This action is funded by the European Union

**ANNEX II**

of the Commission Implementing Decision on the financing of the annual action programme in favour of Afghanistan for 2019 part 2

**Action Document for Fostering Agribusiness Development in Afghanistan**

**ANNUAL PROGRAMME**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

| 1. Title/basic act/CRIS number | Fostering Agribusiness Development in Afghanistan  
CRIS number: ACA/2018/041-727  
financed under the Development Cooperation Instrument |
|---------------------------------|--------------------------------------------------------------------------------------------------|
| 2. Zone benefiting from the action/location | Afghanistan  
The action will be carried out nationwide, with particular focus on 3 provinces: Balkh, Kabul and Herat |
| 3. Programming document | Addendum to the Multiannual Indicative Programme (MIP) between the European Union and Afghanistan for the period 2014-2020¹ |
| 4. SDGs | **Main SDGs:**  
2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture  
8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  
**Other significant SDGs:**  
5 - Achieve gender equality and empower all women and girls  
9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation  
12 - Ensure sustainable consumption and production patterns  
13 - Take urgent action to combat climate change and its impacts |

### 5. Sector of intervention/thematic area

| MIP Sector: Sustainable Growth and Jobs and Cross-cutting priorities | DEV. Assistance: YES |

### 6. Amounts concerned

- Total estimated cost: EUR 150 000 000
- Total amount of EU budget contribution: EUR 30 000 000 from the general budget of the European Union for 2019.
- This action is co-financed in joint co-financing by other contributors to the Afghanistan Reconstruction Trust Fund for an amount of EUR 120 000 000.

### 7. Aid modality(ies) and implementation modality(ies)

- Project Modality
  - *Indirect management with the World Bank Group*
- Direct management
  - *Services contract*

### 8 a) DAC code(s)

- 31120 – Agricultural Development
- 43040 – Rural Development

### b) Main Delivery Channel

- World Bank

### 9. Markers (from CRIS DAC form)

<table>
<thead>
<tr>
<th>General policy objective</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Principal objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation development/good governance</td>
<td>☐</td>
<td>X</td>
<td>☐</td>
</tr>
<tr>
<td>Aid to environment</td>
<td>☐</td>
<td>X</td>
<td>☐</td>
</tr>
<tr>
<td>Gender equality and Women’s and Girl’s Empowerment</td>
<td>☐</td>
<td>X</td>
<td>☐</td>
</tr>
<tr>
<td>Trade Development</td>
<td>☐</td>
<td>X</td>
<td>☐</td>
</tr>
<tr>
<td>Reproductive, Maternal, New born and child health</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

### RIO Convention markers

<table>
<thead>
<tr>
<th>Biological diversity</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Principal objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combat desertification</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Climate change adaptation</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

### 10. Global Public Goods and Challenges (GPGC) thematic flagships

- N.A.
More than 70% of Afghanistan's population live in rural areas with livelihoods based on some form of agricultural production. Agriculture is the main productive sector in the country, providing employment for at least 40% of the population, and for one-third of all households it is the primary source of income. Productivity in the sector is low, while there are high levels of unemployment, rural poverty and food insecurity. Against this the prospects for growth based on agribusiness development that will boost productivity, increase exports and drive job creation and livelihood enhancement are significant. Realizing these opportunities will require public investments that go beyond improvements in on-farm productivity, extending into agribusiness and overall agri-value chain development.

The proposed action constitutes an essential contribution to the Agribusiness Charter (ABC), recently adopted by the government. It aims to operationalize the agribusiness element of the National Comprehensive Agriculture Development Priority Program 2016-2021 (CAD-NPP). The EU Delegation has contributed to the design of the ABC and ensured that it builds on the results and experience of previous and current EU-supported activities.

Unlocking the growth potential of Afghan agribusiness requires systemic and multi-dimensional approaches, combining policy reform, capacity-building and project-centered activities. The proposed action, therefore, consists of two main components: i) on-budget support under the Afghanistan Reconstruction Trust Fund (ARTF) to the Opportunity for Maximising Agribusiness Investments and Development (OMAID) project, which focuses on key elements of the ABC, including development of agri-spatial solutions and supporting the overall coordination and management of the ABC; and ii) targeted off-budget support, within the overall framework of the ABC, to strengthen the institutional and technical capacity of the Ministry of Agriculture, Irrigation and Livestock (MAIL) at national and sub-national level and provide support to producers within the productive alliances model of the ABC.

The proposed action will adopt an integrated approach to: i) improve and expand agricultural production, processing, and marketing in specific regions through the development of integrated agri-spatial solutions; ii) strengthen the institutional and technical capacity of MAIL; and iii) improve coordination of relevant projects/programmes along the agri-value chains (on-budget and off-budget). The proposed action will facilitate EU-Afghanistan policy dialogue in the context of the on-going SRBC through support for institutional reforms and the strengthening of the core functions of MAIL. The action represents an important step towards preparing the ground for a potential sector wide approach in the future.

The main expected outcomes are: a) increased agricultural productivity and competitiveness of the agri-food sector in local and international markets; and b) improved enabling environment for sustainable agribusiness development and private sector investment.

These outcomes will foster agribusiness growth with accompanying social, environmental and economic benefits, contributing to sustainable and inclusive economic growth in rural and peri-urban areas of Afghanistan through enhanced livelihoods of beneficiaries (including smallholder farmers, SMEs, processors and distributors involved in agricultural value chains) and job creation in the rural economy.
1. CONTEXT ANALYSIS

1.1 Context Description

Although Afghanistan has received substantial donor support to assist its recovery from more than 30 years of conflict, insecurity and political uncertainty continue to hamper institutional development, economic growth and social and human progress. While relative macroeconomic stability has been maintained and important structural reforms have been implemented, significant vulnerabilities remain, in particular due to ongoing conflict and a heavy reliance on foreign donors to fund the national budget.

