



## Midterm Evaluation Alternative Livelihoods Program USAID/Afghanistan



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### List of Acronyms

ALP	Alternative Livelihoods Program
ALP-N	Alternative Livelihoods Program – North (PADCO)
ALP-E	Alternative Livelihoods Program – East (DAI)
ALP-S	Alternative Livelihoods Program – South (Chemonics)
AREU	Afghanistan Research Evaluation Unit
ARIES	Agriculture Rural Investment and Enterprise Strengthening
ASMED	Afghanistan Small and Medium Enterprise Development
CDC	Community Development Councils
COP	Chief of Party
CTO	Cognizant Technical Officer
GAO	General Accounting Office
GOA	Government of Afghanistan
DFID	Department for International Development (UK)
EC	European Commission
GTZ	Gesellschaft für Technische Zusammenarbeit (German International Cooperation Enterprise)
INL	Bureau for International Narcotics and Law Enforcement Affairs, Department of State
MNC	Ministry of Counter Narcotics
MOBIS	Mission Oriented Business Integrated Services (USG GSA Schedule)
RIG	Regional Office of Inspector General of United States Agency for International Development
Team	The Evaluation Team consisting of Thomas Mehen (Team Leader), Thomas Miller (Economist), and Marshall Ferrin (Business Development)
UNODC	United Nations Organization for Drug Control

## **Alternative Livelihoods Program (ALP) - Mid-Term Evaluation**

### **I. Executive Summary**

ALP is mounting a valuable and important rural development effort, but is not having a demonstrable effect on overall poppy cultivation. However, the Evaluation Team felt that the ALP model is laying a solid foundation of substantive alternative livelihoods that should contribute to such a result, given the implementation of selected mid-term adjustments.

After a slow start, the ALPs program and its three implementers PADCO (ALP-N), Chemonics (ALP-S), and DAI (ALP-E) are operating as effectively as circumstances permit. At roughly the mid-point of the activity about one half or \$150 million of the \$289 million activity has been sub-obligated and one third or \$100 million has been expended. The ALP partners are now well staffed with experienced professionals who are likely to remain in place for sufficient time to be effective. The three implementers, in the judgment of the evaluation team, should be able to substantially increase overall effectiveness over the last half of the ALP. Given delays and start-up difficulties, at the mid-point, it is too early to estimate whether the ALP will meet all of its objectives indicated for its performance indicators. However, the Evaluation Team expects that with the current staff, effectiveness will greatly improve over the last half of the activity. ALP is making a clear contribution to economic progress. Principal challenges for ALP-N will be road and irrigation work; for ALP-E, expanding licit crop hectares and off-farm employment; and for ALP-S (where the program is under severe security constraints and a continuing need to adjust to a fluid and kinetic situation) expanding both road building and licit agricultural hectares.

Poppy cultivation for 2007 (and on a multi-year trend line basis) continues in the East and South, to expand both in hectares and new areas. ALP is but one element of a 5-pillar USG strategy – interdiction, awareness, judicial enforcement, eradication and ALPs -- designed to combat opium production. ALP is intended to provide meaningful economic options to poppy growers and vulnerable populations, enabling them to sustain themselves and their families without resort to poppy cultivation. This strategy recognizes that ALP success depends on the collective effectiveness of all pillars in altering the opportunity cost and risk calculation of this illicit activity. Nevertheless, the ALP effort – a combination of infrastructure, agricultural assistance and business development support which is well designed and targeted -- is critically important in the provision of meaningful economic options necessary to divert regions away from poppy dependence. Accordingly, an assessment of ALPs performance, per se, has to be in terms of its role within the USG strategy – specifically, creating the basis for economic opportunity.

The first annual work plan had no targets and at the time of the evaluation, actual results were available for only half the current year. Moreover, the USAID Regional Inspector General (RIG) only reviewed results for ALP-E where the data was clearest and most meaningful. Therefore, given the limited availability of results data, the focus of this evaluation was on critical thematic issues.

The Team found that substantial amounts of economic infrastructure are being created. The assistance has been targeted in collaboration with provincial authorities to reflect village and province priorities. It has been provided in a manner that reinforces the development of provincial level planning capacity. Also, close coordination with local officials has been used to promote an understanding of transparent bidding and contracting processes. The ALP interventions have materially benefited individual villages and agricultural and commercial activities. Anecdotal evidence suggests that the effectiveness of ALPs compares favorably with mainstreamed donor activities through central ministries. Over 350 kilometers of roads have been constructed, nearly 240,000 farmers received seed and/or seedlings, over 2300 kilometers of canals have been rehabilitated or cleaned, bridges built and reinforced, cooperatives created, and power provided. (See section IV.1 for details.)

While good progress has been made in agricultural and business development, there are gaps which need to be addressed. However, the team felt that a good deal of the ALP work being accomplished was of a short term nature. In addition to important seed and fertilizer distribution and cash-for-work activities (CFW), the ALPs contractors are continually being called upon to respond to short term needs and crises. Most of these short term efforts are not sustainable. The team felt that work on larger showcase and impact ALPs projects should be brought into balance and emphasized. In all regions, there are projects that could be initiated through ALPs that would have a more lasting impact on private sector growth. They all should concentrate more on developing additional high impact annual vegetable and grain production e.g. potatoes, onions, wheat and relevant supporting infrastructure. Physical facilities such as cold storage and the development of public sector capacity to advise farmers of appropriate price signals are areas that could be more strongly pursued.

In business development, two major bottlenecks are the lack of electricity and communications with the outside world. In the ALPs regions, the creation of both village level and provincial electrical plants should be given top and immediate priority. In addition, efforts to create private and non-governmental organization (NGO) operated internet access and training centers are vital to increase the flow of market contact and research information for both domestic and commercial sales of locally produced products and services. Internet connectivity for the business community is especially important to help overcome the isolation of and restrictions on both domestic and international trade and investment imposed by security challenges and poor roads faced by small businesspersons in all three ALPs regions.

Start-up activities lagged and much of the initial operating year was lost as contractors mobilized under difficult circumstances. The team was unable to find any ALP Activity planning documents or earlier ALP needs assessment. The existing contract mechanisms have led to implementation difficulties due to uncertainties of what could and what could not be done by the implementers. For example, questions in the beginning about whether infrastructure activities could be funded delayed investment. Also, the removal of credit provisions from

implementers' contracts slowed business development. Lastly, the continuing question remains about the ability of the ALP contractors to do sub-grants hobbled early activities and continues to adversely effect current operations. Essentially, anticipated and planned activities involving sub-grants could not be initiated. This remains an ALP implementation concern. Subcontracts, versus sub-grants, for the same tasks are proving problematic and time consuming for the implementers.

The heavy but understandable turnover in ALPs and USAID personnel also contributed in a major way to the 18 month start-up delay. Illustratively, ALP-S reportedly had some 12 Chiefs of Party (COPs) over two years; while ALP-N had to deal with some seven CTOs during the same period. Initially there was only one Cognizant Technical Officer (CTO) based in Kabul for all three ALPs – an arrangement that probably contributed to delays in approving work plans and other implementation requests.

It is clear that, in direct proportion to the security threat faced, the implementers had difficulty fielding and retaining staff. In addition to security, terrain, and lack of transport infrastructure makes Afghanistan an exceptionally difficult place to work. Oversight, communication, and overall efficiency continue to suffer and continue to suffer from lack of adequate air transport. The combination of understaffing together with necessary security precautions accounts for much of the slow progress in implementation. Moreover, the resurgence of the Taliban in the South and the climatic weather extremes of the North were not anticipated.

Coordination is a multi-dimensional problem for all involved in Alternative Livelihood activities and ongoing difficulties with coordination impede progress. Better communication is needed among the Government of Afghanistan (GOA) line ministries and provincial level authorities; among the 5 USG pillar operations, the eight Afghan pillars, the donors, the three USAID ALP entities; and among the ALP entities and the new project mechanisms intended to provide credit, grants, and specialized expertise in support of the ALP activities.

