Ministry of Commerce and Industry
And
Ministry of Agriculture, Irrigation and Livestock

Implementing the SME Strategy
Action Plan for Developing Afghanistan’s Agri-Business Sector

May 2011 – April 2013
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Acronyms

ACCI  Afghanistan Chamber of Commerce and Industry
AISA  Afghanistan Investment Support Agency
ANSA  Afghanistan National Standards Authority
CSO  Central Statistics Office
MAIL  Ministry of Agriculture, Irrigation and Livestock
MOF  Ministry of Finance
MOCI  Ministry of Commerce and Industry
MRRD  Ministry of Rural Rehabilitation and Development
Introduction and Background

The Government of Afghanistan’s SME Strategy was finalised in December 2009\(^1\). The Strategy aims to encourage pro-poor growth by creating jobs in rural areas which have largely missed out on the booming economy which has long characterised Afghanistan’s major cities.

The Strategy analysed SME sectors and, using the following criteria, identified those which should be given priority for assistance:

- Domestic private firms have already entered them spontaneously;
- The sector is labour-intensive and has a strong rural presence;
- The sector’s current growth rate either in Afghanistan or globally is high;
- The barriers to entry are low;
- Necessary raw materials are easily accessible in Afghanistan;
- Many of the skills needed to be competitive in the industry already exist;
- The technology requirements are either moderate or Afghanistan has the ability to introduce the technology quickly and cost-effectively;
- Afghanistan has the ability to compete across multiple parts of value chain;
- Afghanistan has the potential to move up the value chain;
- They produce tradable goods and services that have been produced for about 20 years in similar dynamically growing countries – particularly neighbouring ones; and
- Afghanistan is likely to have a competitive advantage

The industries that emerged from this process as being highly attractive include:

- Processing wool, carpet weaving, cutting, washing and trading
- Marble quarrying, cutting, polishing
- Gem stones mining, cutting & polishing and jewellery
- Livestock skins and leather
- Construction
- Wood, timber and carpentry
- Agri-processing

\(^{1}\) This was done with the assistance of ASMED and USAID
Afghanistan is already internationally competitive in some parts of these sectors and it is likely to be able to successfully move up the value chain.\(^3\)

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\(^2\) MOCI, SME Policy, 2009. Figures based on sector reports, interviews, & ASMED assumptions

\(^3\) ‘Value chain’ refers to the linked set of activities within a supply chain that actively add value to the end product.
Principles

Given an adequate enabling environment and a stable security situation, left to its own devices the private sector in Afghanistan would, eventually create a vibrant, high-value, high quality agri-business sector, able to penetrate international markets. However, in a post conflict country, such as Afghanistan, it is highly likely that a weak, risk averse private sector, with limited access to capital, not much recent exposure to innovation and the possibilities opened up by technology, a suspicion of the outside world and low capacity in some critical areas, may not be able to take advantage of opportunities to move up the value chain in a timely fashion in areas where at lower levels it is successful.

The challenge faced by the government and the donor community is how they can expedite rather than retard the expansion of agri-business. In light of this, interventions will only take place in line with the following principles:

1. Donors and government must not crowd out private sector involvement and investment - apparent opportunities need to be examined critically to see if there is a plausible answer to why the private sector is unable or unwilling to exploit these opportunities. If there is no sensible answer - and no plausible theory about how the government is able to assist the private sector to exploit these opportunities - then the government should not intervene. In light of this, this Action Plan calls for further investigation in a number of areas to see whether this rationale exists or whether the government is better advised to partner with the private sector, or get out of its way.

2. Even where there is a plausible answer to why the private sector is unable or unwilling to exploit opportunities in a timely manner, four key roles for government in SME development:

   - **Policy maker** – Develop a national and regional SME policy which will identify priority sectors for SME development and address the major needs of each of those sectors, especially in financing, capacity building, and infrastructure
   - **Facilitator** – Remove obstacles, bureaucracy and market inefficiencies that inhibit SME growth
   - **Regulator** – Ensure that the competitive environment for SME growth remains strong, and that the many forces that influence their growth (government, SMEs, trading partners, etc.) contribute to that environment
   - **Coordinator** – Help align organisations (donors, NGOs, associations, etc.) that are already working to promote SMEs

Using the private sector to improve productivity in fish farming

In Bangladesh, the government traditionally sought to improve the productivity of fish farming through extension services under which public servants provided advice to farmers. Unfortunately extension service officers had few incentives for good performance and a dysfunctional working culture prevailed.

