

**PROJECT INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

Report No.: AB1921

<b>Project Name</b>	AF: Emergency Rebuilding of Capacity and Productivity in the Horticulture and Livestock Sectors
<b>Region</b>	SOUTH ASIA
<b>Sector</b>	General agriculture/fisheries/forestry (50%) Agricultural marketing & trade (25%) Agro-industry (25%)
<b>Project ID</b>	P098256
<b>Borrower(s)</b>	Islamic Republic of Afghanistan
<b>Implementing Agency</b>	Ministry of Agriculture, Animal Husbandry and Food
<b>Environment Category</b>	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	October 11, 2005
<b>Estimated Date of Appraisal Authorization</b>	December 15, 2005
<b>Estimated Date of Board Approval</b>	March 01, 2006

### 1. Key development issues and rationale for Bank involvement

Given that over 85% of the Afghan population lives in rural areas, agricultural development is at the core of the Government's strategy for supporting growth and poverty reduction. Contributing an estimated 53% to the GDP and 67% to the labor force, agriculture is central to the Afghan economy.<sup>1</sup> By virtue of its dominant share in the GDP, agricultural performance strongly influences overall economic growth and poverty reduction through raising farmer incomes, contributing to food security, providing rural employment, and reducing the vulnerability of resource poor rural people.

Afghanistan's agriculture has suffered badly due to the nearly quarter century of prolonged conflict and unrest. The main drivers of agricultural growth and rural poverty reduction – technology, roads, irrigation, education – have all suffered extensive deterioration due to conflict, lack of maintenance, and frequent droughts. Between 1357 (1978) and 1380 (2001) agricultural production grew at only 0.2% per annum, compared to 2.2% per annum in the pre-conflict period of 1340-1357 (1961-1978). To enable faster overall economic growth and also to make a substantive dent on rural poverty, agriculture needs to grow at an average rate of at least 5% per annum over the next decade.

In conditions of lawlessness and impoverishment, and starting from a tiny base in the late 1350s (1970s), opium has become Afghanistan's leading economic activity. It has now spread to all 34 of the country's provinces accounting for about one third of GDP. Afghanistan is the world's largest producer of opiates, supplying three quarters of the global market. A labor intensive crop,

<sup>1</sup> Agriculture GDP includes livestock, forestry and fisheries but excludes the opium poppy economy; figures are for 2003 (SAF, 2004). If the poppy economy is included the share of agriculture in drug inclusive GDP is 70%. Labor force figures relate to 2001 (FAO, Compendium of Food and Agricultural Indicators, 2003).

opium production in Afghanistan involves as many as 2 million people, around 9% of the total population, providing a substantial contribution to the welfare of rural households, whose majority is resource poor.

Although the Government of Afghanistan considers that revitalization and productivity enhancement of the sector a cornerstone of the government's rural development and economic growth strategy, it is confronted with a number of development constraints.

First, prior to the war, Afghanistan was a lead exporter of horticultural crops to world markets. In pre-war times, 60 percent of all raisins traded on the world market came from Afghanistan. Its walnuts, almonds and pistachios were well renowned in the West and East. Twenty-five years of war and conflict have destroyed most of the sector's physical resources, including orchards, vineyards, and irrigation systems. Even today, the perennial horticulture sector offers a great potential to support the growth of the agriculture sector and enhance income to the rural population for a number of reasons: (i) Afghanistan is a land locked country and its comparative advantage strongly depends on the value/weight ratio of its products, which are more favorable for nuts and dried fruits than for most other agricultural products; (ii) perennial horticulture provides high returns on a per hectare basis, and (iii) income obtained in perennial horticulture will increase the demand for goods and services in the non-farm rural economy.<sup>2</sup>

