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AFGHANISTAN ALTERNATIVE LIVELIHOODS PROGRAM SOUTH (ALP/S)

IMPLEMENTATION STRATEGY

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AFGHANISTAN ALTERNATIVE LIVELIHOODS PROGRAM-SOUTHERN REGION (ALP/S)

IMPLEMENTATION STRATEGY

This document provides background information on the U.S. Agency for International Development's (USAID) Alternative Livelihoods Program in Afghanistan, and describes aspects of this program that Chemonics International Inc. will be responsible for in the country's southern region. This document also outlines the principles that will guide Chemonics' identification, development and implementation of project activities. It includes a Mission Statement that is consistent with the USAID/Afghanistan's Strategic Objective for rural sector development and a Vision Statement that articulates the changes that will occur in southern Afghanistan as ALP/S carries out this mission and achieves sustainable results. The document concludes with a detailed discussion of project components, monitoring and evaluation methodologies, and annexes which correspond to USAID's Intermediate Results.

BACKGROUND: The Alternative Livelihoods Program is a major component of the U.S. Government's overall effort to help the Government of Afghanistan (GOA) implement its comprehensive counter-narcotics strategy. The GOA and the international donor community, led by the United Kingdom and with the strong backing of the United States and the European Community, have launched an ambitious, six part counter-narcotics strategy. It aims to reduce poppy cultivation by 70 percent by August 2008 and to eliminate it completely by 2013 in areas where alternative livelihoods have been made sufficiently available. The strategy aims to change attitudes and practices through:

- 1) a public information program;
- 2) an alternative livelihoods program;
- 3) capacity building;
- 4) judicial reform and law enforcement;
- 5) interdiction; and
- 6) eradication

All six of these program 'pillars' are necessary and inter-related components of an effective counter-narcotics strategy. Through the second pillar, USAID supports an accelerated effort to change the economic landscape of provinces where the cultivation of opium poppy has historically been significant. The objective of the overall Alternative Livelihoods Program is to improve the licit income opportunities and well being of thousands of rural families by integrating them into a rapidly growing regional economy. By providing licit, alternative income and employment opportunities, the Program hopes to contribute to a reduction over time in the growing of opium poppy in the targeted areas. Chemonics is implementing the Alternative Livelihoods Program for the Southern Region (ALP/S).

THE SETTING: The southern region of Afghanistan, basically comprised of the provinces of Zabol, Kandahar, Uruzgan, Helmand, Farah and Nimroz, is largely a semi-arid and desert area with a few river- or karez-irrigated agricultural zones. The regional economic and population center is Kandahar City, in Kandahar Province, an historic political and trans-Asian trading crossroads. The area is home to several different ethnic groups, including a large portion of the country's one million nomadic Kuchi herders, but is primarily Pashtun in

ethnic character. The more remote portions of this region are socially very traditional, tribal and conservative, and it remains one of the more fragile security areas because Kandahar and Uruzgan were the base for Taliban operations. The area encompassing Helmand and neighboring provinces has historically been a significant producer of poppy and an active corridor of drug trafficking, facilitated by open borders with Pakistan and Iran. Given the links between terrorism and the region's dependence on poppy production, effective economic development programs that create sustainable solutions to dependence on poppy production are essential to U.S. national security interests.

To help counter the production of illicit narcotics, the region needs the rapid restoration of damaged infrastructure and accelerated, general economic development. Improved incomes and well-being for the population would also help moderate inter-ethnic social tensions. Being a semi-arid zone, the southern region is very dependent upon irrigation systems and winter rainfall to sustain crop production.

Since agriculture, including poppy production, is the principal driver of employment and incomes within this Registan Desert area, a successful counter-narcotics program must begin with the expansion of viable, sustainable, licit agricultural employment and income alternatives. This will require water supplies, appropriate zonal cropping technology, farming of higher-value field crops and horticulture, and irrigated and improved rain-fed fodder for livestock. Improved irrigated farming activities and marketed products will in turn expand non-farm services jobs and enable value-adding, agro-processing endeavors. Better water-harvest technology and watershed management can also improve livelihood options for the region's less-developed, remote districts. People raise illicit crops because they need jobs and better incomes, and opium poppy is well-suited for limited, arable land assets. Successful alternative livelihood programs can, over time, create the needed, licit options that will reduce pressures to produce damaging, illicit narcotics.

THE CHALLENGES: ALP/S, like other proposed counter-poppy interventions in the country, will face considerable general and area-specific challenges. The United Nations Office on Drugs and Crime (UNODC) report for the 2004-2005 poppy crop year lists Helmand and Kandahar provinces as the top two in area planted. Poppy hectares in Kandahar increased 162 percent over the previous year. Helmand province registered a very modest ten percent reduction in area planted, but favorable winter rains boosted opium gum yields there as it did in most other provinces.

Absent its illicit nature, corrosive impact on society, deleterious effect on the rule of law, and consequent damage to Afghanistan's international reputation, the poppy to opium and heroin system in Afghanistan constitutes a lucrative, model value chain. Producers have advance access to financing at the beginning of the crop cycle that provides needed over-winter money for poor and/or landless households. The shared poppy-crop 'rent' mechanism also gives the poor access to better land and water for their production of food crops, with the landowner taking little risk for large rewards. The poppy 'system' allows producers to pay off their debts 'in-kind' at harvest time, which aids household cash management. Poppy production especially harvesting is labor-intensive, and can take place on irrigated or rain fed land areas. It thus provides a ready source of jobs and income to local and itinerant laborers. There is a ready market for opium gum at the farmgate, with relatively modest price risk. The local processing of opium gum into morphine base and heroin adds considerable regional value to the crop.

The production and processing of opium poppy in Afghanistan also addresses a production-assets shortfall for poor farm families and landless families. In many areas, few families have sufficient arable land that has access to water for reliable, licit cropping. Among poorer farmers, less than one or two hectares of marginal ground – complete with unreliable rainfall – often has to help feed and support a 15 to 20 person household. This places a great deal of pressure on households to find external cash or in-kind employment opportunities which can help meet food and shelter needs.

In addition, field soils in southern Afghanistan generally suffer from poor nutrient content and/or uptake barriers. Term credit is also scarce and/or costly, so farmers and especially small holders can't afford to improve their soils, develop adequate water deliveries or make investments needed for licit, higher value horticulture, perishables, and crops. Further, many rural families and small businesses do not hold clear, legal title to their land, or are caught in a conflict between ownership or usage evidence and the functional power to effect prospective land and/or investment property possession and use. Such uncertainties extend through the legal system over the short run, suppressing asset accumulation and, in theory, more efficient commercial operations and investments. Cultivating opium poppy has been an answer to such problems because many functional land owners can 'rent' their land for poppy cultivation, whereby other force structures 'protect' the usage activity until the illicit harvest is realized. A partial answer to licit-farming shortfalls will be to develop and expand cropping infrastructure and technologies, water supplies and land development credits.

