Wheat price increase and urban programming in Afghanistan, January 2008

Rapid assessment mission report

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Kabul
February 5, 2008

Content

Executive Summary

Over the past 12 months, the prices of staple foods in Afghanistan have increased markedly. The most important staple, wheat flour, has seen an average price rise throughout the country at a rate of nearly 60 percent, with some regions even exceeding this amount. This has caused considerable hardship for poor Afghans, particularly for those who depend on the market as their main source of food and have a high dependency on daily labour for their income; wage rates for which have essentially remained unchanged.

WFP Vulnerability Analysis and Mapping, together with the Ministry of Agriculture, analyzed NRVA[1] data from 2005 and spring 2007, and estimated that some 2.5 million additional individuals may be in need of food assistance until June 2008 (1.4 million in rural areas and 1.14 million in urban areas). A joint UN Flash Appeal was launched together with UNICEF and WHO to respond to the imminent emergency situation caused by the unexpected and unprecedented price increases.

This mission report presents the findings of additional information collected in the urban centres with the following objectives :

- Assessing the impact of high market prices at household level in urban centres: what coping strategies are used and what impact this has on livelihoods and household members health and nutritional status;
- Determining who in the urban areas have become more vulnerable due to price increases and consequently define best response options ; and
- Recommending operational targeting criteria.

Meetings with stakeholders and key informants were held in addition to the collection of primary data through focus group discussions, household interviews and trader interviews.

<u>RESULTS</u>

The results show a changing trend in main **income sources**. Casual labour, as well as handicraft and begging, has become more important this winter reported from the four assessment urban centres, with the latter was not mentioned at all as a main income source in December 2006. These findings were further confirmed by the qualitative information gathered through focus groups. Due to the increased importance in casual labour amongst households this winter the supply of labour is higher than the demand; hence there has been a six percent reduction in nominal terms (-22 percent in real terms) in the average daily casual wage. Both household interviews and focus group discussions revealed that the most important **source of food** in the urban areas is the market. A second source is often not available but those households who reported a second source mentioned borrowing food ; specifically bread, oil and sugar.

There has been a remarkable change in **food access** in the urban areas since December 2006 .Twenty-nine percent of households suffer from severe food access problems (spending more than 80 percent of their income on food); this is compared to only two percent in the winter of 2006. This confirms that the deterioration of the food security situation is caused mainly by increases in wheat prices.

There is also a shift in the **food consumption score** now as compared to December 2006: a 16 percentage point increase in the category of households with poor food consumption this winter can be compared against the same period one year ago.

The current food security situation is mainly an access problem at household level rather than an availability problem; however, food availability in Afghanistan could potentially worsen should commercial imports from Pakistan remain banned.

The urgency for intervention greatly reduces the set of response options to be considered. Indeed, more inovative projects require more planning and also, to a larger extent, strong commitment from partners who then would also have to change their own priorities and invest more in staffing, leading to additional costs. Although alternative interventions might be appropriate in this particular situation, the capacity and timing put limitations to what is realistic.

The situation in urban areas in Afghanistan this winter certainly results from an unfortunate combination of a poorer labour market and a high vulnerability to soaring food prices on the other.

[1] National Risk and Vulnerability Assessment

RECOMMENDATIONS

Short-term

- Free Food Distribution of wheat flour is found to be the most feasible and realistic intervention at the present time. The recommended targeting criteria are:
    1. Female-headed households and/or;
    2. Disabled head of households with unreliable income sources and/or;
    3. Poor large households with nine family members or more, who have only one income-earner and/or;
    4. Poor, recently deported households from Iran in some locations, such as Herat.

- An Environmental project to create a green belt around urban centres could represent Food for Work opportunities as of March 2008 should additional funding be available for non-food items needed to ensure successful implementation of the projects. It is, however, not clear to the mission how many job opportunities this project could generate and for how long. Further discussions with the GAIN team could help identify project expansions as well as new schemes.

- Close monitoring of food prices and cross-border trade incentives (and policies) from Pakistan and Central Asia would be the key to understanding the deterioration or the improvement of the food security situation.

