



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 18-Jul-2020 | Report No: PIDA29812



BASIC INFORMATION

A. Basic Project Data

Country Afghanistan	Project ID P174348	Project Name Emergency Agriculture and Food Supply Project	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 15-Jul-2020	Estimated Board Date 07-Aug-2020	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture, Irrigation and Livestock	

Proposed Development Objective(s)

In response to Covid-19 emergency, the proposed project development objective is to support critical food supply chains and create short-term economic opportunities.

Components

- Productive agricultural water systems
- Critical Food Supply Chain Management
- Project Management
- Contingency Emergency Response

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	100.00
Total Financing	100.00
of which IBRD/IDA	55.00
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Development Association (IDA)	55.00
IDA Grant	55.00

Non-World Bank Group Financing

Trust Funds	45.00
Afghanistan Reconstruction Trust Fund	45.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **COVID-19 struck Afghanistan in early 2020 at a time when the country was already beset with multiple crises.** The pandemic has exacerbated chronically fragile conditions in Afghanistan, which is undergoing a protracted, multi-dimensional political crisis. The decades-old conflict has hampered efforts of the Government of the Islamic Republic of Afghanistan (GoIRA) to advance human and economic development in the country; perpetuated social tensions and significant refugee and internally displaced populations; and strained security conditions throughout the country. Afghanistan is vulnerable to the extremes of floods and droughts, and regularly confronts food insecurity. While it has not manifested to the degree of other countries in the region, Afghanistan is facing a potential threat from the locust swarm that rose in early 2020 in East Africa and has swept across the Gulf and South Asian countries, consuming vast amounts of agricultural crops and further imperiling the livelihoods of millions of Afghans who depend directly on agriculture. By any measure, Afghanistan is a highly fragile country.

2. **COVID-19 is already imposing a large social and economic burden on Afghanistan.** The influx of hundreds of thousands of people crossing back into Afghanistan from Iran has presented unique challenges to the control of the disease, which has spread rapidly in rural and urban areas of the country. In addition to the cost to human health and life, the rapid spread of the pandemic has had multiple, diverse negative impacts on the economy, destroying jobs, markets and households’ ability to consume, leading to widespread social and economic disruption as some part of the urban-based workforce has fled cities to return to the rural areas. Economic impacts are already severe and expected to worsen. The pandemic and related containment measures, including border closures and the recent lockdown of major cities, has led to: (i) massive disruptions to productive economic activity and consumption; (ii) disruptions to imports, including of vital household items, leading to rapid inflation; (iii) reduced exports due to disruptions at border points; (iv) negative impacts on remittances; and (v) increased fiscal pressures, with



government revenues expected to decline by at least 30 percent below budgeted levels. Due to the impacts of COVID-19, GDP is expected to contract by at least 5.5 percent in 2020.

3. **In rural Afghanistan, as farmers are compromised in their ability to sow their crops on schedule, the specter of famine looms; in urban areas, food prices are rising and access to basic services is becoming ever more urgent.** According to the Afghanistan Early Warning System Network (FEWSNET), between January and May 2020, about 86,400 individuals fled their homes due to conflict, with the greatest number of displacements in the eastern, northern, northeastern, and southern parts of the country. Due to separation from livelihoods, the UN's Food Security and Agriculture Cluster estimates that approximately 12.4 million people, or 32 percent of the population are likely to be facing food consumption gaps and food insecurity Crisis or Emergency¹ (IPC Phase 3 and 4) outcomes over June to November 2020. Additionally, more than 300,000 undocumented migrants have returned to Afghanistan from January to May 2020. Most of these migrants have come from Iran, given the weak economy and the severity of the COVID-19 pandemic.

4. **The Ministry of Public Health reported 33,594 confirmed cases of Covid-19 in the country, with cases reported in all 34 provinces, as of July 09, 2020.** While the number of confirmed cases and deaths is relatively low compared to nearby countries, the numbers are likely to be underestimated. In all cases, Afghanistan is extremely vulnerable to the rapid spread of the virus due to limited access to information, a high percentage of poor and vulnerable households who subsist on daily earnings, as well as ongoing violent conflict.

5. **Afghanistan faces several additional challenges and uncertainties in 2020.** Despite the recent signing of a peace agreement between the United States and the Taliban, active conflict between Taliban and government forces continues, and there is no clear path to a sustained and comprehensive peace. Grants equal to around 43 percent of GDP continue to finance more than 75 percent of total public spending, and around half of budget expenditures. Current civilian aid pledges expire in December 2020 and future levels of grant support are not known. Grants may decline rapidly over the coming years in the context of the global COVID-19 crisis, and with some donors dissatisfied with the pace of anti-corruption and governance reform efforts. A power-sharing agreement has recently been reached between the two major factions contesting the outcomes of the 2019 presidential elections. Additional disputes may arise through implementation of this agreement, including around control of key ministries, posing risks of further political instability and administrative disruption.