Being able to collateralize real property and realize economies of scale will help farmers and businesses finance and thus accelerate their land and input-supply enhancements. By sufficiently defining land titles (a parallel USAID-funded project) and forming chartered groups, they will be better positioned to pursue actions such as asset leverage, integrated production / crop protection actions, credit wholesaling, and risk sharing. The same 'land title / determinative possession' and collateral leverage issues affect prospective commercial production services and agro-processing enterprises.

The encouragement of the formation of asset-based producer and related value-chain associations, and/or staged agro-processing 'incubator facilities' via utilities and transport infrastructures will broaden an area's competitiveness, job-creation opportunities and its capacity to displace illicit cropping.

Beyond the poppy system's institutional entrenchment, an additional challenge for ALP/S is to replicate in alternative, viable licit crops the strong links that reinforce and strengthen the poppy value chain. After identifying real market opportunities with potentially adequate returns for alternative crops or crop mixes, getting technology, quality inputs and production credits to farmers at the start of the cycle for licit crops may be the project's steepest challenge. Finding a way to help producers manage price risk, given changing factors in supply and demand, is another. Changing the political environment to one that equally – in resources, substance and timing – encourages licit crops and discourages poppy production will be yet another enormous challenge. Until the interdiction and eradication components of the overall counter-narcotics strategy target the poppy value chain's politically powerful and well-connected beneficiaries, it is unlikely that these AL efforts will be fully credible or viable. It is hardly a secret in southern Afghanistan who some of these operators are. Rather than changing the *status quo*, interdiction and eradication that avoid the politically powerful will only reinforce the current environment.

The physical, cultural and political ‘poppy’ environment in which ALP/S operates is dangerous and, at times, deadly. Therefore, activities which will improve licit value chains and divert growers and laborers away from poppy cultivation will potentially be at increased risk. Program and implementers’ security will be a challenge to address. The long history of opium production in parts of the target area will need a degree of patience, considerable resources and reasonable security for ALP/S and its partners to effect the offsetting, basic economic improvements and their companion institutional and infrastructure developments.

As noted above, in southern Afghanistan the “government’s capacity to address the problem of illicit poppy cultivation” is weak. ALP/S will have to work diligently and carefully with the local authorities at the provincial, district and local levels to improve the economic and regulatory environments. Activities aimed at institutional development and economic improvements must be coordinated with the Government’s Southern Regional and (where available) Provincial Development Plans. In addition, the ALP/S Team will also liaise and coordinate with other USAID-funded economic development activities, cognizant Provincial Reconstruction Team(s), and participating donors to minimize duplication and enhance the utility and positive impact of interdependent outcomes.

TASK ORDER OBJECTIVES: USAID’s economic growth Strategic Objective (SO) for all of Afghanistan for the next five years is to create **a thriving economy led by the private sector**. The ALP/S Program is one of several multi-year interventions USAID is funding to achieve this economic growth outcome. The results that ALP/S will generate using this approach will contribute to most of the SO’s Intermediate Results (IRs). Appendix 1 presents this SO and related IRs schematically.

The task order contract between USAID/Afghanistan and Chemonics defines the overall objectives of ALP/S in several different ways. The broadest definition of the objective of the overall Alternative Livelihoods Program, as outlined by USAID, is:

“.....to provide an approach designed to strengthen the Afghanistan government’s capacity to address the problem of illicit poppy cultivation and to promote improved economic opportunities and diverse regional economic growth through a program in key provinces that are the mainstays of the opium economy. . . The U.S./Afghan counter narcotics strategy depends on a successful Alternative Livelihoods program to provide residents of Afghanistan hope for the future, for their families and children.”

ALP has two specific implementation objectives:

Objective 1: Accelerate licit economic growth and business activity in selected provinces in which poppy cultivation is thriving.

Objective 2: Provide intermediate alternatives for income to poor households whose livelihoods depend, directly or indirectly, on the temporary opium economy.

THE ALP/S MISSION:

The Mission of ALP/S is to improve the target area's socioeconomic well being, institutional factors and income opportunities so the population will be under less pressure to cultivate illicit opium poppy.

To accelerate the region's licit economic growth, the ALP/S Team will use an area-based development approach in which discrete economic interventions become linked and support each other in integrated clusters. These interventions will be designed to facilitate and accelerate growth in one or more geographic areas based on licit-crop production, processing and marketing and will, in timing and execution, seek to optimize farm and non-farm employment and income opportunities.

The central vehicle for facilitating and accelerating area-based development will be integrated Production and Processing Programs (PPPs). The PPP comprises an integrated production, processing and marketing value chain for commodities and products which have a competitive and comparative advantage in Afghanistan's southern region. When fully developed, these PPPs will combine and support regional growth as integrated clusters. One illustrative cluster could be dairy, poultry, and livestock production, feed development and processing, veterinary services, milk and meat products packaging, warehousing and marketing operations, with all components working in relatively close geographic proximity.

The center of activity for a PPP is likely to be in a major provincial town which can provide the basic institutional and infrastructure services for assembly, processing and transport linkages. Other agro-processing facilities will likely be linked to the first, and connected to additional commodities and products, and established nearby. These agro-processing facilities will be back-linked to district enterprises that ALP/S will help establish, and to farmers through purchasing contracts, extension services and other technical assistance, including credit, and to other business channels. The Program will work to identify and attract private investors who will establish their agribusinesses and enterprises in the region on a cost-sharing basis with ALP/S.

Because of their critical role in improving the area's economic base, public and private institutions and supporting infrastructure will also be upgraded. This approach is consistent with USAID's concept for rural development, which is to improve competitiveness and the business environment, and link producers to markets.

Overall success of the alternative livelihoods program in southern Afghanistan will in large part be a function of ALP/S ability to launch a series of timely, catalytic, integrated interventions to expand higher-value agricultural production and value-adding agricultural processing and marketing. These interventions will be responsive to stakeholder needs and coordinated with regional development plans and security-enhancing activities. They will be sustainable and socially responsive, and targeted to offer broad opportunities for participation in the region's licit economic growth.

THE ALP/S VISION:

The ALP/S Team envisions that by the beginning of CY 2009 at least three clusters of integrated businesses will be operating sustainably and profitably across southern Afghanistan.

Clusters consisting of interrelated economic activities in central and district market centers will provide primary and secondary employment via firms and sub-activities. Raw agricultural materials for these businesses will be sourced through supply networks that are expanding from more developed areas into more remote districts. Purchases of basic and semi-processed crops and livestock will be in quantities and prices that provide farmers, herders and laborers in the region with better means to provide for their families and participate in the licit economy. Improved agricultural technology, production inputs, soil and water management, and crop harvest and handling techniques will, in turn, give the agro-processing firms better quality and quantity feedstock.