From 2007 to 2012 Afghanistan witnessed strong economic growth with welfare gains in health and education. However, the 2014 transition of responsibility for security to Afghan forces ushered in a period during which economic activity has slowed with the main causes being the drawdown of international security forces, accompanying reductions in international grants, and deterioration in the security situation.

More than 70% of the population in Afghanistan live and work in rural areas, with almost all of these depending on some form of agricultural production. Unemployment and high levels of rural poverty have led one-third of the population to be considered food insecure, with chronic malnutrition rates at over 40%. Agriculture is the main productive sector in the country, providing employment (although this includes day labour, part-time and family work) for at least 40% of the population. For one-third of households it is the primary source of income, yet agricultural production contributes only around 25% of GDP. The low share of agricultural income is driven by limited market participation and the high number of unpaid family workers. While the majority of the workforce in agriculture are female (54%) they are mostly concentrated at the lower levels of the value chains\(^2\). At the same time, men are usually represented in the upper levels of the value chains\(^3\). This division of labour is largely a reflection of social and cultural norms, which, inter alia, prevent women from owning a land.

Despite significant opportunities for agribusiness development to contribute to growth, their realisation requires public investment beyond improvements in on-farm productivity through extending it to the agribusiness and overall agri-value chain development. A shift towards a value chain approach, supporting business linkages from inputs/service suppliers of farmers to final consumers, is therefore proposed with the objective of fostering a market-oriented, efficient, competitive and sustainable agribusiness sector.

1.2 Policy Framework (Global, EU)

The mid-term review of the Multiannual Indicative Programme (MIP) for Afghanistan, which took place in 2017, established sustainable growth and jobs, with a strong focus on employment generation and creation of economic opportunities in rural areas, as a focal sector of the revised EU-Afghanistan MIP 2014-2020 with Specific Objective 2 (SO2) defined as Supporting jobs creation through rural enterprises and by leveraging private capital and investments. The proposed action builds on the EU’s long-term engagement in agriculture and rural development, and supports the EU priorities of promoting private sector investments and safeguarding against risks, enhancement of agricultural/horticultural exports and support for

\(^2\) They are mostly involved in tasks related to irrigation, weeding, harvesting, and minimal processing, such as drying and packing raisins and almonds, at the household level

\(^3\) E.g. middlemen or village-level traders and processors, wholesalers, retailers, or exporters
SMEs along agricultural value chains, sustainable use of natural resources and climate change and the creation of employment opportunities along agricultural value chains. It builds directly on the work already underway through on-going EU actions to build the institutional capacity of MAIL in support of the institutional reform, which is central to the CAD-NPP and is an integral element within the ABC. Enhancing the capacity of MAIL is key ensuring implementation of the structural reforms to make it a more farmer-centric institution and to create an enabling environment for the proposed agri-value chain development and private sector investment. The proposed action also meets the objectives of the New European Consensus on Development and in particular its priorities 3.1 ‘People – human development and dignity, 3.2 ‘Planet – projecting the environment, managing natural resources and tackling climate change’, 3.3 ‘Prosperity – inclusive and sustainable growth and jobs.

1.3 Public Policy Analysis of the partner country/region

This action is aligned with the Afghanistan National Peace and Development Framework (ANPDF, 2017-2020), which underlies the Afghanistan Growth Agenda for Transformative Change and Self-Reliance, presented to donors in Geneva in November 2018, and presents the country’s vision for development through ten National Priority Programs (NPPs), of which two are of special relevance for agribusiness. The first of these is NPP5 the National Comprehensive Agriculture Development Priority Program (CAD-NPP 2016-2021), which addresses the need for increased agricultural productivity. It aims to support the development of value chains that have comparative advantage (horticulture and livestock particularly) and have potential to provide additional benefits to farmers and recognises a need for institutional reform of MAIL. It mainstreams gender as an important element in economic regeneration, agricultural production, and natural resource management. The second NPP of relevance to this action is NPP1, the Private Sector Development Program, which seeks to increase foreign investment, promote the growth of SMEs, public-private partnerships and production for export. It places emphasis on the development of industrial parks and special economic zones. Within this policy framework, the action will support Agribusiness Charter (ABC)\(^4\), which is the Government’s programme to coordinate and improve the quality and effectiveness of public and private investments in agribusiness. It also pursues the policy priorities and national goals of the Cabinet and the High Economic Council (HEC) and National Export Strategy (NES) 2018-2022. The ANPDF recognises the importance of increasing women’s participation in the economy and society. It undertakes to scale up the support to women-owned agribusiness. The ABC itself does not include a gender dimension. The action will therefore pay specific attention to ensuring a gender-responsive approach to agribusiness development to broaden the opportunities for rural women as smallholders, entrepreneurs and employees, and strengthen the technical capacities of MAIL to deliver on the gender agenda.

