All four program documents together with selected concept papers were presented to the donor community. Virtually all donors present in Afghanistan have reacted in a favorable manner and as a result substantial resources have been pledged to MAIL for the current fiscal year.

The technical assistance work regarding urgent policy issues has focused on three main areas: (1) organization and management of public foodgrain stocks; (2) purchasing and distribution of improved wheat seed; and (3) leasing of government-owned land to private entities. Policy notes were produced regarding each of these topics and shared with MAIL officials and other relevant stakeholders. Moreover, the

Bank staff member and the FAO-CP consultant actively participated in the negotiations between MAIL and the private seed companies regarding this year's purchase of improved wheat seed, providing analytical support on a continuous basis.

The technical assistance work provided over the past six months allows some tentative conclusions and suggestions regarding what may be the future role of the Bank in fostering agricultural development in Afghanistan. First and foremost, the ADTF has played an instrumental role in the reform process of MAIL which is now on a firm track towards becoming an institution that is capable of carrying out its public functions in a way that can be expected from a serious, responsible and efficient Ministry. Therefore, the Bank should not only continue the technical assistance provided over the past half year but where possible further increase its engagement. Given its comparative advantage built on a wealth of experience obtained in other South Asian countries, the Bank is uniquely positioned to lead in the area of policy dialogue with the Government and donor community regarding matters of agricultural strategy development.

Second, MAIL's implementation capacity remains weak at the moment and indeed this concern now has become all the more relevant given the substantial recent pledges made by donors. Therefore, any increased Bank engagement must be accompanied by parallel efforts aimed at building ownership and support among MAIL staff for the reform process. The reform process in MAIL up to now has been driven mainly by foreign advisers-consultants and a very small group of qualified MAIL staff. This was understandable due to the need for relatively quick and visible results. However, participation now needs to be significantly strengthened to create ownership and avoid internal dissatisfaction, boycott and possibly even sabotage. But the current situation is that of a severe shortage of the sort of qualified staff that would be required to put MAIL into the driver's seat for implementation of the proposed National Agricultural Development Framework. While being addressed by the Program Support and Change Management program area, more efforts and on-the-job training are needed to prepare MAIL staff for their increased responsibilities within this program. In this respect the new and substantial capacity building efforts in agriculture by the Government of the Netherlands are encouraging.

Finally, and outside the area of policy support, the Bank may consider stepping up its efforts to help MAIL to further develop/restore Afghanistan's agricultural production base and in this way help improving the livelihoods of poor rural people. More specifically the Bank may consider exploring the Government's interest in a project aimed at increasing agricultural incomes through improvements in the quality and reliability of input delivery systems and wider adoption of improved production technologies, including technologies that increase the efficiency of on-farm water management. A longer-term perspective (say, 10+ years) to further develop/restore Afghanistan's agricultural production base is needed as well<sup>1</sup> and may require Bank assistance, making use of lending instruments that are specifically suited for this purpose.

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<sup>1</sup> The focus of such a longer-term operation would need extensive discussions with the Government but may include agricultural research and extension, information systems and agricultural training & education, and community-based natural resource rehabilitation and management.

## 1. BACKGROUND

Afghanistan is highly dependent on the agricultural sector with an estimated 80 percent of the population deriving a large portion of their household income from agriculture which accounts for **53% of GDP (licit)**. **Agricultural products provide 90% of Afghanistan's exports (licit)**. In 2002/3, the most recent year for which figures are available, **68% of the total work force of 7.7 million were in agriculture**. While it is highly likely that these figures have decreased somewhat by now, agriculture probably still employs around 60% of the total work force. The fact that 35% of the population currently does not meet its food needs in terms of calories and 46% in terms of dietary diversity underscores that agricultural development is crucial for increasing human well-being in Afghanistan.

Food crops account for over two-thirds of the cultivated area and are typically grown for subsistence. The predominant farming system of the poor is anchored in cereal production for household food security, with most households having food self-sufficiency for only a few months of the year. **Wheat is grown on 80% of the cereal area and accounts for about 70% of total cereal consumption**. Bread and other wheat products account for nearly 50% of the caloric intake of the country. About 55% of the cereals area is rain-fed, and 45% receives some form of irrigation. Although most households are not self-sufficient in cereals, some larger farms produce a surplus that is marketed locally. Once self-sufficient in cereals and in some years a small exporter, Afghanistan has had to rely on varying levels of cereals imports in recent decades.<sup>2</sup>

Besides cereals **livestock** is another major source of household income, and indeed Afghanistan is known as a traditional livestock country. However, over time livestock rearing in Afghanistan has become increasingly problematic mainly due to increasing human population, increasing frequency of droughts affecting pasture productivity, and conflicts between the traditional livestock nomads (Kuchis) and sedentary farmers affecting access of Kuchis to grazing land. **While livestock numbers have decreased considerably since the 1980s**, there exists considerable uncertainty regarding current livestock numbers, exacerbated by the fact that there never has been a livestock survey in Afghanistan. FAO figures might not be particularly reliable because they only refer to sedentary farmers, leaving out the livestock owned by the Kuchis. The best estimates today suggest that as of early 2008 (i.e. before the onset of last year's drought) Afghanistan had anywhere between 3.5-4.0 million heads of cattle, 13-15 million goats and sheep, and a couple of million donkeys. The total number of animals may now be down to somewhere around 15 million. What is certain is that livestock numbers have decreased considerably since the 1980s when Afghanistan is thought to have housed at least 30 million livestock animals. It is also thought that **livestock numbers may have decreased by about 30% between 2005 and 2008 alone**. Another problem is that nobody really knows the exact number of livestock held by Kuchis. Most of them are thought to hold about 50 sheep and goats

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<sup>2</sup> Afghanistan's self-sufficiency rate in wheat over the past five years has varied between 53% and 89%.

as well as 1 or 2 heads of cattle. Very few Kuchi households hold more than 100 animals (mainly sheep) which becomes a problem in the case of drought when restocking is difficult for families that hold less than 8 animals/person.

Even though Afghanistan has a long tradition in **horticulture** and exports of vegetables, fruits and nuts was once thriving, exports have greatly decreased with the main current export markets being India and Pakistan, both of which are low-price markets. It is widely thought that there exists ample potential to further develop the horticulture sector, both for domestic and export markets.

A number of complex and interacting factors have led to poor performance of the agricultural sector as a whole, which consequently has not been a driver of rural growth. These factors include a long history of **war** and other civil unrest compounded by **highly variable weather conditions** (which largely determine the year-to-year fluctuations in wheat self-sufficiency). Last year's partial failure of the wheat harvest, combined with a surge in the costs of fuel and food imports (especially wheat) and agricultural inputs, has further compromised the prospects for agriculture-led rural growth.<sup>3</sup> Poverty in Afghanistan is high and particularly stark in the rural areas; an estimated 50 percent of the rural population earns less than one dollar per day and many households spend up to 80 percent of their income on food.

**Accelerating agricultural development is therefore extremely urgent**, from food security, poverty reduction and security points of view. The Afghanistan National Development Strategy (ANDS) puts agriculture at the core of the country's overall development and there is no shortage of strategy documents that attempt to layout the necessary future course of the agricultural sector. These include various documents produced by the Ministry of Agriculture, Irrigation and Livestock (MAIL) mostly in cooperation with FAO and include the Agriculture Sector Master Plan (2006) that emphasizes horticulture and livestock, food security (cereals/staples), rural infrastructure (incl. irrigation), economic regeneration (i.e. rural non-farm activities) and natural resource management; a national Food Security Program which is a proposal to expand the Special Program for Food Security; a Mid-term agricultural recovery plan (2008-10) whose core consists of provision of free seed and fertilizer and strengthening the production of animal feed;<sup>4</sup> a long-term agricultural recovery plan (2010-2013) that focuses on expansion of certified seed production, a proposal for establishing a public strategic grain reserve (SGR), promotion of integrated pest management (IPM) methods, and expanding irrigation.<sup>5</sup> Whereas each of these documents attempts to be comprehensive and all-encompassing, the challenge is to prepare a coherent recovery and development strategy; agree on priority actions and investment needs; and implement these in an efficient manner.

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<sup>3</sup> Wheat production in Afghanistan has high dependency on weather and poor harvest years correlate nearly perfectly with years in which the country suffered from droughts which seem to hit every other year (e.g. 2002, 2004, 2006, 2008). Droughts hit rain-fed production extra hard.

<sup>4</sup> However, free distribution of seed and fertilizer never took off and instead these inputs were made available to certain areas in the country through a subsidized input voucher scheme sponsored by USAID and DFID that was operational in 2008.

<sup>5</sup> Production and distribution of improved wheat seed started last year and its purchase is being expanded this year under policy guidelines developed by the authors (see Annexes 1 and 2). The Government of Afghanistan has said that it will initiate the establishment of a SGR after this year's wheat harvest and the authors developed a set of policy guidelines in this respect (see Annex 3).

The Government of Afghanistan (GoA) has recognized the urgency of the situation and is aware of the challenges that lie ahead in the short-term as well as medium to longer-term. The largest short-term challenge is to alleviate **food insecurity** in the country which has greatly been compromised by the extremely high wheat prices of last year exceeding \$600/metric ton (MT). Wheat prices have come down since but at around \$350-400 they are still at levels well above elsewhere in South Asia. In order to improve food security and rural incomes over the medium- to longer-term, Afghanistan has no other choice but to increase agricultural output and improve farmer-market linkages, as part of a general move towards increased commercialization of agriculture. In order to achieve this, substantial (public) investment will be required in extension services to improve farmers' knowledge and adoption of higher productivity and cost effective technologies; market information systems; and infrastructure including storage facilities, transport and irrigation. Facilitation of private sector investments will need special attention in order to create a conducive environment that fosters the role of the private sector in the further development of the agricultural sector.

## **2. AGRICULTURAL DEVELOPMENT TASK FORCE**

In order to achieve consensus among the various stakeholders in the agricultural sector regarding investment priorities and actions needed to develop the agricultural sector, the President of Afghanistan in October 2008 established an **Agricultural Development Task Force (ADTF)**. The ADTF serves as a support body to MAIL and its Minister and includes members from the GoA as well as the donor community. The GoA had asked the World Bank to co-chair the ADTF (together with the Minister of MAIL) and requested that the Bank take the lead in helping the ADTF to develop an actionable plan of interventions in order to revitalize the agricultural sector. The Minister expressed particular interest in **guidance from the Bank** regarding the design of an appropriate structure of the Ministry and definition of corresponding responsibilities; identification of priority programs (including development of their respective contents) and strategic investment priorities for the immediate future/short term, medium term and longer term, with strong emphasis on the immediate future (< 6 months) and short term (< 2 years); design of appropriate policies for the agriculture sector that address short-term as well as medium and longer term concerns; and to organize and engage other donors towards a commonly agreed support strategy for agriculture. This would help addressing some of the main challenges faced by the agricultural sector in Afghanistan including lack of a sense of prioritization; fragmented donor activities and little coordination between them; and weak overall capacity of MAIL.