The improved value-chain margins will give all participants in the chain opportunities for higher net returns and asset-based wealth accumulation. These agro-processors will in turn be meeting their external customers' demands for quantity, quality, timing and price in expanding domestic, regional and international markets. These value-adding entities will also be able to draw on a steady and reliable supply of business development services needed to meet changes in the marketplace. Businesses will be engaged proactively in a dialogue with the public sector to ensure that the legal and regulatory environment is supportive of their competitiveness and environmentally sound operations. The volumes and values of marketed products will rise substantially, enhancing incomes, productive asset values and regional well being. Production systems and water, land, air, factors will be managed efficiently and in an environmentally sustainable manner. Until such production levels are achieved, cash-for-work programs will help fill income gaps and provide economic safety nets. It is expected that the need for such programs to prime the region's economy and sustain landless laborers will be minimal by the end of the Program.

At the same time, ALP/S will make a concerted effort to ensure that women, traditionally disempowered in this conservative region are, as well as at-risk households and the disabled are provided opportunities to participate in Program activities and are fully integrated into the growing regional economy.

PROGRAM DESIGN AND IMPLEMENTATION PRINCIPLES: In developing the scope of USAID-funded operations, and in identifying promising components and activities to support and implement, the ALP/S Team will be guided by the following principles and concepts:

1. **High impact, low visibility development.** In light of current geo-political tensions, terrorist activity and elevated levels of insecurity in southern Afghanistan, the ALP/S Team will design program activities to achieve the maximum amount of outputs and impact while posing minimum security risks to international, Afghan and implementing partner staff. Keeping people safe must be a first priority for ALP/S, and low profile implementation approaches facilitate safety while also allowing for pursuit of program goals.
2. **Market-driven, regional economic growth.** Regional economic growth must be market-driven. Sustainable employment and income outcomes derived from agricultural production depend upon viable transaction margins and, ultimately, a sale. Buyer and seller transactions will be possible over the long-term only if they are market-driven. The ALP/S Team will emphasize identifying opportunities in local, regional and export markets while pursuing ways to leverage market-driven investments in the region's economy.

3. **Developing value chains.** ALP/S will work to the extent possible to create new as well as strengthen existing priority value chains. The Team will confirm market demand for a class of outputs and look first to “low hanging fruit”, i.e., technical, socioeconomic and financial constraints it can mitigate or solve quickly within the current production, processing and marketing sequence. Longer-term issues such as land development and access and institutional capacity will be addressed to optimize outcomes for priority value chains.
4. **Generating employment opportunities.** Generating quality employment is one of ALP/S highest priorities. Through shorter-term opportunities CFW and economic safety net activities offer, and permanent employment generated through area-based development, thousands of licit economy jobs will be created, contributing to regional economic growth and the well being of Afghan families.
5. **Developing the region’s human capital.** The Team will hire the best available candidates locally and provide them the formal and on-the-job training they need to contribute effectively to the Program. ALP/S training programs will target a broad range of people in the region, including women and disadvantaged groups, from entrepreneurs to investment partner staff to provincial and district and local officials. Human capital development creates cadres of individuals able to think and act in ways that will foster regional economic growth and create jobs.
6. **Prudent use of program resources.** Sound economic and financial analysis will drive the Team’s use of program resources, ensuring maximum impact for every dollar spent. For example, the types of roads ALP/S finances need to be economically rational, but also enduring. It makes no sense to improve roads for the short-term, only to have them dissolve into dust. Neither does it make sense to pave a road, when a gravel road is more appropriate, even if the political pressure to pave is high.
7. **Collaboration and cooperation.** ALP/S will work closely with authorities at the local, district, and provincial levels at each stage of the program to assure the appropriateness and suitable timing of interventions and “buy in” of – and where possible – participation in our efforts. Interventions will be reviewed for consistency and value with respect to the district, provincial, PRT and area development interventions. We will also cooperate fully with the other ALP contractors and other USAID/Afghanistan economic growth programs to identify outcome synergies, including domestic and export marketing opportunities for regional products, as well as share operational experience, best practices and lessons learned.
8. **Effective public information and communications.** It is important that ALP/S keep stakeholders within the official US community, the GOA, and regional authorities, local communities, and the business community informed of its efforts and accomplishments. The counter-narcotics nature of the activities will demand high levels of coordination with local and national entities, as well as timely communications and coordination with CN Public Relations Office in the U.S. Embassy in Kabul and all area stakeholders. The ALP/S Public Information Office will work closely with USAID’s Field Program Officers (FPOs) in Helmand and Kandahar Provinces to ensure messages are integrated, culturally appropriate, and reflective of the US Government’s substantial efforts in the region.

PROGRAM IMPLEMENTATION STRATEGY AND COMPONENTS: To meet the challenges that confront efforts to accelerate business activities and licit economic growth in southern Afghanistan, the ALP/S Team will develop and utilize detailed economic and financial analyses to determine which Afghan business sectors and products to support and develop. Specifically, the program will use “The Five Ps of Marketing”, i.e., an analysis of the Product(s), Place (i.e., markets), Price, Promotion, and People needed to profitably manage an entire product supply chain. This approach is described as follows:

- 1) Product: ALP/S will identify and promote rurally-produced products which Afghanistan has profitably supplied both historically and today. Afghan products which have production, processing and marketing promise include, but are not limited to:
 - a. Fresh and dried fruit
 - b. Fresh and dried vegetables
 - c. Poultry products
 - d. Dairy products
 - e. Feed mill operations
 - f. Livestock for meat, wool, skins and leather
 - g. Wheat flour
 - h. Edible oils
 - i. Carpets
 - j. Marble

- 2) Place: Identify and analyze target markets (TMs) in which Afghanistan has been most successful, including domestic, regional and global markets. This analysis includes:
 - a. TM product preferences:
 - i. Buying preferences, plus trends and influences
 - ii. Packaging needs and specifications
 - b. Specific products in demand, historically and currently, and Afghanistan product quality comparisons versus that of likely competitors
 - c. The growth of these products in the TM, and expected sales growth given present and anticipated trend lines
 - d. Governmental regulations in the TM, including phytosanitary specifications, licenses, tariffs, customs duties, etc.
 - e. Population of target markets
 - f. Present and forecasted population growth rates in TM over the next 20 years and beyond
 - g. Per capita incomes in each target market, and forecasted income growth rates
 - h. Income distribution within the TM, identification of primary sub-markets in the TM (usually major cities), and specific product niches within those sub-markets
 - i. TM demand for specific Afghanistan-produced products, or those which Afghanistan can reasonably be expected to produce in the near future
 - j. Existing infrastructure to and within TM’s to ship, store, and sell targeted products
 - k. The institutional structure in place in each TM, to ensure the remittance of sales proceeds to Afghan growers, packers and shippers
 - l. The legal structures in place relative to ensuring that contracts are honored, shipped products are not stolen or vandalized, etc.