1.4 Stakeholder analysis

The proposed action will benefit a wide range of actors/stakeholders, including farmers, private operators, NGOs, social partners, consumers, and Government institutions shaping the enabling business environment through developing policies and regulations as well as

\(^4\) ABC is a government framework to coordinate and improve the quality and effectiveness of public and private investment in agribusiness. It consists of 4 main components: i) Enabling policies and regulations; ii) Agri-industrial development; iii) Facilitating access to finance; and iv) Institutional Strengthening.
delivering agri-value-chain oriented services. The main focus is on two main groups of stakeholders: i) public institutions at (national and sub-national level) delivering agri-value-chain oriented services and promoting an enabling environment for sustainable agri-food sector development (in particular MAIL), and ii) private sector agri-value chain actors, including service providers, i.e. farmers (including small farmers), farmers' associations, food processors, traders, and entrepreneurs who are ready to engage in intensification of their production and/or develop value-added activities to primary production through diversification of processing activities. The CAD-NPP acknowledges the difficulties faced by women entrepreneurs and also expresses a commitment to supporting female as well as male farmers. In view of the challenges, including cultural challenges, the proposed EU action will focus strongly on gender, including disaggregation of data by gender in all relevant cases.

1.5 Problem analysis/priority areas for support

Fostering agribusiness development is a key priority under both CAD-NPP and NES and is a key sector of the Afghanistan Growth Agenda for Transformative Change and Self-Reliance. The same is reflected in the recently launched Agribusiness Charter - designed to support supply links with domestic and regional markets, strengthen rural-urban linkages, improve the trade balance through import-substitution, support significant productivity growth through linkages to agribusiness supply chains, and capture opportunities for licit job creation for men and women in the agriculture sector.

The potential of the agricultural sector to drive growth will be enhanced by: i) increasing commercialization of on-farm and agribusiness products and enhancing productivity; ii) boosting Afghanistan’s capacity to meet more of its domestic demand (especially in the fresh fruits vegetables, dairy, and poultry sectors) and international market-oriented value addition to Afghan agricultural products; iii) increasing the capacity of the government to promote an enabling environment for agri-value chain development and iv) a growing political commitment to development of the sector and interest from the private sector and the donor community.

While significant results have been achieved in recent years in respect of the development of certain agricultural value chains, in particular in the horticulture sector, there is still a long way to go to reach the full potential of the agricultural sector. Government capacity must be developed to carry out structural reforms, deliver agri-value-chain oriented services and promote an enabling environment for sustainable agri-food sector development. There is also a need for revamping rural institutions, upgrading infrastructure, improving farmers' and agri-entrepreneurs’ access to modern production and post-harvest technology, effectively mainstreaming environmental concerns (such as soil fertility, land degradation, loss of biodiversity, and climate change) along the agricultural value chain; creating favourable environment to improve working conditions (including minimum wages, social protection, safety and health), skills development; generating decent jobs and entrepreneurship in particular for rural youth, facilitating access to finance and the legal framework for property/land ownership. This will be achieved through private sector investments throughout the value chains to complement and take advantage of public sector enabling activity, accompanied by policy rationalisation and regulation, and institutional strengthening.

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5 World Bank, Jobs from Agriculture in Afghanistan report, 2018
The proposed action therefore has a threefold focus: i) improving and expanding agricultural production, processing, and marketing in specific regions through the development of integrated agri-spatial solutions; ii) strengthening the institutional and technical capacity of MAIL to create an enabling environment for sustainable and private sector-led agriculture and value chains development⁶, in particular through pursuing implementation of institutional reforms at national and sub-national level and through effective and efficient service delivery, and iii) improving coordination of relevant projects/programmes along the agri-value chains (on-budget and off-budget).

The first of these will entail support for the development of three agri-food parks, located respectively in the provinces of Kabul, Balkh and Herat. These have been pre-selected against key criteria, including location and size, topography, catchment area of crops and livestock, transportation connectivity, proximity of domestic and export markets, investor interest, existing and planned infrastructure, security risks.

Sustainable agricultural development and increased market participation by smallholder farmers requires a combination of strong public and private service delivery. Supporting service and quality input delivery to Afghan farmers has therefore been at the centre of EU funding over the past decade. After consolidating the provision of services and inputs in a number of areas (horticulture, seeds, animal health, etc.) through non-state actors (private sector, NGOs, UN Agencies), the EU is now entering the last phase of transitioning the expertise and responsibilities for the provision of these services to MAIL. The proposed action builds on previous and current work by ensuring the utilisation and further strengthening of transferred capacity to enhance the productivity, sustainability and competitiveness of smallholder farmers and agri-food enterprises. The proposed action complements and builds on the FARM project⁷, which provides institutional support to the MAIL and the Ministry of Rural Rehabilitation and Development (MRRD) in addressing current weakness of both public extension service and private extension service suppliers in addressing the needs of farmers in Afghanistan. In addition, it builds on the work of local NGOs⁸ established through EU support to ensure linkages between public and private actors in the horticultural sector. It also complements EU supported activities aimed at stimulating the export of Afghanistan agricultural products through improved quality, value addition, connectivity and compliance with market requirements by business operators.⁹