6. **Afghanistan's economy was fragile even before the COVID-19 crisis.** Growth has averaged only around 3 percent since 2012, due to the combined impacts of declining grants, increasing insecurity, and political instability. The trade deficit remains extremely large, over 30 percent of GDP, financed mostly by grant inflows. While revenues reached a new high of 14.1 percent of GDP in 2019, more than half of budget expenditure is financed by grants. Short-term priorities for sustainable growth include continued implementation of reforms to improve private sector confidence, mobilize investment, and ensure confidence of the international community. Over the medium-term, reforms should focus on attracting additional investment in agriculture and extractives, to deliver increased employment, exports, government revenues, and growth. To ensure that benefits of growth are maximized, and widely shared,

¹Food Security and Agriculture Cluster, April 2020.



continued investment is required in human capital, regional connectivity, expanded infrastructure, and an improved business regulatory environment.

7. **The poverty rate in Afghanistan increased markedly from 38 percent in 2012 to 55 percent in 2017, when the last household survey was carried out.** Most of the Afghan population was poor and vulnerable before the onset of the COVID-19 crisis. The official poverty rate of 55 percent understates the extent of poverty and vulnerability as illustrated by the fact that 93 percent of the population lived on less than US\$2 a day before the crisis. Poverty co-exists with exposure to many shocks, which disproportionately affect the poor. Shocks that are inherent in a conflict affected country (e.g. forced displacement, disrupted access to markets and basic services, price volatility of consumption staples) are added to high prevalence of food insecurity due to the unique geography of Afghanistan (e.g. landlocked with droughts, floods, avalanches and infestation of agricultural production). The share of the food insecure Afghan population² increased from 28 percent in 2007-2008 to 45 percent in 2016-2017. Three in four poor households are affected by at least one shock and 80 percent of them cannot recover from their shocks within one year; many of them need to turn to harmful coping strategies such as the sale of productive assets and taking children out of school for income generation. The COVID-19 crisis is significantly exacerbating the already dire socio-economic situation. The poverty rate is expected to spike from 55 percent to at least 61 percent, and potentially to 72 percent due to COVID-19 forcing an additional 1.9 to 6 million people into poverty practically overnight³. The widespread poverty also makes the population especially vulnerable to extreme weather events such as droughts and floods. Drought-induced displacement has reached record levels of nearly 300,000 individuals. Economic growth over recent years has barely exceeded the rate of population growth (2.7 percent annually). Per capita incomes will decline substantially over the coming years as the economy contracts in 2020, leading to a likely substantial deterioration in living standards.

8. **Afghanistan has a Human Capital Index of 0.39 and ranks 133 out of 157 countries.** This suggests that children born in Afghanistan today will be on average 61 percent less productive than they would be if there was perfect survival, education and health in the country. About 7 out of 100 children do not survive to age 5; children on average have only about 4.9 learning-adjusted years of school (out of a maximum of 14 years); 41 out of 100 children are stunted; and only 78 percent of the population over 15 years survive to the age of 60. In addition to increasing the intrinsic benefits and values of optimal health and education of its people, Afghanistan could more than double its GDP by improving its health and education outcomes. In contrast, an income and nutritional shock to the population may significantly worsen human capital prospects for the future.

Sectoral and Institutional Context

9. **Ongoing conflict coupled with prolonged drought have negatively affected the country's agricultural production system and cost them opportunities for growth.** Afghanistan has a long tradition in horticulture and livestock production, including for export,⁴ and the country⁵ was self-sufficient in

² Defined as caloric deficiency with respect to a threshold required to lead a healthy life.

³ April 2020. Based on World Bank (2020) Household Welfare Impacts of COVID-19 in Afghanistan: A Microsimulation Approach

⁴ In the 1970s, Afghanistan was a world-class producer and exporter of almonds, pomegranates, pistachios, grapes, and apricots, and supplied about 20 % of the raisins in the world market.

⁵ In a good year, Afghanistan imports 20% of its needed grains and this figure can go up to 50% in the dry years.



cereals before the conflict. Even today, horticulture (fruits, nuts, and vegetables) presents opportunities to respond to unmet demand, domestic, and in both South and Central Asia. In 2017, Afghanistan produced 3.9 million tons of horticulture produce (1.5 million tons of fruit and 2.4 million tons of vegetables). Of the surplus of 1.6 million tons of fruit and vegetables, an estimated 0.5 million tons were exported, but the balance of 1.1 million tons is thought to have been predominantly food loss and waste, dramatically exposing supply chain weaknesses in the food system. Wheat is the major staple crop for the Afghan population and accounts for 60 percent of national caloric intake, with own consumption an important part of food security. However, due to the production inefficiencies and lackluster yields, the country imports about 20 percent of its wheat consumption. Despite strong opportunities for growth in the sector, the last four decades of conflict have significantly affected the production systems and the country's agricultural productivity is now lower than its pre-war level. Afghanistan had 3.1 million ha under irrigation before the war, but now during good years with sufficient rainfall, it has only 2.1 million ha under irrigation. Traditional irrigation systems were developed by the local communities over the past centuries. Rainfed production is highly sensitive to drought. In good hydrological years, two third of the wheat produced in Afghanistan is irrigated and the rest is rainfed. But during dry years it is about 90 percent of the production that is irrigated. Increasing the irrigated areas through rehabilitation of irrigation schemes and improved management of water is the only way to stabilize domestic production. The agriculture sector still constitutes about a quarter of the country's GDP and remains the second largest contributor to GDP after services. About half of all households receive income from the sector. In the foreseeable future, agriculture is, with minerals, one of the two sectors with the greatest potential to drive economic growth and to generate foreign exchange earnings and domestic revenues needed to help offset the projected decline in foreign aid flows.