- 3) Price: Match the products and markets identified above, and determine:
 - a. An Afghan producer's likely cost of production, packing and shipping, from farm to target market
 - b. Expected landed price given total Afghanistan supply chain costs, that of likely competitors, and the TM's price elasticities of demand and supply
 - c. Expected profitability by different players throughout the supply chain
 - d. Cost and profitability comparisons with likely competitors
 - e. Number of jobs created
 - f. Needs for capacity strengthening and transfers of technology

- 4) Promotion: ALP/S will promote industries and products which it has identified as competitive through:
 - a. Request for Expressions of Interest to likely investors and Implementing Partners
 - b. The development of sustainable projects
 - c. Test shipments of sample products
 - d. The promotion of Afghanistan itself as a desired production point for specific products in specific markets

- 5) People: ALP/S will:
 - a. Identify investors, producers, packers, shippers, buyers, wholesalers, and retailers as appropriate in the supply chain
 - b. Provide technical and financial assistance, as needed, to ensure a strong likelihood of product acceptance, and profitability along the supply chain
 - c. Link producers, packers, shippers, buyers, and sellers, as needed
 - d. Help organize and strengthen businesses, producers and user associations.

To advance this process, ALP/S has reviewed a substantial number of market, sector, feasibility, and product analyses to best determine opportunities which presently exist for Afghan-produced products, and those that are expected to develop in the near future. A selected list of studies is included in Appendix 2. As additional needs for analyses are identified, the ALP/S will benefit from having access to a substantial pool of short-term technical advisors to undertake feasibility studies for sectors and markets identified as strong candidates, but for which incomplete information exists.

ALP/S integrated interventions, buttressed by economic and financial analyses, will be launched using a market-driven value chain development approach. This approach is consistent with USAID's global strategy for agricultural and rural development, a strategy that aims to improve rural productivity and link producers to markets. The key to accelerated regional economic development in southern Afghanistan is to identify market-demand opportunities, and then to reinforce and develop production, post-harvest handling, processing and marketing value chain links to deliver what customers want, when they want it, and at a competitive price.

To achieve results the ALP/S Team expects to carry out activities through five (5) distinct, but related components:

1. Rural and Agribusiness Development
2. Business Development Services and Rural Finance
3. Public Works and Infrastructure

4. Cash for Work
5. Institutional Strengthening

The Team will integrate ALP/S interventions in: rural and agribusiness development; business development services and rural finance; public works and infrastructure repair and rehabilitation; and public and private sector institutional strengthening to achieve Objective 1. In addition, the Team will carry out targeted cash-for-work (CFW) activities to achieve Objective 2. Most CFW activities will support infrastructure repair and rehabilitation activities, primarily the cleaning of irrigation systems, the building and repair of farm-to-market roads and construction of agribusiness facilities.

In identifying and assessing prospective interventions for funding and scheduling, the ALP/S Team will apply economic, financial, technological, environmental, legal, gender and socio-cultural feasibility review templates. Consideration will also be given to the need, where appropriate, for poppy suppression coordination and security-oriented and area political development interests. Preference will be given to at-risk, private funded endeavors, but room will be made for public sector enhancements. The ALP/S Team will also seek USAID guidance and/or clearance as needed for proposed activities that embody special supply or implementation features or sensitive political considerations.

A brief description of how prospective activities under each component will help ALP/S achieve the overall USAID objectives follows:

Rural and Agribusiness Development

Almost all agriculture-based value chains that link producers to markets in southern Afghanistan are weak. Credit in cash or in kind is not readily available to many producers at the start of the crop cycle, or for most of the growing season for the purchase of quality and/or yield-enhancing agricultural inputs. Production technology, cropping assets and harvest / post-harvest handling services and value-added processing are also limited.

While southern Afghanistan has the capacity to produce quality fresh and dried fruits, nuts and vegetables, livestock, dairy and other higher-value agricultural products, there is very limited cold and dry storage capacity or value-added processing of these farm outputs in the region. In addition, the lack of infrastructure (roads, electricity, supplementary irrigation), goods and service providers (input suppliers, agricultural technical assistance), and low business management and technical knowledge make it difficult to build added-value businesses in the region. However, agribusiness development will increase crop yields and net margins for farmers, making more funds available to carry production to higher, less vulnerable, more profitable and sustainable levels. Farmers' risk models will be improved by the expanded technical assistance and production and handling services.

The southern region, for example, has the technical potential to produce different oil-seed crops and process them into edible oils. However, low value oil or ghee imports, reportedly about 100 million liters per year, currently crowd portions of the domestic market, often making local edible oil seed crops, and the oils themselves, unprofitable. There is very little value-added processing in the region, as mentioned above, except for some small-scale cotton seed processing. As a result, there is little processing income opportunity, no crushed 'seedcake' byproducts for improving human, animal and poultry nutrition, and few jobs created. As wheat yields are improved and higher-value horticultural orchards are developed,

there will be opportunities for open field and/or inter-cropped oil seed production. Such progress could conserve foreign exchange and open up primary and indirect edible-oil product activities. The production and processing of products such as safflower, sunflower, corn, canola, and oil seeds can contribute to production rotations, and help maintain soil and animal conditions with their degradable residues / silage byproducts.

Southern Afghanistan also has a long history of producing perennial horticultural products, in particular apricots, figs, mulberries, pomegranates, fresh grapes, and raisins. Over the last forty years the product list has been expanded to include peaches and plums, and to a lesser extent walnuts and almonds. While there are constraints to expanded perennial production in the region, almost all of these can be alleviated by planned ALP/S activities, such as: creating nurseries to produce modern tree stock; attracting investment in cleaning, processing and packaging plants; providing technical and cash-for-work assistance to foster orchard and vineyard development; and promoting grower and market associations.

Many families keep cows and goats for milk and meat within family compounds, but there is little dairy processing in the region. The reasons for this include:

- The large number of cattle lost during 25 years of war, and during seven of the past eight years of drought.
- Very little investment in dairy processing due to the high insecurity in the region.
- A very small market in Afghanistan able to pay cash for dairy products
- Little or no available skilled managers or workforce, those previously available having left Helmand (or Afghanistan) during times of war.
- Until recently, virtually no educational system to train dairy production workers and managers.
- Little or no institutional credit available to dairy product manufacturers or investors.
- Little public electrification to run dairy equipment, machinery or cold store operations.
- Very poor roads in and around Helmand, making larger markets like Kandahar, Herat and Kabul costly and difficult to reach to deliver products.
- Few local input suppliers to provide daily products needed to run dairy processing and manufacturing units.