Mid-term .

- It is recommended that WFP focuses a greater deal of the analysis of NRVA 2007/2008 on the urban population included in the survey in order to be better prepared for next autumn/winter season should food access still be a problem. It would assist WFP in justifying a decision for intervention.

Should food security monitoring data show a shift in food security situation in urban areas which might justify a WFP intervention longer than four months then the bakery support project should be seriously looked into again. Both cash/vouchers would be appropriate and it is recommended that the Afghanistan Country Office begin to contact previous partners who might be interested in order to investigate how the bakery project could be restarted and what that means for staffing level and additional costs.

Long-term

- With the poor health and nutrition data in mind WFP should consider a partnership with UNICEF in Mother and Child Nutrition (MCN) interventions. Currently Therapeutic Feeding programmes are operational at the provincial hospitals and ACF together with SCF-UK will pilot Community Based Therapeutic (CTCs) as the default rate in the Therapeutic Feeding Units is very high. It is a well established fact that the impact of therapeutic care in the absence of a supplementary feeding programme is limited. Having a programme that complements the treatment of severely malnourished children and prevents children from becoming so should be considered by WFP. A blanket programme for all pregnant, lactating women and children under two years of age is recommended.

- As shown in the food consumption section, intake of micronutrients is low, at least during the winter months. WFP could thus consider distribution of micronutrient powders (sprinkles) to the same beneficiaries as mentioned above, in partnership with UNICEF and WHO and INGOs involved in n utrition.

- A stronger food policy strategy is needed in Afghanistan including trade and markets considerations as well as nutrition ones. This could help prevent emergency situations occurring due to further price increases. Wheat reserves establishment, setting of tariffs as well as addressing chronic malnutrition are all crucial stakes for Afghanistan on its way to development. WFP could be a relevant partner and have a capacity building role in the formulation of such a strategy. A high level technical mission jointly with FAO is recommended to support GoA in this regard.

1. Background

Afghanistan has experienced decades of turmoil, insecurity and destruction and has one of the worst development indicators in the world. Apart from man made armed conflicts, the country experienced 57 large scale disasters from 1970 to 2000 with estimated number of killed close to 20,000 and affected more than three million people.[2] In the Hindukush Mountains the earthquakes of magnitude close to four on the Richter scale occur every week or two. The main river in Afghanistan, Amu Darya causes the floods almost every year. Afghanistan is also often a victim of drought: according to the Asian Development Bank (ADB), localized droughts occur almost every three to five years. Extreme winters often cause the loss of human lives and periodical locust attacks damage harvests. Faced with regularly occurring natural disaster, many vulnerable households activate immediate coping strategies such as selling of assets, including land and livestock, children are taken out of school to work, many pre-pubescent girls are married off and many young men migrate in search of work.

The age groups breakdown of the Afghan population reveals that Afghanistan has one of the largest child populations and the smallest proportion of working age[3] populations in the world. In 2005, the child dependency ratio was 8.95 persons per 10 working age persons and old-age dependency ratio was 0.76 persons per 10 working age persons. Therefore, the total age dependency ratio was 9.71 persons per 10 working age population, illustrating the high vulnerability of Afghan families.

Almost 40 percent of the Afghan adult population is unemployed. Due to low salaries, even a large number of those employed fall into category of "working poor". This is more characteristic for women whose salaries are even lower[4]. According to UNICEF, poverty, lack of educational opportunities and the demand for cheap labour are helping to fuel the prevalence of child labour across Afghanistan. Nearly one quarter of Afghan children between the ages of seven and 14 are working, and the problem is worse in rural areas.[5]

A recent poverty analysis carried out by the World Bank show that poverty is more widespread among the rural poor and Kuchis (nomads). However, latest studies on the urban livelihoods indicate rising poverty among the urban poor. According to the NRVA 2005 (National Risk and Vulnerability Assessment), a large number of people (20 percent) were concentrated close to the poverty lne indicating high vulnerability. Even small shocks to consumption could result in further poverty increases.