Second, livestock has been a major source of food and income for Afghan farmers, and traditionally has been an integral part of most farming systems of the country. Range pasture land covering about 45% of total land area traditionally supported a large livestock population. However, due to the war, droughts and diseases, there has been a sizable decline of the population and the productivity of the livestock sub sector. At present, the poor status of the sub sector has adversely affected the nutritional inputs of the rural people and increased the vulnerability of the rural population, particularly the "Kochi" nomads. Therefore, the improvement of animal populations and productivity would be highly desirable to protect vulnerable people against poverty. At the same time, any recovery of the Afghan economy due to other interventions of the Government would result in a quickly rising demand for livestock products. However, the lack of nutrition remains a serious constraint on livestock production. Availability of animal feed remains inadequate. For example, many ruminant stocks barely survive the winter on a diet consisting solely of wheat straw. Feed availability is constrained because of degradation and misappropriation of rangelands, inadequate production and winter storage of forage, and the lack of availability of concentrate feeds and mineral supplements. Poor nutritional status of the livestock contributes directly to increased incidence of diseases and decreased fecundity, even when vaccines and other animal health interventions are available. Addressing these issues is therefore indispensable toward achieving the Government's development goals.

Third, the war has resulted in a serious erosion of government institutions, their infrastructure and facilities, and staff capacities and skills. This has impeded the capacity of the state to provide an effective technical assistance to the agriculture sector in general and to the horticulture and livestock sub sectors in particular. The available staff has also lost opportunities to be exposed to modern day, state-of-the-art technologies and extension practices for improved production and productivity of the sub sectors. While the private sector can potentially play a lead role in providing technical and financial assistance as well as marketing

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<sup>2</sup> Recent estimates suggest that 2ha of perennial horticulture provide the same income as 1 ha of poppy (Mellor, 2005).

support for trade, productivity and income enhancements of the sectors, their potential has not been harnessed to date. Enhancing the state capacity to create an enabling environment and facilitating the private sector to provide support to horticulture and livestock production are therefore vital for the future growth of these two sub sectors.

To address these issues, in March 2005, the Ministry of Agriculture, Animal Husbandry and Food (MAAHF) urgently requested World Bank assistance for developing a strategy for jump starting agricultural production. A Bank mission visited Afghanistan in March 2005 and prepared a draft strategy that was used as the basis for the government's presentation on agricultural development at the Afghanistan Development Forum in April 2005. The strategy, further refined following extensive consultations with other donors in May 2005, identified three immediate priority areas for the next three years: (i) increase in productivity from existing irrigated wheat areas, (ii) support to the production and marketing of high value horticultural crops by rehabilitating orchards and putting in place a framework for improving quality management and marketing channels, and (iii) a series of measures to address animal health and production, improve rangeland management, and ensure adequate fodder availability.

### *Lessons learnt from similar activities*

**Rationale for Bank Involvement** – The proposed project operationalizes the key elements of the above strategy, keeping in mind ongoing programs/projects supported by the Bank and other donors/agencies. There are a number of good reasons why the Bank should be strongly supportive at this stage. First, the government is extremely desirous of World Bank involvement in the agricultural sector and this is reflected in the assistance that was sought to prepare the strategy document in March 2005, and also in discussions before and since. Second, it is widely recognized that increased productivity and growth in the (non-opium) agricultural sector will be an important component of the strategy to reduce the size of the opium economy (although action on several other fronts including interdiction will also be needed). Third, the Bank is already supporting projects in irrigation (EIRP) and rural development (e.g., NSP, NEEP, MISFA) and the proposed operation would complement these projects very well by enhancing access to improved agricultural technologies, credit, and markets. These measures would also enhance the sustainability prospects of the ongoing operations. Fourth, because of its strong in-country presence and development leadership in several other sectors, the Bank is well positioned to coordinate donor efforts in rural development, with agriculture being the engine for rural growth.

## **2. Proposed objective(s)**

To enhance productivity and stimulate perennial horticulture and livestock marketable output in focus areas by improving the public sector institutional capacity and the incentives framework for private investments.