Southern Afghanistan desperately needs value-adding agribusinesses to provide producer opportunities in licit, agricultural products, and the value added market. To meet this need ALP/S will use its capacity to provide technical assistance and financial support to attract and work with investors, and develop clusters of rural and agribusiness activity across the region. It will solicit work with domestic and foreign companies through Investment Opportunities Seminars and Requests for Expressions of Interests (REOIs) to identify potential partners with the capacity to identify and exploit market opportunities. The negotiated interventions would also be back-linked with farmers' groups and production technical assistance to generate the required feedstock supply chains and farmer incomes.

ALP/S intends to work closely with other USAID contractors (On the Frontier [OTF], the Center for International Private Enterprise [CIPE], BearingPoint, Emerging Markets and

others) as well as the Alternative Livelihoods Programs for the Eastern and Northern Regions to identify market opportunities. ALP/S will provide support on a cost-sharing basis to promote the creation of sustainable, rural businesses that add value to local crop and livestock products, and create quality jobs. ALP/S business development training and technical assistance will help these targeted enterprises to process, package, ship, and deliver products the markets demand, when demanded, and at a competitive price. Farm extension services will promote rationale agronomy and livestock management practices. Technological improvements developed under the RAMP Program will be made available to ALP/S participants and at-risk investors.

Business Development Services and Rural Finance

Business Capacity and Investment Support

Business capacity is underdeveloped and sharply uneven in southern Afghanistan. The ability of businesspersons to create and expand businesses and generate jobs is greatly constrained by their lack of basic management and technical knowledge and skills. Ranging from illiterate to semi-literate to literate, many businesspersons will not be able take full advantage of the economic opportunities ALP/S offers, nor will the region begin to realize its investment potential, without first improving business capacity.

Skilled trainers are required to deliver programs that foster successful managers and management practices. For this reason, ALP/S will build business capacity within the region by, first of all, creating new and strengthening existing training capacity. This will be accomplished by developing local trainers capable of designing and delivering professional training programs and by partnering with existing training organizations. ALP/S will continue over the life of the project to develop training capacity with on-going mentoring and training-of-trainer activities as business needs in the region evolve and are identified.

ALP/S training and technical assistance activities will focus on regional economic players with clear linkages to our rural and agribusiness activities. This includes entrepreneurs, businessmen, agribusinesses and other rural enterprises – and investors. ALP/S will leverage its capacity building resources as an incentive to attract investment to southern Afghanistan. As investment partnerships are formed and cluster linkages take root between larger “anchor” businesses and related support enterprises, ALP/S will focus business development efforts on expanding and deepening those linkages. We will also look for targets of opportunity throughout the regional business community and deliver training and technical assistance when these activities are clearly supportive of program objectives.

ALP/S commands substantial business development and investment support resources. At the project level, this includes an expanding training program, considerable in-house operational and technical knowledge, and access to a wide range of Afghan and in-country international partners. At the corporate level, Chemonics can leverage sector-specific experts and expertise, from alternative livelihoods to agriculture to business development to security. Our consortium partners under this project – Abt Associates, The Louis Berger Group, NRECA International, and Making Cents – bring added depth to our technical capabilities and understanding of how best to achieve our objectives.

We will identify business development needs through detailed assessments and will carefully design and target a broad range of training and technical assistance activities to build capacity

in ALP/S-related entrepreneurs, businessmen, agribusinesses and other enterprises. We will apprise potential investors of these activities and other project resources available to ensure the viability of their investment. These activities and resources include but are not limited to:

- (i) Market studies and assessments identifying business and investment constraints and opportunities;
- (ii) Logistical and commercial support through the ALP/S project office and/or a project-developed business park to facilitate business start-up, on-going operations and linkages to complementary businesses;
- (iii) Standard business courses in business and financial management and planning;
- (iv) Technical training on facilities/equipment operation, pertinent technology, and food safety;
- (v) Extension services promoting best practices in agronomy and livestock management, post harvest handling and storage, as well as alternative crops.

The ALP/S Team is also fully aware of the challenges the local environment poses for inclusion of women in business development opportunities. One possibility for addressing this challenge is to operate parallel training programs for women entrepreneurs in conjunction with the Helmand Women's Center in Lashkar Gah. Assessments indicate a number of other options in this regard, and relationships with female community leaders are already being established.

Rural Finance

One of the reasons for the success of the poppy value chain is that it provides producers ready access to credit from landowners or prospective opium buyers and a ready market for the opium gum to liquidate the debt. Clearly, access to credit is an important element in encouraging licit crop production. Southern Afghanistan is in dire need of a functional rural financing system.

ALP/S will address the need for rural credit in the region through several initiatives, for example:

1. Collaborate through the USAID-sponsored rural finance working group and leverage expertise to identify innovative ways to provide rural credit and other financial products through non-bank financial institutions and savings/credit cooperatives to farmers, agro-businesses and other rural enterprises.
2. Encourage entrepreneurs and investors, as part of their ALP/S participation, to offer small-scale credit and financial services to farmers, production input suppliers and other related project enterprises.
3. Support micro finance institutions operating in southern Afghanistan (e.g., Mercy Corps, BRAC) in order to provide access to credit to farmers and micro businesses. ALP/S will offer inducements for establishing credit facilities, such as funding start-up and operating expenses and seeking to leverage donor-funds to capitalize micro-loan programs. The inducements offered will be conditional on including farmers in lending schemes.

4. Support a mid-market credit facility (\$50,000-\$500,000 per loan) through one or more commercial banks operating in the region (e.g., AIB, Kabul Bank). The partnering bank(s) should have the operational capacity to serve clients in Helmand and well as Kandahar Province. In addition to funding start-up and operating expenses and leveraging donor-funds for loan capitalization, ALP/S will also explore, as needed, arranging guarantees for bank-capitalized loan programs through, for example, the Development Credit Authority and other financial guarantee facilities such as U.S. OPIC and the World Bank Group's MIGA.
5. Work with the Afghanistan Finance Company (AFC) or a comparable entity to implement an equipment finance/leasing program for qualifying entrepreneurs in southern Afghanistan. ALP/S will link prospective lessees, such as agro-input, storage and processing investors, with the leasing entity, as well as provide operations and other support to that entity.

Public Works and Infrastructure

Growing the licit economy in southern Afghanistan will require a vastly improved physical infrastructure including farm-to-market roads, electricity generating and distribution networks, irrigation systems, communications systems, and storage, processing and marketing facilities. It is essential that rehabilitation of vital infrastructure be carefully planned, scheduled and coordinated in order to fully support economic development activities that deliver maximum potential benefit both to the economy and to local communities.