10. Agriculture has good potential for inclusive growth and is highly relevant to poverty reduction and job creation both on-farm and off-farm. The sector is dominated by subsistence farmers who constitute up to 90 percent of the producers with less than 5 ha holdings each. Yet, 51 percent of the country's exports comes from horticultural crops produced by these smallholders, who also dominate domestic wheat production. The horticulture subsector extends to about 360,000 ha, covering almost 14 percent of the total irrigated land area and involving more than 2 million people⁶. Investment in common agricultural assets like irrigation and water harvesting structures are a key ingredient to the Government medium- and long-term diversification strategy and growth—a strategy strongly supported and endorsed by its partners as well. Building irrigation and water harvesting structures during the crisis will therefore have the double benefit of generating employment for construction works in the short term and increasing agricultural productivity for food crops on the medium term, with high expectation of boosting exports and inclusive growth in Afghanistan. Similarly, the sector has great potential for rural women who are mostly involved in agriculture. Of the total female labor force (29 percent), the majority are employed in the agriculture sector – primarily as unpaid family workers; with minimum input and extension support. Their role in agriculture can be boosted which can lead to better employment opportunities as well as improved food security.

11. The COVID-19 outbreak has threatened food security and affected food affordability of vulnerable urban and rural populations, particularly the poorest of the poor and rural women. The impact of COVID-19 in Afghanistan, as in many other countries, is being felt through: (i) rising prices and actual scarcity of both staple and nutritious foods, particularly in urban areas; (ii) falling rural incomes as

⁶ World Bank: Afghanistan Agriculture Sector Review, 2014.



market outlets are disrupted by restrictions on movements and closure of borders to traditional export markets (e.g. horticulture to Pakistan); (iii) challenges to keeping supply chains open due to disruptions in imported inputs and movement disruptions to domestic inputs reaching agribusinesses; and (iv) rising rural unemployment due to loss of market and influx of returnees due to COVID-19. Hunger and malnutrition remain at dangerously high levels with 12.4 million people forecast to be in crisis or emergency food insecurity between June and November of 2020⁷. The United Nations has included Afghanistan near the top of the list of countries at risk of famine. The World Food Program data indicates that in Afghanistan's main city markets in April 2020, prices of wheat flour and cooking oil had spiked by up to 23 percent over the previous month while the cost of rice, sugar, pulses and eggs had increased by between 7 percent and 12 percent due to supply chain disruptions, sporadic and partial border closures (with Pakistan, Iran and Kazakhstan), and aggravated by panic buying and hoarding⁸. This is compounded by an increased risk of natural hazards, including droughts, floods, and build-up of adult desert locusts in Southern Afghanistan and the region in 2020.

12. Measures to cushion the effect of COVID-19 through food distribution have depleted available food stocks, creating opportunities for local products. Afghanistan had a strategic grain reserve of 24,000 MT of wheat flour at the start of the COVID-19 pandemic, of which 14,000 MT has already been distributed, leaving only 10,000 MT which is barely enough to meet the food requirements of a major city in the country over a month. Other food items are also being distributed by donors, including the WBG-supported REACH project (P174119), to meet the growing shortage. In the current context, poorer and subsistence rural households are unable to cope with further impacts of the pandemic without resorting to harmful coping mechanisms such as the sale of productive assets, reduced food intake, and consumption of seed grain. The potential for replenishment of stocks from domestic production is low due to low productivity caused by poor quality seed and degraded productive land. Therefore, planting of improved seeds for the next harvest is urgent. Further, the improvement of degraded agricultural production systems through irrigation and watershed management is critical to stabilizing production in the medium term. The emergency goals around maintaining livelihoods of poor people and ensuring sufficient supplies of the main food crop require priority support to wheat, with highest impact to be found in the provision of improved wheat seed for the 2020/21 crop.