By the end of the project, it is expected that the production capacity of the horticultural and livestock sectors will be well established (quantity and quality), and that market channels for Afghan produces will have been established with a significant contribution to aggregate export volumes (indicators will be identified during preparation).

At a higher level, the project will have a positive impact on broad-based economic growth in focus rural areas by increasing the demand for rural non-farm sector output and from multipliers

on farmers' expenditure. This not only will contribute to the Bank's rural poverty reduction goals, but it will be a key element of a counter narcotics strategy which seeks an alternative to poppies while maintaining rural incomes to sustain the rural non-farm sector which encompasses the bulk of the poor.

### **3. Preliminary description**

The proposed project would finance two components to increase: (i) Marketable horticulture output and (ii) Livestock populations and productivity.

#### **Component 1: Increasing marketable horticulture output**

This component will finance works, goods, services and grants to: (i) establish a Horticultural Development Council of Afghanistan, (ii) support the Horticulture Export Cluster, and (iii) expand cultivated areas. The estimated cost of this component is low for the cost of establishing the Council itself, in the order of USD 2m per year. The costs of the activities of the Council will be considerably higher. They can be estimated on a yearly basis at USD 5m for research, 5 million for extension, 2m for market development, 5m for venture capital, and up to 25m if orchard establishment costs are subsidized for 20 percent.

**1.1 Establishment of Horticultural Development Council of Afghanistan (HDFCA)** – To effectively lead the development of this key sub-sector the project will promote the establishment of a Horticultural Development Council with mixed private and public governance. The Council will be initially established as a publicly funded organization. Over a period of seven to ten years it will be gradually transformed into a National Producer's Federation. The roles of the Council need to be defined and agreed through a consultative process, a preliminary description of its functions would be as follows: Finance client-oriented adaptive research and advisory services linked to market opportunities; Strengthen service providers and encourage the creation of farm organizations by giving producers access to organizational, managerial and legal advice and information; Provide direct support to producers organizations; Assist local producers and exporters to gain product-specific premium price; Facilitate investment grants for orchard and vineyard re-establishment through subsidized planting material; Act as a guarantor on loans; Provide planting material; Provide venture capital for investments in processing and storage facilities; and, support activities for market development and promotion, including a market information system. The Council will have to develop a levy system to establish a sustainable financial base for support to the sector and become a credible regulatory authority for the certification of goods destined for export. The ultimate objective should be to develop product-specific national brand labels for Afghanistan's main horticultural products like raisins and other dried fruits and nuts.

**1.2 Support to the Afghanistan Horticultural Export Cluster** – The Afghanistan Horticultural Export Cluster is a group of private enterprises and public institutions operating in and/or supporting the Afghan dried fruits and nuts industry. Under this sub-component the project will actively strengthen enterprise capacity and create and/or strengthen trade and commodity chain associations by identifying and exploring regional and international markets for value-added products. During the first two years, activities will focus on areas where production of grapes, raisin, almonds, walnuts and pistachios is on-going (Kabul, Balkh, Mazar-e-Sharif, Kandahar and Herat) and actively assist to improve quality standards, market penetration, and re-establish the competitive advantages of Afghan products. This component will be developed through

IFC's Private Enterprise Partnership, a TA program designed to provide support to small and medium enterprises, and closely coordinate with the RAMP/USAID program which is currently providing financing and technical assistance to a number of producers and processing plants. Starting year three, based on the experience and market intelligence gained, activities could expand in new areas. Within this subcomponent the Project will finance technical assistance for processing, packaging and marketing capacity, business management training, a facility for market exploration, and business partnership development.