An analysis of the private sector and the incentives faced by it showed that private input suppliers (such as nurseries) had a commercial incentive to provide useful advice to farmers as a means of improving their performance and of differentiating what they did from their competitors. They were provided with information on improving client productivity which they pushed out with spectacular results. There are many similar examples where service delivery by the private sector is more effective than direct public provision.
before acting, consideration should be given to seeing whether government can act to change the incentives faced by the private sector enabling it to deliver the required goods or services. There should not be a presumption that Government is the answer; often tweaking the incentives faced by the private sector, or utilising their expertise and existing service delivery channels will deliver a more cost-effective solution.

3. Even where changed incentives will not deliver a solution, because bringing private sector experience and skills to bear on a problem being faced by an industry or sector is often critical to the development of effective solutions, a private public partnership may be a better course of action than government provision or intervention. As a result, due consideration will be given to this as a possible option.

4. As the capacity of the private sector increases, government will face a further challenge: knowing when to get out. It may be that by underwriting investment in a move up the value chain, the Government is able to reduce the uncertainty associated with that investment, enabling the private sector to confidently invest in similar projects. At this point, government should exit and not seek further involvement.

5. Creating an enabling environment is the key role of government. Other areas where government action may be warranted include:
   - Transfer of skills and knowledge;
   - Reducing uncertainty, and consequent risk;
   - Capturing externalities; and
   - Provision of public goods.
Background to the Agri-business Sector

Overview
The agricultural sector constitutes an estimated 30.6% of Afghanistan’s GDP, with around 85% of the Afghan population dependent on agriculture and agriculture related activities for their livelihoods.\(^4\)

The Ministry for Agriculture Irrigation and Livestock (MAIL) is responsible for agricultural development planning, programming, policy direction and M&E. The Ministry of Commerce and Industry and other Government partners have a role further up the value chain including co-ordinating efforts on marketing and trading of agricultural products.

Much work has already been undertaken in developing strategic priorities in this area through MAIL’s Economic Regeneration Programme. This sector Action Plan draws heavily on that document to ensure that objectives and approaches are aligned.

Sub-sectors
The agri-business sector encompasses a wide range of sub-sectors and product categories, the most prominent of which are indicated below:

\(^5\) Textile products linked to animal husbandry such as wool, cashmere, hides, leather and silk are tackled separately under the ‘Textiles Sector Action Plan’. In addition, Forest products (timber) are tackled in the Construction Material Sector Action Plan, under wood.

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<table>
<thead>
<tr>
<th>Raw produce</th>
<th>Processing and manufacturing</th>
<th>Packaging</th>
<th>Trading &amp; Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horticulture</td>
<td>Dried fruit &amp; nuts</td>
<td>Olive oil</td>
<td>• Crates</td>
</tr>
<tr>
<td>Cereals, staples and sugar crops</td>
<td>Jams, juices, sauces</td>
<td></td>
<td>• Boxes</td>
</tr>
<tr>
<td>Animal husbandry</td>
<td>Flour</td>
<td>Cakes and biscuits</td>
<td>• Jars &amp; lids</td>
</tr>
<tr>
<td>Seeds and pulses</td>
<td>Potato chips</td>
<td></td>
<td>• Tins</td>
</tr>
<tr>
<td>Spices and medicinal plants</td>
<td>Pasteurised dairy products:</td>
<td></td>
<td>• Glass &amp; plastic</td>
</tr>
<tr>
<td></td>
<td>Milk, curd, yoghurt, cheese</td>
<td></td>
<td>bottles</td>
</tr>
<tr>
<td></td>
<td>Dried meat</td>
<td></td>
<td>• Plastic wrappers</td>
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<td></td>
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<td></td>
<td>• Tetrapak,</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Sealable bags</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Labels</td>
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</tbody>
</table>

Horticulture products and spices (especially saffron) and medicinal plants present the greatest opportunities for export. However cereals, animal products (meat, dairy, fish and honey), seeds and

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\(^4\) CSO, Afghanistan Statistical Yearbook, 2008-9

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Pulses have the potential to substitute imports in a country that currently has significant unmet local demand (35% of the Afghan population do not have sufficient food to meet its energy needs)^6.