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⁶ Focus on horticultural and livestock value chains
⁷ European Facility for Agriculture and Rural Market Development (FARM) project (2016-2019) is providing institutional support to MAIL and MRRD as well as supporting agricultural value chains and market opportunities for non-subsistence farmers.
⁸ Afghanistan National Horticultural Development Organisation (ANHDO), Afghanistan National Nursery Growers Organisation (ANNGO) and Afghanistan Almond Industry Development Organization (AAIDO)
⁹ The Advancing Afghan Trade project (AAT–phase I), funded by the EU and implemented by the ITC (2016 - 2019), has contributed to i) the design and implementation of the trade related priorities of the Government of Afghanistan (e.g. National Export Strategy (NES); and ii) the Development of Afghan Geographical Indication (GI) System project (2018-2021), supported by the EU and implemented by the FAO, will be supporting the establishment of an effective GI system in compliance with international standards and commitments, which is capable of setting standards, facilitating the review and registration of GI products, providing effective quality assurance and control frameworks as well as promoting GI products and facilitating close coordination among stakeholders.
2. **Risks and Assumptions**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political and security</strong>&lt;br&gt;Stability and effectiveness of the government is hampered by internal division/external challenges.</td>
<td>High</td>
<td>A dialogue-driven approach should be promoted. Mitigated through a concerted international political and policy dialogue.</td>
</tr>
<tr>
<td><strong>Macroeconomic</strong>&lt;br&gt;Strong vulnerabilities due to aid dependency, security and potential external shocks.</td>
<td>High</td>
<td>Close links with the policy dialogue agendas and strong commitment of Government and partners to advance on reforms is to be ensured.</td>
</tr>
<tr>
<td><strong>Institutional Capacity</strong> for regulatory and legal reforms, Implementation and Sustainability.</td>
<td>Moderate</td>
<td>(i) Strengthening of the policy design and regulatory framework. (ii) Capacity building of key entities to support policy formulation, develop related legislation/ regulations for improving the agribusiness regulatory environment and delivery of support services.</td>
</tr>
<tr>
<td><strong>Environment and climate change</strong>&lt;br&gt;Climate change impact is expected to have a disruptive impact on agricultural production.</td>
<td>High</td>
<td>The project will help farmers mitigate and increase adaptive capacity to climate change as well as their resilience.</td>
</tr>
<tr>
<td><strong>Social - elite capture</strong>&lt;br&gt;Some of the actors – particularly rural women - might be left out of the targeted value chain development.</td>
<td>Moderate</td>
<td>Measures to avoid elite capture based on sustained consultation between actors to ensure that costs and benefits are shared equitably. The action will take a proactive approach to inclusion of vulnerable/disadvantaged groups, in particular women and youth.</td>
</tr>
<tr>
<td><strong>Fiduciary</strong>: the lack of reliable data may prevent sound project appraisal and limit information on project performance during implementation</td>
<td>Moderate</td>
<td>Creating a strong M&amp;E unit within the PCU, Robust Management and Information System (MIS) will be established to manage data during project implementation.</td>
</tr>
</tbody>
</table>

**Assumptions**

- Macroeconomic trends, political and security situation are not considerably hampering enabling business environment.
- Ownership and Commitment of Government to implement the Agribusiness Charter and institutional reforms (post elections).
- Private sector committed to lead and invest in agricultural value chain development.
- The international community/donors remain engaged in reform process in Afghanistan and together with the GoIRA ensure coherent and coordinated interventions along the agri-value chain.
3. LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

Despite some institutional gains through several management change exercises and wide-ranging capacity-building programs, major challenges remain in providing adequate services for agriculture/agribusiness development in Afghanistan. Experience has demonstrated that there are no magic bullets to address the complex set of challenges facing institutional strengthening in the country. Systemic and multi-dimensional approaches are necessary as a mixture of policy reform, capacity-building and project-centred activities. This is reflected in the proposed action, which addresses institutional/policy reforms, capacity building and project/investment activities.

Administratively, both MAIL and the Ministry of Commerce and Industries (MoCI) are involved in service delivery for agribusiness development, but without clear mandates. As a consequence, agribusiness has often fallen between the cracks of the two ministries, and interventions are fragmented. Within the framework of the ABC this will be tackled through an integrated approach to institutional strengthening of both MAIL and MoCI.

In the past, many investments have sought to address productivity, value chain linkages and related institutional strengthening. However, these investments were often done in isolation without ensuring linkages between different investments and actors in targeted geographic areas. The proposed action will, therefore, take a targeted and integrated approach to build the capacity of a concentration of public and private sector actors in the geographical area, based on regional economic opportunities and challenges and specific to the local socio-economic and climatic conditions. Special attention will be given to engaging with both the public and private sectors to create opportunities for engaging with women as economic actors.

3.2 Complementarity, synergy and donor coordination

The design of the action ensures complementarity and synergies with ongoing EU-funded projects which focus on strengthening productivity, quality and sustainability of agricultural production; creating an enabling business environment through linking the public and private sector; and supporting agricultural value chains and market opportunities for non-subsistence farmers. State and Resilience Building Contract (SRBC) 2018-2021, which includes a particular focus on the National Comprehensive Agriculture Development Programme and Agri-Business Charter within the policy dialogue.

With regard to support for the export of agri-food products, the action will be complementary to the following EU-funded projects: (i) Advancing Afghan Trade (AAT –phase I and II), which also builds on activities related to a sector-wide approach to agricultural extension, and on the just established advisory unit in MAIL through support of the EU-MAIL Transition project; and (ii) Afghanistan: Ethical Lifestyle Initiative for the Economic Reintegration of Returnees and Internally Displaced People, which aims to develop sustainable trade that

\[ \text{\textsuperscript{10} Agribusiness Charter: Comprehensive strategy and action plan 2019-2024} \]
\[ \text{\textsuperscript{11} Supporting establishment of integrated agri-food parks is a core component of the OMAID project} \]
\[ \text{\textsuperscript{12} EU-MAIL Transition, National Horticulture and Livestock Productivity (NHLP)} \]
\[ \text{\textsuperscript{13} Through establishing three NGOs: ANHDO, ANNGO and AAIDO} \]
\[ \text{\textsuperscript{14} EU-FARM project} \]
\[ \text{\textsuperscript{15} Project aims to improve export quality, value addition, connectivity and compliance with market requirements by business operators in horticultural value chains.} \]
connects artisans in the fashion and food sectors to social and environmentally conscious consumers worldwide with a view to creating livelihoods for returnees, internally-displaced people and micro entrepreneurs.