**1.3 Expansion of areas under cultivation** – Under this sub-component, facilitating partners hired by the Council will provide technical assistance and credit to establish labor-intensive nurseries for increased employment generation, facilitate orchard development plans, and at the end of year one start orchard establishment on 25,000 ha, with a target of 100,000 ha by year four. A facility for attracting private investors will provide matching grants for orchard establishment, processing facilities, packaging, transport, and marketing. The design of this sub-component will need to coordinate with several on-going projects to maximize impact under a comprehensive rural development strategy. Areas of focus and projected investments will need to coordinate at least with the following projects: Irrigation and Rehabilitation Project (P078936, Fernando), Customs Modernization and Trade Facilitation (P083906, Durani), Employment Program for Rural Access (P082472, Durani), Power Rehabilitation (P083908, Fraser), and Afghanistan Investment Guarantee Facility (P088719, Maimbo).

## **Component 2: Increasing livestock populations and productivity**

Animal husbandry and nutrition are receiving far less attention by the donor community than veterinary medicine and animal health. The short term goal of this component will be to restore animal populations and increase their productivity. This requires investments and institutional strengthening in livestock-related services in areas not already covered by existing projects, such as: the reinforcement of the Animal Husbandry Department; the promotion of livestock production and marketing initiatives in order to develop and/or restore production of highly needed import substitution and export earning animal products; support to the degrading situation of the Kuchi population; and, the establishment of a public/private partnership to ensure better profitability and sustainability of field veterinary services when external donor support is discontinued.

**2.1 Reinforcement of the Animal Husbandry Department** – In sharp contrast with the Veterinary Department of the General Directorate of Animal Health and Production, which is receiving strong support from USAID, USDA and EU in terms of relevant veterinary and epidemiological training, the Animal Husbandry Department has received virtually no attention or support nor any significant commitment on the part of the donor community. The Animal Husbandry Department thus lacks the required competence and equipment to undertake even the most basic activities expected to apply the Ministry's policy orientations. The support envisaged to reinforce the urgently needed abilities of the Department to contribute to rapid productivity improvement and preservation of the country original resources will include: (i) Training programs to prepare Afghan professionals to assume their required functions within the newly approved structure of the Department; (ii) Equipment, infrastructure rehabilitation and upgrading of offices and provincial research stations; (iii) Constitution of pure breed herds of indigenous cattle (e.g., Kandahari, Sistani, Kunari) for preservation, selection and cross breeding research, indigenous sheep (e.g., Kandahari, Ghilji, Karakul) for preservation and selection and local goats

(e.g., Kashmere and Angora) for preservation and selection and development costs for two years for cattle and one year for small ruminants; and (iv) Technical assistance, in particular to urgently start up in-depth surveys for the assessment of the natural pastures situation and grazing patterns, the assessment of existing animal and breeds resources and the assessment of dairy production and dairy products potential and also to assess the situation and ensure training in various fields as artificial insemination, fish farming, bee keeping and poultry farming.

**2.2 Livestock production and marketing initiatives** – To meet internal demand, particularly that of rapidly growing urban centers, Afghanistan imports large quantities of animals and animal product commodities: milk and milk products, frozen chickens and chicken parts, and live buffalo for slaughter. In the meantime, traditional exports of high quality processed products derived from the animal industry such as wool, camel hair and cashmere fiber, carpets and kilims, have dramatically decreased and significant proportions of the potential value added revenues are now being captured by neighboring countries. The sub-component will support a series of production and marketing, low-cost initiatives that have the potential to result in rapid and significant import substitution and export increase. These are : (i) A dairy development initiative consisting of the identification of milk shed areas and the constitution of dairy producers associations at village and district levels as well as producers unions at provincial levels along the successful Indian "Operation Flood" model; (ii) A modern poultry industry development initiative consisting in the provision to investors or producers associations of technical support for production and related supply facilities investments, (iii) Development of lamb fattening activities through in depth marketing surveys and producers organization for provision of inputs and services and marketing, and (iv) Support to vertical business integration and independence of wool and cashmere fiber production consisting in the organization of international forums and fairs to build closer links between fiber producers, fiber traders, carpet makers and fiber processors and finished products traders and international buyers.