13. Climate projections suggest that increases in temperature and evapotranspiration will in the medium and longer term negatively affect agricultural productivity, availability of water resources and rural livelihoods.⁹ Most of the cultivable land receives less than 400 mm of rain per year and annual rainfall is unpredictable. River flows are mainly based on snowmelt and are similarly highly variable. Recent years have recorded huge volatility of agricultural growth—including periods of sharp dips—owing to high reliance on weather conditions. Afghanistan is just emerging from a series of dry years which have contributed to weaken already fragile agricultural systems. Annual temperatures are projected to increase between 1.4°C and 4.0°C by the 2060s, with the fastest rate of warming in spring and summer. While this could increase the crop growing seasons in certain areas, it may not translate into an increase in productivity since rainfall variability is expected to increase and spring rains to decline. Severe impacts on livelihoods, specifically in the north-west region, which is largely dependent on rainfed agriculture, are

⁷ Afghanistan Humanitarian Response Plan, Humanitarian program cycle, 2020 mid-year revision, issued in June 2020

⁸ Source: Save the Children Statement on Afghanistan Food Insecurity, May 1, 2020.

⁹ Islamic Republic of Afghanistan (2015): Intended Nationally Determined Contribution Submission to the United Nations Framework Convention on Climate Change.



expected.¹⁰ Climate change may increase incidence of pests and diseases including locust outbreaks and wheat rust disease. Building resilience of the agro-ecosystem, rural communities, and along the supply chains against climate change and climate-related shocks is critical. In a water-constrained environment like Afghanistan, this can be done by adopting climate-smart agriculture practices such as conservation agriculture or agroforestry, harvesting the rainwater in the rainfed areas and improving the conveyance and distribution efficiency of irrigation schemes.

14. **The rural poor have been hard hit by COVID-19-related disruptions to their livelihoods and incomes.** The sector is largely dominated by smallholder farmers, who have limited access to productive assets and are vulnerable to shocks such as COVID-19 and weather-related disasters. Smallholder producers are specifically vulnerable to shocks because they have limited access to improved

COVID-19 Impacts on Food

The COVID-19 outbreak has caused some disruption to the supply chain for wheat and flour, particularly the imports from Central Asian countries. At the start of the pandemic, export restrictions from some countries, including Kazakhstan, led to an increase in wheat and flour prices in Afghanistan. Wheat and flour prices increased by more than US\$100 per MT in the two to three weeks after the outbreak. There was also an increase of US\$50 per MT for rice in the country. Currently the trade flow is open to wheat and flour imports from Kazakhstan and the border with Pakistan is open at least three times a week. However, main food commodities' prices (wheat, wheat flour, cooking oil, pulse, rice and sugar) are still higher compared to 14th March 2020. Wheat and wheat flour high price and low price are respectively 15%, 17% and 18% higher than pre-crisis times, cooking oil is 40% higher, pulses 32%, rice 8-22%, and sugar 22%, along with an average purchasing power drop of 21 %. Equally worrying, actual scarcity (unavailability) of more nutritious foods like fruit, vegetables and eggs, has been observed in urban markets across the country.

technologies, production practices, and extension services. They resort to the unsustainable use of natural resources such as land, pastures, and forests to secure a livelihood in times of crisis. It is expected that the on-going COVID-19 pandemic will cause a further loss of income in rural areas as access to markets is blocked due to restrictions on the movement of people and COVID-19 lock-down measures. This in turn affects seasonal laborers and those farmers who supplement their household income through off-farm labor. It has already affected farmers' purchasing power and has hindered the procurement of agriculture inputs for the planting season. In addition, the nation-wide lock down and import disruptions have affected the free flow of input supply chains and restricted farmers' access to production inputs such as seed, fertilizer and basic technical services that were already

limited.

15. **Private sector food operators such as agribusiness small and medium enterprises (SMEs) are also vulnerable to supply and demand disruptions resulting from COVID-19 lockdowns, yet they are critical to maintaining the domestic availability of food.** The domestic commercialization of agricultural products has been disrupted by the sporadic closure of roads to enforce lockdowns of cities/provinces

¹⁰ World Food Programme, the United Nations Environment Programme and Afghanistan's National Environmental Protection Agency. 2016. Climate Change in Afghanistan. What does it mean for rural livelihoods and food security?



(e.g. Kabul), as well as closure of markets to avoid congregation of large groups. Exports of agricultural products are affected by border closures and the suspension of air cargo. This will primarily affect those farmers that produce horticulture crops, and this requires timely attention as the harvest nears to avoid massive food loss and waste and income losses, indicating the need to support more than just the wheat sector, although this is a clear priority.