The World Bank responded positively to the GoA's request for assistance and assigned one of its staff members (Mr. Hans Jansen) who together with Mr. Andreas Groetschel, Consultant of FAO's Investment Centre Division (TCI) through the World Bank/FAO Cooperative Program (CP) provided technical assistance (TA) to the ADTF during the period November 2008-May 2009. They worked in close collaboration with Bank staff based in Afghanistan; FAO staff in Afghanistan and

Rome; MAIL staff including a number of Senior Advisors; and members of the donor community.

### **3. THIS REPORT**

This report summarizes the main outputs of the TA provided to the ADTF and MAIL during the period November 2008 until May 2009. These outputs consist of (a) advising MAIL regarding the **design of an appropriate structure of the Ministry** and definition of corresponding responsibilities; (b) development of MAIL's **strategic priorities and investments** for the immediate future/short term, medium term and longer term; and (c) **analytical policy advice** regarding a range of urgent issues that the Ministry of Agriculture (MAIL) has to deal with on a daily basis, but where they lack the capacity to analyze alternative policy strategies and solutions. The main policy issues addressed included how to set up and manage foodgrain stocks; how to organize purchasing and distribution of improved wheat seed; and assessment of the potential of land leasing for increasing agricultural production and revenue generation for the state. In addition advice was given regarding an agricultural trade agreement with Pakistan.

**The remainder of the report is structured as follows.** The next section describes in somewhat more detail the important issues and reform priorities in the agriculture sector that were addressed through the TA provided. This is followed by a discussion of MAIL's new programmatic structure and a summary of the corresponding Program Documents (section 5) and Concept Papers (section 6). The TA provided played a facilitating role in the development of these Program Documents and Concept Papers. MAIL is currently using them to seek funding from the Government budget and (especially) the donor community. As of May 2009 MAIL had been quite successful in securing substantial pledges from donors for its short and medium term priorities. Section 7 concludes and also provides some preliminary suggestions regarding what is needed in the short term as well as medium to longer-term in order to foster agricultural development in Afghanistan.

### **4. IMPORTANT ISSUES AND REFORM PRIORITIES IN THE AGRICULTURAL SECTOR**

Perhaps the main challenge in Afghan agriculture is how to **minimize food insecurity**. Even in the best of years domestic food production is insufficient to satisfy demand and last year demonstrated the scale of the problem that this can create. In 2008 a severe drought and early snow melting, combined with adverse trade measures by other countries (Pakistan in particular) and prevailing internal insecurity (resulting in excessive transportation costs), led to a record wheat deficit of about 2.5 million MT. While 60-70% of this shortage was probably covered by (illegal because of the export ban) wheat imports from Pakistan, it caused widespread hardship among

large segments of the population. As a result, **MAIL has made food security its top priority.**

Availability and accessibility of high quality **wheat seed** is widely considered as one of the major conditions for attaining food security and agricultural growth. The use of improved seed (certified seed and quality declared seed) has the potential for increasing wheat yields by 30 to 50% and this in combination with appropriate cultural practices and the use of fertilizers could almost double yield levels. As a result, the government for this year has decided to buy up all available quality wheat seed in the country (an estimated 40,000 MT in total) through a collaborative effort with the private seed companies and FAO. The TA provided in this respect included assistance in the negotiation process between the government and the seed companies;<sup>6</sup> and advice regarding how to distribute improved wheat seed to farmers for next season's wheat crop (see Annexes 1 and 2).

Last year's food crisis was not helped by the absence in Afghanistan of a **public grain reserve**. The observation by Afghan policy makers that the food crisis was less profound in other South Asian countries which traditionally keep food stocks, has triggered a profound sense of urgency to improve the country's food security situation through the establishment of a publicly held **strategic grain reserve** (SGR), largely for emergency purposes but also to serve limited food-based safety nets. Experience elsewhere with publicly held SGR points to a large number of potential pitfalls related to the procurement, management and distribution of such reserves. However, since Afghanistan does not (yet) have a SGR it is in a unique position to avoid these pitfalls to the maximum extent possible. To this extent a Policy Note (see Annex 3) was developed which summarizes the main issues surrounding public SGR and develops a number of recommendations regarding their establishment and management. This note was shared with the Minister and other relevant stakeholders.

Besides the wheat sub-sector, all other agricultural sub-sectors have their own issues, identified and described already in the Agricultural Sector Master Plan, the ANDS Agricultural Strategy and further developed and elaborated in the Program Documents and Concept Papers (see sections 5 and 6 below). For example, the main challenges in the **livestock sector** are how to improve the feed situation (availability and access) for livestock owners, especially Kuchis; how to solve the increasing conflicts between nomads and sedentary farmers; and how to set up an efficient animal health system focused on preventive care. MAIL had appealed to donors for funding of emergency feed delivery to livestock owners but received only limited support. Therefore MAIL decided to include in its core budget for this year an emergency contingency funding facility for concentrated animal feed. Increased production of higher value **horticultural crops** to improve agricultural incomes also has high priority. The horticulture sector suffers from too little attention to the domestic market, scarcity of water, weak regulatory systems and inadequate market information.

**Insufficient availability and inadequate access to quality inputs** remains a major obstacle to increasing agricultural productivity in Afghanistan. On the other hand,

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<sup>6</sup> For example, a detailed spreadsheet was developed which allows easy simulation of a wide range of options regarding seed purchase price, processing costs, profit margins etc.

seeds and fertilizer supplies have been at the centre of various government and donor schemes, which supply farmers with subsidized inputs on different terms. It is expected that in the short and medium term the need for such more emergency response related interventions would remain. Besides input availability there are a number of **other constraints that limit agricultural productivity** and therefore need to be addressed in future programs and projects:

- Improving irrigation and on-farm water management
- Inadequate knowledge of improved production and post-production technologies;
- Access to markets (internal and for exports);
- Access to suitable credit facilities; and
- Weak regulatory framework and institutional capacity both in the public and private sectors.

All of these constraints receive attention in MAIL's new strategy as explained in sections 5 and 6 below.

## 5. MAIL PROGRAM STRUCTURE

In order to be able to adequately carry out its public functions and help addressing the enormous needs of the agricultural sector in Afghanistan, MAIL has embarked on an ambitious institutional reform process in which the entire Ministry is being restructured. MAIL's new program structure reflects a new, more programmatic approach to agriculture development in Afghanistan. The new structure is built around the following **four major program areas**:

- 1) **Agricultural Production and Productivity (APP)** with a focus on increasing the productivity in the cereals, horticulture and livestock sub-sectors, as well as agricultural infrastructure (storage facilities, irrigation, research);
- 2) **Economic Regeneration (ER)** with a focus on agri-business and value chain development, including development of financial services and introduction of quality control and food safety measures; this program also includes a land leasing proposal which in its current form the Bank does not support;<sup>7</sup>
- 3) **Natural Resource Management (NRM)** with a focus on conservation and rehabilitation of the natural resource base as well on the development of an appropriate regulatory and policy framework;
- 4) **Program Support and Change Management (CM)**; this is a cross-cutting program that represents the implementation of the new MAIL institutional structure and culture and includes policy formulation, development of legal and regulatory framework, M&E etc; this program also includes special sub-programs for Kuchi development and emergency coordination; in this way the CM document functions as the guide for defining MAIL's key public sector responsibilities and functions.

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<sup>7</sup> See Annex 4.

With the help of significant input supplied by donor-financed experts, **programmatic documents** were developed for each of these four areas. Together these Program Documents constitute the four pillars of the **National Agriculture Development Framework** (NADF) as explained in a fifth programmatic document called the “Umbrella Document”. Each of the four programs consists of a number of sub-programs which define the main work areas for MAIL. Table 1 provides a summary of MAIL’s program structure and priority areas for action. Whereas the development of the four program areas is part of a clear move towards a real programmatic, sector-wide approach in MAIL’s agriculture development efforts, a true SWAp for the agricultural and rural sector remains out of reach for the moment.

The preparation of the Concept Papers, as described in the next section, follows more or less the thematic distinction between the different sub-programs as displayed in Table 1.

**Table 1 MAIL Program Summary**

Overall Program Goal

*Restore Afghanistan's natural resource base and its agricultural economy to enable economically viable, socially acceptable and licit agriculture activities; and develop and promote inclusive sustainable alternative development options that increase food security and lead to poverty reduction*

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
<b>PROGRAM 1: Agriculture Production &amp; Productivity</b>			
<i>Agricultural outputs are increased in quantity and quality, resulting in increased farm household incomes and decreased rural poverty</i>			
<b>Cereals and Industrial Crops</b>			
<i>Contribute to higher production and productivity of major crops, particularly wheat as a means of ensuring improved food security in Afghanistan</i>			
<ul style="list-style-type: none"> <li>• Put in place a seeds system that assures quality seed production and supply and increases the level of utilization of improved seeds</li> <li>• Support and improve the supply of mineral fertilizers to farmers for increased crop productivity and soil fertility improvement</li> <li>• Identify, test and verify optimum agronomic packages</li> <li>• Promote pest control measures and supply of phyto-sanitary products at local level</li> <li>• Promote and strengthen farmer associations</li> <li>• Reinforce microfinance institutions and increase credit for agronomic packages</li> <li>• Assure farm equipment supply and maintenance at the local level</li> <li>• Improve quality of extension providers</li> <li>• Provide farmers with agronomic extension services</li> </ul>	<ul style="list-style-type: none"> <li>• ARIA in cooperation with JICA</li> <li>• IFDC</li> <li>• CIMMYT</li> <li>• ICARDA</li> <li>• Variety and Seed Industry Development Project (FAO-EC)</li> <li>• FAAHM Statistics and Market Information Project (FAO-EC)</li> <li>• Various NGO-supported community-based agricultural and livelihoods projects</li> </ul>	<ul style="list-style-type: none"> <li>• Average wheat yield is less than 2.5 t/ha while the potential is more than 5 t/ha</li> <li>• Fertilizer is currently one of the most limiting factors in crop production</li> <li>• Access of farmers to improved technologies via agricultural extension and education is very limited at the moment but is needed for reaching sustainable increases in agricultural productivity</li> </ul>	
<b>Horticulture</b>			
<i>A vibrant and competitive diversified horticulture industry is created that contributes to viable alternatives to the opium economy and supplies healthy products for</i>			

