



**TRIP REPORT No. 1
(April 26-May 13, 2004)**

WORK PLAN AND TECHNICAL APPROACH FOR 2ND-4TH TRIPS

John W. Mellor

(Submitted Through Chemonics Project Supervisor, Robert Flick)

Prime Contract number 306-C-00-03-00502-00

Sub-contract number 306-C-00-03-00502-00-ABT

This is the first of a series of trip reports. This first report is somewhat delayed due to the revamping of my schedule to accommodate USAID personnel timing in Kabul. The background covers the accomplishments in Kabul, with the next three parts providing the work plan and technical approach for the next three trips, as required under the current contract. The extensive consultations with Afghans in the private sector and government and with major donors, particularly including USAID, ADB, and EU quickly led to the importance of setting a few implementable priorities, the critical role that the Ministry of Agriculture must play in that process, including coordinating numerous donor efforts, the needs for setting the priorities in a manner that leads to effective implementation, and, in that context, to the urgent need to build planning capacity in the Ministry. Thus, a significant modification of the current sub-contract has been discussed and proposed. The background explains how that position was arrived at and why and the successive statements of work plan assume that the modification will be made and implemented. If the modification is not approved a new more limited work plan will immediately be provided.

Background

The trip to Kabul was extraordinarily useful, with tangible results in terms of understanding the need for a few immediate priorities, and a later sequence of other efforts, if aggregate impact is to derive from the rural development efforts as well as from the basic infrastructure, it is essential to substantially increase the capacity of the planning department of Ministry of Agriculture if these results are to be achieved.

The value of the trip was substantially due to the time given to me by the Minister of Agriculture and to the efforts of RAMP and USAID personnel to put me in contact with key players in the Afghan and donor community. As a result of that help, I had a very full schedule of meetings that

not only moved my thinking forward, but also provided the interactions that brought credibility to the positions I am proposing. I believe that in all positions I am proposing the major players from the Ministry of Agriculture to the Key donors are fully supportive. That effort at constituency building culminated in a major lecture that, again thanks to RAMP staff efforts, was attended by large number of key persons, particularly including the Minister of Agriculture and his senior associates and a large and varied donor community contingent. (The PowerPoint's for the presentation are included as Annex 1.) Partly as a result of that effort and other direct interactions I feel confident that the Minister of Agriculture will be a full participant in the interactions needed to move ahead.

Three actions are needed if the many expenditures on agricultural growth are to have a major macro impact on agricultural production, farmer's incomes, poverty reduction, and moving to a socially acceptable cropping pattern.

- (1) A few implementable priorities must be set in the context of the Ministry's over-all strategy;
- (2) A detailed work plan must be developed for each of those priorities emphasizing activities that complement the private sector and with a monitoring and evaluation program that will provide a dynamic modification of the work plan as the effort proceeds and lessons are learned;
- (3) The organizational structure of the Ministry must facilitate the implementation program.

It is these three actions, designed to bring rapid, measurable increase in the agricultural growth rate, farm incomes, poverty reduction, and socially acceptable cropping patterns that drive the amended program and the efforts in the next several trips.

The program was outlined in a preliminary report to USAID dated May , presented in detail at a RAMP/USAID dinner on May 11, and then in a more formal form in a memo to Chemonics dated May 19. The effort has four components:

1. A high level, intermittent input from John W. Mellor, bringing long experience developing a limited set of high priority actions in countries similar to Afghanistan.
2. A continuous input from a long term consultant stationed in Kabul to provide continuity to Mellor's efforts, day to day follow up and diagnosis of changing needs, carrying out special analyses, and providing training to Ministry staff through a learning by doing process.
3. A small number of judiciously chosen short-term consultants to cover specialized, high priority needs for technical input.

4. A vigorous training effort to up-grade the capacity of the Planning Department so it can provide continuous services in priority setting, monitoring and evaluation and specific analyses of key areas, with learning by doing, out of country training, and participation in national workshops as an integral part of the effort. A revised compensation system will be necessary to this effort.
5. Building consensus, including through workshops, among the full range of public and private stakeholders for the priorities and the implementation of those priorities.

The following work plans and technical approach for the next three trips specify a large number of deliverables. (Annex 1 provides a matrix showing the timing of the deliverables).