16. **Wheat is the staple crop for over 70 percent of the Afghan population and accounts for 60 percent of national caloric intake, but only 15–25 percent of wheat produced in Afghanistan reaches the markets, and the wheat-based industries (mills, bakeries) are dependent on imports.** Annual wheat demand is estimated between 6-7 million MT (and increasing), while annual domestic production is estimated at about 4.9 million MT in a normal year. Of the country's production, 80-85 percent is consumed by farm households or used as barter payments in rural areas, therefore the price of wheat and wheat flour in the market are usually a reflection of the price of imported wheat and wheat flour. That is, there is very little surplus production to make up for COVID-19 wheat import disruptions, leaving flour mills and processors extremely vulnerable to those disruptions. Because of this, raising the productivity of wheat grown in the country is an important crisis tool both for the household own-consumption and to cushion the impacts of COVID-19 supply chain disruptions in wheat. There is an urgent need to support an increase of domestic wheat production and reduce the supply chain's exposure to COVID-19 induced market shocks, which threaten to reverberate for some time to come. The most immediate way to raise production of domestic wheat is to look to seeds.

17. **On-farm wheat productivity is low compared to the regional average largely due to the poor quality of seeds.** The wheat crop also suffers from various pests and diseases like wheat rust, which can cause up to 40 percent yield losses in warmer areas. Desert locust invasion is currently a risk.¹¹ But it is the provision of improved seeds that remains the single most beneficial intervention to close the yield gap. Boosting yields with immediate effect, farmer access to improved seed is important both for subsistence and for generating surplus for local flour mills and other wheat-based industries, highly dependent on the now COVID-variable import of wheat. Recent research shows that there is scope to improve wheat production by 33 percent in the short run through adoption of good agricultural practices, the use of improved seed varieties, and adequate technology transfers through training and extension.¹²

18. **Lack of access to improved seed was already a constraint for wheat productivity before the COVID-19 crisis.** The Government has been implementing a program to support the production and distribution of improved seeds for the past 10 years. The Afghanistan Agricultural Inputs Project (AAIP, P120397), financed by the World Bank and closed in June 2019, provided infrastructure development support and technical assistance to the key stakeholders in the seed supply chain: (i) the Agricultural Research Institute of Afghanistan (ARIA)¹³ to produce foundation seeds; (ii) the state-owned enterprise,

¹¹ In late-February, key informants indicated adult desert locusts were present in southern Afghanistan, specifically Khost Province. As vegetation and crops are just starting to regenerate, locusts could lay eggs in some isolated areas. According to FAO, desert locusts can invade southern Afghanistan when there are large swarms containing gregarious locusts in Pakistan. If these locusts are not contained, there is the potential for them to move to southern Afghanistan.

¹² Tavva, S., Aw-Hassan, A., Rizvi, J., Saharawat, Y.S. (2017): Technical efficiency of wheat farmers and options for minimizing yield gaps in Afghanistan. *Outlook on Agriculture*. Vol 46(1): 13-19.

¹³ ARIA has two main responsibilities: 1) to develop agricultural, horticultural and livestock production technologies and to formulate productions techniques and practices for use by farmers, and 2) to breed cereal and horticultural varieties and produce



Improved Seed Enterprise (ISE)¹⁴ responsible for production of foundation seed; (iii) the private seed enterprises (PSEs) operating in certified seed production and are organized under the Afghanistan National Seed Companies Union (ANSCU)¹⁵; and (iv) the Directorate of Seed Certification at the Ministry of Agriculture, Irrigation and Livestock (MAIL), with responsible to inspect and monitor the seed production process. The AAIP Project, and the International Maize and Wheat Improvement Center (CIMMYT) have supported ARIA in the development of several improved wheat varieties for both rainfed and irrigated conditions. All these supports have resulted in an increase in production of certified seed by the private sector and this year approximately 20,000 MT of improve seed will be available. While the country has a long way to go in terms of producing sufficient quantity of certified seed to replace all local varieties, the improved wheat seed market has been heavily government driven and based on subsidies with farmers paying only a fraction of the economic cost of improved wheat seed. The AAIP Project piloted the use of a voucher system for 25,000 farmers across four districts of Herat, Kabul, Balkh and Nangarhar. An evaluation report by the Ministry of Agriculture, Irrigation and Livestock (MAIL) concluded that the voucher system was successful. Among other benefits, vouchers decreased transportation costs and delays in delivery while encouraging competition amongst PSEs.

19. **The Government recognizes the need for urgent action and has launched several efforts in this regard.** In its April 2020 Discussion Note titled, *“Responding to the Corona Virus: An Invitation for Discussion”* that was presented by President Ghani to the donor community, an eight-point vision of restructuring ongoing programs and launching new strategic priorities was outlined. In the Note, farmers, agricultural workers and those employed in the agricultural value and supply chain as well as female-headed firms and women employed in agricultural and horticultural processing were identified among those disproportionately affected by the virus in Afghanistan. The Government’s proposal notes the importance of the State Response to focus on maximum utilization¹⁶ of domestic agricultural products^[66] in the crucial period from May to October. Support to supply chains to ensure delivery of critical commodities must therefore be made operational and efficient.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

20. **In response to Covid-19 emergency, the proposed project development objective is to support critical food supply chains and create short-term economic opportunities.**

Key Results

21. **Key Performance Indicators (KPIs) include:**

breeders seed and planting materials for further multiplication by designated entities. ARIA has the technical resources to implement activities that in the medium to long-term result in the provision of the required quantities of breeder seed of the required varieties at the time and place where they are needed. In this context, the relevant activities performed by ARIA are variety selection, breeders seed production and (to an extent) agronomical research. Through infrastructure and equipment financed under the AAIP Project, ARIA has attained a level of readiness.