Roads

The current lack of infrastructure abets the poppy value chain. Opium gum's high value to volume ratio makes it economically feasible to transport over rough trails by foot, pack animal or SUV. Most licit crops have a much lower value to volume ratio, necessitating an efficient transport system to reach the market competitively. Improving rural roads will dramatically cut the time to transport products from farm to market and therefore increase the competitiveness of the region.

Currently the majority of Helmand roads are in very poor condition. They are heavily rutted; in dry weather they produce vast clouds of dust and many culverts and bridges need to be repaired or replaced. For the most part, drivers prefer to use open desert rather than these low grade roads. Much of the material making up these roads is seriously degraded and there is little understanding of the importance of the selection and proper use of higher grade materials in the construction of gravel roads with a long service life. Even more important is the need to establish a viable and sustainable road maintenance operation. ALP/S will facilitate access to laboratory facilities, improved road construction and maintenance techniques, and will identify and work to implement mechanisms that will sustain these activities.

Water

Much of the agriculture in Helmand and Kandahar is wholly reliant on irrigation provided by the Helmand and Arghandab rivers. The system was constructed between 1946 and 1974 and at its peak brought 145,000 hectares into production. For much of the last 21 years,

maintenance has been minimal, and management of the water supply, cropping applications, and surface and subsurface drainage systems have been grossly under-funded resulting in a serious decline in the area under production. Improving the irrigation system and water management techniques will increase yields, expand the area under crops and permit multiple cropping. This is essential to replace the income lost through reduction in poppy cultivation.

In recent years, more efficient and effective methods of water management have been developed, but have not been introduced to the region to any extent. The ALP/S Program will build on recent work primarily funded under USAID/Afghanistan's Rebuilding Agricultural Markets Program (RAMP). RAMP commissioned a plan to rehabilitate the entire Central Helmand Irrigation Command Area and started to implement that plan. Completing that activity is a major goal of the Public Works and Infrastructure component of ALP/S. This work will require a mix of capital intensive and labor intensive approaches.

ALP/S will also continue the work begun under RAMP to create water user's associations with the aim of generating revenue to continue the maintenance of the irrigation system. If the irrigation system is to be self sustaining, it must operate on sound technical, financial and economic principles. This means first and foremost that those who benefit from water delivered to their fields have to pay proportionately for using that service. The government, as represented by the Helmand and Arghandab Valley Authority (HAVA), does not currently have the resources to maintain the system properly or to police improper use. Water users' associations will play a critical role in upgrading water allocations, increasing efficiency of utilization and in collecting the revenue needed to maintain the system.

Potable water is vital to all food processing operations. Its supply and distribution in Southern Afghanistan is currently very poor. ALP/S will work to upgrade and expand existing systems and to assist the development of new systems.

Electricity

Reliable and affordable electrical energy is essential to the operation of every modern business. Cold storage, basic sorting and grading operations and processing and manufacturing require reliable energy supplies. Reliance on small generator sets both limits the scale of processing facilities and puts them at a cost disadvantage when competing against companies that source their power from large scale generating facilities. Even more, it is impossible to carry out continuous processing operations without reliable power supplies. The frequent brown-outs and black-outs currently experienced in Helmand cause damage to equipment and waste products. ALP/S will work to identify suitable commercial or NGO organizations that have the capability to rehabilitate and/or provide funding for the expansion of generation and distribution components of the system and to operate it sustainably. Wherever possible, ALP/S will identify suitable applications for alternative energy sources, including solar and hydro-electric power, and utilize them in its activities.

Communications

Communication systems are a vital component of modern business life. Currently the only means of communication is the cell-phone and satellite phone, neither of which are suitable for conducting business. ALP/S will work with the commercial business community and where appropriate, the Ministry of Communications, to increase accessibility of internet and telephone systems.

Storage/Processing

Grading, sorting, packing and storage of agricultural products are vital components in the value chain. Higher value crops whether destined for the fresh market or for processing will need pack-houses, cold storage and appropriate transport. Facilities where these operations are carried out need to be hygienic, and also connected to transportation facilities both from the field and to the market, and to supplies of potable water and electric power. Storage and processing facilities developed under ALP/S will be back-linked to production centers and integrated into road and utility networks to ensure their efficient operation.

Business Development Parks

The concept of business development parks has been proven in many countries and is starting to take hold in Afghanistan. ALP/S will use its funding to leverage donor, government and commercial funding to promote the development of such parks in economically strategic areas of Helmand and Kandahar Provinces. Resources will be targeted to make the best use of commercial land, utilities and available labor. ALP/S will also actively solicit the involvement of complementary businesses (e.g. processors working with storage, packaging and transportation companies) and lend business development and technical support to help ensure viability of the enterprise.

Alternative Energy

Southern Afghanistan has little readily available access to fossil fuels but has great potential for the exploitation of both hydro-electricity and solar energy. While other programs plan to increase the large scale generation of hydro-electric power, ALP/S will investigate and where possible implement the installation and upgrading of local hydro-electric generating schemes and set up user's associations to manage them sustainably. Also, where appropriate, solar energy systems will be promoted for heating of process air and water. Use of renewable energy systems has the potential to reduce the load on traditional energy distribution systems.

Cash for Work

The Cash for Work (CFW) component of ALP/S is vital for priming the region's economy. CFW activities provide laborers an alternative to working in the poppy fields to generate income. In the stagnant rural economy, farmers have few opportunities to support their families through licit means. Previous experience from AIP demonstrated how successful CFW activities can be.

Under ALP/S, CFW activities will be more effective. CFW managers will integrate their activities with other program components to maximize overall impact. As program activities are identified and established, ALP/S will plan and implement CFW that will support and improve economic development in a target area. For example, under the rural and agribusiness development component, CFW can support perennial horticulture development by employing farmers who are planting new orchards and providing them with work until their trees begin bearing fruit. This activity would also support the infrastructure component,

as these workers would rehabilitate vital infrastructure systems that support economic development in the target area.

Providing licit, living wages also serves a greater purpose for ALP/S and general reconstruction and stabilization efforts in southern Afghanistan. Currently the majority of cash infusion into the economy in Helmand Province is derived from the illicit poppy economy which reinforces the “need” amongst the population to support and protect the poppy value chain. This perception of economic dependence on poppy to survive can only be broken by providing licit jobs to large numbers of citizens, and sizable income flows within the region’s licit options. CFW jobs provide an initial inroad to break this attitude among those dependent upon cash-labor work. These wage payouts to laborers also serve a vital strategic goal of legally priming the economic pumps of the local and provincial economies. As a result of ALP/S CFW activities, laborers can infuse legitimately earned money into the economy, thereby creating classic macroeconomic conditions for economic growth.