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<i>improved nutrition</i>		
	<ul style="list-style-type: none"> <li>• Improve the policy and legal framework for horticulture production</li> <li>• Horticultural survey to map horticultural production</li> <li>• Support for orchard rehabilitation</li> <li>• Strengthen peri-urban horticulture production systems</li> <li>• Improve marketing chains not only for exports but also domestically</li> <li>• Ensure supply of appropriate production, storage and marketing technologies, including market information and intelligence</li> <li>• Identify and promote suitable/viable horticulture products for remote rural areas</li> <li>• Introduce horticulture education in universities and schools</li> </ul>	<ul style="list-style-type: none"> <li>• Horticulture and Livestock Project (HLP) (World Bank-DfID)</li> <li>• Perennial Horticulture Development Project (PHDP) (EC)</li> <li>• Alternative Livelihoods Project (ALP) (USAID)</li> <li>• Accelerating Sustainable Agriculture Program (USAID)</li> <li>• Commercial Agriculture Development Project (ADB)</li> <li>• Various NGO-supported projects</li> </ul>	<ul style="list-style-type: none"> <li>• There is a need to map Afghanistan's horticultural production base before embarking on other investments in the sub-sector; this will need to include an assessment of the potential of peri-urban production for import substitution</li> <li>• Development of high-value products for high-price export markets requires capable laboratory technicians, extension agents and specialized farm managers</li> <li>• Adequate information regarding market prices (domestic and international) is fundamental for making sound business decisions</li> </ul>
	<b>Livestock</b> <i>To increase livestock production and productivity throughout Afghanistan, improve the availability of animal proteins, increase revenues of livestock owners</i>		
	<ul style="list-style-type: none"> <li>• Improve the policy and legal framework for livestock production</li> <li>• Promoting the creation of public-private partnerships to improve quality of animal health services to farmers and to assist government to perform core functions more efficiently and effectively; expand geographical distribution and range of available services</li> <li>• Promoting commercial dairying /poultry farming in peri-urban areas</li> <li>• Promoting backyard poultry in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative Livelihoods Project (ALP) (USAID)</li> <li>• Animal Health Development Program (AHDP) (EC)</li> <li>• Accelerating Sustainable Agriculture Program (ASAP) (USAID)</li> <li>• Horticulture and Livestock Program (HLP) (World</li> </ul>	<ul style="list-style-type: none"> <li>• Development of the livestock sub-sector has the potential to become a key component of increased food security while stimulating economic growth, job creation, poverty reduction and import substitution. MAIL currently has nine programs contributing and supporting the livestock sub-sector that need to</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<ul style="list-style-type: none"> <li>• Investigate rangeland quality and look at carrying capacity versus alternative semi-commercialization of extensive sheep and goat production linked to better markets</li> <li>• Actively broker restoration of traditional grazing rights</li> <li>• Supporting community based rangeland management schemes</li> <li>• Improving veterinary education</li> <li>• Promoting investment in value addition for animal products</li> </ul>	<p>Bank/DfID)</p> <ul style="list-style-type: none"> <li>• FAO livestock programs</li> <li>• USAID / FAO Regional transboundary control of Avian Flue between Pakistan &amp; Afghanistan</li> <li>• Support to the development of the Faculty of Veterinary Science, Kabul University (USAID)</li> <li>• Veterinary training (USAID)</li> <li>• Human / Avian Influenza Project (FAO/WB/EC)</li> <li>• Animal health and production program (IFAD)</li> <li>• Various NGO-supported initiatives</li> </ul>	<p>be streamlined and prioritized</p> <ul style="list-style-type: none"> <li>• A well functioning system of animal health, production and veterinary services is needed for prevention and control of major contagious animal diseases and zoonotic diseases; and prevent and control trans-boundary contagious diseases and endemic production related diseases</li> <li>• Increasing livestock production and productivity requires capable extension agents and specialized farm managers (as well as lab technicians for controlling food safety and quality)</li> </ul>
	<p><b>Irrigation Expansion, Rehabilitation and Modernization</b>  <i>To contribute to the improvement of the Afghan agricultural potential through an increased productivity of irrigated agriculture</i></p>		
	<ul style="list-style-type: none"> <li>• Support other production oriented interventions (seeds, fertilizer) through the provision of irrigation water (targeting)</li> <li>• Expand area under irrigation and water harvesting capacity</li> <li>• Rehabilitation of water delivery infrastructure</li> <li>• Develop, test and introduce modern on-farm water saving irrigation technologies</li> <li>• Capacity building for community level water management</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Enterprise Development project (RED) (in preparation, World Bank)</li> <li>• Horticulture production interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Water is one of the most limiting factors for agricultural production; off-farm water schemes are unreliable</li> <li>• There is a clear need for low-cost water-efficient technologies (e.g. drip irrigation, check dams)</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<p><b>Kuchi Support Program</b>  <i>Delivering appropriate natural resource management and livestock services to Kuchi with special emphasis to migratory nomads in order to improve their access to resources, increase their revenues and enhance their environment and well being</i></p>	<ul style="list-style-type: none"> <li>• Kuchi Directorate – Ministry of Borders and Tribal Affairs</li> </ul>	
	<ul style="list-style-type: none"> <li>• Establishment of Kuchi Support Unit in MAIL</li> <li>• Establishment of Kuchi Service Centers</li> <li>• Training of para-veterinarians</li> <li>• Improvement in feed availability</li> <li>• Increasing value added of livestock products</li> <li>• Improving access to credit and business services</li> </ul>	<ul style="list-style-type: none"> <li>• Animal Health Development Program (EC)</li> <li>• Afghanistan Research and Evaluation Unit (AREU)</li> </ul>	<ul style="list-style-type: none"> <li>• The limited achievements in addressing Kuchi issues in the past and the growing political awareness of their plight require that specific attention is given to establishing support networks and developing targeted need-based interventions to address these issues</li> <li>• The issue of land rights and land use needs to be addressed in order that interventions can be successfully designed and implemented addressing NRM issues and livestock issues concerning Kuchis</li> </ul>
	<p><b>PROGRAM 2: Economic Regeneration</b>  <i>Afghanistan's agribusiness development has increased its contribution to rural economic development with producer groups, associations and public-private partnerships thriving in a business-friendly agricultural sector</i></p>		
	<ul style="list-style-type: none"> <li>• Develop the policy framework and legal environment for agribusiness development</li> <li>• Organizational development &amp; capacity building for producer groups &amp; community based organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Commerce</li> </ul>	