Work Plan and Technical Approach, Trip 2, Summer of 2004

1. Prior to proceeding to Kabul, Mellor will draft a paper that covers two topics as a basis for intensive discussions in Kabul leading to stakeholder consensus on the key priorities. The two topics are 1) the impact of agricultural growth on GDP and poverty reduction; and 2) the commodity basis for priority setting. Initial work on this paper was carried out in Kabul on the first visit and vetted at a major seminar as well as in numerous ancillary discussions. Subsequently substantial further work has been done and a more solidly supported paper will soon be available. Central to the effort is the observation that in early stages of accelerating agricultural growth, the successful programs are always commodity based, as that is the only way to keep the priority moderately simple and facilitates the coordination of modest personnel resources on actions that will cumulate into macro impact. In the case of Afghanistan the commodity focus will have to be on high value commodities in order to meet social objectives of the cropping pattern and overall growth objectives. **Deliverable: Paper by Mellor on priorities and impact on poverty. Draft submitted prior to summer 2004 trip, final within 30 days of completion of trip.**
2. The most immediate activity in Kabul will be working with the long-term consultant to settle in, move towards agreed priorities, develop the working mode, and prepare to rapidly have a major impact. This will require a major effort. **Deliverable: Plan of work for the long-term consultant for the first year of activity. Draft submitted one week after Mellor's departure, final in one additional month.**
3. The priorities developed in Mellor's analytical effort must be widely discussed, moving away from the broad generalizations of the May seminar to detailed actions and means of implementation. The hope would be to achieve stakeholder consensus and put in place the implementation personnel and structures. **Deliverable: Action Plan for first priority. Draft one week after Mellor's departure, final in one additional month.**

4. Some attention will have to be given to a few simple priorities for commodities that will be important but which cannot receive the concentrated across the board effort in the number one priority area. **Deliverable: Abbreviated action plan for important but lower priorities. Draft two weeks after Mellor's departure, final in one additional month.**
5. Attempt to diagnose a small number of key issues in the priorities that require in depth analysis by the long-term consultant working with Ministry staff and a very small number of key areas of analysis that will require short-term consultants. **Deliverable: Brief note stating two such priorities. Provided two weeks after trip, to lead to discussion and then complete plan of work in mid winter.**
6. Mellor will need to make the field trips that could not be fitted in the April/May visit – these would presumably include Kandhar/Helmand, Nangahar, and possibly Herat and/or Mazar. Correspondence on this issue will occur prior to Mellor's visit. **Deliverable: Report on implications of the field visit to modification of the priorities and their implementation. Draft two days after field trips, report one week after the end of the mission.**
7. Improved technology is so central not only to the short term priorities but equally so to the longer term broadening of effort that special attention must be given immediately to the time path for development of the technology system (research/extension). Mellor will touch this in his paper, but setting research priorities, always poorly done in low income countries, and providing the high profile administrative structure need immediate attention not only for meeting the immediate priorities but for initiating the time consuming process of preparing for the longer term. **Deliverable: A paper relating research priorities to the agricultural growth priorities with an outline of implications to research development and administration. Also the relation between research and extension and how they might be integrated. Draft one month after completion of the mission, final report after 3rd trip.**
8. A plan for building capacity in the Planning Department must be developed. That is very difficult because of the low level of salaries in the Ministry and the very high salaries paid by the myriad NGO's. A solution must be found that will work within the larger government context. One possibility is to identify 3 productive persons who will be hired as local consultants to perform many of the required duties, will be trained by doing, and will be provided external training and experience, all with an eye to incorporating them in the Ministry at the salary levels now proposed for outstanding Ministry persons. The T.A. would assist the Ministry in applying for those positions and play a major role in identifying and training the persons to fit into those slots. This will require protracted discussion with the Minister. **Deliverable: a written plan for building capacity, during the trip.**

Work Plan and Technical Approach for Trip 3 – Winter of 2004-2005

1. Constant communication will occur between Mellor and the long-term consultant, between trips, and Mellor will work on developing critical analytic efforts that are delineated in the interactive process. **Deliverable: One paper on a specialized topic, to be discussed with the Minister, RAMP, and USAID related to the priorities and their implementation. Draft: One month after trip, final two months after trip.**
2. On arrival Mellor and the long-term consultant will complete an in depth review of progress in implementation of priorities, delineate the critical bottlenecks, and plan a discussion with the Minister of Agriculture, key members of the Ministry staff, and key donors to resolve key problems on implementation. **Deliverable: Draft review at end of second week of trip, final one month after the trip.**
3. A monitoring and evaluation effort will be developed and implementation initiated including a decision as to whether a short-term consultant is needed for that effort. **Deliverable: Brief outlines of approach to M&E and most likely a proposal for a short-term consultant specialist to develop a full program.**
4. The training program for the Planning department, which will have been underway from learning by doing, will be ratcheted up and out-of-country training will be initiated. There will have been interchange among Mellor, colleagues in Afghanistan, and likely training sites and programs. A 4-week training would be provided, most likely at IIM, Ahmedabad, India with a two-week visit to the US to see implementation in a developed country. That can be finalized on the winter trip. **Deliverable: A proposal for out-of-country training, draft during the visit, final one month later – it may prove possible to move this effort up to the second visit in summer.**
5. Undoubtedly a number of problems requiring interaction with the Ministry of Finance will have arisen. Those should be delineated between trips and action taken in the winter trip. **Deliverable: Brief report on special problems, within two weeks of end of trip.**
6. Make preliminary judgments as to the role of rural financial institutions in pursuing the priorities and what actions, including analysis efforts, may be needed. **Deliverable: a brief statement of need for further work on rural financial structure, provided during the visit.**