### **PRINCIPAL RECOMMENDATIONS**

- Continued Relevance of ALP Model – USAID should use the ALP model in designing and providing follow-on support for its programs designed to impact on the livelihoods of farmers in poppy growing regions. We believe further emphasis at the regional level using an ALP-type integrated development effort is warranted. Given Afghanistan's weak institutional structure at all levels, targeting provinces and strengthening them needs to be a key nexus for delivering support locally. The evaluation team believes the ALP program has been very successful at forging provincial links.
- Sustainability of ALP - USAID and implementers need to give greater attention to supporting and institutionalizing local governance function. At

- the same time they also need to focus resources against key bottlenecks to private sector development. The ALP activity should consider ways to strengthen and embed technical assistance in provincial government for agricultural and infrastructure planning. It should also provide more significant levels of support for private sector facilitators such as for electricity and information technology including internet services.
- **Monitoring Efficiency and Controlling Costs of ALP** - The team struggled get current comparable financial data indicating how the program was being budgeted and expended. We think it would be useful for USAID to require contractors to provide summary estimates of what was budgeted and spent by program category. This should be derived from annual work plans and be reported on quarterly as the budget is executed. This should not be onerous – a one page summary of expenditures, broken out by infrastructure, business development, agriculture development, cash-for-work, and administration would be sufficient to track the composition of costs.
  - **Enhancing Effectiveness of ALP** – USAID needs to develop both adequate targets and indicators for assessing progress. Currently the performance data indicators are a good start but they need to be reviewed in terms of their meaningfulness and thoroughness of topics covered. For example the team could not establish the basis for setting ALP targets. Results should identify significant accomplishments. Further, some critical areas such as electricity, internet, business development and livestock assistance are left out. Finally, as an indicator of change, USAID should consider using the National Risk and Vulnerability Assessment (NRVA) collected by UNICEF with the Ministry of Rural Rehabilitation and Development. This assessment measures changes in food consumption capacity in rural areas. If data from this national survey can be separated into the various provinces where the ALP is working, it could represent a useful benchmark of overall change from a third party which will require no extra cost in collecting.
  - **Improving ALP Procurement** –USAID should provide ALP implementers with a final determination on whether or not they will be able to issue sub-grants. This could potentially improve implementation. ALP-N indicated that Aga Khan Foundation was not interested in a subcontract but could be partnered under a grant relationship, thus providing USAID access to an important implementer of development programs. ALP-S indicated that Mercy Corps also would not accept subcontracts.

## II. Introduction

**1. Purpose of the Evaluation:** (1) to assess the progress of USAID/Afghanistan's \$289 million Alternative Livelihood Program (ALP-E, ALP-N and ALP-S) towards achieving program objectives and benchmarks; (2) to provide recommendations for project out years.

**2. Team Composition:** The three person Wiles and McLaughlin, LLC team was comprised of former USAID Project Development Adviser Tom Mehen; former USAID Program Economist/Officer Tom Miller; and Marshall Ferrin, Director, International Business Development, Mason Enterprise Center, George Mason University.

**3. Methodology:** The team spent four weeks in Afghanistan during April and early May 2007. No time was allotted under the contract for research in Washington prior to departure for Afghanistan. The first week of the evaluation was devoted to reviewing available project documentation in Kabul. The second week focused on interviewing knowledgeable stakeholders in Kabul -- USAID personnel, other donors – DFID, the EU and UNODC, and researchers at AREU. The team also interviewed by phone the previous, Beth Dunford, the previous Director of USAID's ALP Office. Later the team met with ALP expert David Mansfield, who works with AREU and with a representative from the Embassy INL Office.

The evaluation team decided that it would be most productive to focus on critical thematic issues central to performance. A discussion template (see ANNEX 1) centered on key issues was devised, discussed with USAID and applied to the various interviews and discussions. In the third and fourth weeks the Team visited ALP-N headquarters in Fiazabad and ALP-E headquarters in Jalalabad. There the Team interviewed staff, counterparts, and beneficiaries as well as visited project sites. A visit to ALP-S (Lashkar-Gah) during the Team's stay was ruled-out by USAID since a major military action in the ALP-S operating area was in process during the time planned for the trip. The team was however able to interview ALP-S personnel by telephone and met briefly with them in Kabul. The team also met with contractors' home office staff in Washington – many of whom had extensive experience in the ALPs implementer regional offices. Following the field visits, a half day workshop was held in Kabul with implementers and key USAID staff. The workshop findings were incorporated into the team's findings.

## III. Background and Context

The Northern, Eastern, and Southern regions of Afghanistan are quite different – in terrain, in human resources, in natural resources, in social and economic infrastructure, ethnicity, and politics. It is appropriate that the ALP program is structured around regionally distinct programs. The North is very rugged with a harsh, long winter and a very short economic season. Ethnically the people are largely Tajiks and Uzbeks with large numbers of Kuci nomads and pastoral

people. Roads, electricity, and all manner of economic and social infrastructure are lacking. In the East there is a relative abundance of human capital, commercial centers, a commercial tradition, light industry and proximity to markets and educational facilities in Pakistan. In the South, the deteriorating but still effective agricultural infrastructure of the Helmand Valley Authority with its dam, network of irrigation canals and hydroelectric power – all built by USAID in the late 60s / early 70s – dominate the regional economy.

Poppy production is reportedly falling in the North, is very active and rising in the East, and remains the predominate activity in the South. In all areas, provincial level governance is extremely weak, but many village level Shuras are strong and effective. Opium production in 2004/2005 accounted for the equivalent of well over one-third of Afghanistan's licit non-drug GNP – a level virtually unprecedented in global experience. Further, aside from donor funding, poppy cultivation and related activities presumptively accounts for the bulk of foreign exchange earnings. It is particularly important to the lowest income levels of the society and is nearly indispensable to many of the sizable fraction of the population without access to markets.

Suppressing the opium trade is of paramount importance to the USG and the international community. It is equally important to the GOA for it creates public health and corruption problems, funds anti-government elements, and antagonizes the international community. To attack the opium cultivation problem, the USG has a 5-pillared strategy supporting the GOA strategy. Central to the US strategy is the ALP. It seeks to provide economically viable alternatives through the creation of economic infrastructure and activities supporting production, marketing, and entrepreneurial activity. Livelihood alternatives are, in effect, a necessary but not sufficient condition to the reduction of cultivation. A second pillar, eradication, both directly reduces poppy cultivation and creates the credible threat of windfall loss necessary to offset part of the potential gains from poppy production. Studies suggest that risk of eradication is meaningful only to the extent that alternative economic opportunity exists. Where such is the case, the economic risk is not only crop destruction but the implicit loss (opportunity cost) of revenue from the licit crop which could have been grown in lieu of poppies. Where there is no livelihood alternative, eradication may even have perverse effects as it may create a dire need to grow even more poppies to compensate for critical income lost. Complementing these two pillars are interdiction, judicial enforcement, and public information.

USAID implements its ALP activities through the geographically focused project components – ALP-N implemented by PADCO, ALP-E implemented by DAI, and ALP-S implemented by Chemonics. Other donors are also active in the ALP area. DFID, the second largest bilateral provider of ALP funding has a strong preference for mainstreaming – using GOA line ministries to implement programs. It does however have a few direct programs, one implemented by GTZ (German Assistance) which also has its own projects. UNODC manages the very important cultivation measurement function, but has limited project resources. It seeks to play a catalytic and coordinating role. In theory, the line

ministries coordinate with provincial and local authorities, and the donors with each other, the local, and provincial authorities. The World Bank, Asian Development Bank and other international actors also mount projects with alternative livelihood relevance, but these are mainstreamed through the line ministries. Lastly, the Provincial Reconstruction Teams (PRTs) engage in ALP-relevant development activities.

Evaluating the USAID ALP activities presents a number of methodological and practical problems. For example, should one define success in terms of short term reduction in poppy cultivation? The impact against poppy cultivation is a joint result of the interplay of all five pillars. Further, poppies are an agricultural crop and opium paste has a multi-year shelf life. Excess production in one year may lead to cut-backs in next that may erroneously be attributed to counter narcotics efforts. For these and substantive developmental reasons, most credible observers believe that meaningful progress requires a lengthily time horizon – at least 10 years. Thus, the USAID ALP contribution has to be assessed largely in terms of the creation of viable economic alternatives rather than directly against area under cultivation i.e. how effective is the rural development program are we undertaking?