Estimates of poverty headcount rates and the food insecurity index in Spring 2007

In percentage	Food poverty	CBN poverty (cost of Basic Needs)	Food insecurity index
Spring 2007			
Kuchi *(Nomads)*	40	45	39
Rural	45	45	39
Urban	41	27	37
National	45	42	39

Source: The World Bank based on the spring 2007 survey

Afghanistan also has an internally displaced population (IDP). Due to insecurity, natural disasters and forceful repatriation, most of the IDPs and returnees migrate to cities, increasing urban poverty. Growing migrations to cities, job insecurity, indebtedness and the collapse of traditional safety nets push many urban households into poverty, leading to higher number of homeless, as well as elderly and mentally disabled without family support. Female-headed households in urban areas have very limited income opportunities and are regarded amongst the most vulnerable.

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[2] Afghanistan, National Disaster Management Plan, Transitional Islamic State of Afghanistan, December 2003

[3] Working age group is 15-64 years.

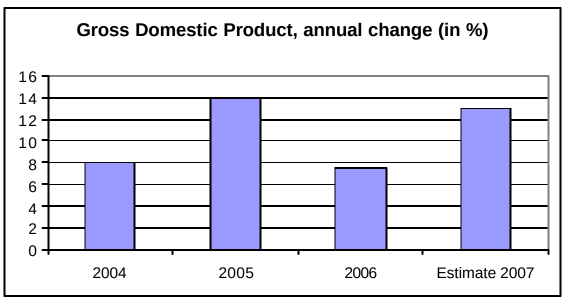
[4] According to the NRVA 2003, ***wage ratios (women/men)*** are 51 percent for planting, 61 percent for harvesting, and 50 percent for other farm work. In the case of non-farm activities, the wages paid to women for making handicrafts is only 41 percent of men's wage, and for weaving, the ratio is 53 percent.

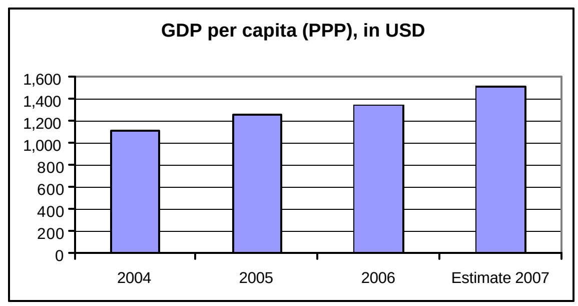
[5] Women And Men in Afghanistan: A handbook on baseline statistics on gender, MoWA, August 2007

In 2007 alone, more than 40,000 people were forcefully deported from Iran (not IDPs), and some 239,000 people were voluntarily repatriated from refugee camps in Pakistan. Many of these households end up in IDP camps or in urban areas looking for jobs[6].