Work Plan and Technical Approach for Trip 4 – Spring of 2005

1. Follow-up on implementation, stocktaking, modification, review of the initial monitoring effort, estimate of the flow of aggregate benefits. Mellor will prepare some background analysis prior to the trip and the long-term consultant will have played a major role in the monitoring effort. **Deliverable: A written review of progress to date. Draft at end of visit, final one month later.**

2. Delineate key policy issues that require in depth analysis: **Deliverable: Short paper stating the priority policy issues, why they are important, the specifics of actions that are needed, and specifying for each whether an in depth analysis is needed and if so how it will be done. Draft two weeks after the trip, final one month later.**
3. Review whether another priority area could be added to increase the impact- being careful not to dilute the first priority effort. **Deliverable: A brief paper suggesting one or two additional, priorities and laying out the basics of the actions that would be needed for implementation. Draft two weeks after the mission, final one month later.**
4. Conduct the first workshop, most likely in Kabul at a major hotel, to include about 20 key stakeholders. The purpose: get stakeholders fully on board for priority implementation while obtaining their input into improving implementation. Honoraria of about \$1000 would be provided to two Indian and one US consultant for papers on key topics. Four papers would be commissioned from Afghans at \$500 per paper on specialized topics. **Deliverable: Plan for the workshop two months prior to the trip, a set of recommendations from the workshop, one month after the trip.**

Work Plans for later plans will be developed in light of the progress over this first year.

LIST OF ANNEXES

ANNEX 1

Chart: Timing of Deliverables

ANNEX 2

Power points for the Mellor presentation at the end of his April/May visit. They provide the basis for setting initial priorities and show the critical role of growth in agricultural income to poverty reduction. This work will be considerably expanded as a basis for more intensive discussions, prior to the next trip.

ANNEX 3

Memo dated May 7 to USAID/Kabul as an interim report summarizing initial impressions on my visit to Kabul

ANNEX 4

Memo of May 19 as the basis for a contract amendment to ensure quick impact from agricultural development efforts in Afghanistan and to build the Ministry of Agriculture to facilitate that effect.

ANNEX 5

Notes to Ken Swanberg regarding cost of production and drc's for horticultural commodities.

Annex 1 : Chart - Timing of Deliverables

Deliverables	2004						2005				
	JUN	JUL/AUG	SEP	OCT	NOV	DEC	JAN/FEB	MAR	APR/MAY	JUN	JUL
Summer 2004											
Draft: Priorities and Impact on Poverty											
Final: Priorities and Impact on Poverty											
Draft: SOW for 1st year of LT consultant											
Final: SOW for 1st year of LT consultant											
Draft: Action Plan for 1st priority											
Final: Action Plan for 1st priority											
Draft: Abrv. Action Plan for Lower Priorities											
Final: Abrv. Action Plan for Lower Priorities											
Brief Note on Analytic Priorities - Discussion for Winter Trip											
Report on Implications of field visit to mod priorities											
Draft : Paper relating research priorities to ag growth priorities											
Written Plan for building capacity											
Winter 2005											
Draft: Specialized topic paper: Priorities & Implementation											
Final: Specialized topic paper: Priorities & Implementation											
Outline of approach to M&E and STTA consultant proposal											
Draft: Out of Country training											
Final: Out of Country training											
Brief Report on Special Problems											
Statement of need for further work on rural financial structure											
Spring 2005											
Draft: Review of Progress to date											
Final: Review of Progress to date											
Draft: Priority Policy Issues -short paper											
Final: Priority Policy Issues											
Draft: Suggestions of additional priorities											
Final : Suggestions of additional priorities											
Workshop Plan											
Set of recommendations for workshop											