However, there are some direct effectiveness questions and pillar interface issues which can be examined. These include: conditionality (the linkage of assistance to cultivation reduction, ex post and ex ante); the sequencing of assistance particularly cash-for-work (CFW) to disrupt labor supply for poppy production; coordination; short term vs. long term, and assistance gaps (e.g., governance for instance). Our review also seeks to assess efficiency, effectiveness, and results against planned targets. Specific findings and recommendation were developed against the activity as a whole and individually against the geographic components.

#### **IV. Discussions/Findings**

**1. Impact and effectiveness:** To assess progress on the USAID ALP there needs to clear and meaningful indicators and targets. ALP implementers currently report on two sets of indicators. One set is specific to each of the implementers and the particular mix of programs under their work plan. The other is a common set of thirteen or fourteen performance data indicators which USAID uses for its reporting. These performance indicators are listed in the table on page 4. The team found that the former indicators were more useful. The indicators employed by the implementers are not reported using a common format and in some cases difficult to follow and track.

### Performance Data Indicator Table

INDICATORS		ALP/ N PADCO			ALP/E DAI			ALP/S CHEMONICS		
		Actual Total	Target 2007	Target 2008	Actual Total	Target 2007	LOP	Actual Total	Target 2007	Target 2008
1	Kms. of irrigation	542.8	945	1,175	133	300	300	1,664	1,642	1,792
2	Kms. of roads	55.9	367	717	234	400	400	73	200	400
3	Hectares of Irrigation	53,381	26,800	63,600	12,918	24,000	24,000	55,595	65,000	82,000
4	Amt. paid in CFW (\$000s)	1,171	2,960	5,150	6,165	8,250	8,250	5,155	8,000	8,700
5	Afghans paid through CFW (\$000s)	30.8	61.2	105.0	26.8	45.0	45.0	38.8	39.0	41.0
6	Total Labor Days CFW (\$000s)	237.7	6120	1,050	1,583	1,800	1,800	1,543	2,000	2,200
7	Afghans trained in bus.	866	655	1,365	5,050	5,200	7,000	687	1,000	1,500
8	Farmers trained in leg. Practice (\$000s)	31.2	26.0	34.0	101.8	155.0	175.0	16.8	16.4	18.4
9	Farmers Rec. Seed (\$000s)	102.6	121.0	140.0	104.9	177.9	177.9	34.1	41.0	41.0
10	Afghan Rec. Credit.	*	*	*	*	*	*	*	*	*
11	Clusters that meets standards	15	30	50	*	*	*	15	-	-
12	Changes in productions high value crop %/(\$000s)	1	7	12	11,175	20,000	20,000	17,851	-	-
13	Hectares devoted to licit agr.(000s)	17.0	68.0	70.0	63.1	35.0	50.0	363.5	-	-
14	Full time jobs created through licit expansion	157	295	455	11,746	12,500	17,000	30	-	-
15	Seasonal Employment created through licit activities	88,000	68,000	121,000	2,511	8,950	10,000	9,300	-	-

Also for 2006 the performance indicators have in the case of ALP-E been reviewed by the RIG. The RIG verified that performance indicator results reported by ALP-E were attained. They found, however, that no targets had been developed that would help facilitate an assessment of effectiveness. This has now been corrected. In the latest work plan, July 2006-June 2007, targets are included, reported on quarterly, and are also shown on the Performance Data Indicator Table on page 4. However, the team notes that the current work plans and annual performance targetting are out of synch. The work plans runs until July, but the performance targets are to be achieved by October. This means that there is roughly a half year remaining to meet the target, but roughly one quarter of a year remaining in planned or scheduled activities for the implementers. Nevertheless, looking at the performance data table and using the most recent reporting provides an idea of where challenges to meet targets lie for implementers.

Target development is a step forward. However, a potential weakness of the current targets is that they might be somewhat arbitrary. There does not appear to be an assessment/survey or sector study. These could provide the basis for identifying needs and thus establishing what might be a reasonable contribution by the implementer.

The Team noted that the GOA had also established a working group to develop indicators for reporting on ALP activities and are being assisted by the World Bank in this effort. To date they have not as yet come up with specific indicators. A key question that relates to the development of indicators and the monitoring and assessment of progress is how to ensure that the indicators capture contributions of the ALP activities which are relevant to the counter-narcotics problem and not simply general measures of growth and rural development. The key issue is to assess how the ALP activities promote synergies and contribute to the effective combining of interventions needed to promote opportunity costs for poppy producers.

The evaluation team looked at the overall efficiency of the ALP activity. Early estimates of what it would take to place teams in the field were undoubtedly too low. For example, USAID information provided for the Government Accounting Office (GAO) November 2006 Report on Afghanistan Drug Control indicated that 16% or about \$50 million would be the cost for the management and logistics of the \$300 million program. Preliminary estimates of current expenditure suggest that administrative and security costs are much higher than the 16%. Financial data was not readily available to the Team, and there are no easy sources for assessing what levels of funding are being budgeted and expended relative to ALP program components – infrastructure, business and agriculture development cash for work or for other activities. The contractors generally follow a line-item format in laying out costs which don't necessarily relate to the programming areas. In order to effectively track costs, program budgeting would be useful in providing possible insights into the cost effectiveness of programming areas. This is not available now in the reporting done by the ALP contractors. The ALP-N

Contractor reports that the ratio of administrative and overhead costs to program costs was greater than 50%. ALP-S Chemonics, the contractor in the South, reports that security costs alone have amounted to over 10% of total expenses.

## 2. Thematic Areas

**(a) Poppy Cultivation and ALP Impact:** The UNODC poppy cultivation reports<sup>1</sup>, a sample survey of poppy fields done in the winter months to estimate crop cultivation, shows that poppy cultivation is expected to increase sharply in 2007. In the North there has been some decline, but the net increase overall is considerable. We do not see this as a failure of ALPs but rather the inability of the 5-pillar strategy to deal with the overwhelming financial attractiveness of poppy cultivation. The team did note that the UNODC estimated for 2004 the farm gate value for opium at approximately \$600 million. This is far more than the ALP expenditures for its first two years of operation of approximately \$100 million. Clearly ALP expenditures are of a lesser order of magnitude and more needs to be done.

ALP by definition is a necessary but not sufficient condition to poppy cultivation reduction. We are told by experts that Afghanistan has no inherent comparative advantage in poppy cultivation. Its advantage stems from the absence of law enforcement. The figures we heard are that it costs three or four times as much to produce poppies in Afghanistan than it does for medicinal production of poppies in Australia. Turkey, Thailand, and elsewhere also have lower production costs. The comparative advantage of Afghanistan in opium poppy lies solely in its lawlessness. That needs to be attacked directly as is envisioned in the law enforcement and interdiction pillars. Because it is contrary to Islamic teaching, and can be dangerous, there is a natural predisposition among the populace not to engage in poppy production. ALPs seek to reduce the economic pressures and imperatives promoting it by offering viable sustenance alternatives. Eradication and interdiction, together with ALP are intended to shift the risk-reward calculus against poppy cultivation. With alternative economic possibilities, cultivators risk not only the crop but the opportunity cost of gain from viable alternatives. We believe that a credible case can be made that the ALP pillar is more developed than the others. Hence it would be wrong to fault ALPs for the lack of determinant collective impact.

**(b) Conditionality:** The ALP task orders and work plans, starting with year two call for disbursement of ALP assistance upon agreement by prospective recipients to abstain from poppy cultivation. The nature of the required conditionality was not spelled out in detail. It has been interpreted and implemented somewhat differently in each of the regional ALPs. In the North the commitment of the province governor and of concerned Shuras was deemed sufficient. In the East, it appears that where communities were the beneficiary, Shura leaders were required to pledge abstinence on behalf of the village and were required to affix their thumb prints to a written pledge. Individual recipients

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<sup>1</sup> ANNEX 3, item 4

for seed and seedling distribution were also required to take the thumb print pledge. (ALP-E has thousands on file.) In the South it appears that with the possible exception of a pledge from the governor, little attempt was made to enforce conditionality. The effectiveness of commitment is uncertain. DAI in ALP-E has surveyed farmer recipients of wheat seeds as to ascertain whether they also continued to grow poppies. The survey results reportedly show that there were some instances. Generally, however, it is believed that where a village Shura gave its pledge, this reflected a community consensus and was honored – at least for the current crop year. As ALP-N indicated, monitoring is very difficult. In the North and the East, it appears that where villages or individuals violated their pledge they were deemed ineligible for further assistance. How effective this is remains to be seen. Guidance on this would be welcomed by the implementers. Most practical would be to request that oral pledges be made.