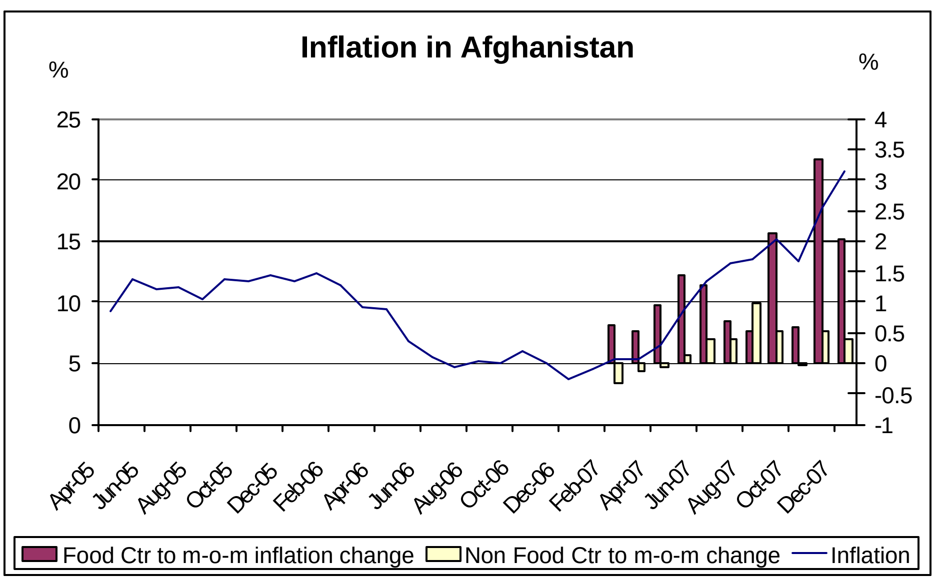
1.1. Recent Economic Background

In 2006, the agricultural sector, representing about a third of licit[7] GDP, was hit by another drought. While continued expansion in construction and services partly compensated for this decline, overall GDP growth for the year was expected to reach only about eight percent, or well below the 12 percent expected in the Poverty Reduction and Growth Facility program with the International Monetary Fund (IMF). Wheat imports lessened the impact of the drought on food prices. In 2007, growth estimates stand at 13 percent. In December 2007, year-on-year inflation registered by the consumer price index for Kabul and five other cities increased to 20.6 percent, largely driven by food inflation as well as a further acceleration in energy prices and rents in the capital. The exchange rate showed continued stability, fluctuating at AF49.73-50.65/US$1 over calendar year 2007. The large foreign exchange inflows have made the currency relatively strong and, given the lack of productivity improvement in the economy, has harmed external competitiveness.





Source: IMF



Source: CSO. The inflation reads on the left axis and the contributions to monthly changes to the right one.

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[6] UNHCR monthly deport December 2007.

[7] According to estimates of the United Nations Office on Drugs and Crime (UNODC), total opium cultivation in 2006 increased by 59 percent and production by 49 percent. Afghanistan now produces 6,100 tons, equivalent to 92 percent of total global supply.

Since the Paris Club rescheduling agreement of July 2006, the Government has been finalizing outstanding bilateral issues and agreements. An agreement with the United States was signed in September 2006 and agreements with the Russian Federation, the largest creditor, and Germany are expected to be signed. Afghanistan benefited from the Heavily Indebted Poor Countries initiative this year. Growth prospects for the medium term hinge on the security situation. Overall physical security has deteriorated significantly over the past year, with antigovernment and anti-Coalition forces stepping up attacks, particularly in the south and east. Suicide attacks increased many-fold. Army and police forces, government employees, and aid workers have all been targeted. Less bloody, but still important for the long-term socioeconomic development of the country, are insecurity of contract, property, and land-tenure rights. The substantial security costs, now largely paid for by other nations, will remain outside the Government's capacity for a long while. The authorities will also have to deal with uncertainties about non-military donor commitments, including the funding of development projects' operating expenditures (currently covered by donors), and salary pressures [8].

Afghanistan is facing huge development challenges. Despite impressive growth, and a solid track record of macroeconomic policy and structural reforms, the current reconstruction-related drivers are unlikely to sustain growth, create employment, or reduce poverty over the medium term. One of the Government's main priorities is to improve the enabling environment for the private sector and to encourage trade. An estimated 80-90 percent of economic activity is in the informal sector due to political uncertainty, the lack of the rule of law, inefficient business registration procedures, and the tax regime. Entrepreneurs in the informal sector typically remain small, avoiding investments in productive assets or technology that would enable them to achieve economies of scale or to move into higher value-added activities.

1.2. Background of the Assessment

During the past 12 months the price of staple foods in Afghanistan has increased dramatically as indicated above. The most important staple, wheat flour, has seen an average price rise throughout the country of nearly 60 percent, with some important centres exceeding this. This has caused considerable hardship for poor Afghans, particular those depending on the market as their main source of food in combination with a high dependency on daily labour for their income, which wage rates have essentially remained unchanged.