**2.3 Improvement of the Kuchi population livelihood** – The Kuchi population has been even more affected than other Afghans through the decades of war and civil unrest because of their traditional nomadic livestock production systems highly dependent on natural pastures during the favorable seasons of spring and fall, but overall on the carrying capacity of traditional reserve pasture lands during winter time. Once owners of about a third of the national herd of sheep and goats, the Kuchis have seen their flocks reduced by 60 to 80 % due to the forced reduction of their mobility during insecure periods, the succession of droughts and an increased vulnerability to emergent contagious diseases (PPR and FMD in particular). Of utmost importance has been the adverse effect of the border closing between Afghanistan and Pakistan which has deprived them of the large pasture resource of the Indus valley they use to benefit of during winter time. This alone probably reduced by half the carrying capacity of winter pastures for their animals. In addition they also lost access, because of the growing national population and misappropriation by farmers or commanders of communal land, part of the summer pastures of the valleys which allowed for quicker growing and fattening of their stock. It is therefore urgent to develop a better knowledge and monitoring of existing Kuchi's activities and to undertake actions aiming at facilitating their livestock production. These must be considered however as conservatory measures since the recent reduction of pasture accessibility can hardly be reversed. Project interventions will include: (i) Pasture management improvement through construction of strategic water points; and (ii) Improved access to goods and services through installation of

veterinary field units at strategic locations along traditional transhumance routes. As Services to Kuchis will be seasonal, these VFUs should be located in places where other livestock live in sufficient quantity all year round. The Kuchis will also benefit from survey and monitoring work to be undertaken by the Department of Animal Husbandry and from the activities envisaged to better integrate the fiber and carpet business.

#### **2.4 Promotion of a public-private partnership for the delivery of veterinary services –**

Several donor funded NGOs have successfully developed a framework of veterinary field units (VFUs). However, the network sustainability is highly dependent on donors' financing. It is therefore urgent to design and implement a system to accelerate the profitability (and therefore sustainability) of the VFUs and to hand over technical support, supply and supervision of the VFUs to a permanent Afghan professional association benefiting from an official mandate to do so. The Afghanistan Veterinary Association (AVA) was created during the last decade with FAO assistance. Although burdened initially by internal conflicts, the AVA has now developed into quite a successful service association which ensures a significant part of the VFUs' supplies. With additional reforms, reorganization and capacity building, the AVA would be an ideal vehicle to intermediate between its members who are active in the VFUs and the Government Veterinary Services in order to strengthen the much needed public-private partnership in veterinary service delivery in Afghanistan. The sub-component will thus assist the transfer process of the VFUs through supporting the restructuring and reinforcement of AVA while initiating a sanitary mandate system for contracting certain Government veterinary activities to private veterinarian, thus reinforcing their revenue base and increasing their profitability.

Possible Project Components	Indicative Cost US\$m – Bank financing
Increasing marketable horticulture output	
Increasing livestock population and productivity	
<b>TOTAL</b>	100

#### 4. Safeguard policies that might apply

Applicable?	Safeguard Policy If Applicable, How Might It Apply?
[X]	<b><u>Environmental Assessment (OP/BP 4.01)</u> Use of pesticides and phytochemicals dangerous for the environment,</b> .
[ ]	<b><u>Natural Habitats (OP/BP 4.04)</u></b> .
[ ]	<b><u>Involuntary Resettlement (OP/BP 4.12)</u></b>
[ ]	<b><u>Indigenous Peoples (OP 4.10)</u></b> .
[ ]	<b><u>Forests (OP/BP 4.36)</u></b>
[ ]	<b><u>Safety of Dams (OP/BP 4.37)</u></b>

[ ]	<a href="#">Cultural Property</a> (draft OP 4.11 - <a href="#">OPN 11.03</a> )
[ ]	<a href="#">Projects on International Waterways</a> ( <a href="#">OP/BP/GP 7.50</a> )

5. Tentative financing

Source:	(\$m.)
BORROWER	0
IDA	50
ARTF	50
Total	100

6. Contact point

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