¹⁴ The ISE is responsible for producing Foundation Seed out of the Breeders Seed purchased from ARIA. The MAIL has recently decided that the ISE will also produce certified seed to be sold to farmers.

¹⁵ There are presently about one hundred Private Seed Enterprises (PSEs) registered and active in the production of Certified Seed. PSE are an essential entity in the formal seed chain.

¹⁶ Pre-purchasing of agricultural products, including a floor for wheat, are among the priority actions.



- Wheat crop production in project intervention areas (percent increase);
- Farmers using emergency packages of certified seed provided by the project (number);
- Private sector entities in food supply chains supported by the project (number); and
- Labor-days of short term employment (number).

D. Project Description

22. **The project is structured around the following four components:** (A) productive agricultural water systems; (B) critical commercial food supply chains; and (C) project Management. The project also includes a fourth Component (D) for Contingency Emergency Response.

Component A: Productive agricultural water systems (US\$65.7 million)

23. **Component A supports increased production capacity in irrigated and rain-fed areas that are primarily engaged in grain production.** It comprises two subcomponents: (i) Rehabilitation and improvement of irrigation schemes to improve irrigated agriculture productivity; and (ii) Watershed management and rainfed agriculture support for dryland farming through the development of productive assets and use of climate smart practices. This component will contribute to the COVID-19 emergency relief effort by creating short term employment opportunities (more than 66 million person days) for unskilled labor in rural areas. It will also support the recovery and resilience pillars of the COVID-19 response by establishing irrigation and watershed-related assets for medium-term improvement of agricultural productivity, and strengthening climate adaptation, increasing the resilience of agriculture systems to climate change impacts (e.g. water scarcity and temperature increases).

Component B: Critical Food Supply Chain Management (US\$26.4 million)

24. **This component will support and strengthen critical commercial food supply chains for food crops with a strong—but not exclusive—focus on wheat.** Critical food supply chains are those that have a significant contribution to the nutritional intake of Afghan households, and which have been impacted by the COVID-19 crisis or concurrent shocks. Given the dominance of wheat flour in the nutritional basket in Afghanistan, there will be an initial focus on wheat and flour. It will support uptake of wheat production by distributing improved wheat seed to farmers, in time for the immediate 2020/2021 cropping season. It will also further strengthen the supply chain for seeds, building the capacity of the private sector and relevant government institutions, and support technical assistance and investments at the community level and SMEs in the food supply chain impacted by COVID-19. It comprises two main activities: (i) Seed production, supply and emergency distribution; (ii) Support for food processing and distribution.

25. **Seed Production, supply and emergency distribution:** will contribute to the emergency response to the COVID-19 crisis by emergency wheat seed distribution in time for the 2020/2021 cropping season to replenish the stock of seeds lost to the farming community, and to avert reduced wheat production scenario. The seeds would be purchased from about 100 domestic seed producing SMEs in Afghanistan bridging the seed demand gap from government fiscal constraints that is threatening their continued operation. It will thus contribute to sustaining the capacity of commercial seed producing SMEs in Afghanistan.



26. **Support for food processing and distribution:** will contribute to the emergency response to the COVID-19 crisis by supporting SMEs to address supply chain disruption issues and introduce COVID-19 and food safety compliance measures to source, process and market agricultural products. This would enhance the food supply response and help maintain affordable food prices. It would also support the recovery phase by building capacity, resilience, and coordination of key actors to strengthen the wheat and other commodity value chains.

Component C: Project Management (US\$7.9 million)

27. **This component covers the cost of project management and monitoring.** It will finance project staff, consultant services, operational costs and procurement of goods for a Project Management Unit (PMU) established within MAIL that will have overall responsibility for project implementation, including the fiduciary and safeguards aspects, monitoring and evaluation, audits, and the preparation of the Project Completion Report. As per MAIL request, this subcomponent will also finance a technical assistance contract with the Food and Agriculture Organization (FAO). Technical assistance from FAO will be designed to help the MAIL team with specialized aspects of remote sensing, monitoring and evaluation, and capacity building. It will use the same arrangements that were in place under the On-farm Water Management Project.

Component D: Contingency Emergency Response (US\$0 million)

28. **This zero-cost component is included in the Project** to enable the rapid mobilization of funds in the event of an eligible crisis or emergency following an adverse natural or man-made event.

29. **This emergency project intends to cushion the effects on food supply by strengthening the food production system through labor-intensive activities.** The project will increase production and support supply chains of food products. The assumptions are that improved seeds will be available in sufficient quantities for distribution to farmers and that farmers will adopt climate smart technologies to improve production and watershed management. It is also assumed that CDCs will be available to generate short term economic opportunities and counterpart contributions will be paid for the matching grants.