The Government of Afghanistan requested in January 2008 additional assistance from WFP to provide food aid to vulnerable households in response to the surging market prices partly caused by the nearly doubling of international wheat prices over the past year, largely driven by unprecedented demand in some Asian countries, a poor wheat harvest in Australia, less wheat flour imports from Pakistan due to restrictions on exports imposed by Pakistan authorities, higher transportation costs globally due to the considerable increase in fuel prices as well as transportation difficulties within Afghanistan due to worsening security conditions in some locations.

WFP-VAM together with Ministry of Agriculture analyzed NRVA [9] data from 2005 and spring 2007 and estimated that some 2.5 million additional individuals may be in need of food assistance until June 2008 (1.4 million in rural areas and 1.14 million in urban areas). This analysis identified also the locations for interventions. A joint UN Flash Appeal was launched together with UNICEF and WHO to respond to the imminent emergency caused by the sudden price increase.

A budget revision for WFP Protracted Relief and Recovery Operation (PRRO 10427.0) was consequently done by the WFP Country Office to firstly absorb the additional caseload in the rural areas as WFP has multiple projects there and thus have an already functioning mechanism for targeting and distribution.

The urban areas are however more complex as WFP does not have ongoing projects in such locations. This mission was hence tasked to assess the urban households coping strategies in regards to the wheat price increase and to identify what type of households were affected the most, beyond the capacity to sustain for themselves until next summer (June 2008).

In combination with the price increases, Afghanistan is one of many countries in southern and central Asia that has been suffering extreme cold and snow throughout January 2008. Large numbers of livestock are

[8] South Asia: Islamic Republic of Afghanistan Outlook, Asian Development Bank (2007)

[9] National Risk and Vulnerability Assessment

reported to have died, and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) reported on January 22 that more than 300 people have died in parts of the country, Herat in particular.

1.3. Objectives

The mission objectives can briefly be summarized as below:

- Assessing the impact of high market prices at household level in urban centres: what coping strategies are used and what affect this have on livelihoods and household members health and nutritional status;
- Determining who in the urban areas have become most vulnerable due to price increases and consequently define best response options; and
- Recommend feasable targeting criteria and cooperative partners.

1.4. Methodology

In order to capture the impact of the current price increases on the urban poor a number of methods were used. The team reviewed fresh secondary data, met with stakeholders and key informants (see Annex 1) and carried out some rapid primary data collection in four of the seven urban centres identified by VAM as extra vulnerable[10]. The primary data collection comprised both qualitative and quantitative data collection methods. Eight focus group discussions with men and women separately were carried out in Mazari-Sharif and Kabul with nearly one hundred participants in total.

An additional 100 household interviews were held in Kabul, Mazari-Sharif, Jalalabad and Herat. The Household interviews used a simplified and shortened questionnaire based on the NRVA 2005 and following food security monitoring questionnaire. The enumerators (25 in total and five in each centre) were the same that have been used before thus were well familiar with the questionnaire and hence no additional training was required. The slightly amended questionnaire was sent directly in their locations. Twenty-five households were randomly selected in five randomly selected districts in each of the four urban centres. This data were then compared with the third Food Security Monitoring round (December 2006) from the seven urban areas selected by VAM to capture any changes that have occurred do to the price increase rather than the seasonal winter impact.

Some twenty-five traders, mostly wholesalers, were also interviewed in the same four urban locations to capture any changes as well as possible responses in trade soaring food prices as well as Pakistani border closure might have triggered.

1.5. Health and Nutrition

Afghanistan is classified as the third worst country in the world in UNICEF's State of the World Child Report 2008. Afghanistan has, for example, one of the lowest life expectancies in the world. In 2002, life expectancy was 44 years for Afghan women and 45 years for Afghan men.[11]. The top ten causes of death are related to perinatal conditions. Unlike in most developing countries, the life expectancy for women is shorter than that of men. This could be attributed to early age pregnancy and frequent pregnancies, as well as to poor access to health care services. Afghan women suffer from one of the highest maternal mortality rate in the world. Overall maternal mortality rate is estimated at 1,600 to 1,900 deaths per 100,000 live births. Afghanistan has a very high infant mortality rate, which is placed at 140 per 1,000 live births in 2003[12]. The infant mortality rate for children under five is also high: in 2003[13] it was around 230 per 1,000 live births and the fertility rate is 7.8 .