ANNEX 2: Outline of PowerPoint Presentation

SLIDE 1

STRATEGIC PRIORITIES FOR AFGHANISTAN'S AGRICULTURE – THE KEY TO RAPID EMPLOYMENT GROWTH AND POVERTY REDUCTION

John W. Mellor
RAMP/USAID

May 11, 2004

Presentation at the Ministry of Agriculture and Animal Husbandry,
Kabul, Afghanistan

SLIDE 2

BACKGROUND

1. Focus on long-term growth, not recovery
2. Recognize but do not address
 - a. Strong multipliers in Kabul from foreign aid
 - b. Importance of poppies in rural areas
3. Employment growth and poverty reduction are two sides of the same coin
4. Long-term growth requires a few priorities due to limited government capacity
5. Priorities at this stage are commodity related
6. Data presented are approximate, relationships are correct

SLIDE 3

Table 1. Relative Importance of GDP and Employment, by Sector, High and Low Agricultural Growth Rates, Post Recovery Period

Sector	Share GDP	Share Employ.	Output/worker	Growth Rates Fast - Slow	Employment Growth Rates Fast	Employment Growth Rates Slow
Agric	(51)	(34)	1.5	5 3	2.5	1.5
Handicraft	(8)	(16)	0.5	3 3	3.0	3.0
Rural non-farm	(14)	(34)	0.5	6 3	6.0	3.0
Total Rural	73	84	0.9			
Large-scale urban	(22)	(8)	2.8			
Small scale urban	(5)	(8)	0.6			
Total Urban	27	16	1.7	7 7	3.5	3.5
TOTAL	100	100	1.0		3.9	2.6

NOTE: Employment elasticity in agriculture and large scale urban = 0.5 = employment grows slowly; all other sectors = 1.0 = employment grows quickly.

SLIDE 4

KEY EMPLOYMENT RELATIONSHIPS

1. Rural Non-Farm sector is
 - a. Large - one-third labor force – as large as agriculture
 - b. Includes those with not enough land for half income/employment
 - c. Labor intensive
 - d. Only for local demand – driven by farm incomes
 - e. Key to employment
 - f. Cannot grow Rural Non-Farm without farmer demand
2. Rising farm incomes is key, therefore
 - a. Small commercial farmer is key
 - b. Not those who derive income largely from rural non-farm
 - c. Choose responsive areas
 - d. Choose responsive commodities
3. Difference between fast and slow growth in agriculture
 - a. Difference between no growth and fast growth in per capita income
 - b. Impact is largely through Rural Non-Farm Sector

SLIDE 5

Table 2 Shares of Increments to GDP and Employment, By Sector, High and Low Agricultural Growth Rates, and Post Recovery Period

Sector	Fast			Slow		
	Growth Rate	% Incr. GDP	% Incr. Employ	Growth Rate	% Incr. GDP	% Incr. Employ
Agric	5	46	22	3	38	20
Rural N-F	6	15	51	3	10	39
Handicraft	3	4	12	3	6	18
Rural		65	85		54	77
Urban	7	35	15	7	46	23
TOTAL	5.5	100	100	4.1	100	100

NOTE: Employment grows at 2.6 (same as labor force) in slow agricultural growth and 3.9 percent in fast growth, creating 60% more jobs than additions to labor force, and rising real wage rate

SLIDE 6

MORE EMPLOYMENT RELATIONS

1. In a rural economy like Afghanistan, Agriculture
 - a. Dominates GDP and Employment growth
 - b. More dominant on employment than GDP
 - c. Indirect effects crucial
2. Structure of growth critical to employment growth/poverty reduction
3. In fast agricultural growth
 - a. Over half of incremental employment is RNF
 - b. But only 15% incremental GDP
 - c. Output per worker low because of labor intensity

SLIDE 7

Table 3 Commodity Sources of Growth, Present and Post Recovery (Excluding Poppies), National Numbers

Commodity	% Value Added (Now)	% Value Added (Post Recovery)	Growth Rate	Share of Growth	Rank
Cereals/Misc	43	10	3	6	4
Cotton	5	10	6	12	3
Tree Fruits/nuts	12	25	6	31	1
Annual Fr/Veg	5	10	6	12	-
Quality Roughage	1	10	4	8	-
“Irrigated” livestock	12	20	6	24	2
Range livestock	20	14	2	6	5
Forestry	2	1	3	1	6
TOTAL	100	100	4.9	100	-