The proposed action represents an essential contribution to the recently adopted Agribusiness Charter (ABC). The EU Delegation contributed to the design of the ABC and ensured that it builds on the results and experience of previous and current EU supported activities.

Within the framework of the ABC an Agribusiness Value Chains Task Force will be established and will function as a steering committee, supported by a Technical Advisory and Coordination Secretariat in the Ministry of Finance. The latter will be tasked to ensure coordination of actions and effective planning and implementation of the Charter’s program, thus ensuring complementarity of the proposed action with other actions falling under the ABC.

Support for the Coordination and Management of the ABC, which is a core component of the OMAID project (to be supported by the proposed EU action through indirect management) will enhance coordination, complementarities and synergies of different activities under the ABC. It will also constitute an important component of the policy dialogue, which is particularly important for the implementation of the institutional strengthening part of the proposed action and ABC.

Synergies will also be sought with current agricultural projects funded by the EU and other donor, such as those being implemented by the World Bank through the ARTF, namely: (i) the National Horticulture and Livestock Project, which is promoting the adoption of improved production practices and technologies; (ii) the Afghanistan Agricultural Inputs Project, which seeks to strengthen the institutional capacity and reliability of agricultural inputs and sustainable production of certified wheat seed; (iii) the On-Farm Water Management Project, which aims to improve agricultural productivity by enhancing water use efficiency; (iv) Tackling Afghanistan’s Government Human Resources Management and Institutional Reforms (TAGHIR), which aims at strengthening the capacity of selected line ministries and; and (v) the Afghanistan Access to Finance Project, which is supporting the country to build institutional capacity to improve access to credit for micro, small and medium enterprises.

Finally, the action will closely coordinate its activities with other development partners active in the sector, especially with regard to productivity enhancement, such as the Asia Development Bank (ADB) and the United States Agency for International Development (USAID).

4. **DESCRIPTION OF THE ACTION**

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The **overall objective** (expected impact) is to contribute to poverty reduction and to sustainable and inclusive growth in rural and peri-urban areas of Afghanistan.

The **specific objectives** are i) Increased agricultural productivity, and competitiveness of the agri-food sector in local and international markets; and ii) Improved enabling environment for sustainable agribusiness development and private sector investment.

The **expected outputs** (EO) are:

EO1: Developed integrated agri-spatial solutions in specific regions;
EO2: Strengthened institutional and technical capacity of MAIL\textsuperscript{16} at national and sub-national level to deliver value-chain oriented services and to create an enabling environment for sustainable agribusiness development and private sector investments; and

EO3: Improved coordination of relevant projects/programmes along the agri-value chains.

**Indicative activities:**

With respect to EO1:

1: **Developed integrated agri-spatial solutions.**

The proposed activities aim to improve and expand agricultural production, processing and marketing in specific regions, promoting agribusiness development at the micro level in specific regions, combining a territorial and value chain focus and public-private partnership with strong backward linkages to farmers. Attention will be given to investment in critical infrastructure and services that serve to increase productivity, resource efficiency, value addition, and market access along the value chain. The activities will focus on the provinces of Balkh, Kabul and Herat, which have been selected under the ABC, on the basis of their high potential for enhancing productivity and taking account of other considerations, including security and connectivity, as the locations for development of the first three integrated agri-food parks (IAFPs), together with the rural transformation hubs and farmers collection centres that will support the value chains within their catchment areas.

Activities may include:

- addressing shortcomings in current policies and regulations for the development of industrials parks in Afghanistan by promoting a clear and transparent legal and regulatory framework codifying the programme strategy and establishing the rules of the game for all stakeholders involved in the process.

- supporting the establishment of the Integrated Agri-Food Parks in Balkh, Kabul and Herat through support for: i) sequenced feasibility studies; ii) critical infrastructure development; iii) investment promotion through developing strategic investment promotion plans for each of the developed IAFPs; and iv) capacity building of relevant government stakeholders to ensure effective IAFP operations.

- facilitating private sector investment in agribusiness through activities in support of: (i) access to basic industrial infrastructure; (ii) shared common services and facilities and creation of economies of scale in terms of inter alia, warehouses, cold storage facilities, logistic services, and waste management; (iii) specialized agro-industrial services such as laboratory testing, certification and new product development services; (iv) improved access to technical support and information and management services; and (v) facilitating linkages between and within actors through effective network between primary producers, agro-processors, traders, retailers and end markets, including specific measures to engage with rural women as economic actors.

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\textsuperscript{16} Institutional strengthening of MAIL will run in parallel with institutional strengthening of the Ministry of Commerce and Industry and thus ensure that a coherent and consistent value chain approach is taken.
With respect to EO2:

2: Institutional and technical capacity building, in particular of MAIL, at national and sub-national level, to deliver value-chain oriented services and to create an enabling environment for sustainable agribusiness development and private sector investments.

The proposed activities will improve the delivery of MAIL assistance for sustainable development of the agribusiness sector and agricultural value chains overall.

To strengthen the capacity of MAIL, the right balance between management reforms, organizational restructuring, improved systems and facilities, and capacity building needs to be struck. This will be achieved by strengthening the capacity of MAIL to promote an enabling environment for sustainable agri-food sector development, in particular through: i) pursuing implementation of institutional reforms at national and sub-national level;\(^{17}\) and ii) delivering effective and efficient agri-value-chain oriented services.