**(c) Relevance of ALP versus Mainstreaming of National Programs:** At a conceptual level, there is a sharp difference of opinion in the donor community on alternative livelihood programming. Under the strong lead of the DFID and the British Embassy, most of the international community seems to favor “mainstreaming”, i.e., channeling ALP assistance through line ministries. Their concern is institutionalization and building ministerial capacity. Clearly the Ministry of Counter Narcotics (MCN) thinks along these lines. Ministry officials make the institutionalization argument and add that small interventions (e.g. cash-for-work) as practiced by the USAID ALPs, are not sustainable and, over the long run, are inconsequential. And they argue that the US should make its interventions on a grander scale. The MCN view is that large and medium scale projects would be far better and many of these could be mainstreamed.

USAID appears to be moving towards more centralized ALP delivery, reducing ALP project control over supporting services and transferring key functions to parallel national or multi-region projects designed to, in part, provide credit facilities and sub grants in support of the three ALP regional operations. This evaluation suggests that the ALP concept as initially envisioned by USAID is the more effective in short and medium term. In the current transport, communications, and security environment, line ministry command and control ability at the provincial level is seriously challenged. More authority needs to be moved to the regions not withdrawn from them. We favor the regional rural development philosophy inherent in the USAID ALP project.

The same would hold true at a higher level. All the pillar activities need to be closely orchestrated if the ALPs activity is to be fully effective against poppy cultivation, and they need to be orchestrated at field level. Given the transport, and communication difficulties, fluid security situation, and a tendency on the part of all parties for stove-piping their activities, we do not see effective coordination nor command and control of province level activities as possible from Kabul. Further, the provincial level authorities we spoke with are pleased with the collaborative targeting of ALP activities, the close coordination and the quality of ALP projects (although there are substantial complaints in the North over delays).

Indeed, greatly under-funded and understaffed the local authorities are dependent on ALP for transport to construction sites, training and other services.

In contrast, many donor projects, mainstreamed out of the line ministries reportedly, come without warning, outside the local planning and community consultative process, and are not given appropriate oversight. In this regard, the Director of Public Works for the Province of Nangarhar stated that the work is often so shoddy that he has to refuse to accept the finished project until major flaws are fixed. There is no oversight and multiple layers of subcontractors with little accountability. (Among examples cited was a road constructed by a UN agency for the Ministry of Public Works.) UNODC, or at least its ALP specialist, argued that the mainstream donors in Kabul were detached from reality, little impact resulted from mainstreaming, and it was the three US ALP programs that were actually making a difference. Although European Commission (EC) funded reports suggest that significant progress on rural roads is being achieved through mainstreaming. With the exception of Mansfield's conceptual article on ADB mainstreaming (see Annex 3) the team was unable to find any evaluations on the topic. A DFID representative told us that DFID has done an evaluation of its ALPs activity as part of a larger study. However we were unable to get a copy of it.

According to the ALP implementers, communication between the National Ministries and the provinces is weak. Local coordinating committees established through the Counter Narcotics Ministry and the UNODC do not seem to be keeping local planners and the ALP-N program well enough informed. The same is true with the National Ministry of Public Works and other line ministries. It seems at times donor projects are negotiated at the Ministerial level and then belatedly announced to the provinces. A case in point is a river basin development effort supported by the EC in Badakhshan which has significant overlap with the ALP program there. The province was advised of this after the ministry's decision. In another case, also without advance consultation or reference to the provincial development plan, the Ministry of Public Works informed PADCO and the provincial government that the Asian Development Bank would do a portion of highway assigned to PADCO, for which PADCO had already done the surveying. In lieu of this section, PADCO was asked to undertake a further, more costly, more distant section requiring numerous bridges. This is all the more disheartening in that the Province is making a serious effort with regard to local coordination, consultation, and planning.

**(d) Cash for Work (CFW):** Cash for work is highly regarded by all three implementing partners. Among central government officials, and some in the donor community, it is somewhat controversial. CFW creates direct, but time limited employment opportunities. Essentially, rural low income individuals – mostly male, but sometimes female – are employed to work on roads and other community activities paid for and supervised by ALPs or one of its instrumentalities. CFW can be used to both create economic infrastructure and inject cash into the community. ALP implementers find it an excellent entry vehicle – one that gets them welcomed in villages. It is claimed, with less

justification in our view, that the timing of CFW hiring can be used to disrupt the labor supply available to harvest poppies. Where a strong Shura is involved, conditionality pledges appear to have a localized impact against poppy cultivation.

In the North, workers are paid a flat \$4 per day plus \$1 for lunch. They are hired on a first-come-first-serve basis with the length of employment reduced to accommodate the largest practical number of individuals. Work is supervised by ALP engineers. In the East, ALP-E uses a 5-tier wage structure based on skill level. Laborers are essentially chosen by the concerned Shura, and retained for longer periods than in the North. The construction activities tend to be more sophisticated there, e.g. building a large wholesale market structure under the direction of ALP engineers. In the South, flat rates are used and much of the work centers on rehabilitation of existing canal infrastructure. Subcontractors to ALP-S plan and supervise the work in consultation with local Shuras. In all areas, CFW often involves cobblestone road contraction.

The evaluation team looked most closely at the CFW operation in the East. Financial controls seems quite sound. Time sheets with thumb prints are used. Work is overseen by an ALP engineer and pay is disbursed directly by an ALP's financial management person, against timesheet records. On a CFW cobblestone road project visited, the engineering supervision was tight and effective. Local Shura members were enthusiastic and obviously took pride in and ownership of the activity. Cobblestone roads use local resources and can be maintained locally. This technique seems well suited to tertiary roads in frost free areas, but can be problematic where heavy traffic is involved. Nonetheless, such roads are controversial. The claim is that the stones get dislodged. Draft animal hooves get stuck or melons are damaged from bumpy rides. Advocates claim local jealousies prompted criticism of the cobblestone roads and the agitation for the far more expensive hard surface roads.

Opponents of CFW argue that it is make-work, inconsequential, and not sustainable in the long run. They would like to see grander scale, mainstreamed USG projects. Some, including the evaluation team, see CFW use following in the wake of eradication, as undercutting the risk of poppy eradication, and the disincentives to poppy cultivation.

The evaluation team concludes that CFW is a very useful tool. Moreover, ALP-E has demonstrated that CFW can be used to construct sophisticated economic infrastructure, and the other ALPs should move more in this direction where feasible. Community entrée, communication of empathy and the ability to quickly inject targeted purchasing power needs to be part of an ALP providers tools.

**(e) Coordination/Fragmentation:** The ALP program was designed essentially along classic, integrated rural development lines – minus the social program and with focus on poppy cultivation areas. It recognized that to create the base for sustainable livelihood alternatives a broad spectrum, closely-orchestrated packages of economic assistance activities tailored to specific regions were

required. Since immediate action was imperative and the central government was incapable of managing such a set of activities, at least in the short and intermediate term, three separate ALP implementers were contracted, selected on the basis of proposals made in response to an RFP. They were based in North, East, and South and told to implement their broad-based proposals. From the start the well-defined implementer control over resources and supporting activities was greatly diminished.

The MOBIS contract mechanism, under which the ALP implementers were contracted, was more restrictive than envisioned. We were told by an implementer that initially authority to do infrastructure projects was questioned. That was resolved fairly early. Then, it was determined that sub-grants were not permitted. This was despite the fact that sub-grants were integral to contractor's proposals and their awards. Without sub-grant authority the contractors lost the ability to quickly engage on many tasks with NGOs which were already positioned. It was necessary to go a sub-contract route – requiring far more in the way of time-consuming USAID approvals. Even more important, a number of intended grantees refuse to function as subcontractors both for matters of principal and refusal to deal with procedural requirements. These included the Agha Khan Foundation (AKF) in the North (which had been part of PADCO's proposal) and Mercy Corps in the South. The AKF has done excellent work in Afghanistan in micro credit and micro-hydro electrification. Enabling ALP-N to engage with them as originally envisioned would give a rapid boost to its results. The situation is similar with Mercy Corps in the South. Compounding this, the MOBIS contracts were also interpreted to preclude provision of a finance/credit facility, a critical component in the proposed business development activities.