SLIDE 8

AGRICULTURAL PRIORITIES

1. Commodity Priorities Essential
 - a. Essential role of government in agriculture
 - b. Limited Capacity of government
 - c. Each commodity different and complex
 - d. Eventually change from commodity to functional priorities

2. Some activities in non priority areas
 - a. Carefully selected within
 - b. Let a 1000 blossoms bloom

3. Top three priorities
 - a. Strong agric-business role
 - b. Private sector critical

SLIDE 9

FRUIT AND NUT TREES IMPORTANT AND COMPLEX

1. Exports are essential to success
2. Private sector essential
3. Government role large and complex.
4. Need a key official with authority
 - i. To diagnose problems
 - ii. Ensure action

SLIDE 10

EXAMPLES OF KEY COMPONENTS OF F/N SUCCESS

1. Globalization based on dynamic technology
 - a. In agriculture country specific
 - b. Therefore national research system essential
 - i. Must commence building now
 - ii. Starts as very applied
 - iii. Typical low-income country, succeed, fail, succeed, fail
 - iv. Typical high income country continuous success same commodity
 - v. Need technically advanced extension
2. Need massive replanting
 - a. Nurseries
 - b. Choice of variety
 - c. Subsidy/Credit
3. Need to diagnose problems of private sector and recommend
4. Need to improve irrigation quality
5. Need priorities for rural infrastructure – roads and electrification
6. Need to develop phyto-sanitary rules for export
7. Need to develop pest control

SLIDE 11

EXAMPLES OF PRIORITIES IN OTHER AREAS

1. Livestock health – privatization
2. Research/extension for increased cereal yields
3. Research/extension for raising cotton yields
5. Privatization of all agribusiness

SLIDE 12

CONCLUSIONS

1. Rapid employment growth impossible without rapid agricultural growth
2. Agricultural growth works through the rural non-farm sector
3. Rapid agricultural growth is difficult
 - a. Government is critical
 - b. Has very limited capacity
 - c. Must prioritize by commodity
4. Fruit and Nut trees
 - a. Most important for incremental growth
 - b. Very complex
 - c. Maximize private sector
 - d. Government
 - i. Critical to success of private sector
 - ii. Dynamic Technology is essential
5. Gradually the priority areas will expand and then switch to functional, priorities

ANNEX 3 : Memo to USAID/Kabul – Interim Report

To: Patti Buckles, Ray Morton
Re: Preliminary report on Mellor in Afghanistan
Date: May 7, 2004, Friday

This is of course a very preliminary and interim report, but I thought it would be helpful to me to get your response to my early thinking. I will have power points for my talk on Tuesday, which will include the two tables that are key to the presentation. My full report on the visit may be delayed somewhat after my return since, in order to get out at the most propitious time I had to shift some pressing work to directly after my return, but the delay will not be more than a couple of weeks;

I have seen an immense number of people, and done more reading in country than I normally like to do. Thus, I am developing a surprisingly robust picture for this early in my effort.

The people seen include the Minister of Agriculture (expect to see him again)(excellent meeting in which I was much more favorably impressed than many in the expatriate community); a flock of people in his Ministry, several key donors, more than once each, many NGO's working in the field, of course great help from RAMP personnel and so on. Very busy! My reception by senior Afghans has been amazingly warm and forthcoming. It is obviously easy for me to work here. I have not seen the Minister of Finance and perhaps will not, but I have suggested to him that we meet in Washington in June. I

I certainly would like to meet Jim Dever before I go. And Patti, could we meet on Monday or Tuesday?

Substance

The talk I will give on Tuesday will be developed around two tables I have spent considerable time creating. The data will of course be only broadly indicative, but the relationships will show through clearly and are important. I will of course give background and explain at length, but the following catches the essence.

Table 1 will show the impact on employment (synonymous with poverty reduction) of a rather rapid growth rates for the urban sector (7 percent) and carpets (3 percent) and then the impact of a modest growth rate in agriculture (3 percent) contrasted to a rapid growth rate (5 percent.) The differences in impact are immense and work largely through the rural non-farm sector – all of which will be explained. Slow agricultural growth gives a 2.6 percent growth rate in employment (comparable to labor force growth rate) and hence no decline in poverty; 5 percent gives a nearly 4 percent growth rate in employment which equates with rapid increase in employment and decline in poverty. I will of course explain all this. But, the data are clear that any hope of decreasing poverty requires very rapid growth in agriculture. (All these numbers are for after the higher growth rates that are easily achieved in recovery. I will explain that also.)

