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ALTERNATIVE LIVELIHOODS PROGRAM – SOUTHERN REGION (ALP/S) QUARTERLY REPORT

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Contracting Officer	Margaret Kline
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Copied:

AI Merkel, USAID CTO
Beth Dunford, USAID ARD
Tracy Atwood, USAID ARD
Pat Irish, Alt CTO
Margaret Kline, Contracting Officer
ALP/S Field Office
Chemonics Home Office
ALP/E COP
ALP/N COP
USAID Development Experience Clearinghouse

EXECUTIVE SUMMARY

DEVELOPING INVESTMENT PARTNERSHIPS

During the final quarter of 2005, the ALP/S team delved into negotiations with prospective agribusiness investors and facilitated several feasibility studies to determine which activities are most likely to lead to improved incomes and sustainable economic growth. Subsequent to approval of the 2006 Annual Work Plan, ALP/S will enter into sub-contract negotiations with a number of investors. Outcomes of both sets of activities are anticipated early in the next quarter. The Agribusiness team also developed a seed distribution mechanism through the Agriculture Marketing and Production Support (AMPS) that will increase the capacity of distributors and farmers to produce for an anticipated market demand.

Significant advancements were experienced in the Infrastructure component. While over 1,500 Cash for Work laborers contributed to improvements in the area's irrigation systems and roads, and have earned over \$270,000 in daily wages. ALP/S moved forward on a plan to create an industrial park. Although still in the development stage, this business park will bring much needed economic activity and investment to the Lashkar Gah-Grishk corridor. USAID is currently discussing with the Afghan Investment Support Agency (AISA), the Afghan agency for developing industrial park, potential its involvement in creating an ALP/S-funded industrial park in Lashkar Gah.

RESPONDING TO LOCAL NEEDS

ALP/S has agreed to oversee and monitor the construction and installation of equipment for a small, women-owned Dairy Processing Plant jointly funded by the PRT and RAMP. Upon completion of the processing plant ALP/S will provide training and technical assistance to the women. During the quarter ALP/S received authorization from USAID to proceed with the construction of a cobble stone road project that will provide jobs and teach a valuable new skill to local engineers and laborers.

In response to a request from the provincial Governor, ALP/S initiated professional training to improve the computer skills of employees in the public sector. ALP/S was pleased to achieve its goal of 50% female enrollment in the 4-month course. In addition, the opportunity for women is increasing at a good pace with the collaboration between ALP/S, RAMP and the PRT.

ALP/S ends the quarter looking forward to demonstrating to the southern region that USAID is committed to implementing profitable agribusiness activities in the area, and to strengthening the infrastructure so that it can support long-term economic development.

PROGRAM OVERVIEW

STATEMENT OF WORK

The primary *goal* of ALP/S is to accelerate broad-based, sustainable regional economic development in order to provide residents of southern Afghanistan opportunities in a licit economy for new livelihoods. The Program aims to increase the presence and responsiveness of government, community organizations and the private sector to promote the growth of the licit economic and employment opportunities. ALP/S will coordinate closely with other counter-narcotics (CN) efforts being implemented under separate task orders in the Northern and Eastern regions of Afghanistan, and regularly ensure its activities are consistent with the country strategy put forth by USAID Afghanistan.

The specific *objectives* of ALP/S are to:

- Accelerate licit economic growth and business activity in selected provinces in which poppy cultivation is thriving; and
- Provide immediate alternative sources of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

These objectives form the basis of all proposed ALP activities in southern Afghanistan, and advance the primary Strategic Objective of USAID Afghanistan: a thriving economy led by the private sector.

RESULTS

AGRIBUSINESS DEVELOPMENT ACTIVITIES

INVESTMENT PARTNERSHIPS

During the final quarter of 2005, the ALP/S Agribusiness team negotiated with three prospective investors regarding the investment in and creation of “anchor” agribusiness activities for southern Afghanistan. Specific activities would involve the construction and operation of three processing facilities, one each for dried fruit and nuts, dried vegetables and raisins. It is anticipated that at least one of the associated investment plans now being negotiated will lead to an agreement between an investor and ALP/S next quarter, and that ultimately, all three will lead to the implementation of ALP/S agribusiness activities within the next few months.

During the quarter, ALP/S finalized preparations for the mobilization of four STTAs (Short Term Technical Assistants) to conduct business feasibility studies in December 2005 and January 2006. The research will assess the feasibility of dairy, feed mill concentrates, flour mills, and dried fruit and vegetable businesses with a focus on Helmand province.

While a number of potential investors had previously shown concern about investing in Helmand given its perceived isolation and concerns about security, after discussions with such investors it became clear that the bulk of such concerns had been greatly alleviated. There had also been concerns that local investors were not available or willing to invest in the region, but this quarter has seen a number of potential investors in southern Afghanistan show interest in investing in a number of ALP/S supported activities, such as dried fruit processing, feeds concentrate, flour milling, and raisin processing.

