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Title: *The reconstruction, recovery and market-driven development of Afghanistan's agricultural sector*

Country: AFGHANISTAN

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Problem Statement

More than two decades of conflict and prolonged drought in the 1990s greatly weakened the country's agricultural system – depressing production and incomes from crops and livestock. With the aid of the United States and the international development community, the reconstruction of Afghanistan's economy began in earnest after the fall of the Taliban government in 2001. New and repaired roads, irrigation systems, canals, improved seed, fertilizers, tools and other inputs, all of which contributed to rebuild Afghanistan's agricultural sector. The first priority focused on humanitarian needs and reconstruction; however, as this phase ends, the acceleration of the country's economic growth will depend on agricultural growth, which will stimulate employment growth in the non-farm sector, and lead to increased income, poverty reduction, and stimulation of market growth and narrowing of rural and urban income disparities.

Weaknesses still abound. For example, little attention has been given to a proper analysis of the domestic, regional and international markets which will influence the emergence of a market-led development strategy. The role of the private sector has repeatedly been stressed, with the Government providing the enabling environment, but more action is needed on the regulatory side. Many unnecessary hurdles remain and shifting to policies and regulations that actually attract the private sector remains a challenge.

The Government of Afghanistan and its development partners now intend to tackle the problem of illicit production of opium poppies. Although traditional opium poppy production and consumption were common in Afghanistan for centuries, the prolonged political and economic disruptions caused opium production to increase astronomically since 1979. Under conditions of high uncertainty and risk, the cultivation of poppy provided relatively secure cash income and the means by which poor sharecroppers and the landless could get access to land and credit. Furthermore, it offered the only source of credit and inputs that could be obtained, often in advance, as well as urgently needed employment opportunities. As a consequence, opium has become the mainstay of the Afghan rural economy and dominates the nation's exports. The only way to roll back the opium economy is to

provide licit alternatives and the best options will be through diversification and re-orientation to achieve market-driven agricultural growth and classical multi-sectoral rural development.

Objectives

The aim of USAID's Rebuilding Agricultural Markets Program (RAMP) is to enhance the food security and income of Afghanistan's rural population by: (a) increasing agricultural productivity and (b) increasing incomes through better linkages between producers, processors, and markets. RAMP tackles three key economic constraints: Afghanistan's deteriorated rural infrastructure, lack of rural finance, and inadequate agricultural markets.

The strategic objective of RAMP is to increase the marketable value of agricultural products sold in local, regional and international markets by \$250 m by the end of crop year 2006. Intermediate results that will contribute to the accomplishment of this objective are increased sales: i.e. \$100 m in fresh and dried fruit; \$20 m in fresh and dried vegetables; \$50 m in nuts; \$50 m in livestock and poultry; and \$30 m in wheat and food grains.

Procedures

The project employs a market-driven, value chain approach to "produce what will sell." A value chain approach emphasizes the importance of strengthening all the processes from input supply, through production, post-harvest handling - storage, transportation and processing -- and marketing to increase sales of agricultural products.

In order to encourage economic growth from agriculture, Afghanistan's strategic priorities for resource allocation should be: (1) fruit and nuts, (2) confined and free-ranging livestock, (3) cotton, (4) cereals, and (5) forestry. RAMP programs are currently targeting in five priority geographic regions, encompassing 13 provinces based on population density; high potential production; the presence of regional market centers; and the availability of transport links to major domestic and export markets.

RAMP resources intervene at multiple points along selected value chains to (i) improve critical infrastructure - farm-to-market roads, irrigation systems, and market centers, (ii) increase the flow of capital, (iii) introduce improved technology and extension services to help producers become more efficient; and (iv) identify market opportunities and build market systems. Identifying market opportunities drives the overall process. Implementing cost-effective interventions in a focused manner along targeted value chains produces the sustainable results.

Results

During FY03, restoring food security was USAID's highest priority. The agriculture sector had been de-capitalized and many productive assets destroyed. Crops were uprooted, livestock lost, farmers heavily indebted, and several years of drought compounded rural poverty. To improve food availability and purchasing power, USAID provided farmers food assistance, improved seed and fertilizer, and food-for-work programs.

In 2003, RAMP was established and it concentrated on food-for-work and cash-for-work programs; construction and repair of facilities deteriorated or damaged by war; and rehabilitation of small-scale irrigation systems, market facilities, and secondary and tertiary roads. A large share of the projects were implemented by NGOs and local contractors. Crop and livestock demonstrations, village seed production enterprises and integrated pest management efforts were also started and information on new technologies and markets was communicated through mass media networks.

In FY 2004, RAMP expanded geographically and added business development services, market assessments, marketing development, and microfinance. The program strengthened farmers and agro-enterprises capacity to produce and process farm output and effectively market value-added processed products to consumers in regional and international markets. It was an above average rainfall year so USAID contributions in seeds and fertilizer contributed to an 82 percent increase in crop production from the previous year or 42,000 metric tons, which translated into an additional \$69 net income per farmer for whom the average income is \$180 a year.

By the beginning of FY05, the RAMP program was well along in its goal of achieving a marketable output of \$250 million over its three year life span. Other results included increased number of micro-finance institutions and trained loan officers, and the development of processing, marketing and storage facilities for agricultural products. Agro-processors expanded the value and volume of traded inputs, equipment, machinery, and processed products. Credit services increased for small and medium scale enterprises.

The USAID Afghanistan programs provided 11.2 million work days of labor, providing much needed cash income to farmers. Through these programs, Afghans rehabilitated over 7,400 wells, irrigation canals, dams, reservoirs, and water systems. USAID programs also promoted high value crop diversification (i.e., grapes, olives, peanuts) in poppy-growing areas for approximately 18,000 farmers. Since the alternative crops program started, cotton production in the program area increased from 6,000 MT to 20,000 MT and a crushing facility in

Helmand was opened to produce and market peanut and high value crops produced with USAID assistance. Income generation programs that benefit women, such as food processing (100 widows, processing raisins in Kandahar); poultry production (200 women receiving breeding chickens); and widows' bakeries in Kabul, Mazar-I-Sharif, Kandahar, and Herat (employing 1,100 widows) were launched.

Conclusions

After the first phase of recovery the USAID/ Afghanistan mission is now putting in place the platform for long-term reconstruction for the 85% of the population that participates in the agricultural sector.

Much of the work is being undertaken at a very rapid pace and at times the implementation and coordination was unwieldy; however, the focus on market driven development appears to have been a good choice. The efforts will now need to redouble as the Afghan government and its development partners accelerate their efforts to scale back poppy production and develop the licit economy.