Table 2 will show, from a recovery base, “reasonable” growth rates by sub-sector of agriculture for achieving a 5 percent overall growth rate; the dominance of horticulture and high quality forage will show clearly and especially tree nuts and fruits, with substantial importance to cotton, and the livestock associated with irrigated land. I will explain why it is important, and fortunately relatively easy, to push for higher yields on the basic cereals despite their low importance in the fast growth scenario.

The whole thrust is the need to start focusing on aggregate impact and the priorities for having aggregate impact and the essential role of the public sector (and the consequent need for the public sector to keep out of everything the private sector can do so as to succeed in the few things crucial for the public sector.)

I will discuss the reason why a small number of key priorities are essential, some of the implications to the choice of those priorities of the two tables and some implications to the organization of the Ministry of Agriculture. All of this is very complex and I can only touch on the key issues.

Some Impressions

The amount that has been accomplished, in substantial part by farmers, traders, and loosely coordinated NGOs, is impressive. That has mostly been recovery and much of it represents the easier part of what is needed. It is now time to think about moving on to prosperity. I want to start laying groundwork for that. That is where the priorities come in and an increasingly important role for the Ministry of Agriculture. Because that role is so important the priorities must be clearly and carefully defined.

The full-time, small, commercial farmer will drive the thrust towards a high growth rate. Trunks roads are essential, as is, particularly in Afghan agriculture, reliable electricity - in the towns and soon in the villages where farming intensity is high. It is probably right to be disappointed in how slowly these key areas are moving. Following this the system of all weather roads must expand with priorities to the areas with the greatest growth potential. That is not difficult to work out. Similarly for irrigation priorities.

Priorities for the Ministry of Agriculture and Implications to Structure

I will have more detailed comments later, but two general points are:

1. The essential, for employment, 5 percent growth rate in agriculture, (probably 10 percent in areas still in recovery mode) cannot be achieved without strong action from the Ministry of Agriculture. The situation is depressing from several points of view, but there is no point in thinking about that, except that the priorities must be kept small. I don't think the Minister per se is the problem.
2. It seems generally agreed in the key donor community that the Planning Department needs to be greatly upgraded with respect to both its internal staff and the expatriate input. Again, the most important element in this is setting clear, narrow priorities for its

work, at least for the short run. Regrettably I seem to be one of the few people, not just in Afghanistan, that think in terms of the few things that might be feasible. I have some thoughts, not particularly original, but drawing on my considerable experience in similar situations elsewhere as to how this might play. Although several donors will get involved, in an at best loosely coordinated way, USAID should play the lead role in this – of course working with tact with other key players. I think the Ministry would greatly welcome this. The objective must be clear and simple – the role of the Planning Unit is first defining and then getting implementation (by others and particularly the private sector) of the key priorities that are going to get that continuous 5 percent growth rate (and as I said above, much faster in the short run in some key high value areas.) The Planning Unit would be the means of indigenizing the effort in the context of advising the Minister as to key things he has to do.

In general my work leads to actions that are not inconsistent with the Ministries current strategy and to some extent with its wishes for strengthening the planning department. I can work within where they are (presumably reflecting strong donor input also) What I am doing is moving to the next step which defines priority actions that will show up in quickly accelerated growth in areas that matter to the national aggregates.

I look forward to interacting with you on these and other issues, very best, John

ANNEX 4: Memo date May 19, 2004

DRAFT

AFGHANISTAN – QUICK IMPACT - SETTING AND IMPLEMENTING PRIORITIES – BUILDING MINISTRY OF AGRICULTURE CAPACITY – LEARNING BY DOING

Background

Even in the peaceful 1970's, agriculture dominated the economy. Manufacturing was very small and what little there was directly connected to agricultural processing and input supply. At that time agriculture was growing at about the population growth rate and so was having no impact on poverty reduction. The relative importance of agriculture as a share of GDP, as a source of growth and as a potential source of poverty reduction has further increased since the 1970's. Thus, it is essential to future political stability in Afghanistan to put agriculture on a track of dynamic growth. From the current base that will require carefully chosen priorities and implementation of those priorities and coordination of all donor efforts towards those priorities.

Through individual efforts, the many donors in Afghanistan are having a significant positive impact on growth of the rural sector. That is because of sensible analysis of immediate needs and some loose coordination. These efforts have been largely apart from the Ministry Agriculture. Similarly, the Ministry of Agriculture has prepared a development strategy for agriculture that is sensible in defining the broad outlines of what needs to be done to achieve continuous rapid growth in the sector. Several donors have also prepared strategies that are broadly consistent with the Ministries effort.