COLD STORAGE

ALP/S has been asked to work with the Grain Institute Alliance International (GIAI) regarding the placement of cold storage and warehouse facilities in Lashkar Gah, Bolan, Nad-i-Ali, and Grishk. Specifically, ALP/S will provide oversight of such activities for the facilities purchased under RAMP. ALP/S will train the grower associations to manage the cold storage facilities, and provide guidance pertaining to which commodities have the

highest potential return. During the quarter, ALP/S met with GIAI to plan such activities, visited a number of future construction sites, and began outlining what training will be needed, and how it will be provided.

SEED DISTRIBUTION

ALP/S also supported the implementation of the AISP program, i.e., the distribution of seed and fertilizer to growers in Helmand, Kandahar and Uruzgan provinces for the fall planting season. ALP/S' role was to help ensure that accurate distribution procedures and recipient lists were developed and provided to local Implementing Partners. Upon the arrival of the seed and fertilizer in Kandahar and Helmand ALP/S facilitated the arrangement for transporters to deliver the commodities to the districts.



AISP Seed Distribution (photo by Ash Sweeting)

As with all provinces in the south, Helmand received 17,930 vouchers to be delivered to 17,930 beneficiaries. The breakdown for Helmand was 16,496 wheat packages, 538 potato packages and 897 onion packages.

AGRICULTURAL MARKETING AND PRODUCTION SUPPORT

ALP/S is using the experience from the fall distribution of seeds and fertilizer to prepare and implement the upcoming Agricultural Marketing and Production Support (AMPS) spring seed distribution activity. This activity will provide seeds as a function of market demand in Helmand, Kandahar, Uruzgan, and Zabul provinces and is expected to impact up to 70,000 farmers.

To ensure that the market exists to support the additional production which would result from the distribution of seeds and fertilizer, ALP/S is currently conducting research on the product value chain across the four province region of Helmand, Kandahar, Uruzgan, and Zabul. In preparation for AMPS implementation, ALP/S has hired a Project Coordinator from the soon-to-be-finished AISP program. In coordination with the Business Development Services Manager and the Public Information Specialist, this Project Coordinator will implement a plan to provide information via radio announcements and billboards. These activities will ultimately increase the capacity of distributors and farmers alike to actively participate in a competitive marketplace.

OTHER AGRIBUSINESS DEVELOPMENT ACTIVITIES

INDUSTRIAL PARK

During the quarter, ALP/S developed and proposed to USAID the concept of an industrial park to spur area-based development activities for the Lashkar Gar-Grishk corridor. The business park will serve as an important tool to entice businesspersons to invest in the area and promote overall economic growth and job creation within Helmand.

As conceived, entrepreneurs will be able to purchase serviced sites within the industrial park which will mitigate the risks associated with obtaining land titles, zoning permits, manufacturing authorization and adequate public utilities and services. Most of the infrastructure constraints faced by firms wishing to invest in Afghanistan will be alleviated with the creation of this business park. The facility will be located within an enclosed area and will feature:

- Land title or clear multi-year lease agreement.
- Paved roads with curbing and concrete side drains.
- Central water and sewer
- Site security provided by the park management
- A reliable electric power supply

As firms are identified to invest in agro-processing, ALP/S will partner with the entrepreneurs with cost sharing arrangements, technical support and assistance for market expansion. Potential agro-processors that would benefit from operating within the industrial park:

- Dairy (milk) processing (12000 liter per day capacity).
- Wheat milling and flour processing
- Fruit and vegetable dehydration
- Feed mill operation
- Fresh vegetable packing including cold storage facilities

While the site for the industrial park has not yet been selected, ALP/S has identified appropriate areas that are large enough for current and future demand and has proposed one site in particular. The decision will ultimately be determined through discussions and negotiations with the Governor and Mayor of Helmand, the Industrial Park Development Authority (IPDA), the Afghan Investment Support Agency (AISA) and USAID. USAID is currently discussing ALP/S request with AISA which has experience with development of similar industrial parks in the region.

The preferred site is just outside of the Lashkar Gar “city limits” and has the following characteristics:

- The site is approximately one half kilometer from the route of the Lashkar Gar-Ring Road which is currently being paved.
- The site is on kilometer from the current electrical distribution line.
- The Lashkar Gar electrical sub-station is approximately two kilometers from the site.
- ALP/S will finance the electrical distribution line from either the Ring Road or from Grishk to Lashkar Gar. Once this line is completed the industrial park should have a reliable source of electricity without the need to rely exclusively on generators.
- The Lashkar Gar airport is less than half a kilometer from the site.
- There are no structures or buildings within the site.
- It is acknowledged that the land is national land.

The industrial park will be an integral component for ALP/S to reach out to potential investors and will serve as a catalyst to facilitate investment in agro-processing as well as stimulate growth within the agriculture sector.