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<ul style="list-style-type: none"> <li>• Support value addition in agricultural production</li> <li>• Improve quality control and food safety</li> <li>• Development of market linkages &amp; market information systems</li> <li>• Agriculture credit product development &amp; linkages to credit facilities</li> <li>• Agricultural land leasing</li> </ul>		
	<p><b>Support to Producer Organizations</b>  <i>Provide an enabling environment for, and build the capacity of, producer organizations and trader associations to facilitate the establishment of sustainable agri-businesses</i></p>		
	<ul style="list-style-type: none"> <li>• Review and improvements of legislative and regulatory frameworks for producer organizations and associations</li> <li>• Support to the formation of producer, retailer and trader organizations and associations</li> <li>• Capacity building of producer organizations in management, planning and marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Afghan Small and Medium Enterprise Development (ASMED) project (USAID)</li> <li>• Sustainable Development Program (GTZ)</li> <li>• Rural Enterprise Development project (RED) (in preparation, World Bank)</li> <li>• Various NGO-supported initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• An adequate legislative and regulatory framework is needed for attracting private investment in value chains of high-value products, especially where it concerns exports to distant but profitable markets</li> <li>• In order to be able to enforce agricultural laws and regulations MAIL needs to have a cadre of well-trained specialists</li> </ul>
	<p><b>Financial Services for Agricultural Development</b>  <i>Facilitate the development and promotion of a sustainable farm credit system in collaboration with relevant ministries, private sector and the donor community</i></p>		
	<ul style="list-style-type: none"> <li>• Research and development of credit products adapted to farmers' needs</li> <li>• Expansion of credit availability for agricultural development</li> <li>• Linkages between producer organizations and credit providers</li> </ul>	<ul style="list-style-type: none"> <li>• RMLSP (IFAD)</li> <li>• Rural Enterprise Development project (RED) (in preparation, World Bank)</li> </ul>	<ul style="list-style-type: none"> <li>• The rural financial sector in Afghanistan is grossly underdeveloped</li> <li>• Access to credit is major constraint for horticulture sector development (e.g. credit is needed for drip irrigation)</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<p><b>Value Addition</b>  <i>Reduce post-harvest losses and increase product market value through the development of value chains and improved storage, processing, packaging and transporting</i></p>		
	<ul style="list-style-type: none"> <li>• Improved post-harvest handling, storage and cold chains</li> <li>• Improved processing capacity</li> <li>• Improved supply of packaging for food transportation and processed foods</li> <li>• Improved transport</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Business Program (ADB)</li> <li>• FAO-MAIL collaboration</li> <li>• Accelerating Sustainable Agriculture Program (ASAP) (USAID)</li> <li>• NARP Program (MRRD)</li> <li>• Various NGO-supported initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• While eventually storage, processing and transportation are private sector matters, MAIL and its partners need to show the viability and importance of cold and other storage facilities for developing value chains for exports of high-value agricultural products, possibly through public-private partnerships</li> </ul>
	<p><b>Quality Control and Food Services</b>  <i>Establish legal and regulatory frameworks for consumer protection and product quality, and build capacity to comply with quality control and food safety measures</i></p>		
	<ul style="list-style-type: none"> <li>• Development of adequate regulatory frameworks, grades and standards</li> <li>• Establishment of food safety and quality control management, inspection and certification systems</li> <li>• Strengthening of quality control infrastructure and capacity (including establishment of laboratories)</li> <li>• Supporting private sector compliance with quality control and food safety regulation</li> </ul>	<ul style="list-style-type: none"> <li>• Seed Enterprise Development Project (FAO-EC)</li> <li>• Animal Health Development Project (EC)</li> <li>• PHDP (EC)</li> <li>• Integrated Pest Management Project</li> <li>• Ministry of Public Health</li> </ul>	<ul style="list-style-type: none"> <li>• Research and laboratory capacity in Afghanistan (including physical facilities and human resources) has greatly deteriorated and needs rehabilitation. This will not only stimulate sustainable agricultural production but also improve food safety and quality control while increasing export possibilities</li> <li>• As a minimum Afghanistan needs the following laboratory infrastructure: quality control laboratory in Kabul; satellite quality control labs in strategic locations; three regional animal</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
			disease diagnostic centres; regional cold storage facilities for vaccines; one central and four regional plant pest and disease diagnostic laboratories
	<p><b>Marketing and Market Linkages</b>  <i>Promote investment in agricultural value chains, increase market share of Afghan products</i></p>		
	<ul style="list-style-type: none"> <li>• Improved market information systems</li> <li>• Improved value chain and market linkages</li> <li>• Export promotion</li> <li>• Contribution to trade policies to support Afghan producers and agri-business</li> </ul>	<ul style="list-style-type: none"> <li>• Agricultural Statistics Improvement project (FA)-EC)</li> <li>• ASAP (USAID)</li> <li>• ASMED (USAID)</li> <li>• ALP (USAID)</li> <li>• RBSP (ADB)</li> <li>• Seed Production Enterprises project (FAO-EC)</li> <li>• Ministry of Commerce</li> <li>• AISA</li> <li>• PHDP (EC)</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of market information, export promotion activities and trade policies all have a clear public good element and therefore should loom high among the priorities of MAIL</li> </ul>
	<p><b>Agricultural Land Leasing</b>  <i>Create a mechanism that would significantly increase the amount of publicly owned land that could be made available for commercial investment and in this way increase employment and government revenues</i></p>		
	<ul style="list-style-type: none"> <li>• Development of land use zoning policy and public land inventory database</li> <li>• Development of a public/private commercial land agency</li> </ul>	<ul style="list-style-type: none"> <li>• USAID (support to proposal development)</li> </ul>	<ul style="list-style-type: none"> <li>• MAIL is interested in better utilization of publicly owned land and in boosting tax revenues</li> <li>• Leasing of publicly owned land is seen as an opportunity to achieve these goals</li> <li>• However, the World Bank has expressed its serious reservations regarding the current MAIL</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
			proposal
<b>PROGRAM 3: Natural Resource Management</b> <i>Afghanistan's natural resource base is rehabilitated and used in a sustainable way by sedentary and migratory population</i>			
<b>Natural Resource Surveillance, Planning, Regulation</b> <i>A solid baseline is established on which NRM planning and programming decisions can be based</i>			
	<ul style="list-style-type: none"> <li>• Systematic review of development partner-funded projects in NRM</li> <li>• Baseline assessment of natural resource status (land, water, forests)</li> <li>• Develop a database of actual land use and land cover</li> <li>• Develop policy and regulatory NRM framework</li> <li>• Adapt and adopt ('legalize') participatory land use planning methods (CBNRM, PLUP)</li> <li>• Establish livestock early warning system</li> </ul>	<ul style="list-style-type: none"> <li>• National Environmental Protection Agency (EPA)</li> <li>• FAO</li> <li>• National Agricultural Information System of ASAP (USAID)</li> <li>• Pastoral Engagement, Adaptation and Capacity Enhancement pastoralist project (PEACE) (USAID)</li> <li>• Other remote sensing and GIS units in the country</li> </ul>	<ul style="list-style-type: none"> <li>• Information regarding actual land use is crucial for agricultural policy making and investments.</li> <li>• The GIS and Remote Sensing Unit of the National Agriculture Information System of the ASAP covers 19 out of Afghanistan's 34 provinces.</li> <li>• There is an urgent need to extend this work to the remaining 15 provinces</li> </ul>
<b>Protection and Conservation</b> <i>Afghanistan has an agreed upon and implementable policy and legal framework that guides the protection and conservation of natural resources for the welfare of its population</i>			
	<ul style="list-style-type: none"> <li>• Develop policy, legal and regulatory mechanisms for protection and conservation of natural resources (including establishment of national parks and other legal types of protected areas)</li> <li>• Develop participatory mechanisms for enforcement of protection and conservation decisions</li> </ul>	<ul style="list-style-type: none"> <li>• NEPA</li> <li>• UNEP</li> <li>• FAO</li> <li>• Wildlife Conservation Society (WCS)</li> <li>• PEACE project (USAID)</li> </ul>	<ul style="list-style-type: none"> <li>• Afghanistan is currently facing serious natural resources degradation issues. Among the most urgent are rampant deforestation (mainly for</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<ul style="list-style-type: none"> <li>Assess potential for a comprehensive watershed development program</li> <li>Assess the potential to join and implement international treaties and conventions</li> <li>Forest rehabilitation, protection and conservation</li> <li>Rangeland rehabilitation, conservation and protection</li> <li>Information dissemination and awareness campaigns</li> </ul>	<ul style="list-style-type: none"> <li>Medicinal plant project (Novib-ProFound)</li> </ul>	<p>firewood and export of logs to Pakistan) and concomitant soil degradation; and rapid degradation of rangelands. This is resulting in decreasing livestock productivity while threatening Kuchi livelihoods</p> <ul style="list-style-type: none"> <li>The GoA has prioritized the protection of 3 areas (Band Amir, Dareh Hajar, Vakhani) and designated these areas as future National Parks</li> </ul>
<p><b>Community Management of Natural Resources</b>  <i>Communities have recognized their roles and responsibilities in NRM and they act as custodians of their natural habitats</i></p>			
	<ul style="list-style-type: none"> <li>Capacity building and training of community organizations in participatory land use planning</li> <li>Establishment of local level NRM Committees</li> <li>Develop conflict resolution mechanisms for NRM disputes</li> <li>Develop local level capacity on technical aspects of soil and water conservation</li> <li>Develop local capacity for demanding services and technical support from government agencies</li> </ul>	<ul style="list-style-type: none"> <li>Strong involvement of CDCs</li> <li>Various NGOs</li> </ul>	<ul style="list-style-type: none"> <li>There exists ample experience from around the world that strongly suggest that involving local communities in the management of natural resources is best practice</li> </ul>
<p><b>PROGRAM 4: Program Support &amp; Change Management</b>  <i>MAIL has a revised, operational and supportive institutional structure and is able to perform its core public functions in an effective and efficient manner, responding to the needs and demands of the agriculture sector</i></p>			
<p><b>MAIL Restructuring and Change Management</b>  <i>MAIL adopts a new institutional structure and culture as a 21<sup>st</sup> century public service provider</i></p>			
	<ul style="list-style-type: none"> <li>Establishment of MAIL Change Management Team</li> </ul>	<ul style="list-style-type: none"> <li>RIMU</li> </ul>	<ul style="list-style-type: none"> <li>There is a need to accelerate</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<ul style="list-style-type: none"> <li>• Capacity needs assessment</li> <li>• Capacity development according to requirements of new functions</li> <li>• Develop change management strategy based on review and analysis of core functions of MAIL</li> <li>• Communication and implementation of changes</li> <li>• Monitor process and progress</li> </ul>		<p>MAIL's transition from a traditional line Ministry into a modern, streamlined Ministry providing core public sector services including policy, legal and regulatory frameworks for a range of urgent agriculture sector issues</p> <ul style="list-style-type: none"> <li>• In addition MAIL needs to demonstrate capacity to develop, manage, coordinate and monitor programs and projects financed through its core budget and external sources</li> <li>• This requires the development and implementation of a Change Management Strategy; and the production of a road-map for the change process including monitoring for feed-back to the process</li> <li>• The Change Management process will improve and strengthen the possibility of exploiting synergies between development partners in implementing the Afghanistan National Agriculture Development Framework</li> </ul>
	<p><b>Public Sector Development</b>  <i>The key MAIL programs are implemented effectively and efficiently</i></p>		
	<ul style="list-style-type: none"> <li>• Reviewing and formulation of policy, legal and regulatory framework</li> </ul>		<ul style="list-style-type: none"> <li>• Reformed organizational and institutional functions and</li> </ul>

	<b>Main activities</b>	<b>Related interventions / projects / collaborations</b>	<b>Justification</b>
	<ul style="list-style-type: none"> <li>• Strengthen and expand the Policy and Planning Department of MAIL, including creation of Policy and Legal Analysis Unit</li> <li>• Establish a comprehensive information management system</li> <li>• Implementation of organizational and institutional change</li> <li>• Human resources development and management</li> </ul>		<p>structures are required for efficient provision of public sector services and the creation of a favorable environment for the private sector.</p> <ul style="list-style-type: none"> <li>• The successful implementation of the reform strategy will require close collaboration with MRRD</li> </ul>
<b>Program Support</b>			
	<ul style="list-style-type: none"> <li>• Creation and operation of a Project Implementation and Coordination Unit (PICU)</li> <li>• Strengthening of senior management structures</li> <li>• Creation and operation of MAIL information and knowledge management entities</li> <li>• Human resources development and management</li> </ul>	<ul style="list-style-type: none"> <li>• FAO (supplies Sr. Adviser to be located in the PICU)</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the Change Management process and the accompanying operation of the restructuring of the Ministry require a strong Program Support Network in MAIL's HQ and in its provincial departments</li> <li>• This program element will interact with all institutional, organizational and programmatic structures in MAIL and cuts across all existing programs.</li> <li>• The Human Resources department in close cooperation with RIMU will be key players in the change process</li> </ul>

## 6. DEVELOPMENT OF CONCEPT PAPERS

Based on the programmatic structure and sub-sectoral issues displayed in Table 1, a wide range of so-called **Concept Papers** (CPs) was developed. The CPs can be regarded as investment proposals at the sub-program level that include clearly identified priority areas with specific interventions spelled out in detail. Together with the four Program Papers, **ten CPs were presented to the donor community** for discussion and potential funding in April 2009 (see overview in Table 2). All CPs stress the need for policy development and a solid regulatory framework, an issue that therefore should be among MAIL's topmost priorities. Table 2 shows that for the coming FY MAIL is looking to get about USD 44 million from donors for the ten sub-programs described, an amount that seems virtually guaranteed.

However, in addition to the ten CPs that have already been presented to the donor community, **MAIL is currently working on another eight CPs** which even though still under design also will require donor funding for coming FY. These include the following (abbreviations between brackets refer to the corresponding Program):

- On-farm water management (APP)
- Natural Resources Database Development (NRM)
- Strengthening Producer Associations (ER)
- Agriculture Input Distribution and Rental Centers (ER)
- Cold Chain Assessment and Design (ER)
- Agricultural Training Centres (APP)
- Community based Natural Resource Rehabilitation and Management (NRM)
- National Strategic Grain Reserve Authority and Policy Development (APP)

Finally, MAIL already has a number of **existing activities** that fit into the overall program structure (Table 3). Some of these activities are ongoing long-term programs or projects while others are planned interventions that will be implemented by MAIL Departments as part of their core function. The MAIL Program Development Team has provided additional inputs to the design of the corresponding project documents to ensure that the Ministry's priorities are adequately addressed. This work is ongoing and expected to be finalized by the end of June 2009. The contents of these activities are briefly summarized below:

### i. Preparation of Inventory of Livestock Feed Resource Base

A technical assistance project is envisaged to produce an overview of the feed resource base in Afghanistan. A country-wide inventory is being planned. As there is no such information available to date, the survey will gather data regarding what type of (potential) feed is available, how much, and where. The assessment will not only include rangeland and forage but also crop residues and waste products from sugar and other agro-based industries.

**ii. Survey of Animal Health Services in Afghanistan**

This planned initiative consists of a mapping exercise which will determine where the current public animal health service stations (called Veterinary Field Units or VFUs) are located, and identify the gaps in coverage. One of the main goals will be to identify possibilities to support service delivery to migratory Kuchi herds, and determine the appropriate location of new investments in animal health stations in order not to interfere with existing VFUs.

**iii. Rehabilitation of Natural Resources**

Rehabilitation and conservation of the natural resources base is a key component in MAIL's NRM Program. MAIL has allocated USD 2.0 million for the completion of a new management plan for the Band-I-Amir National Park, the first national park in Afghanistan and officially inaugurated on Earth Day on April 22, 2009. MAIL is one of the key players in preparing this new management plan which in 2012 will replace the current interim plan. The three main components of the proposed project for the development of the new management plan include the identification of appropriate land use systems for the around 5,000 people living in the park; capacity building for park management; and support to tourism development in the park.

The Program Development Team is currently assisting the Natural Resources Department of MAIL in the formulation of this new plan, in close cooperation with Afghanistan's National Environmental Protection Agency (NEPA), UNEP, and several other key stakeholders. The implementation of the new plan will most likely be tendered to an experienced NGO.

**iv. Development of Agricultural Statistics Database**

The Program Development Team is supporting MAIL in finalizing a project document focusing on capacity building, establishment of an agriculture statistics database and planning for improved data collection mechanisms. There are currently various on-going initiatives in the area of data collection and processing which will be coordinated and streamlined through this project.