What is lacking in all these strategies is clear statement of the small number of immediate priorities that could actually be implemented with the limited implementation resources and coordination of the many donor efforts to meet those priorities and to provide national coverage at a level needed to meet the growth target that is essential to meet employment increase and poverty reduction needs.

Countries in the early stages of developing the institutional capacity for rapid agricultural growth succeed in achieving immediate high rates of growth by focusing on commodity priorities. The government can then concentrate its very limited implementational resources to meet the always-complex needs of specific commodity priorities. As capacity builds, the transition is made away from commodity priorities to functional priorities and building those functional capabilities across the board. But, Afghanistan is far from that stage.

Action Required

Three major actions are needed:

1. To define, in collaboration with major stakeholders, a consensus as to the immediate commodity priorities for achieving the high rate of agricultural growth essential to meeting overall growth, employment, and poverty reduction targets.
2. To build the capacity within the Ministry of Agriculture to implement a small number of integrated priorities that will accelerate the agricultural growth rate to the levels necessary for rapid overall growth and rapid increase in unemployment
3. To build the capacity of the Ministry of Agriculture to plan its role in agricultural growth, to coordinate the donor efforts, and to monitor and evaluate the priorities themselves and their implementation.

Limitations of the Ministry of Agriculture in Taking the Needed Actions

The Ministry of Agriculture, like the rest of the Government, is short of staff for carrying out priority needs. That shortage is partly endemic, deriving from some overstaffing in numbers, grossly inadequate salary levels for key personnel and partly the product of lack of needed changes in the administrative structure. In general, even the best of potential staff are lacking in some vital elements of training and experience. Thus, a technical assistance effort is required in each of the three action requisites.

The Required Technical Assistance

The required technical assistance has four components:

- (1) A senior level highly experienced and respected consultant who will provide intermittent advice, background papers, and hands-on direction, on a thrice-yearly basis. The input of the senior advisor will be built around “learning by doing” providing not only advice but demonstrating the back ground documents needed by producing some and helping to produce others.
- (2) A long-term expatriate, stationed throughout the effort in Kabul who is fully fluent in both Pushto and Dari to facilitate communicating with all persons within and outside the government. That person will provide essential continuity for the senior level expert, carryout critical tasks and provide training in the spirit of learning by doing.
- (3) Six person months short term expatriate consultants, three per year, to provide specialized papers and knowledge, to be specified as the work proceeds and in light of the stakeholder defined priorities.
- (4) Twenty-four person months, 12 per year, of Afghan consultants to enlarge the work to be done and to develop into long term staff in the Ministry.
- (5) Six out of country training fellowships of six months each for study in India, most likely at the Indian Institute of Management in Ahmedabad, and a short study tour in the United States.
- (6) Two workshops of stakeholders to assist the planning process, to develop support, to be held in Afghanistan, with 20 participants each.

Budget

Annex I – An Example of Commodity Priorities

Commodity priorities would be chosen on the basis of their importance in contribution to agricultural GDP growth. That is in turn a function of the base weight of the commodity group and the expected growth rate. Other considerations such as short-term food security, participation of women and the poor would enter into the final judgment.

Fruit and nut trees are likely to be a first priority. They will comprise about one-third of incremental growth, generate per hectare incomes comparable to current illicit commodities, and face unusually complex problems due to their innate complexity and the massive destruction of trees in the war. Several donors, including USAID and the EU are already heavily involved.

Livestock associated with irrigation agriculture will account for another one-third of incremental growth. Women and low-income people have a disproportionately large representation in this activity and in control of the income from the activity. In the short run the requirements are less complex than for fruit and nut trees, because of the overriding importance of improving animal health. But over time the requirements will quickly become much more complex.

Cereals may be given added weight because of their importance to short term food security and similarly the lack of complexity in the initial requirements. An initial focus can be on yield increases with improved varieties from outside, high levels of fertilizer use, and improved water management.

It is notable that the highest priority items have a large agribusiness component with strong employment multipliers.

Annex B – Organizational Priorities

Organizational priorities for the Ministry will flow out of the priority setting exercise. But it is likely that three positions at the highest level under the Minister will be essential to rapid progress and so special attention will be needed to these. They are:

1. A person with full authority and responsibility, under the direction of the Minister, to pursue the first priority with measurable targets for output and input. Concern will carry to the required input from other Ministries such as Irrigation and Infrastructure with the priority requirements guiding the work of those Ministries as well.
2. A person to provide the highest level of leadership to building the agricultural research system (always absolutely central to rapid agricultural growth.) That leadership will include developing research priorities oriented to the overall priorities, ensuring immediate provision of applied research, providing the highest level of technical expertise for building a technically competent extension served and working with other departments to achieve that, and working towards the time of developing world class

research in the key priority areas in which Afghanistan will have to continually compete on global markets served by competitors with first class research capabilities.