US- AFGHAN BUSINESS MATCHMAKING CONFERENCE

In early October, five representatives from Chemonics' ALP/S project management team attended the US- Afghan Business Matchmaking Conference in Washington, DC. Sponsored by the Afghan-American Chamber of Commerce (AACC/AICC), the conference brought together approximately 180 Americans and Afghans interested finding investment and joint-venture partners for enterprises in Afghanistan. Chemonics, DAI and PADCO, the ALP implementers, each gave a five minute presentation about how investors could partner with their projects. The ALP/S presentation focused on the competitive advantages offered by Helmand and Kandahar provinces, opportunities for investors along agribusiness value chains and potential investment partnerships under ALP/S. The AACC/AICC event provided many valuable opportunities to connect with potential private-sector investors in ALP/S. In addition, the three ALP implementers shared an information booth to attract and inform interested investors in the potential opportunities each ALP region could offer and any potential linkages to their business interests. Contacts from the conference were shared among the implementers and forwarded to the respective ALP field offices for follow up.

AISA ROAD SHOW

Directly following the Business Matchmaking Conference was the AISA Road Show. The Embassy of Afghanistan capitalized on the presence of Dr. Omar Zakhliwal and Suleiman Fatimie of the Afghan Investment Support Agency (AISA) for the AACC/AICC Matchmaking Conference to conduct road show events for AISA in New York and Oakland, CA in mid-October. ALP/S sponsored this event at the request of the Embassy of Afghanistan, agreeing to cover the venue and catering costs of the Oakland portion of the road show. Representatives from the Chemonics home office gave presentations on ALP/S at each conference, networked with potential Afghan expatriate investors in ALP/S and made valuable contacts for the ALP/S field office. Overall, the New York and California events provided an excellent forum for introducing potential investors to ALP/S, expanding the program's network in the United States, Afghanistan and Dubai, collaborating with other ALP implementers (DAI) and reinforcing USAID support for events of importance to the Embassy of Afghanistan in Washington.

INFRASTRUCTURE DEVELOPMENT ACTIVITIES

Given the fundamental role a functioning infrastructure plays in an area's sustainable economic development, ALP/S is ensuring continued progress in the rehabilitation of the infrastructure in Helmand and Kandahar provinces, and the ALP/S infrastructure team made substantial advances during the fourth quarter.

ROAD REHABILITATION

ALP/S has been supervising the road rehabilitation efforts of the Sahil Sakha Arghandiwal Reconstruction Organization (SSARO) which has completed work on two of the four previously identified roads for improvement in Kandahar province. Current status is as follows:



Road work on Khoshab road/ Kandahar

- Pashmul road (7.3 kilometers) has been 100% completed.
- Saha Durai road (15.3 kilometers) has been 100% completed.
- Sanzarai old road (5 kilometers) survey completed; initiation of work anticipated in Q1 of 2006.
- Khoshab road (9.8 kilometers) work is under way; 5 Km of sub-base and drains has been completed.

SSARO commenced work on “road number 4” – the fourth road identified for improvements in Kandahar- Khoshab on November 21, 2005. During an inspection of this road in early December, it was noted that SSARO had completed 6 kilometers of sub-base filling, compaction and drains. Since the Khoshab road runs along the Loyah Irrigation Canal, a slope away from the canal is being created to allow rain water to drain away from the canal. ALP/S Infrastructure Department has been conducting weekly inspections and quality assurance monitoring of these activities. The “road number 4” project is employing 100 men, and will ultimately provide for approximately 10 kilometers of safe, durable, quality surface on a frequently traveled road.

In December, with the additional protection provided by new armoured vehicles, the infrastructure team was able to more regularly direct their attention to monitoring the Kandahar roads. The most recent inspection of Saha-e-Duraee was conducted in early December and weekly inspections will now be made.

During the quarter, the ALP/S Infrastructure Department representative met with the Louis Berger Group / Kabul to discuss and possibly finalize the implementation of a new project that would develop an area critical to Helmand’s economic development – the rehabilitation of 125 kilometers of roads along the Grishk-Lashkar Gar Corridor.

COBBLESTONE ACTIVITY

During the reporting period, ALP/S proposed and USAID approved an activity request to cobblestone one kilometer of road to demonstrate feasibility of this ancient craft in a new area. Cobblestone roads compare favorably with paved roads in terms of durability, maximum utilization of labor, dust reduction, repair without major equipment and cost-effectiveness. Without compromising quality, ALP/S plans to utilize labor-intensive cobblestone road construction rather than machinery-intensive techniques, providing even

greater economic safety net benefits for the anticipated 200 laborers who will work an estimated 4,000 labor days during the construction phase.

This task will utilize Bolivian cobblestone specialists to train Afghan engineers and workers. At a minimum, ALP/S will train 50 Afghans in cobblestoning techniques, skills which can then be used for future cobblestoning activity under ALP/S or in other parts of Afghanistan.