**Production**

This document will not directly address farm level issues and activities relating to yield.

Whilst sub-optimal agricultural production (in terms of both quantity and quality) has implications further up the value chain, support at the farm level is firmly within the remit of MAIL and is therefore not directly relevant to an Industrial Policy.

**Processing and packaging**

Processing and packaging agricultural products adds value to the product or products by increasing shelf-life, year round availability, flavour and attractiveness to the consumer.

However, Afghan manufacturers face a number of infrastructure challenges, including poor storage facilities^7 for agricultural inputs, an unreliable electricity supply, inefficient transport links and a lack of good packaging and labelling equipment. Moreover, there are limited production and processing skills and a shortage of business planning and management skills to be found locally.

Examples of quality packaging in Afghanistan are few, and are found almost exclusively in large scale businesses, such as Habib Gulzar’s bottling plant for Coca Cola, situated in Bagrami Industrial Park. For the most part, manufacturers and traders complain of the absence of quality packaging in Afghanistan which can damage goods in transit and lower the attractiveness of the product to the customer.

The gaps and challenges faced at this stage of the value chain result in Pakistan and other neighbouring countries capturing the value of processing and packaging; for example, 100% of medicinal plants produced in Afghanistan, are processed and packaged in Pakistan or India^8.

**Trading and Exports**

Agricultural products form the backbone of Afghanistan’s exports, representing around 90% of Afghanistan’s licit exports^9. Moreover, agricultural exports have been growing year on year since 2003, as the table below indicates:

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^6 CSO, National Risk and Vulnerability Assessment, 2007

^7 The impact of introducing appropriate storage facilities cannot be underestimated; introducing potato storage infrastructure in Bamyan, reduced losses from spoilage due to freezing from 90-95%, to just 2-5%. Interview with MAIL.

^8 Wild and Medicinal Plant Value Chain Analysis, Afghanistan, Holly Ritchie, FAO, March 2010

^9 National Agricultural Development Framework, Economic Regeneration Programme, April 2009. It should be noted that this figure includes textiles products such wool and leather, as well as carpets which are considered ‘agricultural products’ under the classification developed by MAIL.
The MOCI’s SME Strategy predicts that Afghan exports will grow at an average of 20% year on year (twice the average GDP growth)\(^\text{11}\), reaching $3.8 billion by 2016. As the chart below indicates, the combination of dried fruits, fresh fruits and medicinal plants form 43% of that growth:

**Figure 6: Potential exports by sector (2009 - 2016)**\(^\text{12}\)

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\(^\text{10}\) IMF Statistical Appendix, MOCI Internal Data. Excludes opium products, quoted in MOCI’s SME Strategy, USAID, DAI, 2009

\(^\text{11}\) This is less than export growth since 2003, to take account of the fact that early export growth was starting from a very low base.

\(^\text{12}\) MOCI, SME Strategy, USAID, DAI, 2009, derived from IMF Statistical Appendix, MOCI Internal Data, interviews with MOCI, ASMED and Harakat.
In addition to the barriers to business noted under processing and packaging, traders in agricultural products face poor market linkages owing to limited access to and use of market information. As a consequence Afghanistan has under-exploited markets in India, the Gulf and Western markets. The Ministry of Commerce will have a key role to play in this area as part of this Action Plan.

Perhaps most critically, traders face obstacles relating to corruption and excessive bureaucracy at the borders of the country – an area where both MAIL\textsuperscript{13} and Customs, under the Ministry of Finance play a role. MAIL’s Economic Regeneration Programme provides a stark view of the reality traders of agricultural products face when they interact with Customs:

\begin{quote}
“It is not uncommon for transporters to pay over $400 in “bakshish” between Kabul and Peshawar. Delays in trade can lead to loss of harvests (e.g. produce rotting in trucks) and bribes further increase already high production and trading costs, which reduces the competitiveness of Afghan produce on regional and international markets.”
\end{quote}

\textit{National Agriculture Development Framework, Economic Regeneration Programme, MAIL, April 2009}

Another important consideration for exporters is ensuring that agricultural produce from Afghanistan complies with international food safety regulations and quality standards.

MAIL, MOPH and the Universities have a role to play in controlling the quality of seeds, soil, animal feed and pharmaceuticals, agricultural chemicals and so on within the country. The Afghanistan National Standards Agency (ANSA) has a role to play when it comes to imports and exports; along with a number of non-agricultural related products, ANSA has been requested to develop standards relating to food and to build testing facilities and issue certificates in accordance with those standards.