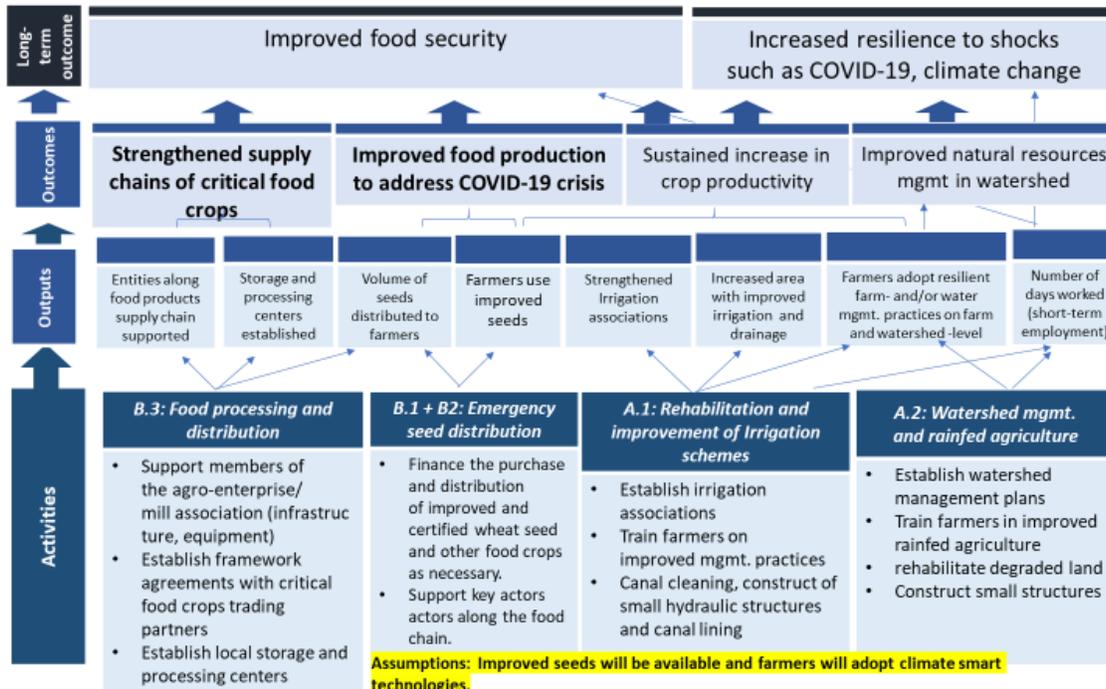
30. **All components of the project reflect priorities identified by GoIRA in this emergency.** Figure 1 indicates that Component A (Productive agricultural water systems) and Component B (Critical Food Supply Chain Management) respond to the food supply crisis that impacts rural and urban people in different ways, but in equal measure. The components support increased food production in the short-run, in labor intensive ways that help mitigate the impacts of COVID-19 on rural jobs and invest in **food security** to promote resilience in the medium-to long-term. Food security will be improved through: (i) increased productivity and production of crops in irrigated and rainfed production systems; and (ii) improved access to food through food supply value chain support, for wheat, and for other nutrient-important products as scarcity and rising prices indicate as critical over the life of the project. The promotion of climate-smart agriculture and water management practices and the rehabilitation and improvement of irrigation and drainage infrastructure contribute to a sustained increase in crop productivity and support productive diversification towards nutrient-dense horticulture crops. The adoption of climate-smart agriculture practices, restoration of degraded land and participatory development of watershed management plans will contribute to improved natural resources management, thus **increasing climate-resilience** of the agro-ecosystem and rural livelihoods.



Construction works promoted in the project will generate **short-term employment** and thus reduce the high rate of unemployment during the COVID-19 crisis. The short-term employment contributes to the project’s longer-term goals by: (i) allowing people to maintain their livelihoods in times of crisis, contributing to their resilience to shocks; and (ii) securing purchasing power and access to food.

31. A schematic depiction of the project’s results chain is provided in Figure 1.

Figure 1: The Result Chain



Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

32. **The Social Risk.** Overall, the project is expected to result in socio-economic benefits for the country and extend opportunities for the wider rural population through improved agriculture land and water productivity in agriculture sector. However, due to the nature of the project activities, the proposed interventions may create some social risk and impacts such as: (i) minor land acquisition impacts



(voluntarily) maybe required for irrigation schemes, small check dams and small reservoirs; (ii) possible GBV risks due to recruitment of local labor and to women empowerment; (iii) conflict and disputes over the distribution of subsidized seeds or over land and water usage among the water users and irrigation associations; (iv) COVID-19 transmission during implantation due to exposure to beneficiary people: the project will contribute to improving population (women, beneficiaries, workers, etc.) access to information related to Covid-19 virus and ensure that mitigation measures are implemented during labor intensive works, seed distribution and other community engagement activities; and (v) other social impacts relating to limited capacity to prepare and implement environment and social instruments.