Directly related to growing an economy is the need for a functioning and efficient infrastructure that can support it. Functioning roads and irrigation ditches are essential to the success of rural and agribusiness activity and creation of new businesses in the form of access to new markets and reduced operational costs. However, the current capacity for local and provincial governments to rehabilitate vital infrastructure systems is low. CFW activities can provide the labor needed to rehabilitate and repair arterial roads or irrigation canals. Such improvements serve to solidify the local infrastructure base that other ALP/S components need to succeed.

Finally, CFW activities serve to build a sense of participation and local ownership in the reconstruction of the country and its economic development. Through direct involvement with ALP/S, local stakeholders and beneficiaries will see that it is they who are the prime “agents of change” to improve their lives, not expatriates or the government. Without this change in attitude by the people of southern Afghanistan, concomitant with the opportunity for licit economic opportunities, citizens will continue to engage in the illicit economy.

Institutional Strengthening

One of the more critical challenges confronting the GOA is the urgent need to establish an effective state presence and improved governance in all the country’s regions, particularly at the provincial level. The weakness and limited capacity of government institutions at the regional level encourages maintenance of the status quo and the continuance of illicit cropping, with its associated and negative effects. These illicit vested interests constitute a permanent obstacle to the rule of law and to the possibility of improving the environment for expanding and promoting licit economic activities within a regional development strategy.

To overcome these constraints, the Institutional Strengthening component of ALP/S will proactively engage public and private sectors at the provincial, district and local levels to promote and create an enabling environment that encourages licit crops and discourages poppy cultivation.

At the public sector level, ALP/S will support the decentralization policies of the GOA and the establishment of local administrative institutions through the implementation of robust Provincial and District Development Committees. This will be carried out in coordination with MRRD and the Ministries of Counter-Narcotics, Finance and Interior. Emphasis on

capacity building activities, as well as activities to improve legal and regulatory settings, will be directed at ministry offices in the region, beginning with Helmand and Kandahar Provinces, and provincial and district development shuras directly related to ALP/S activities.

The Institutional Strengthening component of ALP/S will help foster the growth of the private sector by helping producers organize themselves locally into associations under the different tasks contemplated by the Rural and Agribusiness Development and Business Development Services components of the Program. Each association will receive extensive training on subjects such as farm and association/cooperative management, negotiating skills and practices, best practices in their respective sectors, credit and financial management, and environmental sustainability.

Improved access for the people of southern Afghanistan to social and economic institutions in which they feel represented and an infrastructure that improves their lives is essential to empowering them as citizens, and breaking the region's collective economic dependence on poppy production. ALP/S Institutional Strengthening component will actively identify opportunities to organize district-level water or electric power users' associations wherever new services are created under the Program. These associations, along with the involvement of local leadership, will strongly enhance a sense of ownership and community participation throughout the process, resulting in more efficiently managed and sustainable services. In addition, the Institutional Strengthening team will develop strong linkages and strategic alliances with institutions and other USAID contractors working to achieve similar goals. This group includes DAI, PADCO, PRTs, UNICEF, UNHCR, Mercy Corps International and other international and Afghan NGOs working in the region.

Cross-cutting Components

Environment

Consistent with current USAID mandates, the ALP/S Team will assure that the activities it supports are environmentally sound. A unified set of environmental standards and procedures are currently being prepared for the overall ALP program. These standards and procedures will form the basis of ALP/S compliance with regulation 22 CFR 216. In addition, each project activity will be assessed for its potential environmental impact before funding is committed; no project activity that is assessed to be environmentally harmful will be funded.

Gender and Disadvantaged Groups

The challenges of integrating the women of southern Afghanistan into ALP/S activities are considerable. Culturally, the region is very conservative. For the most part, women are not seen in public. There are examples of reactionary forces destroying recently built schools that were to provide classrooms for both boys and girls. Efforts to ensure that women and disadvantaged groups are involved in and benefit from USAID's investment of economic developing in southern Afghanistan will require a constant challenging of established mores. ALP/S is fortunate to be able to work with the dynamic leadership of the Women's Center of Helmand Province, based in Lashkar Gah, to help it accomplish this goal.

MONITORING, MEASURING AND REPORTING RESULTS: ALP/S will design, implement and operate a rigorous Monitoring and Evaluation (M&E) system. As a part of the Mission's effort to create a thriving economy in southern Afghanistan that is led by the

private sector, the ALP/S M&E system will link its overall results reporting framework to that strategic objective. In addition, there will be indirect measures of the program's success as reported on by other facets of the overall counter-narcotics effort. For example, a substitution by licit crops in areas previously planted with poppy may serve as a proxy for the program's effectiveness to create alternatives for the region's economically active population.

The M&E system to be utilized by ALP/S will document results that help demonstrate the U.S. Mission's progress toward achieving its objective of economic growth in Afghanistan. Appendix 3 outlines the contributions by the program's various components toward SO 1 Intermediate Results. Below is a preliminary and illustrative list of targeted results against which the five components will report:

Rural and Agribusiness Development

- new business formations in agro-processing and other value-adding services;
- new area planted in licit crops;
- increased market share for locally produced and processed products.
- jobs created as a result of ALP/S activities;

Business Development Services and Rural Finance

- new business formations in support services for agriculture and agribusiness;
- local demand for business training services being met;
- capital flows to new and expanding businesses.
- jobs created as a result of program's activities;

Public Works and Infrastructure

- Helmand Central Irrigation completely rehabilitated, water users' associations assuring routine maintenance and users' fees covering more than variable costs of operation;
- Number of new households gaining access to a reliable supply of electricity;
- Fees collected by electricity users' associations covering more than variable costs of generation and distribution of electricity;
- Improved farm-to-market road system lowering transport costs and resulting higher farm gate prices to producers.

Cash for Work

- number of paid labor days;
- value of paid labor days;
- work accomplished: kilometers of canals/drains cleaned; roads constructed
- work accomplished: area of cultivable land restored, improved.

Institutional Strengthening

- number of Community Development Committees (CDC) adequately addressing local concerns;
- number of districts with functioning District Development Committees (DDC);
- effectively functioning Provincial Development Councils (PDC) in provinces where ALP/S has a major presence;
- enabling environment more supportive of licit economic activity;

The ALP/S Team expects to engage in detailed discussions and come to a definitive agreement on initial indicators and targets with the ALP/S Cognizant Technical Officer as part of the review and acceptance of the Life of Project Work Plan.