If the technique is acceptable to local authorities and USAID once the initial phase one kilometer section is completed, ALP/S plans to continue cobblestoning the entire 10 kilometer length of the road. Since cobblestoning is a new technology in Afghanistan, ALP/S will keep daily cost figures to establish a per-kilometer cost of the demonstration section.



Cash for Work Manager and project engineer inspect selected cobblestones from the Helmand river bed.

In December ALP/S infrastructure staff and three villagers traveled to Jalalabad to review the ALP/E cobblestone demonstration and receive training in selection and placement of stones. Prior to the end of this quarter ALP/S started road work preparation on the Qali Bost Ruin Road. The stones are being selected and placed on the side of the road and progress is expected to be in full swing early next quarter.

DRAIN CLEANING – HELMAND

Proposals are being reviewed for cleaning 153 kilometers of drains in Middle Helmand. Pre-selected contractors have been contacted and negotiations are in process. ALP/S aims to rehabilitate most of the Middle-Helmand drain systems including the Upper Boghra, Nad-e-Ali, Shamalan and Darweshan systems. This cleaning is essential to reclaim surrounding agricultural lands and make them viable for producing well-irrigated crops. While the larger drains will be cleaned by draglines the spoils will be removed by laborers identified by ALP/S Cash for Work activities.

RURAL ELECTRIFICATION

Business development and competitiveness depends on the availability of a reliable supply of electric power. Electricity, whether used in the production process, the management or execution of a service, or merely in providing electric light to extend the working day, is an essential part of business activity. However, the vast majority of Afghan businesses do not have access to reliable energy. Instead, they attempt to generate their own power which is significantly more expensive than that generated by large scale plants, or they rely on low grade "city power" with its frequent power shortages that damage equipment or black-outs that put a stop to business activity altogether.

ALP/S believes it is essential that Lashkar Gar has a reliable source of electrical power in order to attract investment to the provincial center. While improved roads and irrigation

systems will create a more conducive environment for investment, emerging agribusinesses will need a reliable source of electrical power for their operations.

ALP/S has completed an energy assessment which gives two alternatives for providing Lashkar Gar with reliable and competitive electricity. The first option would be to rehabilitate and upgrade the hydro-facility at Grishk and string the distribution lines to Lashkar Gar. The second alternative would be to replace the outdated distribution line from the Ring Road to Lashkar Gar. While both alternatives would supply Lashkar Gar with approximately 4.0 to 4.5 megawatts, replacing the Ring Road distribution line and upgrading the Lashkar Gar sub-station could potentially offer 9.5 to 10.0 megawatts with the upgrading of the Kajaki hydro-station.

Of the two options, the more cost effective will likely be the restringing of lines from the Ring Road to Lashkar Gar. This solution provides greater potential for growth, leaves most of the electrical poles still intact and connected to the provincial electrical grid. ALP/S is in the process of preparing an Activity request for sub-contractor NRECA to initiate work on this activity. The activity request will be submitted to USAID just prior to the 2006 Work Plan since NRECA is positioned to initiate work quickly. Upon approval of this activity, NRECA will be instructed to tender for the construction phase.

CASH-FOR-WORK SAFETY NET ACTIVITIES



Cash for Work payment in Marja District in Helmand.

ALP/S has expanded its CFW sub-component activities in the last quarter. This economic safety net has now put 1,500 laborers to work on critical irrigation systems and road improvements - work that took them away from the fall poppy planting season. Collectively, CFW activities resulted in a total of 11,710 cumulative work days and \$270,000 in salaries paid.

While the quarter began with activities primarily in Lashkar Gah, by the end of the quarter, this economic safety net was being provided to laborers and their families in Marja, Uruzgan and Kandahar.

BUSINESS DEVELOPMENT COMPONENT

Important advances were made during the quarter by the ALP/S Business Development team which continued its efforts to bring rural credit to Helmand and Kandahar provinces and provide business development training for entrepreneurs in the south. The Helmand Province agricultural and economic survey initiated during the last reporting period has been completed. Over 80 surveys were received and have been translated to help identify regional economic development opportunities and priorities. Although a variety of constraints were identified, i.e. lack of market information, a defunct cotton enterprise, poor public

infrastructure, the absence of credit was identified by the majority of respondents as the largest constraint.

CREDIT ACTIVITIES

In order to partially address the credit constraints, lack of financial lending institutions in the region, the BDS Manager met several times with senior officers of the Afghan International Bank. He was able to convince it to establish a branch office in Kandahar to partially service the needs of emerging businesses there. This achievement is notable since AIB used its own resources for the opening of its branch office. As a result of positive relations built between ALP/S and AIB, ALP/S will work closely with the AIB to explore the possibility of it becoming a lending facility for Kandahar and eventually Helmand.

INSTUTIONAL STRENGTHENING ACTIVITIES

In coordination with the Agribusiness component, a survey to assess the volumes and prices of agricultural crops handled by traders was designed and administered during conversations with selected traders in Lashkar Gah. The survey will also be applied in Grishk, Kandahar, Herat and Quetta, Pakistan. Additionally, a survey questionnaire to collect daily information on the price of six agricultural products in the bazaars of these same cities mentioned was developed and is now being tested in Lashkar Gah before full implementation.