However, there is a lack of strategic focus and co-ordination around food safety and quality control efforts in this area. Furthermore, ANSA has insufficient capacity to staff laboratories and co-ordinate inspection services, and there is no legally recognised independent certifying agency in the country. The absence of progress in this area has held back the export of Afghan products to markets in Europe, USA and the Gulf that require compliance with stringent quality standards.

**Marketing**

Afghanistan enjoys brand equity in many of its agricultural products, including a reputation for good tasting organic fruit and vegetables\textsuperscript{14}, a sound reputation in dried fruit and nuts (especially raisins), excellent quality spices and medicinal plants, and a number of naturally grown ‘super foods’, to use a marketing term from the West (pomegranates, cherries, walnuts, and so on). Exploiting this reputation through more targeted and sophisticated marketing and branding of Afghan agricultural products will be critical in increasing exports at the levels projected.

There is also an opportunity to take advantage of demand for organic produce and fair trade products in Western markets. Some inroads have already been made in this area, such as fair trade raisins being sold in the UK market.

\textsuperscript{13} MAIL is responsible for giving the clearance for moving foodstuffs into and out of the country

\textsuperscript{14}
There is potential to extend Afghanistan’s presence in the Fairtrade market, both in terms of product ranges and markets.

The Scope of the Agri-business Action Plan

Exclusions

A wide variety of factors impede businesses of all types in Afghanistan. While improvements have been made, the environment in which businesses have to operate is often poor: many government processes are overly complicated, bureaucratic and riddled with corruption; reliable supplies of electricity and water are not always available; and industrial land is in short supply. Solving these problems is critical to the success of SMEs and indeed to all businesses in Afghanistan.

For the most part, these issues are being dealt with elsewhere, in the Government of Afghanistan’s infrastructure development program, in the Ministry of Commerce and Industry’s review of the legal framework for business and in its work to streamline licensing processes. Many of the issues are province specific and will be picked up in the provincial development plans which are the companions to this and the other 6 sector strategies.

There is a broad need to formalise this and other sectors. Once again, this is, for the most part, covered in the Formalisation Strategy being developed by the Ministry of Commerce and Industry (MOCI).

Coverage

This Action Plan focuses on national issues that are specific to agri-business. In particular it looks at action to:

- Move Afghanistan up the agri-business value chain
- Improve the quality of Afghan agricultural products and manufactured food and drink products
- Improve the legal and regulatory framework
- Expand trading activities in agricultural products

The diagram below provides an overview of the issues to be covered, and the key ministries and agencies responsible for delivery:

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15 In developing approaches to introducing Afghan products into the international Fairtrade market, regional models can be explored, such as the Indian company Fabindia that now links over 40,000 craft based rural producers to modern urban markets.
Much work has already been done in the sector across a number of the priority areas, including the following initiatives:

- The Afghan NGO, WDOA, has established 10 food processing centres in Herat province, and is currently providing technical assistance to expand similar initiatives in other provinces.
- MAIL and FAO have produced a manual on small-scale fruit and vegetable processing.
- MAIL and FAO have developed simple rapid market assessment guidelines to help NGOs and communities identify local products that have good market potential.
- USAID’s ASAP (Accelerating Sustainable Agriculture Programme) has developed ‘ag depots’ which supply good quality packaging to local retailers.
- Numerous valuable lessons learnt through recent agri-business focused research and pilot projects undertaken by the Government, aid agencies and NGOs, e.g.
  - DFID’s Research into Alternative Livelihoods Fund identified innovative alternative livelihood options in specific provinces, including saffron, mint and a number of added value processing activities.
  - Parwan Dehydrates Company (DWC) set up a vegetable drying business in Parwan through RAMP (Rebuilding Agricultural Markets Programme).
- ANSA is in the process of developing food standards, and has secured funding for setting up a central laboratory for food quality control facilities.
- FAO has supported Afghanistan in becoming a member of Codex Alimentarius, including training on food safety management delivered to relevant members of the Afghan Government.
- AISA and EPAA have supported marketing training to producer organisations, ag-fairs, and promoting Afghanistan’s agricultural products internationally.
- Afghanistan has succeeded in attracting international interest in its agricultural produce, with a recent deal with Turkmenistan for Bamyan potatoes, India for Wardak apples, and potential deals with the Netherlands for Kandahari pomegranates.
## Action Plan

The table below describes a number of issues/impediments to growth faced by the agri-business industry. For each issue it sets out a policy response, identifies the government agency that is responsible for ensuring that this response occurs and sets a completion date.