Activities may include:

- Strengthening the technical advisory unit\(^{18}\) in its role to ensure coherent and consistent support to critical reform priorities;
- Identification and filling of technical and institutional gaps through the provision of tailored national and international technical assistance;
- Functional and performance assessments of the key directorates/departments;\(^{19}\)
- Strengthening the technical capacity of selected MAIL directorates to deliver services tailored to the needs of farmers and value chain stakeholders-guided by prior functional and performance assessments,\(^{20}\) including gender responsive approaches;
- De-centralizing MAIL to improve capacity and resources in the provinces and districts;
- Streamlining the regulatory framework and ensuring its implementation/enforcement;
- Improving information collection and management, including the collection and analysis of gender-disaggregated data;
- Further developing adaptive research and demand-driven extension system, ensuring gender-responsive perspective mainstreamed into research and service provision;

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\(^{17}\) Institutional reform of MAIL, one of the priorities of the NCADPP 2016-2021, is considered a pre-requisite to deliver on increased production and national agriculture self-reliance.

\(^{18}\) The unit, established with EU support, is responsible for: i) promoting the reform process and advise on strategic reform priorities and monitor progress, in line with the CAD-NPP; ii) Supporting Directorates to develop budget, timeline and resources required for reform; iii) Improving coordination between the donor community, agri-business-oriented projects, and government systems (act in synergic manner, avoid overlapping of activities) and alignment with National Priority Programs.

\(^{19}\) Policy and Planning General Directorate, Extension General Directorate, Private Sector Development Directorate, Plant Protection and Quarantine Directorate, Directorate of Monitoring and Evaluation (including addressing mandate overlaps with Agriculture Statistics and Market Information Directorate (ASMID)).

\(^{20}\) Functional and performance assessments were completed by the EU-MAIL TRANSITION project for four out of eight proposed departments (ARIA, SPCD, AHD, ASMID).
• Improving MAIL’s capacity to coordinate agricultural-related projects/programmes along the value chain, building partnerships with MoCI and other relevant institutions (both public and private); and

• Supporting/building partnerships with local organizations in fostering the development of private sector service delivery along the value chains, including women’s producer organisations and women entrepreneurs.

• Support to local farmers to generate decent jobs for rural youth through incentives and on the job training facilities

• Support for entrepreneurship initiatives for rural youth for agri-business services along the value chain

With respect to EO3

3: Coordination and management of the Agribusiness Charter (ABC)

The ABC is a government framework to coordinate and improve the quality and effectiveness of public and private investment in agribusiness. It has four main components: i) enabling policies and regulations; ii) agri-industrial development; iii) facilitating access to finance; and iv) institutional strengthening. Its implementation will depend critically on robust coordination and management, in particular to ensure proper linkages, coherence and synergies between different interventions under these components. The aim is to establish an efficient governance structure that will act as an organisational umbrella under which the implementation of the ABC will be coordinated, supported and monitored.

Activities may include support for the Agribusiness Executive Secretariat (AES) responsible for technical oversight, coordination, budget linkages, monitoring and evaluation of the ABC, including gender responsive approaches: i) financing the administrative and managerial capacity (staffing) as well as its operating costs; ii) organization of workshops, short-term trainings, forums, and exchange visits; and iii) technical assistance for specialized expertise as needed.

4.2 Intervention Logic

The proposed action represents an essential contribution to the Agribusiness Charter (ABC), a government framework to coordinate and improve the quality and effectiveness of public and private investment in agribusiness through systemic and multi-dimensional approaches (i.e. value chain and territorial-based development), based on institutional and policy reforms, capacity-building and project-centered activities. The action will support components (ii) agri-industrial development and (iv) institutional strengthening. Support will be provided through an on-budget component through the ARTF to support the OMAID project and an-off budget component consisting of a service contract. The off-budget support will support the institutional strengthening of MAIL, building on the on-going support provided under current EU actions. The on-budget support through OMAID will address agri-industrial development and support the horizontal aspect of coordination and management of the ABC. The OMAID project consists of three main components: (i) support for the overall coordination, monitoring and implementation of the ABC, (ii) addressing food safety and sanitary and phytosanitary issues; and (iii) support for the development of integrated agri-spatial solutions. The EU on-budget support will focus on the first and third of these components of OMAID.
The activities directly link with previous and current EU actions in support of institutional reform and capacity building of MAIL and decentralisation and reform of extension services, in line with the CAD-NPP in order to enhance the productivity, sustainability and competitiveness of smallholder farmers and agri-food enterprises, representing the basis for development and success of agribusiness/agri-value chain development. The action will also address market failures and remove/reduce distortions standing in the way of further agribusiness developments which are still in infant and nascent development stage.

The proposed activities will be implemented through an integrated approach to foster development/transformation of the agribusiness sector, which will lead to: i) enhanced agricultural production, processing, and marketing in specific regions through the development of integrated agri-spatial solutions; ii) strengthened institutional and technical capacity of MAIL; and iii) improved coordination of relevant projects/programmes along the agri-value chains (on-budget and off-budget).

Through supporting institutional reforms and strengthening of the core functions of MAIL this action represents an important step forward in preparing the ground for a potential support to a sector wide approach in the future. In addition, it will facilitate EU-Afghanistan policy dialogue in the framework of the SRBC. The EU will be one of the main contributors to the ABC with a permanent place in Agribusiness Value Chain Task Force, which is responsible for policy guidance and oversight of the Agribusiness Charter action plan.

Investing in critical infrastructure and services to increase productivity, value addition, and market access along the value chain will increase the quality and quantity of Afghan agri-food products and enhance the competitiveness of the Afghan agri-food sector in local and international markets. Strengthened institutional and technical capacity in MAIL to deliver value-chain oriented services and pursue implementation of institutional reforms and policy development at national and sub-national level will create an enabling environment for sustainable agribusiness development and private sector investment.