In close coordination with the local representation of MAAHF and under ALP/S supervision, a series of scripts will be drafted for radio programs to accompany the crop cycle of each of the products to be selected by AMPS for the spring seed and fertilizer distribution campaign. Currently, radio stations with access to rural areas in each one of the participating provinces (Helmand, Kandahar, Uruzgan and Zabul) are being identified and will soon be approached with a plan to disseminate price information on selected agricultural commodities on a daily basis, thus providing producers and traders with valuable inputs for decision making.

GIA, which will provide price information for the Kabul market, has offered to share its information with ALP/S. Additionally, price boards will be posted at District level in each of the participating Provinces and radio will be used extensively to disseminate critical information on the seed and fertilizer distribution schedules in each location.

TRAINING ACTIVITIES

ASSESSMENT OF TRAINING VENUES IN LASHKAR GAH

An assessment of possible training venues undertaken for the Computer Literacy Program concluded there are very few adequate facilities in Lashkar Gah. Given the training needs of ALP/S for the medium and long term, and the need for adequate and secure facilities to implement training programs, ALP/S reached an agreement to use the facilities at the Lashkar Gar Department of Women's Affairs.

COMPUTER LITERACY TRAINING PROGRAM

The ALP/S computer literacy training opportunity garnered a total of 260 applications: 122 were from Kandahar and 138 from Lashkar Gah; 184 were male and 76 were female. Seventy-six (76) candidates have been selected, 40 in Lashkar Gah and 36 in Kandahar, of which 36 are female. Approximately 90% of all participants are from the public sector and represent major ALP/S stakeholders. They were chosen from a variety of provincial institutions and include the Deputy Governor of Kandahar; MRRD; Agriculture (DAAHF); Department of Returnees and Refugees (DORR); Department of Education; Department of Health; Department of Irrigation and the Public Health Hospital in Lashkar Gah. Also included are a number of female teachers from the Toor Tank School and the Girls High School in Lashkar Gah. The course will be inaugurated towards the end of the month and will be hosted at the Department of Women Affairs in Lashkar Gah and at the Shirzai Academy in Kandahar.

GIA/RAMP TRAINING NEEDS ASSESSMENT

GIA/RAMP is supporting the consolidation of six associations in Helmand and Kandahar (Lashkar Gah, Bolan, Nadi Ali, Grishk in Helmand, and Habib City in Kandahar) through the provision of cold storage facilities and warehouses to process agricultural commodities and dairy products. ALP/S has offered support to train members of these Associations. An assessment of GIA/RAMP training needs was jointly undertaken. The Associations and its members supported by GIA/RAMP will benefit from ALP/S training, technical assistance and agricultural extension programs during 2006.

COORDINATION OF ACTIVITIES IN HELMAND

To ensure adequate coordination towards the implementation of activities in Southern Afghanistan, ALP/S staff meets regularly with representatives of the Provincial Government of Helmand, Department of Reconstruction and Rural Development (MRRD), Department of Agriculture, Animal Husbandry and Food (MAAHF), Department of Women Affairs (DWA), Municipality of Lashkar Gah, Mercy Corps International, ICARDA and BRAC. Information is exchanged and possibilities for joint implementation efforts are reviewed.

The ALP/S technical team also met with the District Shuras and Woliswols of Marja and Nada-E-li. These meetings established important relations between the ALP/S technical team and key figures of traditional authority whose approval is vital for future ALP/S activities. It is expected that the technical team will continue to meet regularly with both Woliswols and other village authorities to define tasks for the project implementation in both Districts.

CROSS CUTTING ISSUES

GENDER & VULNERABLE GROUPS

ALP/S has finalized contract negotiations with an expatriate candidate that will serve as a long-term double incumbent Gender Advisor and the M&E Specialist. It is fitting that the same person serve in both positions since gender and monitoring and evaluation are cross cutting themes and the M&E Specialist has to ensure that gender concerns are adequately reported on, and as the Gender Advisor this person must work closely with the technical

managers to ensure that the viewpoints of women and disadvantaged are incorporated into program development and implementation. The Gender/M&E Specialist will start work in January 2006 and be based in Lashkar Gar.

An agreement was reached with the PRT and RAMP for ALP/S to assist the Lashkar Gar Widows' Association small dairy processing facility. The PRT and RAMP will jointly finance the construction of the processing plant and equipment purchases while ALP/S will provide or facilitate the provision of technical assistance and training to increase the potential profitability and sustainability of the dairy processing facility.

The Institutional Strengthening manager facilitated the implementation of the ALP/S computer literacy training activities in Lashkar Gah for employees from the public sector. Each of the Provincial Ministry offices were requested to submit names of candidates for this training and a total of 40 participants were selected. Of the 40 participants 50% of them are women. The provider of training is the Sheirzai Institute of IT & Management based in Kandahar. Sheirzai Institute has an outstanding reputation for providing quality computer training among UN agencies in Southern Afghanistan. The course will last four months.