<table>
<thead>
<tr>
<th>Issue</th>
<th>No.</th>
<th>Action</th>
<th>Responsible Agency</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post harvest handling and cold chains</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Limited storage capacity which increases post harvest losses and reduces volumes of produce for trading or inputs for manufactured goods</td>
<td>1</td>
<td>Review existing cold storage and cold chain facilities to identify problems and appropriate opportunities in specific localities. Conduct a feasibility study for developing cold chains to support the export of high value horticultural products (primarily grapes, pomegranates, melons and stone fruits)</td>
<td>MAIL</td>
<td>December 2011</td>
</tr>
<tr>
<td>Limited information on community-specific gaps and needs relating to cold storage</td>
<td>2</td>
<td>Establish two large fruit and vegetable storage facilities in Kabul through Public Private Partnerships (PPPs). Support the development of similar PPPs in other core urban centres such as Jalalabad, Herat and Kandahar</td>
<td>ADB, MAIL</td>
<td>December 2012</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Support local entrepreneurs to develop cold storage and cold chains independently</td>
<td>MAIL</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>In rural areas, develop improved crop-specific storage facilities, using local materials and building on existing techniques</td>
<td>MAIL, FAO</td>
<td>Ongoing</td>
</tr>
<tr>
<td><strong>Limited processing activities</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Low skills levels in agri-processing Pakistan and other neighbours capture</td>
<td>5</td>
<td>Identify processing activities with high added value and good market potential</td>
<td>MAIL, MOCI</td>
<td>October 2011</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Provide technical assistance for transfer of processing skills to existing and potential investors in this sector</td>
<td>MAIL, MOCI</td>
<td>March 2013</td>
</tr>
<tr>
<td>Issue</td>
<td>No.</td>
<td>Action</td>
<td>Responsible Agency</td>
<td>Completion Date</td>
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<tr>
<td>the value of processing</td>
<td>7</td>
<td>Expand the training activities from WDOA to include a greater number of provinces Set-up a wider network of demonstration centres, targeted towards those products identified to have high added value and good market potential</td>
<td>WDOA, MAIL</td>
<td>September 2012</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Disseminate MAIL and FAO’s manual on small-scale fruit and vegetable processing to a wider audience across the county Develop a set of accompanying manuals for other small-scale and large-scale agri-processing activities in Afghanistan</td>
<td>MAIL, FAO</td>
<td>December 2012</td>
</tr>
<tr>
<td><strong>Limited packaging activities</strong></td>
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</tr>
<tr>
<td>Product damage and spoilage through poor packaging Pakistan and other neighbours capture the value of packaging</td>
<td>9</td>
<td>Develop a strategy to incentivise more entrepreneurs to import packaging and disseminate it both at the manufacturer, wholesaler and retailer level</td>
<td>MAIL, MOCI, EPAA</td>
<td>September 2012</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Identify the specific packaging needs required to support agricultural products with the highest potential for export</td>
<td>MAIL, MOCI, EPAA</td>
<td>December 2012</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Develop standards for packing material</td>
<td>ANSA, MAIL, MOCI</td>
<td>March 2013</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Link producers, processors, traders, and local input suppliers with foreign packaging companies providing quality packaging at competitive prices When local packaging supply systems are set up, link producers, processors and traders with those Afghan packaging firms</td>
<td>MOCI, MAIL</td>
<td>March 2012</td>
</tr>
<tr>
<td>Importing packaging equipment has a negative impact on the price competitiveness of</td>
<td>13</td>
<td>Undertake a feasibility study for setting up packaging factories and recycling units in Afghanistan to supply to the local market This activity would include a cost-benefit analysis of import substitutes in packaging e.g. would local production of glass bottles for The Olive Oil Factory in Jalalabad (rather than importing from Italy) deliver sufficient returns to make the development of bottling</td>
<td>MOCI, MAIL, MOF</td>
<td>May 2012</td>
</tr>
<tr>
<td>Issue</td>
<td>No.</td>
<td>Action</td>
<td>Responsible Agency</td>
<td>Completion Date</td>
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</tr>
<tr>
<td>Afghan products facilities viable?</td>
<td>14</td>
<td>Undertake a Regulatory Impact Assessment for tariffs on imported packaging and tax breaks for companies wanting to establish packaging production in Afghanistan.</td>
<td>MOF / MOCI</td>
<td>May 2012</td>
</tr>
<tr>
<td>Technology and equipment</td>
<td></td>
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<tr>
<td>Insufficient or inappropriate technology and equipment for processing and packaging</td>
<td>15</td>
<td>Arrange visits to Pakistan for existing and potential investors to identify and import appropriate technology and equipment such as sealing machines, potato chip cutting machines, mincers, juicers, mixers, and so on</td>
<td>MOCI, MAIL</td>
<td>December 2011</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>Undertake a Regulatory Impact Assessment for relaxation of tariffs for machinery for processing activities identified to have the greatest potential for operation in Afghanistan and MAIL to provide information to MOF on priority equipment for consideration.</td>
<td>MAIL, MOF, MOCI</td>
<td>March 2012</td>
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<tr>
<td>Insufficient infrastructure for food standards</td>
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<tr>