The above outcomes will foster agribusiness growth with the following accompanying social and economic benefits: i) poverty reduction; ii) green job creation along the value chain (including engaging youth and women in profitable agri-business activities and including support for green productive alliances); iii) increased Government tax revenues resulting from greater economic activities in the formal agricultural sector; iv) good agricultural and environmental conditions contributing to natural capital protection (conservation of water and soil resources, halting of biodiversity loss, healthy ecosystems, etc.); and v) reduction of the trade balance deficit through enhancing exports and domestic market share. This will contribute to sustainable and inclusive economic growth in rural and peri-urban areas of Afghanistan through enhancing the livelihoods of beneficiaries (including smallholder farmers, SMEs, processors and distributors involved in the agricultural value chains) and creating jobs in the rural economy. Creating employment opportunities along the agricultural value chains is also expected to decrease the displacement from rural areas to cities or migration abroad.

4.3 Mainstreaming

*Gender equality* is a key priority of the EU and thus would be embedded in project activities. Women play a large role in agricultural production and processing activities and are therefore one of the main targeted beneficiaries of the proposed action. In addition, the project will
support MAIL in respect of gender mainstreaming, which is stipulated as an important cross-cutting element in the CAD-NPP.

Environment and Climate change: environmental issues will be taken into consideration throughout the project. Furthermore, the proposed action promotes sustainable agricultural practices increasing climate resilience of rural communities, and focuses on assisting communities to manage their natural resources in the long term and implement projects based on sustainable use. Project will also target smallholder producers and women, which are among the most severely affected by climate change.

4.4 Contribution to SDGs

This intervention is relevant to the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 2 "End hunger, achieve food security and improved nutrition and promote sustainable agriculture", and SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". It is also expected to make a significant contribution to the following SDGs: SDG 5 "Achieve gender equality and empower all women and girls"; SDG 9 “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”; SDG 12: Ensure sustainable consumption and production patterns; and SDG 13: Take urgent action to combat climate change and its impacts.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the Islamic Republic of Afghanistan.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

5.3.1 Procurement (direct management)

Procurement will contribute to achieving expected output (EO) 2: ‘Strengthened institutional and technical capacity of MAIL at national and sub-national level to deliver value-chain orientated services and to create an enabling environment for sustainable agribusiness development and private sector investments,’ and EO3: ‘Improved coordination of relevant projects/programmes along the agri-value chains’

<table>
<thead>
<tr>
<th>Subject</th>
<th>Indicative type (works, supplies, services)</th>
<th>Indicative trimester of launch of the procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical assistance/capacity building</td>
<td>Services</td>
<td>January-March 2020</td>
</tr>
</tbody>
</table>
5.3.2 Indirect management with an international organisation

A part of this action may be implemented through indirect management with the World Bank Group (WBG) through the Afghanistan Reconstruction Trust Fund (ARTF). This implementation entails those parts of EO1 and EO2, which address the development of integrated agri-spatial solutions in specific regions and improving coordination of relevant projects/programmes along the agri-value chains.

The envisaged entity has been selected using the following criteria: mechanism for channelling on-budget support for Government programmes (ARTF); pre-existing role in the development of and envisaged implementation the ABC; experience in the sector in Afghanistan. As ARTF Administrator, the WB has long-standing experience in delivering development aid to Afghanistan, and in particular over ten years of experience in the implementation of development projects in the agricultural sector in this country. In addition, the ARTF institutional framework, by bringing together Government and donors, provides the ideal coordination platform for the action ensuring oversight and therefore transparency and accountability. The WB has developed the OMAID project, which will inter alia support the ABC components that the EU action will support under this modality.

In case the envisaged entity would need to be replaced, the Commission’s services may select a replacement entity using the same criteria.

If negotiations with the above mentioned entity fail, that part of the action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.1.

The WB is expected to carry out the following tasks: (i) launch calls for tenders and calls for proposals; (ii) evaluate tenders and proposals; (iii) award grant agreements and procurement contracts; and (iv) manage those agreements and contracts, and carry out payments.

5.4 Scope of geographical eligibility for procurement

Geographical eligibility in terms of place of establishment for participating in procurement award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

5.5 Indicative budget

<table>
<thead>
<tr>
<th></th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement (direct management) – cf. section 5.3.1</td>
<td>12 000 000</td>
<td>N.A.</td>
</tr>
<tr>
<td>Indirect management with the World Bank Group - cf. section 5.3.2</td>
<td>17 000 000</td>
<td>120 000 000</td>
</tr>
<tr>
<td>Evaluation (cf. section 5.8) – Audit (cf. section 5.9)/Expenditure verification</td>
<td>375 000</td>
<td>N.A.</td>
</tr>
<tr>
<td>Communication and visibility (cf. section 5.10)</td>
<td>125 000</td>
<td>N.A.</td>
</tr>
<tr>
<td>Contingencies</td>
<td>500 000</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>30 000 000</strong></td>
<td><strong>120 000 000</strong></td>
</tr>
</tbody>
</table>

### 5.6 Organisational set-up and responsibilities

The action will be implemented according to the principles of aid effectiveness in terms of ownership by the final beneficiary and alignment with national policies, i.e. through joint planning and steering of project implementation.