**v. Capacity Building & Reconstruction of the Provincial Extension Departments of MAIL**

The USD 4.0 million received from USDA still require a proper project document to define the planned intervention.

**vi. Rehabilitation and Protection of Pistachio Forests**

MAIL's NRM Department has been involved in rehabilitation and protection of pistachio forests for several years. The focus has been on reforestation activities through nursery development, direct seeding and protection of areas through local guards. The Program Development Team is currently assisting in revising this concept. The approach will be technically refined to improve success rates in germination and survival of trees, and will involve stronger community participation

to ensure ownership and local benefit sharing. MAIL has allocated USD 1.0 million for this project.

**vii. Emergency Project for Horticulture**

The WB/DfID-funded Horticulture and Livestock Project (HLP) has suffered from a number of implementation problems and is currently being re-designed. This part of the HLP will concentrate on expanding orchard / vineyard development and rehabilitation, establish demonstration orchards / vineyards, organize germplasm collection and propagate the use of improved varieties. This part of the HLP will also support export development focusing on the development of clusters for green raisins and pomegranate. It will also contain a training component (with special focus on training in IPM technology); promote improvements in the regulatory framework for these clusters; and build capacity in MAIL.

**viii. Avian Influenza Response & Preparedness**

MAIL has allocated USD 1.0 million to the Avian Influenza Response and Preparedness Project (AIRPP) which receives funding from the Bank. The funds are meant to finance prevention and control of Avian Influenza, mainly through improved communication and awareness raising. Like the HLP also the AIRPP has suffered from implementation problems and needs to be re-structured.

**ix. Emergency Supply of Concentrated Animal Feed and Pasture Management**

This is an emergency contingency fund to be housed in MAIL in order to be prepared for future livestock feed shortages. Based on last year's experience when animal feed was in short supply after an extremely dry summer, MAIL feels that it needs to be ready to purchase and deliver animal feed concentrate to Kuchis and other livestock owners in case of an emergency. An amount of USD 9.0 million has been earmarked in MAIL's core budget for this purpose.

**x. Emergency Livestock Project**

The livestock component of the HLP supports the privatization of public veterinary clinics and improvements in the regulatory framework that governs the livestock sector. The project also promotes backyard and semi-intensive poultry production and marketing; as well as milk collection / processing through the establishment of dairy associations around Kabul. Like the horticulture component of HLP, the livestock component of the HLP is currently being re-designed.

**xi. Rural Agribusiness Support Project**

This is an on-going project funded by ADB and implemented by a NGO ("Roots of Peace"). The project's main focus is on the establishment of commercial rural business support centers (one-stop shops delivering an array of services) for agro-based value chain development. The project is concentrating its activities in provinces in the northern and eastern parts of Afghanistan.

**xii. Rural Microfinance & Livestock Support Program**

This project was recently approved by the Executive Board of IFAD and will concentrate on development of dairy and backyard poultry as import-substitution activities by smallholders, further building on a number of similar initiatives in the World Bank-DfID HLP project. The current allocation of USD 3.0 million is expected to eventually grow into a USD 21 million project.

All projects are supposed to be coordinated through MAIL's Project Implementation and Coordination Unit (PICU) and implemented by, or in close cooperation with, the respective technical departments.

**Table 2 Concept Papers presented to donor community for funding**

<b>Concept Paper Title</b>	<b>Program Mapping</b>	<b>Duration</b>	<b>Total Budget (USD million)</b>	<b>FY09-10 Budget (USD million)</b>	<b>MAIL Contribution (USD million)</b>	<b>Donor Contribution FY09-10 (USD million)</b>	<b>Donor(s)</b>
Rapid Action Wheat Seed Production and Distribution	APP	4 months	27.0	27.0	7.5	19.5	USDA and CIDA
Land Lease One Stop Window	ER	3 years	3.0	1.5		1.5	tbd
Financial Services for Agricultural Development	ER	3 years	2.303	0.768		0.768	tbd
Critical Change Management Interventions	CM	3 years	3.5 (first year only)	3.5		3.5	DfID
Strategic Grain Reserve and Infrastructure for Food Security	APP	1 year	11.1	11.1		11.1	tbd
National Fertilizer Control Network	APP	1 year	1.36	1.36		1.36	tbd
Kuchi Services Centers Pilot Project	APP	3 years	2.274	1.541	0.1	1.441	tbd
Home Based Food Processing and Preservation	ER	3 years	1.872	0.624		0.624	tbd
School Based Food Security and Nutrition Program	APP	3 years	1.464	0.49		0.49	tbd
Comprehensive Agriculture and Rural Development Facility	Framework: joint MAIL-MRRD	3 years	81.282	3.608		3.608	DfID
<b>TOTAL</b>			<b>135.155</b>	<b>51.491</b>	<b>7.6</b>	<b>43.891</b>	

**Table 3 Activities with current MAIL funding**

<b>Activity</b>	<b>Program mapping</b>	<b>Budget for FY09-10 (US\$ million)</b>	<b>Responsible persons / status of project document</b>
Preparation of Inventory of Livestock Feed Resource Base	APP	0.22	John Woodford (Livestock Specialist, EC); Jorgen Hansen (Sr. Advisor to the Minister). Project document completed
Survey of Animal Health Services in Afghanistan	APP	0.308	John Woodford and Jorgen Hansen. Project document under preparation
Rehabilitation of Natural Resources (management plan for Band-I- Amir National Park)	NRM	2.0	Andreas Groetschel (WB-FAO Consultant). Project document under preparation
Development of Agriculture Statistics Database	APP	1.5	John O'Connell (Sr. Advisor to the Minister). Project document under preparation
Capacity Building & Reconstruction of the Provincial Extension Departments of MAIL	APP	4.0	Jorgen Hansen. Project document under preparation and negotiation with USDA
Rehabilitation and Protection of Pistachio Forests	NRM	1.0	Andreas Groetschel. Project document under preparation
Emergency Project for Horticulture (part of HLP)	APP	14.8	Jorgen Hansen and Stewart Pettigrew (HLP Team Leader). Existing project document is being re-structured.
Avian Influenza Response & Preparedness	APP	1.0	Jorgen Hansen. Project needs re-structuring
Emergency Supply of Concentrated Animal Feed and Pasture Management	APP	1.525	Emergency contingency funding (not project)
Emergency Livestock Project (part of HLP)	APP	9.0	Jorgen Hansen and Stewart Pettigrew (HLP Team Leader). Existing project document is being re-structured
Rural Agribusiness Support Project	ER	7.03	On-going with ADB funding
Rural Microfinance & Livestock Support	ER	3.0	Approved by IFAD
<b>TOTAL</b>		<b>45.383</b>	

## 7. CONCLUSIONS

The first and foremost conclusion that can be drawn from the experiences obtained over a six-month period of providing technical assistance is that under the dynamic leadership of Minister Asif Rahimi, **MAIL has been firmly put on track** to eventually become an institution that should be capable of carrying out its public functions in a way that can be expected from a serious, responsible and efficient Ministry. Until very recently MAIL was widely considered an inefficient, ineffective and grossly overstaffed Ministry with outdated views on agricultural development in general and regarding its own role in particular. As a result few donors showed any willingness to put resources into MAIL and those who did were having an extremely difficult time in obtaining anything near the expected results. While the human resource situation in MAIL remains a major obstacle that needs continuing attention in order for the Ministry to develop further, donors are now willing to give MAIL another chance and most have pledged substantial resources to help the institution starting to carry out its core functions.

**The Agriculture Development Task Force (ADTF)**, in its capacity as a joint Government-donor forum of experts, **has been instrumental in supporting the reform process in MAIL** and the obvious challenge now is not to lose momentum and avoid getting off track. The World Bank as co-chair of the ADTF, in close cooperation with FAO, has played a key role in this process and both institutions should not only continue the technical assistance provided over the past half year but where possible further increase their engagement and involvement. FAO has already decided to do so by providing the services of a newly recruited staff member to MAIL on a full-time basis and whose main task will be to help running the PICU (Project Implementation and Coordination Unit) on a daily basis.

While this FAO initiative should be very much welcomed it also points towards the second main conclusion, i.e. the fact that the main bottleneck in the reform process is **MAIL's very limited implementation capacity**. Therefore, in order to be effective in the long run, increased donor engagement must be accompanied by parallel efforts aimed at **building ownership and support among MAIL staff** for the reform process in MAIL. This process up to now has been driven mainly by consultants together with a very small group of qualified MAIL staff. This was understandable due to the need for relatively quick and visible results. However, participation now needs to be significantly strengthened to create ownership and avoid internal dissatisfaction, boycott and possibly even sabotage. But the current situation is simply that MAIL is faced with far fewer highly qualified staff than would be required to put it into the driver's seat for implementation of the proposed National Agricultural Development Program. While the capacity issue is being addressed by the Program Support and Change Management program, more efforts and on-the-job training are needed to prepare MAIL staff for their increased responsibilities within the Change Management program. In this respect it is encouraging that the Government of the Netherlands is about to start a substantial capacity building effort in agriculture ranging from technical training for extension agents and short term courses for laboratory workers to practical degree-level training in crop breeding, soil

management, crop management, animal husbandry, animal health etc. These efforts will involve both in-country and out-of-country training courses.

The third conclusion is that now that MAIL seems back on the right track, its development partners should now get serious in stepping up their efforts to help **MAIL to further develop the agricultural production base** and in this way help improving the livelihoods of poor rural people. In order to improve agricultural production in Afghanistan and increase farmers' incomes, it may be useful to distinguish between immediate/short term and medium term requirements. In the immediate/short term priority should be given to the following two main areas: (1) improving quality and reliability of input delivery systems with emphasis on seed and fertilizers which would be consistent with a number of small-scale on-going efforts; (2) improving the efficiency of on-farm water management. In order to foster the sustainability of agricultural production in the medium term, a more sector-wide approach would be needed which may include a donor-assisted project related to agricultural research and extension, information systems and agricultural training & education, and community-based natural resource rehabilitation and management. These areas of concentration would be consistent with MAIL's four key programs under the National Agricultural Development Framework (NADF). **The Bank is currently providing the assistance of two senior project development experts** to help MAIL with the preparation of preliminary project proposals in these areas that are consistent with the Concept Papers and programmatic documents.

Finally and linked to the medium term in the previous paragraph, there is a need to link livelihoods improvement to natural resources management. While it can be argued that the National Solidarity Project (NSP) has been very successful in building up the local infrastructure base in a large number of communities, Afghanistan does not currently have an example of the type of investment projects which have proven to be quite successful in other South Asian countries; i.e. projects aimed at improving the **income generating capacity** of poor rural people by developing the agricultural production base through the building up of assets under a **livelihoods approach**. In the particular context of Afghanistan where water availability is such a strong determinant of agricultural production, a project of this nature would most likely have to be based on a **combined livelihoods-watershed-NRM approach**. While there exists substantial experience with irrigation rehabilitation in Afghanistan, the successful combination of watershed and livelihoods approaches seen in other countries (e.g. India) **has not (yet) been exploited in the Afghan context**. Perhaps a first (small) step in the right direction would be for the donor community to organize a study tour to another South Asian country (e.g. India) for a carefully selected group of Afghan stakeholders in order for them to observe and learn from the experience of such projects and how these projects have impacted on the lives of poor rural people.