<td>Lack of legal and regulatory frameworks for the agri-business sector, in line with international standards and regulations</td>
<td>17</td>
<td>Develop regulatory frameworks, grades and standards for food, by: <strong>Reviewing existing policy, legal and regulatory frameworks (e.g. the Standards Law) in this area, and identifying the gaps and anomalies to be addressed</strong> <strong>Developing the prioritised legislation and regulatory frameworks required to support the key agricultural sub-sectors</strong> <strong>Building the capacity of Government staff and private sector stakeholders to ensure the new legislation is understood and implemented</strong> It is critical that this activity facilitates exports to foreign markets, rather than introducing additional barriers to trade. The regulatory framework must therefore be sufficiently flexible to avoid depriving exporters of markets which require lower quality standards to be met.</td>
<td>ANSA, MAIL, MOPH</td>
<td>March 2013</td>
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<tr>
<td>Weak quality control</td>
<td>18</td>
<td>Establish streamlined and transparent food safety management, inspection and certification systems. This activity will involve the review of food standards laboratories in</td>
<td>ANSA, MOCI, Beyond</td>
<td></td>
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<tr>
<td>Issue</td>
<td>No.</td>
<td>Action</td>
<td>Responsible Agency</td>
<td>Completion Date</td>
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<tr>
<td><strong>infrastructure</strong></td>
<td></td>
<td>Laboratories are poorly equipped and staffed.</td>
<td>MAIL, MOPH</td>
<td>March 2013</td>
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<tr>
<td></td>
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<td>other countries such as Pakistan, Iran, USA, and capacity building of relevant Government staff.</td>
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<td></td>
<td>Strengthen the quality control infrastructure and capacity of food quality control laboratories. This will include:</td>
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<td></td>
<td>• Reviewing the operations of the Laboratory for Afghan Raisin and Dried Fruit and Vegetables Promotion Institute</td>
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<td></td>
<td>• Agreeing on a location, management approach and capacity building strategy for a central food laboratory in Kabul (This may include an RIA - Regulatory Impact Assessment - to ascertain whether services are best run by the Government or the private sector)</td>
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<td></td>
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<td>• Establishing quality control facilities on the borders with Iran and Pakistan</td>
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<td></td>
<td>• Training all laboratory staff on ISO: 17025 to teach technicians how to produce reliable analysis records in compliance with an accreditation authority, such as the International Laboratory Accreditation Co-operation</td>
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<td>• Identifying the process required for accreditation and developing a detailed action plan to do this</td>
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<td>• Mobilising the necessary resources to fulfil requirements of accreditation</td>
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<td><strong>Lack of understanding of quality control in the agri-business sector</strong></td>
<td>19</td>
<td>Educate producers, processors and traders on food safety and quality measures through:</td>
<td>ANSA, MOCI, MAIL, MOPH</td>
<td>December 2012</td>
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<td></td>
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<td>• Training sessions delivered to all constituents</td>
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<td></td>
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<td>• Public information campaigns on food safety and quality measures aimed at consumers</td>
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<td>Grants / loans or equity transfers made available for producers, manufacturers, traders, retailers who upgrade their equipment and practices to comply with standards e.g. providing money to the municipality to upgrade wholesale markets</td>
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<td>Action</td>
<td>Responsible Agency</td>
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| Lack of information sharing and co-ordination of marketing efforts | 20 | Collect and disseminate data through the MRRD’s network of CDCs on:  
  - Investment costs and expected returns on investments  
  - Local, regional and international market trends and demand patterns (price ranges) for specific products  
  - Price trends for agricultural products seasonally  
  This will require:  
  - Agreeing with relevant partners:  
    - Roles responsibilities within Government to avoid duplication  
    - Scope and frequency of data gathering  
    - Data gathering and processing methodologies  
    - Reporting formats  
  - Compiling existing information into a single database  
  - Mobilising financial and human resources to deliver on these information needs  
  - Building capacity of relevant statistics departments to gather, analyse and manage the data | MAIL (FAAHM), MOCI, AISA | September 2012 |
| No mechanism for traders to set market prices for exports | 21 | Utilise international price trend data to develop appropriate market prices for Afghanistan’s agricultural produce sold in volume to overseas markets e.g. for the recent deal with Turkmenistan for Bamyan potatoes  
  Build capacity within MAIL to support traders and co-operatives negotiating prices for large scale sales to international buyers | MAIL, MOCI | May 2012 |
| Poor market linkages | 22 | Continue the work of ASAP’s Agri-business Brokerage Centres | ASAP, MAIL | Ongoing |