To fill these gaps USAID initiated parallel activities – e.g., ARIES and ASMED - to address the ALP need for grant and financing/credit support. These however are not under the direct control of the ALPs implementers. Moreover, they are not yet fully on line. To further diffuse responsibility and control, the new projects report to a different Mission technical backstop office and to different CTOs. There is a potentially severe coordination problem here. The Strategic Objective teams will have to be very proactive in linking the activities. As it is, we see problems in accountability.

Increasingly the mission seems to be moving more towards national level projects in roads, electrification, and governance support to be operative in the ALP regional areas. There is some concern that the ALP implementers will be held responsible for the results that depend critically on the actions of supporting activities outside their control. We would also note clearance authority for the larger engineering activities remains with the Mission. This has reportedly been a source of delay. The ALP implementers argue that they are positioned to provide badly needed and long delayed infrastructure components but are told these are the responsibility of other projects. There are examples here in roads, radio transmission facilities, and electrification.

**(f) Governance:** The Team believes that the success of the ALP endeavor will ultimately depend on governance. Unless the GOA at all levels, but particularly at the provincial level, develops policy, implementation, and monitoring capacity, ALP results will simply not be sustainable. A recent draft report by the Asia Foundation indicates that USAID should foster links at the province level. Much GOA and donor support has been directed at the local level through Shuras and CDCs but the legal foundations and authorities for operation are still not fully developed. The ALP program does work with the province and local CDC and Shura levels. The difficulty with the province is weak capacity. All three USAID ALP implementers support the development of governance capacity, but their focus is narrow - largely planning, public works, women's affairs, and ad hoc areas.

Governance, per se, did not appear to the Team as targeted in a broad manner. Because provincial GOA staffs are very thin with very low capacity an intensive long term effort is needed, requiring substantial training, equipment, and, most likely on-site advisors. Although the implementers would like to become more active in the larger governance issue, the magnitude of task and its long term nature tended to discourage systematic involvement. The ALPs are best positioned to deliver and monitor systematic assistance at the provincial level. We believe that USAID should closely orchestrate its various governance activities, making full use of the ALPs capability in this area. To date support has been on an ad hoc basis rather than with intent to improve long term capability. To enhance sustainability and improve governance, ALPS should systematically assess needs and develop a program to strengthen provincial government capability in planning and implementation in areas where its program dovetail technically.

**(g) Agricultural and Business Development:** All three ALPs projects have concentrated on annual i.e. vegetables and ALP-N and ALP-E perennial i.e. tree crops in an effort to focus on crops that have the highest value in the rural economy. ALP-N north has a greater emphasis on fruit crops (e.g. apricots, cherries) and nuts (e.g. almonds, walnuts). ALPS/East has a more balanced approach between the two areas of production. ALP-S efforts are in the dried fruit area, working through the national dried fruit and nut association. The efforts here of all ALPs activities have been to achieve immediate increases in incomes from growing potatoes, onions, and wheat crops. Results were less immediate for the farmers from the tree crops, as these take three to five years to yield a marketable crop. Substantive work has been done with creating agricultural cooperatives and providing training to staff. Additional efforts to assist farmers in the more immediate benefits created by raising annual crops seem to be in order, as the above mentioned can, depending on the time of year, equal on a per hectare basis the net income obtained by the cultivation of poppy.

The three ALPs have had marginal results in creating and supporting the growth of new businesses, including agro-business. ALP-N has focused mainly on agriculture, ALPS/South has assisted several businesses with marginal results, and only ALP-E has achieved a substantive record in this area. ALP-E, in spite

of the absence of a credit facility, has created viable cottonseed, snack food and handicraft companies, plus a vibrant Wholesale Vegetable and Fruit Marketplace. These results are good models for all the ALPs to emulate. It is expected that with the arrival of the ARIES credit program and the reinforcement of the ASMED business assistance teams with their grant program, off-farm businesses should have the complete resource package for the future so as to produce substantive results in this sector. Additional efforts by all the ALPs to create and promote small-scale hydroelectric power operations will create much-improved prospects for the growth of existing businesses, as well as stimulate the formation of new ones.

### **3. Administration and Management**

The Team's review suggested a number of areas where USAID management and administration of the ALP might be improved.

**(a) Reporting:** The current reporting system under the ALPs needs to be streamlined considerably. Both the annual reports and quarterly reports need to be pared back focusing principally on results indicators and progress toward meeting those targets. The Team suggests using performance data indicators and changing the work plan cycle to fit the fiscal year period. Too much attention is given to process and not enough on the attainment of targets. Implementers should provide program budgets for their annual work plans and quarterly reports that breakout the budget for the activity components (programs) rather than simply traditional line item cost components (labor, materials, subcontracts, etc). It would be helpful if implementers had templates for the formatting and coverage of required reporting.

**(b) Communications:** Reinterpretations by USAID of the current MOBIS contract processes and procedures related to implementation should be conveyed quickly to implementers. USAID needs to be more timely and transparent in issuing guidance. The use of sub-grants is a case in point. The implementers are confused as to whether sub-grants are acceptable to USAID, yet all agree that sub-grants would improve efficiency and results. Implementers need to be advised of what if any sub-granting authority is available to them.

If arrangements could be made to increase access to some form of dedicated air transport which could be directly engaged by the implementers, it would make a major improvement in ALP efficiency. As it is now, highly skilled managers and professionals are stranded for lengthily periods of time outside their job locations awaiting transportation. Moreover, necessary field visits by mission technical personnel are discouraged by the existence of insufficient and unpredictable transport.

**(c) Work plan reviews:** A procedure to ensure the timely reviews and approvals of ALP work plans should be put into place and adhered to in order to prevent long approval delays which occurred at the beginning of the ALP activity ALP. The team was impressed with the current CTOs' field presence which will, in the Team's estimation, greatly benefit the overall relationship between

contractor/implementer and USAID. Even so, more collaborative communications between the implementers and technical officers in Kabul is desirable. Most important in this would be more frequent field visits by Kabul-based backstop personnel.

**(d) Coordination:** The relationship between ALP implementers and the new supporting projects (e.g. ARIES, ASMED, etc.) will require continuing mission attention. Dilution of ALP control over the full range of ALP relevant activities is inherent in the withdrawal of funding for grant and loan activities from the three ALP implementers. Placing these functions under different vehicles with different CTOs, under the direction of different offices creates coordination/orchestration demands.

## **VI. Additional Recommendations for USAID and ALPs Implementers**

### **1. USAID-specific Recommendations**

- USAID should provide clear and authoritative guidance on: conditionality requirements and use of sub-grant mechanisms under the ALP MOBIS contracts.
- USAID needs to further facilitate the coordination of areas of support such as credit (ARIES), business development and local government and keep ALP contractors informed on the USG policy and implementation as they relate to other pillar activities which impact on ALP regional authority and responsibility. The ALPs concept is in large part one of integrated rural development which requires close orchestration of the activity set. Now that there is good field-based oversight, the range of operations could be expanded.
- USAID technical advisors, especially those involved in redesign and oversight must visit the ALPs implementation sites with some frequency. The team believes these visits should at least be on a quarterly basis in conjunction with reviews of progress reports. The Team feels CTO presence alone is not enough.
- USAID should to become more aware of other donor assistance being planned that impact upon provincial level programs and keep ALP implementers so advised. This information will provide ALP implementers with advance warning of pending donor activities in their areas and help them more effectively promote coordination with their programs. ALP-N personnel indicate this is a continuing problem and programs emerge which either overlap or at times supersede their efforts causing their planning to awry.
- USAID officers concerned should become acquainted with and consider utilizing the significant body of research and knowledge which the

Afghanistan Evaluation Research Unit (AERU) has available. Much of the work AERU has funded is focused on the opium economy and is the product of several years of effort. AERU has an excellent library and a growing volume of literature related to the ALP concept. Some excellent material has been developed with regard to the Afghan situation particularly the work of David Mansfield who has worked over a span of ten years interviewing and surveying Afghan farmers. His efforts have appeared in volumes by the World Bank and other donors. These are referenced in the appended documents list. We suggest that copies be circulated to concerned offices.