## **ANNEXES**

## ANNEX 1

### TECHNICAL ASSISTANCE TOWARDS WHEAT SEED PURCHASE NEGOTIATIONS

Last year, seed and fertilizer supplies had been at the centre of various government and donor schemes, which supplied farmers with subsidized inputs on different terms. While it is expected that in the short and medium term the need for more such emergency response related interventions would remain, it became clear that a more structured approach is required this year. Last year FAO, in collaboration with the private seed enterprises (PSE), managed to distribute about 11,000 MT of certified wheat seed to farmers. Last year's foundation seed distribution has yielded an estimated 16,000 metric tons (MT) of certified seed this year. Therefore MAIL, the PSE, FAO and development partners are now working together to increase the availability of improved seeds (certified seeds and quality declared seed or QDS) to enable the PSEs to purchase this year's entire production of certified seed, plus an additional 24,000 MT of QDS (seed from selected standing crops which were planted with certified seed in the past). In this way a total of 40,000 MT of improved wheat seed would be made available for distribution to farmers for planting this year. This operation would involve an agreement between MAIL, the PSE<sup>8</sup> and FAO that enables the latter to provide technical assistance for effective field inspection, laboratory testing and labeling of 40,000 MT<sup>9</sup> of improved wheat seed to be distributed to farmers during the autumn 2009 planting season. The FAO regional seed offices in Kabul, Herat, Mazar, Kunduz, Jalalabad and Helmand would be responsible for field inspection and laboratory testing in collaboration with MAIL's seed certification staff. Together with the PSE they would identify the farmers (fields) from which seed (potentially) can be procured. The latter would make the contracts with the farmers, based on a first inspection of the fields. MAIL will provide FAO with the necessary funds (obtained from USDA and the Canadian International Development Agency, CIDA) to advance loans to the PSE for raw seed procurement, transportation, seed cleaning, packaging and storage. The PSE will be required to pay back the loans in kind to MAIL as certified or quality declared seed.

The TA provided in this area consisted of (1) analytical support to MAIL in the negotiation process with the Afghanistan National Seed Association (ANSA) which represented the PSE; (2) suggestions regarding the modalities of wheat seed distribution. This Annex deals with (1); for details regarding (2) see Annex 2.

The contract between the PSE and FAO would stipulate the amount of money the PSE would receive to purchase 40,000 MT of wheat from farmers and process it into certified or QDS ready for distribution. The distribution of tasks and responsibilities between FAO and the PSE would be the same as in last year's operation but with three main differences this year:

- The PSE would agree to return the seed to MAIL instead of the money (i.e. repayment would be in kind);

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<sup>8</sup> The Afghanistan National Seed Organization (ANSOR) negotiates on behalf of its member PSE.

<sup>9</sup> This represents about 7 to 8% of the total national seed requirement of about 300,000 MT but in view of the farm level multiplication practice by farmers, a national supply of 10 to 15 % of the total requirement, or 40 to 50,000 MT annually would be sufficient as a longer term routine.

- The PSE would receive the full amount of the value for the certified/QDS seed through the FAO project (loan amount depending on purchase price agreement);
- The PSE would agree to the selling price for certified/quality controlled seed before they start purchasing wheat by the end of May (fixed average price<sup>10</sup>).

Just as last year, FAO would provide the quality control mechanism, i.e. manage field assessments and quality controls of final seed products. FAO would receive a part of the project funds in compensation for these efforts. The process of identifying the 24,000 MT of QDS would be supported by 75 additionally hired contract staff. MAIL staff would support FAO in supervision tasks.

Payment to the PSEs would be in two installments. The first installment is meant as a loan to the PSE for the working capital for the wheat purchase operations. The second installment would consist of the remaining balance to the pre-agreed purchase price of the seed. The expected amount of resources required to be advanced to the PSE for financing the purchase of 40,000 MT of wheat would be about USD 13 to 17 million, depending on the agreed purchase price of wheat. The available donor-supplied financial resources amount to USD 24 million and the series of negotiations between MAIL and the PSE centered around the issue of how to keep the total cost for the intervention within this limit (the total cost figure does not include the costs for subsequent distribution). A spreadsheet allowing easy simulation of the different financial options was developed to facilitate the negotiation process between MAIL and the PSE. The spreadsheet contains all relevant parameters including the wheat price on which all further calculations would be based including the premium to be paid to wheat growers for certified seed and ODS; the assumed average handling, processing, packaging, and storage costs incurred by the PSE; a reasonable profit margin for the PSE; and the resulting final purchase value/price of the certified/quality declared seed.

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<sup>10</sup> As cost structures vary between PSE there may be a need for a compensation or redistribution mechanism. However, in order to simplify the contractual arrangement, such a mechanism should be left for ANSOR to agree on with its members.

## ANNEX 2

### PROPOSED WHEAT SEED DISTRIBUTION POLICY

Farmers in Afghanistan plant an estimated wheat area of approximately 2.5 million ha each year. About 45 percent of the wheat area is irrigated land. Wheat yields average 1.8 metric tons (MT) per ha, with irrigated land yielding approximately 2.7 MT per ha and rainfed areas about 1-1.2 MT per ha only. Most farmers plant traditional varieties with limited potential to achieve higher yields. The use of improved varieties, even though currently limited, could significantly increase wheat production based on a potential doubling of yields (when combined with the right inputs). In addition farmers would need to consistently replace the seed of these improved varieties every four or five years in order to maintain their yield potential. Under the assumption that the entire wheat area in Afghanistan would eventually need seed replacement, an estimated quantity of about 300,000 MT would be required (based on an average seed use of 125 Kg/ha).

The Ministry of Agriculture, Irrigation and Livestock (MAIL) is committed to support farmers to achieve better yields through the use of improved varieties. In cooperation with its development partners, MAIL and FAO are collaborating to increase the availability of improved seeds for Afghan farmers.

#### **Availability of Improved Wheat Seed**

About 11,000 MT of certified seed of improved cultivars were distributed to farmers in 2008. Since farmers in the exceptionally difficult 2008 planting season had to pay record high prices for inputs (not only chemical inputs but also mechanization costs etc), this certified seed was distributed under different subsidy arrangements. Last year's foundation seed distribution is expected to yield 16,000 MT of certified seed in 2009 under contract farming arrangements between seed growers and private seed enterprises. Seed growers, private seed companies, the Government and development partners in a joint effort aim to further increase the availability of improved seeds through the identification and purchase of an additional 24,000 tons of so-called 'quality declared' seed (QDS). This is seed produced by farmers who were among last year's recipients of the 11,000 MT of certified seeds as well as farmers that have procured certified seed in the past and kept their stocks in conditions that are good enough to provide grain that might meet the standards to qualify as seed.

MAIL, private seed enterprises, FAO and farmers, supported by development partners, are now collaborating to make these 40,000 MT of quality seed available for distribution and subsequent planting in 2009. This involves the design and implementation of a project that will purchase this year's entire harvest of certified seed (i.e. 16,000 MT) plus another 24,000 MT of QDS. In addition to seed purchasing the Project will entail the processing, packaging and labeling of certified and QDS for distribution. The project will be largely executed by the private seed enterprises which will enter into a contractual arrangement with MAIL and FAO which will provide them with the financial resources required for their operations. The seed enterprises will pay back the loan in kind by delivering the entire 40,000 MT of improved seed to MAIL. In this way MAIL will become the owner of 40,000 MT of certified and QDS.

While the government is committed to expand distribution of improved seeds from 11,000 MT in 2008 to 40,000 MT in 2009, there is wide agreement that the subsidy level of last year is not sustainable. Therefore and in order to broaden the benefits from distribution of improved wheat seed varieties, a respective new policy has been formulated on request of MAIL. This ‘Interim Wheat Seed Distribution Policy’ is to be followed by all institutions involved in seed distribution and is based on the principles set out below.<sup>11</sup>

### **Principles of a Suggested Wheat Seed Distribution Policy**

The total amount of available improved seed will be distributed to farmers through different channels but under the same set of principles that apply all over the country. To ensure the maximum benefit for Afghan farmers and considering the potential confusion and equity problems that an uncoordinated distribution of improved seeds would likely cause, MAIL requires an Interim Wheat Seed Distribution Policy for the current season. The fundamental and generally applicable principles of such a Policy would include the following:

*1. There should be no free distribution of improved seeds to farmers.*

The minimum price that farmers would have to pay for receiving improved seed through the Government, NGOs or any other development partner for the 2009 sowing season is the equivalent of the prevailing market price for wheat in the area where the farmer is located. Irrespective of the way of payment by the farmer this principle would boil down to an ‘exchange’ of ordinary wheat for consumption for improved wheat seed. At an expected average improved seed price in the neighborhood of USD 600-650/MT<sup>12</sup> and an expected average market price for ordinary wheat of around USD 280/MT this principle would limit the subsidy element to less than 60 percent (down from 85 percent in 2008).<sup>13</sup> MAIL should recognize that there will be slight regional differences in these prices. Considering that most farmers will receive the improved seed through delivery to their community, the actual subsidy percentage may be slightly higher.

*2. The principle of limited subsidies should apply to any institution engaged in the distribution of improved seeds, irrespective of the source of the seed.*

The distribution system should not be compromised by any supply activities by institutions that provide seed to farmers at prices lower than the prevailing market price for wheat. Such activities would be counterproductive to the long-term goal of establishing a viable wheat seed industry in Afghanistan. Requests for exemptions to this rule would have to be approved by the Minister of MAIL and will be granted in exceptional emergency situations only.

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<sup>11</sup> It is expected that based on the experiences of the past and with the current operation, a comprehensive long-term agricultural input distribution policy would be formulated in consultation with all stakeholders.

<sup>12</sup> Value of the average purchase price MAIL agreed with private seed enterprises.

<sup>13</sup> Under the current assumptions this would mean that farmers would have to pay a minimum of USD 14 per bag of 50 Kg of improved seed.

3. The subsidized purchase price being charged to farmers for the improved seed need not necessarily be collected in cash.

It is proposed that the (subsidized) purchase price paid by farmers and the possible fees paid by distributing institutions would be paid into some sort of ‘community development fund’ or, in the absence of such a fund, would be 100 percent used for development activities agreed with communities. The distributing institutions would submit proposals together with requests for seed.

4. Distribution of improved seed should be done by MAIL but can also include different other government institutions, donors, NGOs, projects and programs.

The choice of geographic locations where distribution of improved seed would take place would have to be guided by the priorities set by MAIL. MAIL will establish these priority areas according to a number of objective criteria which may include last year’s distribution of certified seed; the need for seed renewal/variety upgrade in the area; and long-term planning considerations regarding future wheat production. Development partners’ interest in serving their intervention areas would be taken into consideration but would not be the primary criteria for improved seed allocation. A list would be compiled and disseminated by MAIL based on a needs assessment and an analysis of previous distributions.