THE ENVIRONMENT

ALP/S received notice of the USAID decision regarding environmental regulations pertaining to ALP activities. The Environmental Assessment, prepared under the RAISE IQC mechanism, has now authorized the program to move forward without preparing individual environmental assessments for ALP activities. There are exceptions, such as the purchase of agriculture chemicals and pesticides which are still restricted without first conducting individual environmental assessments.

PROGRAM MANAGEMENT ACTIVITIES

DELIVERABLES

ALP/S submitted its revised Life of Project Work Plan to USAID on November 15, 2005. Subsequently a series of meetings took place between USAID and ALP/S staff to develop parameters for strengthening the Work Plan. It was mutually agreed that the Work Plan should follow the format utilized for the strategy and rather than describing activities in detail, and leave such detail for the annual work plan. We also agreed to strengthen the rational/justification for sector intervention but to de-emphasize the specific interventions targeted to address constraints.

The Life Project Work Plan was redrafted and submitted to USAID December 5, 2005. The CTO had a few minor comments/suggestions and provided ALP/S with these comments on December 8th. ALP/S subsequently addressed all of these comments and resubmitted the final Life of Project Work Plan to USAID on December 23, 2005.

The 2006 Annual Work Plan is being developed and we plan to submit it to USAID prior to the end of this calendar year. Within a month of approval of the annual work plan we should be in a position to sign sub-contracts with two separate investors for processing of dried

fruits and vegetables respectively. A third agreement for an animal feed concentrate feed mill should be finalized within two months after approval of the work plan. Although the Annual Work Plan projects five agro-processing agreements reached during the year there will be a lag time between the third and fourth agreement.

OPERATIONS

A working environment and personnel systems have been established that promote high employee morale, despite the difficult circumstances, and support effective and timely program implementation. The main goal during this quarter was to upgrade the Operations Department at the Lashkar Gah facility to support full scale implementation of project activities. Facilities and most equipment required for full project implementation have been acquired and are operational.

The dearth of human resources presents consistent challenges with regard to finding qualified local tradesman in such basic skills as electrical installation and repair, plumbing installation and repair and small scale contracting. This has resulted in poor workmanship and delays in fixing required equipment and facilities.

IT NETWORK

This quarter saw the arrival of a short-term IT consultant focused on completing the design and implementation of the IT infrastructure for ALP/S. With the evacuation of ALP/S staff in May 2005, much of the IT equipment was left in disarray. The IT consultant completed an analysis of the Lashkar Gah and Kabul sites and designed the new network. The new system will increase the efficiency and security of the network by requiring end-user authentication to access network resources, providing file server capabilities and allowing for off-site remote file access. Through consultation with all departments, staff's IT needs were determined and shortcomings of the current system were identified and resolved. While the lack of IT expertise in Helmand province made identification of a suitable local candidate to fill the LT position quite difficult, a candidate was ultimately hired and has since demonstrated his skills as a site administrator. This local staff will facilitate continuity of the system after the short-term consultant completes his tasks.

PROGRAM SECURITY

The ALP/S Security Manager in Lashkar Gah was joined this quarter by the Security Manager originally posted to ALP/S Kandahar. Combined coverage allowed for base operations to continue securely when one or the other was needed in Kabul or was otherwise in the field. Together they monitored the security environment and implemented security enhancements to ALP/S compounds, offices and site visit procedures.

The security managers supervise unarmed Afghan guards for "soft" static security and armed Afghan guards from the respective governor and police offices for "hard" static and mobile security. Coordination of these guards was required for in excess of 20 road moves on behalf of project implementation and supervision.

Of note during the quarter was an attempted suicide bombing outside of the Governor's Office and the murder of two locals at a school 500 meters from the PRT. The fact that the incidents occurred in relatively close proximity to the ALP/S compound continues to highlight the need for extant security measures.

The appointment of a new Governor to the Province is predicted to lead to a temporary worsening of the security situation due to the standard period of "testing" by various local elements who may be opposed to changes in status quo. Nevertheless, in the longer-term the change is expected to improve the overall security situation.

During the quarter 50 sets of body armor were purchased and are in transit from CONUS. Two of the four armored vehicles have been accepted and are now being used operationally in the Province. The remaining two vehicles are undergoing work in Kabul to address deficiencies in the security enhancement portion of the vehicles. It is anticipated that this work will be completed during the first week of January 2006 and they will subsequently be shipped to Lashkar Gar.

The Global security contract has been approved by USAID and signed. Global immediately responded by assigning three former British Army Gurkha TCNs and a Global logistic officer to assist in the supervision of the existing compound guard force.

STAFFING

A combination of nearly 70 former AIP staff and 10 existing ALP staff has resulted in an effective project workforce. However, the ALP/S team experienced two staff departures during this quarter: the Director of Planning and Design and the Business Development Manager. Chemonics continues its search for replacements for the above mentioned positions in addition for a permanent Chief of Party.