16 For a more detailed outline of activities in this area, the Ministry of Commerce and Industry is developing a Trade Policy to be completed by the end of 2011, and an accompanying Trade Strategy to be completed in 2012.
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</table>
| 23    |     | Increase participation of Afghan producers and traders in international trade fairs by:  
- Organising regional ag-fairs in country  
- Providing grants or loans to allow Afghan producers and traders to attend international ag-fairs | MAIL, EPAA, MOCI | Ongoing |
| 24    |     | Set Up Agricultural Facilitation offices in key trading locations  
- Delhi and Dubai have been identified by MAIL as the preferred pilot locations | MAIL, MOCI (commercial attachés) | December 2012 |

**Trade policy and Customs**

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| 25    |     | Conduct a study to determine and identify agriculture products that have a competitive edge in the local, regional and international markets  
Establish tariffs that foster growth in certain Afghan agricultural products but that, in accordance with the Industrial Policy Statement, do not jeopardise the long term competitiveness of Afghan products regionally or internationally  
Assess options for incentivising manufacturers of agricultural products e.g. tax free imports on agri-processing equipment or packaging materials  
Develop a strategy to expand the number of Afghanistan’s trading partners | MOCI, MOF, MAIL | May 2012 |
| 26    |     | Streamline complex registration and certification processes  
Develop a strategy to tackle the persistent problem of bribery along trade routes and at customs | MOF, TAFA (USAID), MOCI, EPAA, HOO | December 2012 |

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17 As above, for a more detailed outline of activities in this area, the Ministry of Commerce and Industry is developing a Trade Policy to be completed by the end of 2011, and an accompanying Trade Strategy to be completed in 2012.
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<tr>
<td>Ministries</td>
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<td><strong>Transit and Transport</strong></td>
<td>27</td>
<td>Identify major transport bottlenecks in the development of local value chains and develop a strategy to respond to these constraints. Develop a strategy to link producers, processors and investors to traders and transport providers.</td>
<td>MAIL, MRRD, Ministry of Public Works, NRAP, MOCI, MOTCHA, CARD</td>
<td>September 2012</td>
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<td>Inadequate transport facilities and poor road access present a major bottleneck for input supply distribution</td>
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<td><strong>Marketing and Branding</strong></td>
<td>28</td>
<td>Support the development and promotion of a national brand for Afghan agricultural exports, with specific sub-brands for high value products that target niche markets such as saffron (N.B. USAID is currently developing plans to set up a National Brand Agency that could lead this initiative).</td>
<td>EPAA, MOCI, ASMED, ASAP</td>
<td>March 2012</td>
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<td>Under-exploited brand equity of ‘Afghan agricultural products’</td>
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<td>29 Target organic and fair trade markets more vigorously, linking this to the umbrella brand established for Afghan agricultural products</td>
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<td>EPAA, AISA, MOCI</td>
<td>September 2012</td>
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