### **Implementation of the Wheat Seed Distribution Policy**

- Institutions interested in distributing improved wheat seed would submit an application to MAIL specifying the amount they wish to distribute, the locations and the mechanisms by which farmers will be selected. These applications would be considered according to the established priority list.
- MAIL can decide to charge a fee for making seeds available for distribution. MAIL may ask distributing partners to reimburse all or part of the costs incurred by MAIL in the process of making the seeds available for distribution.
- Distributing institutions would be encouraged to provide other quality inputs and services along with the improved seed. Recognizing the synergy effects in wheat production of inputs that complement improved seeds, distributing partners would be encouraged to consider supplying such other inputs (e.g. fertilizer) and services, in particular extension advice to farmers.
- MAIL would communicate the binding principles that govern this year’s distribution of improved wheat seed to all institutions involved in agriculture development activities. Compliance would be monitored by MAIL. MAIL can request documentation from distributing institutions and may monitor the use of fees and the prices paid by farmers.

### ANNEX 3

#### ESTABLISHING A STRATEGIC GRAIN RESERVE IN AFGHANISTAN:

##### KEY ISSUES AND TENTATIVE RECOMMENDATIONS

### Background

The Government of Afghanistan has decided to establish a Strategic Grain Reserve (SGR) in response to last year's food crisis and to help improving food security. The SGR would consist entirely of wheat which is the main food staple in Afghanistan.<sup>14</sup>

The decision by the Government to establish a SGR is understandable given last year's food security crisis caused by unusually low wheat yields due to adverse weather conditions; low (privately held) stocks; and drying up of most official wheat imports due to export bans in neighboring countries. This led to very high domestic wheat prices (in the order of \$650-700 per metric tons (MT) or double that in most other countries in South Asia) which not only caused considerable hardship to large segments of the population but also presented a significant political and even security risk. This experience, combined with the observation that the food crisis was less profound in other South Asian countries which traditionally keep food stocks, has triggered a profound sense of urgency to improve the country's food security situation through the establishment of a publicly held SGR.

The Government has proposed that the SGR would be managed by the Ministry of Agriculture, Irrigation and Livestock (MAIL) which has identified one key objective and two secondary objectives of publicly held wheat stocks:

- The key objective of the SGR would be **emergency food support** for vulnerable households affected by man-made and/or natural calamities (i.e. helping to overcome transitory food insecurity);
- Secondary objectives include **reducing post-harvest losses** resulting from lack of proper storage facilities; and assisting particular groups of households that are unable to achieve food security even in times of good harvests, in particular an estimated **100,000 disabled war veteran and female-headed households** which particular groups would presumably receive assistance year round.

It is important to note at the outset that the above objectives of the SGR **do not include wheat price stabilization**; including price stabilization as yet another

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<sup>14</sup> Arguably the case for establishing wheat stocks is weaker than establishing rice stocks (in countries where rice is the main staple food) because the international rice market (about 30 million MT or 7 percent of global production) is much thinner than the international wheat market (more than 100 million MT or 18 percent of world production). But in Afghanistan wheat, not rice, is the main staple food. Fortunately wheat is also easier to store than rice (mainly due to its lower moisture content); whereas maximum rice stock turnover time is about six months (implying an annual turnover of twice the desired stock level), under the right conditions wheat can be stored for at least one year, implying that rotation of stocks requires annual wheat distribution approximately equal to the wheat stock target level.

objective would have significant implications for the size of the SGR. It is also important to recognize that there exists a **potential tension between the emergency and the safety net objectives**: the same ton of grain cannot simultaneously serve both purposes. Emergency relief needs may require stocks to be drawn down so low that distribution of grain to disabled war veteran and female-headed households is no longer feasible and must be postponed or cancelled.

The Government's plan currently involves the following actions:

- **Renovation of existing grain silos;**
- **Procurement** of wheat by the government (and WFP) and **storage** in renovated silos and warehouses. The intention is to start with the acquisition by the Government of 50,000 MT from this year's harvest (which should not pose a problem given an expected bumper crop of wheat) and gradually increase the size of the SGR to 200,000 MT by the year 2013. An amount of 200,000 MT would cover the consumption needs of **100,000 war veteran and female-headed households** throughout the year; plus an additional **1.3 million persons for 6 months** (calculations based on an annual wheat consumption of 160 kg/person).

It is important to note that the size of the proposed SGR (200,000 MT or about 3% of the total annual wheat consumption in Afghanistan)<sup>15</sup> is **insufficient to have a discernable effect on the market price of wheat**.<sup>16</sup> Thus while its acquisition will not influence market prices, it is also implied that the SGR as planned **cannot serve a price stabilization objective**.

It is also important to note that the **Government has not yet worked out a distribution plan for the SGR wheat**. The fact that under appropriate conditions wheat can be stored for about one year implies that stocks need to be rolled over more or less annually which in turn calls for a sound distribution plan.

According to information obtained from MAIL the existing public grain storage capacity amounts to about 220,000 MT. There exist five large silos in Afghanistan with a total installed capacity of 170,000 MT all of which are located in food surplus regions (except for the one in Kabul): Herat (20,000 MT), Mazar-i-Sharif (40,000 MT), Pul-i-Khumri (40,000 MT), Kandahar (20,000 MT) and Kabul (50,000 MT). However, all of these silos are in a state of disrepair, particularly their equipment. In addition to these silos there exist a number of (mostly government-owned) warehouses with a combined capacity of 50,000 MT which could be used until the silos have been renovated. These warehouses are located in Mazar, Pul-i-Khumri, Kunduz and Kabul and all of them need some renovation work as well.

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<sup>15</sup> A public foodgrain stock of 200,000 MT would be equivalent to about 7 Kg/person which is in the range of Bangladesh and Pakistan (respectively about 6 and 8 Kg/person) but much lower than India (about 30 Kg/person). The high levels of stocks in India relative to those elsewhere in South Asia are in part due to a recognition by India's policymakers that because of the country's large population and total cereal demand, a surge in import demand by India could result in sizeable increases in world market prices. For example, the reduction in India's export supply of rice in 2007-08 had a significant effect on the 30 million MT per year world rice trade.

<sup>16</sup> In comparison, average public wheat procurement in Pakistan and India represents 19% and 23% of their respective domestic production volumes, with price stabilization as an important objective in both countries.

A Concept Paper prepared in April this year describes the **rehabilitation and development of the required “hard” public infrastructure** to support the establishment of the SGR, as well as the technical training needs to properly manage and operate the facilities.<sup>17</sup> It is estimated that rehabilitation of the five silos would cost \$6.7 million. Renovation of warehouses would involve a relatively low expense of about \$160,000. This work is urgent and needs to be completed before the end of this Summer.<sup>18</sup> The Government is also planning to construct five new warehouses with a total capacity of 13,000 MT at a cost of \$1.2 million.<sup>19</sup> Another \$200,000 would be needed for training of silo and warehouse staff. Finally, MAIL has proposed the contracting of a management consultancy to provide engineering advice and orchestrate the necessary training, at an estimated cost of \$800,000. Thus, the total cost of getting the grain storage “hardware” infrastructure functioning again (including staff training) would be somewhere in the order of **\$9 million**.

The Government’s plan regarding the management of the SGR foresees a structure dominated by MAIL. A new agency (denominated **National Strategic Grain Reserve Authority** or NSGRA) would be established and directly report to MAIL. The Food and Quality Control Directorate of MAIL would control the quality of imported and locally purchased wheat as well as the stored grain. A **Joint Inter-Ministerial Committee** (JIMC), composed of members from several Ministries and chaired by the Minister of MAIL, would be responsible for all decisions related to the SGR. The JIMC would be assisted by an Advisory Committee composed of members of the same Ministries and chaired by the SGR’s General Manager.

### **Key Issues in Food Security and Establishment of Public Grain Stocks**

In general terms the international experience with food security policies in developing countries throughout the world suggests that **the best strategies usually involve a combination of market-based instruments and targeted safety nets**. In particular, a national food security policy framework should involve some combination of the following elements:

- National stocks (public and private) for the following purposes (but not necessarily all of them): emergency relief, price stabilization, serving food-based safety nets;
- Regarding the price stabilization objective, reliance on international trade to limit the need for government interventions in most years;
- Encouragement of domestic markets through avoidance of restrictions on private storage and private sector trade;
- Targeted (ideally cash-based) safety net programs to address the food security needs of vulnerable households.<sup>20</sup>

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<sup>17</sup> See “Strategic Grain Reserve: Infrastructure for Food Security”. Concept paper under the Agricultural Production and Productivity Program, National Agriculture and Development Framework, MAIL, April 2009.

<sup>18</sup> Finding a donor who would be willing to bear these renovation costs is therefore extremely urgent.

<sup>19</sup> These new warehouses are planned in one wheat surplus province (Paktia) and four deficit provinces (Daikundi, Nooristan, Paktika and Bamyān).

<sup>20</sup> In addition there is the importance of improving the domestic production base through investments in irrigation, research and extension etc.

While it is obvious that the exact combination of these elements would depend on the specific context of a particular country, the Government of Afghanistan would be well advised to keep these elements in mind when devising its food security policy framework.

Unlike other South Asian countries (including Pakistan, India and Bangladesh) Afghanistan does not currently have a SGR. This situation presents a unique opportunity for the Government to **learn from other countries' experiences** and carefully choose among various alternatives regarding wheat acquisition, storage and management that are most appropriate to the Afghan context. A recently completed analytical study carried out by the World Bank<sup>21</sup> has reviewed some of the experiences obtained elsewhere in South Asia. In particular the study drew attention to the considerable **opportunity costs** associated with a SGR while also flagging **potential management and governance problems**.

While experiences obtained elsewhere are important, Afghanistan faces a number of country-specific challenges which are important to keep in mind when establishing a SGR. In particular we draw attention to the following aspects:

*Wheat procurement and distribution:* Wheat in storage needs to be turned around annually implying the need for both buying and selling operations. However, the **Government lacks experience in procurement of wheat**. Therefore, instead of assuming a leading role in wheat procurement, it should let private traders do the job. In doing so the Government should announce the quantity of wheat it is willing to purchase from local farmers through selected traders. The price at which it is willing to buy should be guided by actual market prices since it is impossible to fix both price and quantity at the same time (unless Government procurement would involve the use of force). Trying to replenish wheat stocks at below-market prices would mean imposing an implicit tax on wheat farmers with potentially disastrous implications for wheat production.

The **Government also lacks experience in wheat distribution** and the question of how a few silos and warehouses scattered across the country could serve as the principal nodes of a distribution network serving poor consumers remains as yet unanswered. Transportation of wheat to silos and from there to beneficiaries (as well as from food-abundant areas to food-scarce areas) is also not helped by the poor state of Afghanistan's domestic road network in general and its secondary and tertiary roads in particular. We would like to argue against establishing and running a public distribution network through a state-run enterprise such as the NSGRA, and instead engage the services of private transporters, for the following reasons:

- International experience has taught us that **state-run enterprises tend to be associated with increased levels of corruption**.
- Experience in Pakistan, India and Bangladesh (as well as elsewhere in the developing world) has shown that **publicly-run food distribution systems are typically prone to substantial leakage**, i.e. they are often inefficient at reaching the main target groups (i.e. food-insecure poor consumers).