Chemonics proposed a candidate for COP but after a series of discussions with USAID staff it was decided that Chemonics should search for a candidate that has a stronger background in agro-business development. Ongoing recruitment for a permanent COP remains a top priority. Negotiations with an Afghan-American recruit for Gender/M&E Advisor have been concluded and the advisor will arrive in Lashkar Gah shortly after the first of the year. A Project Coordinator for AMPS program that has a solid background of experience from AISP was hired. Subject to concurrence from USAID, ALP/S proposes to station the AMPS Coordinator in Kandahar with intermittent travel to Lashkar Gah. It is envisioned that when this unit is fully staffed it will consist of the coordinator and three local staff. While strides have been made in personnel recruitment it remains difficult to find qualified professional local and expatriate staff willing to remain in Lashkar Gah and consequently a few key long term positions remain unfilled.

PUBLIC INFORMATION

ENHANCING ALP/S-COMMUNITY RELATIONS

Information is increasingly being made available to various stakeholders through the Public Information Office. ALP/S will offer updates to the public affairs office in the Ministry for Counter Narcotics so that ALP/S activities are noted on the Ministry's calendar of events.

Significant outreach was conducted with the two local radio outlets and a local magazine, each of which learned the scope of ALP/S activities explored ways to support the PI Office in getting the message out to citizens in their coverage areas.

INCREASING CITIZEN AWARENESS

After receiving a small contribution of radios from the PRT, the ALP/S PI Office took the opportunity to make the distribution of them an activity through which citizens could be introduced to the program. In a series of lottery activities, over 1,500 people were provided information about the benefits of licit economic development, upcoming ALP/S activities, USAID/ALP/S collaboration with GoA and a framing of the work as one element of a 5-pillar, lengthy process of change.

In this initial effort, a total of 50 radios were distributed to women identified by the leaders of women's shuras from Grishk, Safian, Karez and ToorTang and farmers in rural areas identified by ALP/S field managers. The remaining 10 radios will be given as prizes in an upcoming contest to be conducted early in the next quarter on the radio, through which listeners will be asked questions about licit economic activities in Helmand.

Over the quarter, ALP/S met with the Mission's Public Information Officer in Kabul and planned a meeting with other AL implementers for early in the coming quarter to ensure appropriate messaging and effective communications strategy implementation. Additionally, collaboration with the PRT Civil Affairs team continued and plans are underway to cooperate on a groundbreaking event for the Dairy Processing project that ALP/S will support through technical assistance and training. The ALP/S PI Office will work with the RAMP and the PRT to ensure that USAID and local press are contacted and appropriate visuals are produced.

In addition to the development of the ALP/S communications strategy, initial steps were taken to create focus groups, a key component of the strategy. Through meetings with the Boulan Farmer's Cooperative, multiple shuras and local staff, and community leaders, ideas and logistics are being taken into account that will enable the PI Office to effectively gather baseline information on the level of awareness among a sampling of the target population regarding ALP/S and related economic activities.

A small focus group of local Afghans was used to help identify culturally appropriate messages and images and the viability of an alternative livelihoods "logo" that would use a culturally relevant symbol and Pashto language. The Public Information office intends to support the technical components of ALP/S through the utilization of messages and images

in targeted communication products such as posters, brochures, banners and maybe printed on kites to be given away to children and families.

In order to ensure correct PI implementation and collaboration, USAID requested communications-related staff meet in Kabul in the near future. The ALP/S coordinated the meeting between the relevant parties, and the date of January 26, 2006 has been tentatively set.

PLANS FOR NEXT QUARTER

UPCOMING AGRIBUSINESS DEVELOPMENT ACTIVITIES

ALP/S expects USAID to approve the 2006 Annual Work Plan in January 2006, and ALP/S plans to execute at least one investment agreement shortly thereafter. During the first quarter it's expected that one or two additional agreement will be signed. In addition, ALP/S expects to finalize five feasibility studies regarding business opportunities in Southern Afghanistan. The studies involve the business feasibility of dairy processing; plus the production of feed mills concentrate, flour production, dried fruits and nuts, and fresh fish via fish farms. Once the studies are finalized, ALP/S will open discussions with a number of local investors who have shown interest in investing and managing such businesses. Much of the first quarter of 2006 will then involve developing these new investment plans and ultimately signing the agreements as quickly as possible.

In ongoing coordination with RAMP, the Ministry of Agriculture, the PRT and local leaders, ALP/S will participate in the implementation of a plan to provide training and technical assistance for the management of cold storage units. In addition to standard system operation and maintenance grower associations will be provided guidance on what crops should be stored in order to maximize their profits.

ALP/S will also negotiate a contract with the Afghan Veterinary Association (AVA) for the placement of Veterinary Field Units (VFUs) in virtually all districts of Helmand, Kandahar, Uruzgan, and Zabul. This will be an extension and expansion of AVA's present activities in the region, now funded by RAMP through June of 2006.