APPENDIX 1: THE STRATEGIC OBJECTIVE - A THRIVING ECONOMY LED BY THE PRIVATE SECTOR

<u>IR.1 Rehabilitate the rural economy</u>	<u>IR.2 Increase incomes through economic growth</u>	<u>IR.3 Expand and improve access to economic infrastructure</u>
<p>IR.1.1 Accelerate market-led growth in agriculture</p> <ul style="list-style-type: none"> • Expand domestic and international markets for agricultural crops • Increase productivity of livestock sector and expand its market • Establish functional rural financial system • Improve agricultural support services (research and extension) • Enhance management of renewable natural resources 	<p>IR2.1 Improve economic policy and governance</p> <ul style="list-style-type: none"> • Legal and regulatory environment for business improved • National government transparency and accountability increased • Revenue and expenditure management improved 	<p>IR.3.1 Stabilize, improve access and expand reliable, affordable energy services</p> <ul style="list-style-type: none"> • Build a sustainable operating system • Shift to indigenous sources of power • Create and strengthen human and system resources • Create and support policy, legal and regulatory frameworks • Create private-sector support for the energy sector
<p>IR1.2 Accelerate regional development to generate alternative livelihoods</p> <ul style="list-style-type: none"> • Accelerate economic growth and business activity in selected provinces • Provide an immediate social safety net for those falling into poverty 	<p>IR.2.2 Enhance the financial sector's contribution to economic growth</p> <ul style="list-style-type: none"> • Financial organizations developed • Access to financial services increased 	<p>IR.3.2 Expand and improve access to transportation</p> <ul style="list-style-type: none"> • Construct and develop the transport infrastructure; physical rehabilitation of roads, civil aviation, and rail facilities • Support coordination procedures and unified standards • Build capacity in the sector to plan, execute, and operate and maintain the transport infrastructure
	<p>IR2.3 Improve private sector growth</p> <ul style="list-style-type: none"> • Land market developed • Business and human resource capacity increased • State-owned enterprises restructured 	<p>IR3.3 Expand access to water supplies and sanitation</p> <ul style="list-style-type: none"> • Increase access to safe drinking water • Expand sanitation services • Develop the technical and institutional foundation for sustaining the water and sanitation program
	<p>IR.2.4 Enhance participation in global trade and investment</p> <ul style="list-style-type: none"> • Trade policy, transit and export improved • International standards and best practices adapted 	

APPENDIX 2: MARKET, SECTOR, FEASIBILITY AND PRODUCT ANALYSES

- “Horticulture, Production and Market Research Identification of Business Opportunities for Afghanistan”, Altai Consulting; June, 2004
- “Value Chain Analysis of the Afghanistan Wool and Carpet Industries”, On the Frontier; July, 2005
- “Understanding Markets in Afghanistan, A Case Study of the Raisin Market”, Lister, Brown and Karaev, AREU; June, 2004
- “FAO National Livestock Census, 2003”, FAO, September, 2003
- “Feasibility Study for the Cultivation and Processing of Flavors and Fragrance Industry Crops”, Altai Consulting, May, 2005
- “Afghanistan Poultry Sub-Sector Assessment, Findings and Recommendations”, Dr. Thomas Fattori; April, 2004
- Competitive Analysis of Afghanistan’s Fruits, Nuts and Vegetables”, by Dr. Kenneth Swanberg, October – December, 2004
- “UK Dried Fruits and Nuts Survey Results”, On the Frontier; August, 2005
- “Market Sector Assessment for Afghanistan Horticultural”, Altai Consulting; June, 2004
- Rehabilitating Agriculture in Afghanistan, Horticultural Market Survey”, University of California, Davis, October; 2003
- “Needs Assessment of Horticulture in Afghanistan”, ICARDA, June, 2003
- “Sample Cost to Establish a Vineyard, and Produce Dried-on-Vine Raisins”, University of California Cooperative Extension, 2003
- “Feasibility Study for the Cultivation and Processing of Flavors”, Altai Consulting, May, 2004
- “Rebuilding Afghan Agricultural Sector” Asian Development Bank, April, 2003
- “FAO Crop Assessment, September, 2004”

APPENDIX 3: ALP/S' CONTRIBUTION TO THE MISSION'S STRATEGIC OBJECTIVE

Strategic Objective: *A thriving economy led by the private sector*

Intermediate Results	Rural & Agribusiness Development	Business Development Services & Rural Financial Institutions	Public Works & Infrastructure	Cash for Work	Institutional Strengthening & Enabling Environment
<i>IR.1 Rehabilitate the rural economy</i>					
IR.1.1 Accelerate market-led growth in agriculture	High				
• Expand domestic and international markets for agricultural crops	High				
• Increase productivity of livestock sector and expand its market	High				
• Establish functional rural financial system		High			
• Improve agricultural support services (research and extension)	High				
IR1.2 Accelerate regional development to generate alternative livelihoods	High				
• Accelerate economic growth and business activity in selected provinces	High	High			
• Provide an immediate social safety net for those falling into poverty				High	Medium
<i>IR.2 Increase incomes through economic growth</i>					
IR2.1 Improve economic policy and governance		Medium			High
• Legal and regulatory environment for business improved		Medium			High
• National government transparency and accountability increased					
• Revenue and expenditure management improved					
IR.2.2 Enhance the financial sector's contribution to economic growth		High			
• Financial organizations developed		High			
• Access to financial services increased		High			
IR2.3 Improve private sector growth	Medium	High			
• Land market developed					
• Business and human resource capacity increased	Medium	High			

APPENDIX 3: ALP/S' CONTRIBUTION TO THE MISSION'S STRATEGIC OBJECTIVE

Strategic Objective: *A thriving economy led by the private sector*

Intermediate Results	Rural & Agribusiness Development	Business Development Services & Rural Financial Institutions	Public Works & Infrastructure	Cash for Work	Institutional Strengthening & Enabling Environment
<ul style="list-style-type: none"> • State-owned enterprises restructured 					
IR.2.4 Enhance participation in global trade and investment					
<ul style="list-style-type: none"> • Trade policy, transit and export improved • International standards and best practices adapted 	High	Medium			
IR.3 Expand and improve access to economic infrastructure					
IR.3.1 Stabilize, improve access and expand reliable, affordable energy services			High		Medium
<ul style="list-style-type: none"> • Build a sustainable operating system • Shift to indigenous sources of power • Create and strengthen human and system resources • Create and support policy, legal and regulatory frameworks • Create private-sector support for the energy sector 		Medium	High	Low	Medium
IR.3.2 Expand and improve access to transportation					
<ul style="list-style-type: none"> • Construct and develop the transport infrastructure; physical rehabilitation of roads, civil aviation, and rail facilities • Support coordination procedures and unified standards • Build capacity in the sector to plan, execute, and operate and maintain the transport infrastructure 			Roads – High	Low	
			Medium		
			Medium/High		
IR.3.3 Expand access to water supplies and sanitation			Irrigation – High		Low
<ul style="list-style-type: none"> • Increase access to safe drinking water • Expand sanitation services • Develop the technical and institutional foundation for sustaining the water and sanitation program 			Irrigation systems – High		Low
					Low
					High