33. **The Environmental risk.** The project will have overall positive impacts in irrigation interventions of the project. It will not transform the current use of any significant portion of land. The environmental risk is related to: (i) the possible location of some subprojects and activities in environmentally sensitive areas where security issues might hinder proper monitoring; (ii) the implementation of civil works and possible resulting pollution, although no large-scale works are foreseen; (iii) the diversity of activities which makes difficult to assess the environmental risks and impacts and to monitor the implementation of mitigation measures; and (iv) the weak enforcement capacity in the country.

E. Implementation

Institutional and Implementation Arrangements

34. **MAIL will be responsible for implementing the project.** The Project Operations Manual (POM) will describe the coordination, management, implementation, (M&E), and reporting functions. A project steering committee (PSC) will be established by the Ministry of Finance (MoF) with representatives from MAIL within two months of project effectiveness. The role of the PSC will be to review annual work plans and budgets from MAIL and provide overall guidance for project strategic orientation. It will be convened by MoF at least once a year.

35. **The MAIL will have overall responsibility for implementation of the project.** In the past decade the Ministry has an extensive experience with World Bank-funded projects including: National Horticulture and Livestock Project (NHLP, P143841) OFWMP (P120398); AAIP (P120397); and the Strategic Grain Reserves Project (SGRP, P160606). MAIL has also benefited from the World Bank funded Capacity Building for Results (CBR) and Tackling Afghanistan's Government HRM and Institutional Reforms Project (TAGHIR,P166978), and it has acquired sufficient technical, fiduciary, safeguards and monitoring and evaluation (M&E) capacity to lead the implementation of the proposed project.

36. **A PMU financed under subcomponent C will support MAIL for all aspects of project implementation.** A skeleton PMU has already been established for the preparation of the project under the ARTF-funded Project Preparation Grant (PPG-TF0B2475)¹⁷ to complement the ministry's staff on a needs basis. The PMU will be responsible for day-to-day management of the project and will work closely with the government staff in Kabul and in the provincial offices through its regional teams. The PMU team will be strengthened to augment its presence in the areas of intervention - with the opening of six regional offices - and to add additional implementation capacity at the central level.

¹⁷ The grant was initially allocated for the preparation of the Agro-Water and Climate Resilience Project (P170906) and then re-oriented for the preparation of this new emergency project.



37. **A community driven approach will be used for activities under Component A on Productive agricultural water systems and for the construction of local storages under Component B.** These activities will be implemented through the existing Community Development Councils (CDCs) at the subproject sites (irrigation schemes and watershed areas). The project will work with existing CDCs that are considered “mature” as per the criteria defined in the Citizen’s Charter National Priority Program (CCNAP) and will provide support to selected CDCs (capacity and technical assistance) in the areas where it is needed. No new CDC will be established under the project. The relevant sections of the Citizen’s Charter Project (P160567) operational manual will be applied by the project.¹⁸

38. **CERC Component.** If the Government decides to trigger the CERC, they would prepare an emergency response manual (or any manual to that effect), which would include detailed activities and implementation arrangements.

39. **Results Monitoring and Evaluation (M&E) Arrangements.** The PMU has the overall responsibility for producing progress reports every semester, and end of project final evaluation to be submitted to MAIL and the World Bank. The M&E Team will carry out periodic field visit and share their reports with MAIL and PMU. The project will also be included under the World Bank’s third-party monitoring (TPM) regime. The Third-Party Monitoring (TPM) will provide MAIL and the World Bank with periodic reports on the activities that will be defined in detailed in the TPM contract. These reports will include observations backed by photos or other types of evidence and recommendations. The project team will ensure timely implementation of the recommendation and ensure proper measures are taken to improve the quality of implementations. A dedicated service provider will be hired for the implementation of the annual beneficiary satisfaction surveys which will be used to generate feedback on citizen engagement by the project. The surveys will be conducted through phone calls, workshops, and community score cards. The M&E activities will include field data collection, safeguards monitoring, evaluation of outcomes and other results, data quality and integrity, learning, supportive supervision on data collection and data auditing.

40. **Sustainability.** The project is geared towards providing an emergency response to the economic and food supply impacts of the COVID-19 pandemic. The primary goal of this emergency, short-duration project, is to meet those needs as expeditiously as possible, as befitting an emergency. It nevertheless incorporates several features to address the sustainability of the project results and outcomes. To this end, no later than four months before project closure, MAIL will submit a Sustainability Plan, satisfactory to the World Bank, and related to the infrastructure and activities financed under the relevant parts of the Project.

CONTACT POINT

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¹⁸ Operational Manual for the Field Implementation of the First Phase of the CCNPP and the CCAP for Rural Communities by the MRRD and for Urban Communities by the IDLG, December 2016.



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