Finally, the next quarter will mark the beginning of the spring planting season and ALP/S will intensify its efforts for the distribution of seeds and fertilizer through participating agriculture distributors in the four province area of Helmand, Kandahar, Uruzgan, and Zabul. During the cultivation phase ALP/S will provide price information through a radio campaign to inform farmers of the price fluctuations in regional markets such as Herat, Lashkar Gar, Kandahar, Tirin Kot, and Quata.

UPCOMING INFRASTRUCTURE COMPONENT ACTIVITIES

The pace of activities associated with infrastructure improvements will intensify in the coming quarter as the following sub-projects move into the implementation stage: The Grishk Corridor roads, Middle Helmand Drain Cleaning, and the cobblestone work at Qala Bost. Capital projects that should be ready for tender will include: Darweshan Irrigation Canal Rehabilitation and Helmand River re-channeling.

During the past quarter, a request was submitted to USAID to include ALP/S in the Industrial Park Program. Subject to final approval by USAID, ALP/S will work with the Afghan Investment Support Agency (AISA) on the designs and bid documents.

UPCOMING BUSINESS DEVELOPMENT ACTIVITIES

BDS TRAINING ACTIVITIES

In a parallel activity with the computer training provided under the ALP/S Institutional Strengthening component, the BDS manager will assess needs and identify training opportunities for groups that directly support ALP/S agribusiness development in the region. Emphasis will be placed on reaching out to entrepreneurs, business persons and rural enterprises that complement or could potentially complement agribusiness clusters.

These training courses will cover both technical and business management concepts. Requests for the technical training can originate from the agro-processor or through oversight provided by ALP/S Investment Managers. This training will focus on improving quality control to ensure that the finished product meets the specifications of the buyers and potential buyers. In order to ensure that quality products are provided to the agro-processors, sub-contracts will be executed with NGOs to provide extension to services to farmers producing for ALP/S or other agro-processors.

UPCOMING INSTITUTIONAL STRENGTHENING ACTIVITIES

The Institutional Strengthening component will engage in a proactive manner with the public and private sectors at provincial, district and local levels to promote an enabling environment that discourages poppy cultivation and encourages licit crops. At the public sector level, ALP/S will strongly support the establishment and consolidation of local administrative institutions through the implementation of robust Provincial and District Development Committees.

At the private sector level, ALP/S will support and foster private sector growth under the agro-industrial clusters to be created, by helping producers organize themselves into associations under the different activities contemplated by the Agribusiness component of the Program.

CROSS CUTTING TECHNICAL THEMES

GENDER & DISADVANTAGED GROUPS

In consultation with leaders of women's shuras in the area, the newly fielded LT Gender Advisor will work closely with each technical component leader to ensure that the viewpoints of and activities for women and disadvantaged populations are incorporated into

all program development and implementation plans. As this staff is a double incumbent who will also serve as the Monitoring & Evaluation Specialist, her activities in the coming quarter will also developing and testing a survey instrument to judge the effectiveness of ALP/S interventions.

UPCOMING PROGRAM MANAGEMENT ACTIVITIES

OPERATIONS

The Director of Operations will ensure full implementation of all tasks required for preventative maintenance of facilities and equipment. Additionally, this department will continue to conduct oversight regarding recruitment of qualified local staff to for unfilled positions and the development of practical training programs to improve local staff performance.

Together with the newly hired IT Manager, the short-term IT consultant will complete deployment of the new IT infrastructure for Lashkar Gah and Kabul. At that point the site analysis process will be repeated at the Kandahar office, new infrastructure designed and deployed and local staff trained. By the end of the next quarter ALP/S should have a revamped IT infrastructure that allows for seamless usability between sites, protection of data and redundancy of server equipment in the event of system failure.

SECURITY

The fielding of the Global staff and their training of the static and mobile guard force is the most significant task on the security department's horizon. Compound hardening will continue to be an ongoing project.

PUBLIC INFORMATION

Next quarter will involve qualitative data gathering to obtain a baseline level of awareness about ALP/S and/or related economic development activities. This information will be collected via randomly sampled citizens in focus groups and utilize Afghan field assistants. The ALP/S Public Information Office also intends to work with both radio stations in the province (Sabawoon and Mahali) to get the message out in support of the spring seed and fertilizer distribution program.

As previously mentioned, ALP/S was given 60 radios for distribution by the PRT which generated a great deal of interest among beneficiaries, and a challenge in terms of making this small number stretch. However, due to the relatively easy implementation and effectiveness of radio distribution as a public education activity, and the essential role that radio broadcasts play in this region, ALP/S will explore in the coming quarter the benefits associated with continuing a radio distribution activity.

Discussion with USAID PIO indicates that the opportunities will increase to showcase ALP/S accomplishments on the soon-to-be-launched website and to interact with members of the international media.