- USAID should facilitate sharing of ideas among the three ALP operations. Their staffs do not believe that they are having sufficient substantive exchange of views with USAID or each other. Periodic workshops such as those held in late April would be useful to all concerned.
- USAID should harmonize its reporting period and annual work plan reporting period for ALP. The annual work plan is on a June –July basis while the performance data indicators are on a fiscal year basis. Suggest using the fiscal year.

## **2. Recommendations Applicable to the ALPs Implementers**

- Inventory each ALP Region's existing businesses as to numbers, types and employees.
- Concentrate business assistance efforts on businesses that have the best chance of success, both new and existing.
- Prioritize delivery of business assistance activities to support emergence of sustainable CFW construction companies.
- Create rural enterprise programs, in collaboration with the Ministry of Commerce, consisting of business extension personnel in each province and in Kabul Province to connect entrepreneurs and business owners to assistance, training, marketing opportunities and credit. ASMED could take the lead in developing such an activity.
- Provide additional support to the Afghan Carpet Association to create increased access by more producers to the larger international marketplace.
- Prioritize delivery of business assistance activities to support carpet washing and trimming businesses in key carpet production areas.
- Develop and deploy an audience measuring system for radio broadcasts of ALPS programs network.

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- Create a National Handicraft Cooperative Marketing Agency to provide increased access by more producers to the larger international marketplace and provide an integrated service package of design, product development, skills training, purchasing, domestic retailing and international marketing.
  - Focus more effort on local investment implementation.
  - Design and implement a survey of the cost-per-job in key sectors.

**Annex 1:**  
**Discussion Points for Workshop - Questions for the Midterm Evaluation**

- (1) Assessing Impact
- (2) *UNODC Poppy Surveys – Overall the projection is upward--Is this a relevant assessment for ALPs?*
  - *What does this imply for ALP strategy?*
  - *Do we need longer term for assessing performance of ALP? How much time to develop alternatives for poppy growers?*
  - *If there are no opportunities then there is nothing to lose no opportunity costs.*
  - *Is ALPs increasing farm assets and increasing off farm employment opportunities.*
- (3) Coordination with other entities
  - *Other USAID activities—ARIES, SME, Local Government*
  - *Other USG pillar implementers*
  - *PRT*
  - *Donors*
  - *GOA*
- (4) Governance
  - *Counterpart relationships – Is there Afghan participation in ALP?*
  - *Relationship to CDCs, Shuras, and Provincial Officials*
  - *Development of government capacity – should this be an area of emphasis?*
- (5) Cash for Work/Infrastructure
  - *Should CFW be continued or not? What proportion of the program should it cover?*
  - *Advantages as practiced by ALP-N and –S as it creates infrastructure and injects cash into communities.*
  - *Examples – cobblestone roads and wholesale market*
  - *How to proceed? –the different approaches ALP/N and ALP/E*
- (6) Conditionality--Task Orders in second year under ALP call for the Implementers to employ conditionality
  - *Does it provide an important incentive to communities to reduce poppy growth?*
  - *Are there issues of verification?*
  - *What happens if there is reneging? Is it productive to exclude entities from ALP help?*

(7) Agriculture and Business Development

- *Annual Crops vs. Perennial?*
- *Off-Farm Employment as a Priority?*
- *Electricity focus?*
- *Communications an issue?*

(8) Administration and Management Issues

- *Impediments to doing business with USAID*
- *Guidance on the use of grants under MOBIS*
- *Timely work plan agreements by USAID and GOA*
- *Sub contract approvals*

## **Annex 2: Field Visit Notes – Agricultural and Business Development**

### **ALP-North – PADCO: Field Visit - April 15 – 18<sup>th</sup>**

We consulted with the relevant PADCO staff, USAID, PRT and Afghan regional officials. One Team Member spent a day visiting and validating productive activities in the Badakhshan region with the Business Development Adviser, while the other two team members concentrated on in-depth discussions with the COP, the Deputy COP, the Security Officer, the Agriculture Specialist, the Chief Engineer, the Irrigation Advisor, the Financial Advisor, and the Monitoring and Evaluation Specialist. The discussions with the PADCO team centered on the thematic areas identified in an email sent prior to arrival by the ALP evaluation team to PADCO COP and USAID CTO Jeremy Foster. In addition separate sessions were held with both the CTO and the Provincial government Planning Chief, Mr. *Haji Waji*.

***Agricultural Development*** –PADCO staff stressed that, since the northern region is 90% agricultural in its economy, that this is the sector of choice for concentrated effort. Consultation and visual inspection reveals that a great deal of progress has been made in creating high value vegetable seed distribution to the local farmers and resulting production. The vegetables that have the greatest capability of equaling, on a cash yield per hectare, poppy yield are potatoes and onions, which have been promoted by the project and taken up by the farm population. These two crops, another area of ALP successful promotion, have a resistance to the severe transport constraints i.e. very rough roads that restricts the growth of the farm economy in the region. Regarding walnuts, the current project activity of de-hulling this product prior to shipment to the market will result in the doubling of income to the farmer.

Substantial efforts are seen in the production of perennial corps, such as apricots, almonds, cherries, and apples. Farmers have readily adopted such crops and productive yields are expected in two years. Also, demonstration and commercial orchards have been established, with farmer entrepreneurs managing the operations with support from project staff. Again, a two-year time frame as to saleable products is projected. The implementation of Home Based Nurseries for the production and sale of pine trees seems especially valuable. This appears to have a great benefit for women, as they are the ones trained to raise for the marketplace an average of 2,500 seedlings, right in their own compounds. Given the nature of this production, a two-year time frame for income creation is projected so the women producers are provided with a basic salary in the intervening period.

Most important, the project has assisted in the establishment of 13 vibrant and active cooperatives that act as a vehicle for seed distribution and, along with the Shura, identification of capable member farmers to take up the commercial

orchard and home based nursery businesses. Farmer incomes have reportedly doubled among those participating in selected PADCO vegetable development activities. More effort might usefully be made to boost the marketing of vegetable and dried fruit products, as they have ready markets inside and outside the region. Tree crops are certainly important, but the time horizon for income generation is far longer

**Business Development:** Little effort has been made to reach small-scale producers in the active metalworking, carpentry and most important, very active retail sectors in the project area. By contrast, significant work has been done to engage gabion producers to make reinforced wire products to support CFW irrigation canals. Efforts were made to establish a business development center with the Faizabad Chamber of Commerce, without success, due to inability to secure rights to land for premises. Attempts were made to work with the ARIES contractor ACDI/VOCA but have not progressed due to the lack of a firm commitment by ACDI/VOCA to make loans under 20,000 USD. Progress in the provision of Hydro-Power has been delayed due to the project's reluctance with respect to low-technology village-based hydro-plants. US style configurations for large-scale applications in Faizabad and several other areas have taken precedence over more immediate alternatives. As to Radio Programs, a one-hour ALP's radio show has been prepared and is ready for broadcast. As to the stations themselves, USAID Kabul superseded the projects plan to create several privately held radio stations by awarding a contract to a communications contractor currently active in Afghanistan and Faizabad. This was nine months ago, with no information as to when this contractor will establish more radio stations in the region. In summary, we are not aware of any non-agricultural businesses that have been established by ALP here.

Major efforts are needed to create new businesses and grow existing ones. A first step might be taking an inventory of the types, quantity, location and key growth requirements of small businesses in the project area. Based on this data, the project could then better design a strategic approach to the needs of small business. The two most obvious needs are credit and power. Priority should be given to secure a small business credit program for the project area through ACDI/VOCA or FINCA. Small scale hydroelectric generation would appear ideal for this mountainous area. We understand that the Agha Khan Foundation has been active in this field. If sub-grant authority is available to ALP-N it might reestablish its linkages with that foundation with this in mind. The plan to create an Internet Business Center at the Badakhshan Institute of Technology seems sound and should be pursued. Related to this, the project should also investigate the creation of a support network for the internet cafes that have already been established in the district capitals to provide needed internet training and business education, based on the experience gained from the Badakhshan operation. The development of private sector radio stations is important and startup delays outside ALP-N control should be brought to USAID's attention.