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<sup>21</sup> See "Public Foodgrain Stocks and Price Stabilization in South Asia: Historical Experience and Policy Options" by Paul Dorosh. World Bank, South Asia Agriculture and Rural Development Unit, August 2008.

- To the extent that fiscal resources spent on public procurement and distribution exceed the cost of distribution of public wheat through private channels, they **crowd out other government expenditures**. That is, the saved resources could be allocated to productive investments in public goods that stimulate agricultural production or in improvements in rural infrastructure. For example, in addition to Government-owned wheat storage facilities, provision of simple on-farm or village-level storage facilities may help cutting post-harvest losses and smoothen out seasonal fluctuations in wheat supplies.<sup>22</sup>

*Government commitment towards stimulating private sector development:* Private sector-led economic development is a cornerstone in the Afghanistan National Development Strategy (ANDS) and fostering the development of the private sector is an official policy goal. A system of publicly-owned wheat stocks in which the procurement and distribution systems would be the exclusive responsibility of a state-run enterprise would **discourage private sector storage and trade**, and therefore would be inconsistent with this goal.

*Public financial management (PFM):* The suggested operational structure of the SGR would imply the management of financial resources through a revolving fund that would be placed outside of the treasury single account. This presents a **potential problem in relation to the PFM reform process** to which the Government has committed itself.

*Financial resources:* The establishment of a SGR would require substantial financial resources which would have to be entirely donor-provided. In addition to an estimated initial investment of about \$9 million for storage facilities, the costs associated with the domestic procurement of 50,000 MT of wheat may be in the order of \$20-25 million. It needs to be clarified where these resources will be found.

## **Recommendations for Food Security Policy and Strategic Grain Reserve Management**

In view of the above issues, it is recommended that the Government carefully think-through the various alternatives regarding the operation modalities and management structure of a SGR; while simultaneously considering parallel measures that would improve national and household-level food security. Some of the recommended measures include the following:

### **(1) Short-Term Measures**

*Rehabilitation of existing silos:* Rehabilitating existing silos is necessary in order to be able to store wheat for short periods (and in the case of emergency imports before auctioning them off to the private sector, see below) as well as longer periods (in the case of a SGR). The estimated costs of rehabilitation (including training) are relatively small (US\$9 million) whereas the **potential payoffs are high**.

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<sup>22</sup> In this respect a successful experience worth looking into is the rapid dissemination of small, locally made silos for on-farm storage of cereals in Central America. See “Strategy for the Replication of Postcosecha in other Countries than Central America” by Urs Heierli (Swiss Development Corporation, Bern, Switzerland, June 2003).

*Involving the private sector in food security operations:* The Government may want to step up private sector involvement in the execution of its food security policies in a number of ways. First, instead of setting up a likely expensive and potentially inefficient public distribution system, the Government could **rely on the private sector, both for wheat procurement and wheat distribution**. Regarding the latter and since the private sector may not be interested in wheat distribution in isolated locations, private sector efforts may be complemented by WFP's wheat distribution efforts since WFP would presumably concentrate its efforts in reaching some of the places which are not of interest to the private sector. At times when public wheat imports are required to meet food security needs (as was the case last year when many traditional wheat exporters imposed export bans), part of these imports could also be channeled through WFP while auctioning off the remaining part to the private sector which would inject these imports into the domestic supply system, perhaps under some regulatory and monitoring system. In this context and given the fact that Afghanistan faces a wheat deficit in most years, it is important that the **Government maintains incentives for private commercial imports of wheat**, including taking measures that facilitate the issuing by banks of letters of credit (L/C) to private importers; continue the zero tariff policy on wheat imports introduced in February 2008; and publish information regarding market prices, international trade and Government policies including imports, stocks etc. Information provision is important in order to avoid confusion over likely Government policies which can add to uncertainty and discourage private trade while encouraging excessive stock-holding by producers and consumers.

Second, it is of paramount importance to **allow the private sector to carry out its functions in an as efficient manner as possible**. This implies avoiding imposition of anti-hoarding regulations; continuing dialogue between the government and traders; and promoting a level playing field with no special import advantages for government agencies (including eliminating of trade taxes imposed on private sector imports). The benefit of these measures is clearly illustrated by the experience of Bangladesh where liberalization of domestic and international trade in the early 1990s allowed the country to retain a much reduced public foodgrain distribution system compared to earlier years.

Third, since the Government's intention is to build up the SGR gradually over time and given the perceived lack of grain storage capacity in Afghanistan, the **Government may consider leasing out the rehabilitated silos to the private sector** between this year and 2013 by which time the SGR is expected to reach its full level of 200,000 MT. On the other hand no hard data regarding the existing private food storage capacity in Afghanistan is available and it would therefore be useful for the Government to conduct an inventory regarding the possible existence of such private storage capacity.

## **(2) Medium/Long-Term Measures**

*Maintaining the size of the SGR at a prudent level:* Sizeable Government stocks could prove to be a disincentive for the private sector import trade that traditionally has successfully added to domestic wheat supplies in Afghanistan. Therefore, the **Government should not let the size of the SGR exceed 200,000 MT**.

*Assuring future access to wheat imports:* Afghanistan traditionally is a wheat importer: On average the country imports 20-25 percent of its consumption requirements. But in any given year this percentage could be substantially higher. Therefore access to sufficient wheat import quantities at affordable prices is crucial for two main reasons: first, imports may be needed for a SGR to be able to serve its dual purpose of an emergency stock and food-based safety net; second, secured access to wheat imports if and when needed allows Afghanistan to keep the size of its SGR relatively low. In addition to allowing the private sector to exercise its role (see above) and further developing relationships with neighboring countries through **government-to-government wheat import agreements**, the Government may want to exploit new mechanisms of securing wheat imports (e.g. by entering into **futures contracts**).<sup>23</sup>

*Providing targeted cash transfers:* Targeted cash transfer programs can be an efficient way to improve the food security status of households in poorer and more remote areas. Combining emergency wheat supplies to food-insecure households with **targeted cash transfers** through existing mechanisms to increase food access by these households is likely to be most effective and can save on administrative and distribution costs.

*Strengthening the food production base of the country:* Last but not least **improving wheat production is imperative for achieving future food security**. Current average wheat yields in Afghanistan are less than 2 MT/ha (about 3 MT/ha on irrigated land and 1-1.5 MT/ha on rainfed land). There exists ample scope for productivity increases through improved production technologies and crop management practices. In this context the current effort of the Government aimed at wider distribution of quality wheat seed should be applauded. But to achieve really significant productivity increases these efforts should be complemented by improvements in the supply of chemical inputs (fertilizer, herbicides etc), other inputs (e.g. mechanization) and water supplies.

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<sup>23</sup> Futures contracts can be used to reduce uncertainty regarding the price of potential imports. Futures contracts may be especially attractive for Afghanistan which imports wheat every year, thus avoiding the potential pitfall of no “payoff” in years when there is no need for imports (even though of course the risk of international market prices falling below the contracted forward delivery price remains).

## ANNEX 4

### LAND LEASING IN AFGHANISTAN: ISSUES AND RECOMMENDATIONS

#### Current land situation

Of Afghanistan's total area of 65 million Ha, about 8 million Ha is classified as agricultural land of which about 1.8 million Ha is Government-owned land (about 0.4 million Ha of irrigable land and 1.4 million Ha of rainfed land). However, only about 0.61 million Ha (0.27 million Ha of irrigated land and 0.34 million Ha of rainfed land) of Government-owned land is actually being cultivated, either under direct cultivation by state agricultural enterprises or under lease to private producers being managed by the Land Management Department of MAIL.

Even though it is not clear how much of these 610,000 Ha of Government-owned arable lands are under lease to private producers (and how much is therefore land occupied by state agricultural enterprises), privately used State-owned land probably considerably exceeds the about 100,000 Ha that are under active, revenue-producing leases. Part of the reason is the **seizure of lands by powerful commanders** who emerged from the wars against the Soviets and among competing armed groups who have used force or the threat of force to get control over State-owned agricultural land. Another part of the explanation is likely to be the inability of the Government to efficiently and effectively administer a lease management system. It is likely that **local families have extended their holdings to include what the Government would define as State land** and that these lands are of substantial importance to their farming operations and family livelihoods.

Thus, much of the Government-owned irrigated and rainfed land which is actually cultivated is not producing revenues for the State through active and well managed leases. Revenues generated from leases of State agricultural lands are quite volatile from year to year as they are dependent to a large degree on climatic conditions. But on average they range only between US\$ 2 and US\$ 12/ha/year.

#### Potential problems with the Government's proposal

1. The statement on page 1 of the proposal: "*Meanwhile, an estimated 6 to 8 million Ha of government land with agricultural vocation remains available and unused*" is **both incorrect** (since government land amounts to only 1.8 million ha); and **potentially dangerous** (since land that is assumed not used in reality may be used). Experience from other countries suggests that it is highly likely that people use the land that the State claims to be its own and that it represents a critical part of the rural social safety net. Footnote 5 on page 2 even implicitly admits that this is the case in Afghanistan as well when stating that "*Between 6 and 8 million Ha is the amount of governmental lands estimated with agricultural vocation, including cultivated and arid lands*". Thus, **to assume that the land is unused is to invite conflicts.**

2. **There should be much greater clarity and background as to what is being proposed.** The land lease proposal in its current form does not adequately lay out the current economic context with respect to land access for commercial development, in particular the nature of the demand for such access. For example, does business demand for land outside the Kabul area really exist without the State investing first in public infrastructure such as irrigation facilities, power supply, roads etc (which effectively would amount to subsidies captured by the lessee)? And exactly what is the nature of the 'agricultural' land that MAIL proposes to put up for lease?
3. **Centralized, top-down approaches to land development policies are not good international practice;** experience has demonstrated that community level involvement is a necessary condition for any land lease scheme to succeed. So if there is to be any land leasing, it would have to be done with full community participation. In this context an alternative approach could be the following: creating and involving community shuras in the recognition of legitimate users of "non-privately owned" agricultural land, in conjunction with Woluswal's, leaving to the Woluswali Amlaks the administration of clearly identified state agricultural lands not encumbered by legitimate local users.
4. The issues and potential problems with land leasing as pointed out above **should not distract from the many urgent needs in the land management and policy area.** Afghanistan urgent needs to strengthen its land titling systems, zoning and planning regulations, and property rights systems. While some of this is explicitly recognized in the land lease proposal, these needs are independent from the land lease issue; must receive attention whether or not the Government wants to pursue land leasing; and therefore should be institutionalized independently and not depend on the proposed Afghanistan Commercial Land Agency (ACLA). On the other hand, **pursuing land leasing without appropriate property right systems, land use regulations and land management policies is potentially dangerous.**
5. Finally, **there is a clear need for technical assistance to MAIL in the land management and land policy area.** The Bank could start looking into possible ways to provide the services of a Land Management and Policy Advisor to MAIL with substantial experience in the modernization and management of an agency charged with the management of state owned arable, agricultural land mainly through leasing and concession agreements.