3. A person to develop and lead a high powered planning unit that will develop under the Ministers guidance the basic priorities, implementational needs, and monitoring and evaluation facilities to keep those priorities moving and improving.

Annex 5

NOTES TO KEN SWANBERG RE COST OF PRODUCTION AND DRC'S FOR HORTICULTURAL COMMODITIES

I Background

It is likely that horticulture will provide a major portion of incremental growth in Afghanistan agriculture after the initial period of recovery. That will drive large increases in farm income, agro-processing, and expenditure and growth in the rural non-farm sector. For horticulture to play that key role it must be competitive on world markets, which means it must have immediately competitive cost of production and quality and systems for ensuring that cost of production constantly decline and quality constantly increases.

The required public and private support systems are specific to the set of horticultural commodities that will dominate the market and they take time to build, particularly the public sector components. Thus, some estimate must be made as to which of the myriad alternatives will dominate the Afghan market over the next few decades. It is likely that the commodities that proved themselves in the earlier period of peace would continue to be the dominant commodities. That situation revealed the comparative advantage at that time.

Thus, an analysis should start with those commodities. Some of them may have dropped so far back in technology that they fall out of the list. Even in those cases a careful look should be taken at the potentials for bringing those commodities back up.

Of course, no one can predict what commodities that have not had past major status will suddenly come into prominence. But it is best to let the market operate in determining them. Nothing should be done to inhibit new entrants into importance. Indeed, a select few that show special promise might be checked out, with emphasis on their reaching sufficient size to impact the national aggregates. But, in general the priority for scarce public resources should be on those with a clear track record and past competitive advantage at a level that affects national aggregates. Of course, the whole point of opening to the private sector is to leave them free to invest wherever they see opportunity. We are here dealing with public (including foreign aid) resources.

Beyond measures of comparative advantage, the labor intensity of production is of importance and should be given special note, even though the bulk of the employment impact will be related to the value of output, the income generated in their production and the labor intensity of processing activities. This information is more to send an alert about problems than to suggest evading comparative advantage.

Since these dominant commodities will be region specific it is important to have a sense of in which regions they will be dominant in order to key support systems directly to the commodity.

II Objective

The objective is to provide

- a. Cost of production, net returns, and Domestic Resource Cost data for a select group of fruits and vegetables with a proven track record for being a major component of incremental growth in the agricultural sector.
- b. DRC's for the same commodities
- c. Labor use for production
- d. Location of production
- e. To compare cost of production and net returns with neighboring countries, especially Pakistan

III Selection of Commodities

- a. Fruit trees – pomegranate, grapes, oranges, almonds, apricots, apples
- b. Annual vegetables and fruits- melons, tomatoes, one or two others
- c. A select group of high value commodities lacking a track record might also be examined, e.g. pecans and rose oil, but it might be best to ask On the Frontier to do a major analysis of the size of the international market for such specialty items and the extent to which they have a likelihood of becoming of aggregate importance.
- d. I have not proposed cotton, since it is clear that it will be of importance, or mulberry since that seems also clear and there is already a substantial population of trees.

IV Data Needs

- a. Capital costs
 - a. Trees per hectare and cost
 - b. Planting cost (presumably labor and so include in total labor account as well)
 - c. Other costs to establish
 - d. Foregone income from field crop, e.g. wheat, net of intercropping
 - e. Number of years to initiate bearing; number of years for near full bearing
 - f. Cost per hectare to establish
- b. Operating costs and returns per hectare
 - a. Yield and price for gross income
 - b. Cash costs other than labor-fertilizer, pesticides etc.
 - c. Hired labor costs (harvesting)
 - d. Returns to farmers land, labor, and capital
 - e. Returns to all labor, land, capital
- c. Price data – obtain prices at harvest in Kabul, production area market, Peshawar.
- d. Sum labor per hectare and put in comparative table – all the fruits and the vegetables, each separately, and add wheat for comparative purpose.
- e. Compute DRC's
- f. Data Sources: local, but get from Peshawar also

V Map

Provide a map of Afghanistan showing the location of major fruit and nut tree, and annual vegetable and fruit production areas. Provide an associated table giving the total production (value) by province in the prewar period (e.g. mid 1970's or thereabouts).