Part of the action, supporting the OMAID project will be implemented through the governance structure of the Afghanistan Reconstruction Trust Fund (ARTF). The ARTF was originally conceived in 2002 as a multi-donor trust fund to support immediate stabilisation and reconstruction needs in Afghanistan through a coordinated financing mechanism. It has since evolved to become the main vehicle for multi-donor, on-budget support for the government’s national programmes reform agenda and delivery of the national development strategy. The ARTF is supported by thirty-four donors, eighteen of which are currently active, and administered by the World Bank. Its three-tier governance framework is composed of a Steering Committee (SC), a Management Committee (MC) and the World Bank as an Administrator.

The SC sets the ARTF strategy. It is co-chaired by the Ministry of Finance and the WB, and comprises all thirty-four donors. It meets quarterly in Kabul and takes its decisions by consensus.

The MC is responsible for implementing the ARTF’s financing strategy, endorsed by the SC. It reviews and approves requests for financing based on their technical quality and alignment with the financing strategy. Chaired by the WB, it comprises representatives of the Ministry of Finance, the Asian Development Bank, the United Nations Development Programme, and the Islamic Development Bank. The United Nations Assistance Mission in Afghanistan (UNAMA) acts as an observer.

To coordinate and manage the ABC the government will establish an "Agribusiness Executive Secretariat" in the Ministry of Finance, reporting to the Higher Executive Council. It will in turn support an Agriculture Taskforce (AT), which will be tasked to provide policy guidance and oversee the overall implementation of the ABC Program. It will consist of representatives from the key line ministries (MAIL, MoCI, MRRD and MoF), other relevant agencies and relevant donors, the private sector, the professional associations, the producer organizations, and members of the civil society. The EU will have the status of permanent member.

### 5.7 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. The implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and a final report. Reports shall provide an accurate account of the implementation of the action,
highlighting the difficulties encountered, describing the possible changes introduced as well as the degree of achievement of results as measured by corresponding indicators, using as reference the logframe matrix and the partner’s strategy (Agribusiness Charter). SDG indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, a final evaluation(s) will be carried out for this action or its components via independent consultants contracted by the Commission.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission may, during implementation, decide to undertake a mid-term evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and contribution agreements.
The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that a contract for communication and visibility may be contracted under a framework contract.
APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) \(^{21}\) (max. 2 pages)

<table>
<thead>
<tr>
<th>Impact (Overall Objective)</th>
<th>Results chain: Main expected results (maximum 10)</th>
<th>Indicators (at least one indicator per expected result)</th>
<th>Sources of data</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
|                           | 1. Poverty reduction and inclusive growth in rural and peri-urban areas of Afghanistan. | 1. GDP per capita; **EURF L1 I3  
2. Proportion of population living below $1.25 per day ** EURF L1 I1  
3. % change in rural poor population;  
4. Number of jobs in agribusiness sector (disaggregated by sex) | 1. IMF ECF/art 4 reports  
2. WB reports/Government reports/statistics vs (e.g. Afghan Living Condition Survey)  
3. WB reports/Government reports/statistics vs (e.g. Afghan Living Condition Survey)  
4. Government reports/WB | Not applicable |

\(^{21}\) Mark indicators aligned with the relevant programming document mark with "*" and indicators aligned to the EU Results Framework with "**".
### Outcome(s) (Specific Objective(s))

1. Increased agricultural productivity and competitiveness of the agri-food sector in local and international markets;
2. Improved enabling environment for sustainable agribusiness development and private sector investment.

| Macro-economic stability, inflation under control |
| Improved Government stability and effectiveness |
| Reduced internal divisions/external challenges and swift formation of a new Government |
| Reduced insecurity in parts of the country, facilitating development aid delivery |
| Drought conditions and water stress do not worsen compared to the average |

1. % increase in yields volume of selected agricultural products/commodities.
2. Value of sales of Afghan products on domestic and export agri-food markets;
3. Ease of Doing Business Country Score;
4. Private sector investments in the agribusiness sector (mio $).

1.1. Government (MAIL, CSO) reports/statistics
1.2. Government (MoCI, MAIL, CSO) reports/statistics
2.1 WB Doing Business Reports
2.2 Third Party Monitoring Reports of the ABC, including project progress and M&E reports
<table>
<thead>
<tr>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Developed integrated agri-spatial solutions in specific regions;</td>
</tr>
<tr>
<td>2. Strengthened institutional and technical capacity of MAIL at national and sub-national level to deliver value-chain orientated services and to create an enabling environment for sustainable agribusiness development and private sector investments;</td>
</tr>
<tr>
<td>3. Improved coordination of relevant projects/programmes along the agri-value chains (on-budget and off-budget).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators (1.1–3.1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. Number of established operational integrated agri-food parks;</td>
</tr>
<tr>
<td>1.2. Status of the Industrial park policy, including a guiding framework that is aligned with best practices, mainstreaming gender and climate change.</td>
</tr>
<tr>
<td>2.1 Number of MAIL regulations revised with the support of the action;</td>
</tr>
<tr>
<td>2.2 % of farmers and value chain stakeholders who report they are at least ‘satisfied’ with services provided by MAIL.</td>
</tr>
<tr>
<td>3.1 Status of a framework for the management and implementation of the Agribusiness Charter.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Report Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.– 3.1 Government Policy Progress report, third party progress and M&amp;E reports of projects and ABC</td>
</tr>
</tbody>
</table>

For indicator 2.2: baseline and endline satisfaction surveys of farmers, to be commissioned by the Action

<table>
<thead>
<tr>
<th>Private sector engagement in agribusiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful political and security transition post-elections;</td>
</tr>
<tr>
<td>Government commitment to a sector-wide approach and implementation of institutional reforms.</td>
</tr>
</tbody>
</table>