**ALP – East, – DAI: Field Visit - April 21<sup>st</sup> – 24<sup>th</sup>**

The Evaluation Team conducted a Field Visit April 20 – 23rd to consult with the relevant DAI staff, USAID, PRT, selected Sub-Contractors, an Associated Contractor and Afghan regional officials. In addition, discussions were held with the Province's Director of Public Works and its Director of Women's Affairs. One team member spent a day and a half visiting and validating productive activities in the region, while two other team members engaged in in-depth discussions with appropriate project and local government personnel. The ALP-E project has both laid a solid foundation in many areas for sustainable, productive development and achieved very significant results in increasing employment and raising incomes. It has been comparatively quick to do this, aided by strong, competent management, a commercially active and progressive business community, and a focus on measurable, productive outcomes. On the other hand, general improvement could lie in the area of greater prioritization of efforts, given the wide range of infrastructure, agricultural and business development possibilities that are typical of this particular region. For example, shifting resources to concentrate on developing more annual vegetable production and supporting infrastructure as opposed to perennial crop cultivation which takes 3 to 5 years to yield a high value crop might be one of several ways to accelerate the short term impact of ALP-E on the local economy. Also, it is clear that the single biggest hurdle to economic development in the region is the shortage of electricity. The provision of power to the local business community should be given priority for improvements, without delay, due to its strong multiplier effects, boosting both employment and incomes across the entire commercial and productive landscape. The addition of a second turbine to the dam outside Jalalabad could make a major improvement in business potential. However, this long delayed improvement, critical to ALP success, is the responsibility of a different project outside ALP-E control.

***Agricultural Development:*** DAI staff has focused on the rapid development of agri-businesses, particularly wheat, vegetable seed distribution/cultivation, as well as fruit orchards in marked contrast to greater emphasis on fruit production by ALP-N. Most important, ALP-E has spent a great deal of time training agricultural extension staff from the MOA and even provided them with Internet access. The project finds, as in the North, that the production of oranges, potatoes, onions, wheat and also cottonseed can, at certain times of the year equal or exceed the net income on a per hectare farm gate basis of an equivalent amount of poppy. Cold storage is vital. There is only the one cold store attached to the Wholesale Marketplace and it is oversubscribed. Farmers can easily double or triple the returns from the sale of selected crops, e.g. potatoes, onions, fruit by the provision of cold stores. The availability of electricity from the Jalalabad power station or from rural hydro plants is, again, essential for the operation of these important value-added repositories for agricultural produce. Diesel generated electricity costs are too high to support viable cold store operations.

ALP-E also makes a significant effort to strike a balance to target districts that are accessible and have high potential for economic growth, with a select number of districts where there is marginal security but heavily committed to growing poppy. Of special note, ALP-E has created several businesses that export fresh and dried fruit to companies in Dubai yielding returns that have the potential to replace poppy, yielding several seasons of steady and increasing revenues to the farmers.

**Business Development:** Major efforts have been made to reach small-scale off-farm producers here, the project creating viable, productive handicraft, snack food, mushroom, and businesses. But little effort has been made as of yet, to directly assist the very active retail sectors in the project area. We understand that this is because project management believes that this sub-sector is not particularly labor intensive and also is strong enough to grow through its own resources. ALP-E has established a large business development center that has produced 10 business plans for local entrepreneurs, which have high potential for securing funding. Hundreds of local businesspersons have received skills training as well, contributing to the growth of existing businesses. ALP-E has recently established close relationships with ACDI/VOCA wherein the project identifies viable business ventures, prepares and packages the business plans and submits to ACDI/VOCA for funding. In the past, there were limited numbers of businesses established due to the unavailability of a major source of capital.

For example, the formation of a carpet cutting and washing businesses along with support for existing marble firms was delayed by lack of finance. Now that ARIES is up and going, these ventures are expected to become operational in the coming year. ALP-E is all in favor of developing small-scale hydro solutions for the power requirements of 300 to 400 person communities in the rural areas. The project has active plans to work with selected Shuras to activate a number of such plants in the coming year.

As to radio promotion of ALP-E, the project prepares two hours of Radio programming each week on ALP activities and arranges for local stations to broadcast. There is an existing active and vibrant network of privately owned radio stations that carry their programs, thus obviating any need for the creation of new stations by the project

**Electricity:** Project staff has identified electric power as a major constraint to the creation of new businesses in the region, with the attendant employment and incomes. The city of Jalalabad is currently supplied with approximately 6 MW of power from a power station located on a nearby dam. The Governor of Nangarhar and the leading members of the area are very interested in seeing ALP-E rehabilitate the 40 year old three turbine station so as to increase the available power to 11.65 MW. This will enable the growth of local industries, most of which cannot expand or even get started due to a severe shortage of power in the greater Jalalabad area. A bonus for such a project is that the weirs on the

nearby Kunar river will also become operational thus boosting the irrigation of productive land in the area. It is estimated that this project could cost in the region of 8 to 10 million USD. We have learned that such a solution was initiated in 2005, with the planning for rehabilitation completed in May, 2006. We also have been advised by USAID that the actual work on rehabilitation will commence by the Louis Berger Group by the end of 2007, with the actual work completed sometime in the last half of 2008. It is unclear as to why such an important project, fraught with dynamic, positive multiplier effects on local employment and incomes in the region, is taking so long to implement. This infrastructure bottleneck impedes alternative livelihoods development in the region.

**Industrial Park/Jalalabad:** We understand that the World Bank has allocated 25 million USD for the creation of an Industrial Park, large enough for up to 300 companies. At present, the operating industrial park in Herat has many firms that are moribund. Based on available reports, they are not growing due to lack of business skills training. ALPs implementers should liaise with the World Bank and secure a facility in the park for the provision of such services, to reinforce the prospect for a successful, prosperous business cluster there. An additional advantage is that a Business Center in the park will encourage more small businesses to apply for space, thus increasing the pool from which to select those that have the best chance of success. However, we realize that this is dependent on the availability of funds to construct a building for the center and overcoming a political issue of creating such a center in the new park and not in a second, existing park in the region. The provision of electricity to the park is equally critical.

**Handicrafts:** A review of the ALP-E effort here revealed a firm foundation for the commercialization of a variety of handicraft products. In the case of women's clothing, there is a bias toward up-market, elite or "boutique" styles products that have a limited market both domestically (incomes) and international (competition). The production of women's and men's clothing for the middle market within Afghanistan will create far more employment and incomes. We recommend that ALP-E shift their effort to identifying entrepreneurs that have an interest in producing clothes that will attract a wider market.

**Carpets:** We understand that ALP works closely with the Afghan Carpet Association to assist them with introducing new designs and opening new international markets. This is very positive, as the Afghan carpet does have an established market niche in the world marketplace. The challenge is to integrate local quality production, processing, product development, credit, transportation and international marketing into a cohesive whole in order to maximize revenues from this high value product. We suggest that much greater assistance be considered in all these areas to the national carpet association, with the goal of creating a bottom-to-top quality supply chain and sales force targeted to selected country markets.

**Small Business Inventory:** The Evaluation Team found that a complete survey of the projects business community was not undertaken, prior to provision of technical assistance. However, we do realize that sector-specific surveys were conducted. Positive achievements have been made in creating new businesses but existing ones do not seem to have received as much attention, at least in achieving measurable results in the employment and revenue areas. A full scale inventory of the number, type, quantity and type of small businesses, number of employees, location and estimated revenues of all the businesses in the four province service area would facilitate the prioritization of strategic interventions.

**ALP-South, Chemonics: Telephone Interview with Chief of Party, April 30**  
Heavy fighting in and around Lashkagar Gah prevented the Team from visiting the ALP-S project. However, direct information on the current state of activities, results, and plans for the future was gained through an extensive review of Annual Work Plans, Quarterly Reports and an In-Depth Interview with the ALP-S COP. Also, a similar interview was conducted with the ALP-S CTO and his Afghan counterpart.

**Agriculture:** ALP-S works in several areas that seem to have the most chance of success i.e. “targets of opportunity”, as opposed to the more systematic approach of the other ALPs projects. It appears that this approach is a result of the security situation, which makes steady and continuous access and effort to various sub-sectors of the agricultural economy problematical. The project does work to support the national Afghan Fruit and Nut Association market dried fruits internationally to Pakistan and Dubai. The highly touted effort to create a lamb fattening facility and dairy demonstration business has not succeeded due to technical considerations and the lack of electric power. The mini-feed mill is however, in operation. Credit has not been available until recently, thus preventing any progress in the development of additional livestock to the farmers. As to horticulture, the project recently awarded a 10 million USD contract to CADG to assist the Ministry of Agriculture to work with farmers to establish vineyards and improve the marketing of a range of agricultural produce. ALP-S does distribute a substantial amount of seed and fertilizer to farmers. However, as they now do this through the Ministry of Agriculture, the quantity actually received by the farmers has gone down.

**Feed Mill:** Like the Industrial Park, this main feed mill project has been several years in abeyance. This planned project, in tandem with contracts for corn and alfalfa farming, should move forward as it will fit well as a “hub business” in the industrial park, thus reinforcing the creation of a true regional business center.

**Chili Peppers:** ALP-S has seized upon a major opportunity to build employment and incomes in this arena as a result of collaborating with the Development Works of Canada (DWC). This organization has agreed to provide warehousing, packing, cold storage, processing and shipment to international markets, for chili peppers produced by farmers in the region. ALP-S will assist these farmers in

providing inputs of training and fertilizer to improve cultivation and boost production

**Business Development:** ALP-S indicates that again, due to lack of credit, very few businesses have been established as a result of its effort. A notable exception is the ice cream factory founded by the local Widows Association with the assistance of the project. However, due to lack of electricity and high fuel costs, this business is no longer operational. The local Internet Café, again, established with the assistance of ALP-S is in business, but only barely due to low profit margins.

**Industrial Park:** For over two years, the Industrial Park project has been included in the ALP-S work plan. Very little has been done to implement this important project. ALP-S indicates that it is now considers the development of the park a priority project that will house over 30 businesses upon completion, mainly agro-industries. The project therefore has accelerated its development efforts, achieving fresh approvals of land from the local community and substantial renewed interest on the part of the commercial sector. As a practical matter, the focus on such a park has a lot to say for it, as the delivery of project business training and credit services can be provided in one, discreet location. Given the challenges of reaching and working with businesspersons in a war-stricken region, the concentration of effort here should yield substantive results. Again, electrical connectivity is an issue, however, that will need close attention. Diesel generation of power – hydro-electricity is not available from the provincial dam due to military conflict – should remain an option, despite the expense, in the interest of the resulting economic benefits.

**Annex 3:  
Relevant Important Documents**

1. "Anti-Narcotics Mainstreaming in ADB Activities in Afghanistan, 2002-2006", David Mansfield, Asian Development Bank Report (2007)
2. "Opium Poppy Eradication: How to raise Risk When There Is Nothing to Lose?", David Mansfield and Adam Pain, AERU Briefing Paper (2006)
3. "Alternative Livelihoods: Substance or Slogan?", David Mansfield and Adam Pain, AERU Briefing Paper (2005)
4. UNODC Report – "Mapping of Alternative Livelihood Projects in Afghanistan (2005)"
5. UNODC Report – "Opium Winter Rapid Assessment Survey (2007)"
6. GAO Report – "Afghanistan Drug Control: Despite Improved Efforts, Deteriorating Security Threatens Success of US Goals (2006)"
7. Ministry of Counter Narcotics – "National Drug Control Strategy, Annex 2 -- Alternative Livelihoods Implementation Plan, Final Draft (2006)"
8. UNODC and World Bank Report – "Afghanistan's Drug Industry: Structure. Functioning, Dynamics and Implications for Counter Narcotics Policy (2006)"
9. The Asia Foundation Draft Report – "Afghanistan Sub-National Governance Assessment (2007)"
10. Report for GTZ – "Governance, Security, and Economic Growth: The Determinants of Opium Cultivation in the Districts of Jurm and Bharak in Badakhsham", David Mansfield, February 2007
11. New York Times Article. "Poppy Fields Are Now a Front Line in Afghanistan", May 15, 2007
12. Government of Afghanistan Report - National Rural Access Program (NRAP) Monthly Progress Report, December 2006
13. Washington Post Article – "The Road to Helmand", Holly Higgins, February 2007, page B01
14. World Bank / UNODC Report – "Afghanistan's Drug Industry, Structure Functioning, Dynamics and Implications for Counter Narcotics", November 2006

15. World Bank Report – “Afghanistan's Opium Drug Economy”, December 2004
16. RIG Audit – “Audit of USAID/Afghanistan’s Alternative Livelihoods Program – Eastern Region”, February 2007
17. Quarterly and Annual Work Plans for ALP-N, E, & S through March 2007 (PADCO, DAI, and Chemonics)
18. Carpet Repositioning Study, OTF, 2006

**Annex 4:  
Persons Interviewed/Consulted**

**USAID**

Timothy Anderson, Director, Alternative Livelihoods Program  
Michael Satin, Deputy Director, Alternative Livelihoods Program  
Elizabeth Dunford, former Director, Alternative Livelihoods Program  
Steve Gonyea, Director, Economic Growth Office  
James Schill, Senior Private Sector Advisor  
Zdravko Sami, Senior Private Sector Specialist  
Adriana Lazinica, Senior Program Manager  
Robert Lopez, Ph.D., Program Officer  
Nancy Eslick, Program Officer  
Scott Drennan, Program Officer  
J. Robert Simmons, Program Officer  
Khaksar Adil, Project Management Specialist  
Christopher Broughton, Assistant Desk Officer for Afghanistan  
Jeremy Foster, Field Program Manager/CTO, ALP-N  
Patrick Ludgate, Ph.D, Program Manager/CTO, ALP-E  
Akhtar Mohammad Nazarzoi, Program Management Specialist, ALP-S

**Government of Afghanistan Officials**

Dr. Mohammad Hussaini, Director, Poppy Elimination Program, MCN  
Abdul Baqi Omari, Director, ALP, MCN  
Hagi Waji, Director of Planning, Province of Badakhshan  
Engineer Arife, Director of Public Works, Province of Nagahar  
Shila Barbury, Director of Women's Affairs, Province of Nagahar

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Robert Resseguie, COP, ALP-N  
Jonathan Greenham, COP, ALP-E  
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Sergio A. Delgado, Business Development Specialist, ALP-N  
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R. Mahendrarajah, Infrastructure Manager, ALP-E  
Mohammad Qasim Yousoft, Director, BDC, ALP-E  
Abdul Wakil, Senior Administrative Program Officer, ALP-E  
Noor Alam Hakimyar, Private Sector Development Specialist, ALP-E  
Assadullah Bismil, CFW Specialist, Accountant, ALP-E  
Paul Bell, Business Development Manager, ALP-S  
Mark Birnbaum, Deputy COP, ALP-S

Gregory Gajewski, Ph.D, Vice President, the Louis Berger Group, Inc.  
Deborah Prindle, Ph.D, Senior Democracy and Governance Advisor, PADCO  
Sunil Perera, Financial Management Specialist, PADCO  
Harsha Bajracharya, Project Manager, PADCO

Joy Benn, Sr., Contract Senior Contract Administrator, PADCO  
Ben Stoner, Director, Sustainable Economic Development Division, PADCO

Betsy Marcotte, Vice President, DAI  
Alia Afshar, Technical Backstop, DAI  
Jarnila Saidi, Institutional Capacity Specialist, DAI

Douglas Tinsler, VP Asia Region, Chemonics  
Tom Nemeyer, Manager, Asia Region, Chemonics  
Rick Breitenstein, Director Asia Program, former D/COP ALP-S, Chemonics  
Tim Mahoney, Director, Asia Region, Chemonics

William “Rusty” Schultz, Team Leader, ACDI/VOCA  
John McElwaine, Regional Manager/Jalalabad, ASMED-DAI  
Nasratullah Nasrat, Business Development Specialist, ASMED-DAI  
Daniela Viscarra, Consultant, AID TO ARTISANS  
Patricia McLaughlin, Afghan Rule of Law, CHECCHI  
Bud Eaton, Support Project, COP, CHECCHI

**Other Development Assistance Implementers**

Stephane Sourdin, Alternative Livelihoods Advisor, UNODC  
Paul Fishstein, Director, Afghanistan Research and Evaluation Unit – AREU  
David Mansfield, Afghanistan Research and Evaluation Unit – AREU  
Royce Wiles, Information Resources, Afghanistan Research and Evaluation Unit – AREU  
Zoe Hensby, Livelihoods Advisor, DFID Afghanistan  
Matin Behzad, Rural Development and Security Advisor, European Union  
Antje Grawe, Consultant, GTZ  
Barnet Reuben, Professor at New York University