Malnutrition rates used for Afghanistan indicate that more than one in two children is malnourished. Fifty-five percent suffer from chronic malnutrition (weight-for-age) and seven percent from acute malnutrition (weight-for-height). It is believed though that the figure used for acute malnutrition is under estimated as

[10] Mazari-Sharif, Lashkarah, Hirat, Kabul, Kandahar, Kunduz and Jalalabad
[11] Women and Men in Afghanistan: A handbook on baseline statistics on gender
[12] Afghanistan MDG Report 2005, UNICEF estimate.
[13] Afghanistan MDG Report 2005, UNICEF estimate.

the national survey in 2004 did not include large areas that were inaccessible. Surveillance data from 2005, 2006 and half of 2007 show a relatively stable trend as do data from 33 Therapeutic Feeding Units supported by UNICEF. Growth monitoring in the Health clinics are using weight/height or MUAC as age of the child is often unknown.

Updated monitoring data for the last quarter of 2007 in terms of health and nutrition surveillance was not available at the time of the mission so the potential physiological impact of the wheat price increase and consequently reduced food intake cannot be shown. However, the hypothesis that it has or will affect vulnerable groups' health and nutrition status is strong and concurred by health professionals met during the mission.

The World Bank has done some further analysis through a food consumption survey in spring 2007. The comparison across summer 2005 and spring 2007 shows a changing consumption pattern that is suggestive of seasonality. While the food consumption statistics suggest that the total calorie intake during spring is lower than in summer, it became evident that households also shift to cheaper calories in spring. For example, households consume less of expensive items such as meats, but seek other protein sources such as pulses that can be stored during winter. Also, during the lean season in spring, households tend to use vegetables that are richer in calories. The focus on cereals, the main source of energy, also increases slightly.

Comparing consumption patterns across urban, rural, and kuchi households confirmed that urban households were better-off and have more buffers to switch their consumption than do rural or kuchi households. Urban households cut more on meat and fruits in the lean season as a percentage of their overall caloric intakes, while rural and kuchi households' intake of meat barely changes. Rural and kuchi households, on the other hand, increase their pulse consumption dramatically. An analysis of micronutrients has not been done despite a fairly comprehensive food consumption survey.

1.6. Gender issues

The vast majority of women do not participate in economic activities making them highly dependant on their husbands or families. Despite this, women, especially in rural areas, actively contribute to the family income by being engaged in agriculture and livestock activities. Nevertheless, the gender gap remains large: the literacy rate among women is much lower (19 percent) than for men (40 percent). Net primary enrolment rate for girls (aged 6-9) is around 21 percent while much higher for the boys (28 percent). Due to both lack of education and employment female household headedness is closely correlated with the high incidence of poverty.

Despite a forbidding legislation, some 57 percent of girls are married before the age of sixteen[14]. The NRVA 2005 suggests that several thousands of girls in Afghanistan were married as early as 10 years old. Early marriage of girls, and consequently, early pregnancy, put women under high risk. Widespread poverty, the lack of effective safety nets, and the absence of a pension system, makes the elderly highly vulnerable.

According to the NRVA 2003, wage ratios (women/men) are 51 percent for planting, 61 percent for harvesting, and 50 percent for other farm work. In the case of non-farm activities, the wage paid to women for making handicrafts is only 41 percent of that paid to men, and for weaving, the ratio is 53 percent.

1.7. Limitations

The urgency of the mission influenced greatly the time available for verification and additional data collection. The 100 household interviews in urban areas are the absolute minimum recommended for a rapid assessment[15] when the impact of the shock/crisis is broadly the same in all geographic areas that are being assessed. The households were randomly selected by experienced enumerators however confidence of representation is thus lower than with larger sample size. The mission has however triangulated data and information through qualitative focus group discussions and meetings with stakeholders and key informants to minimise errors and feel confident in the quality of data that was collected in a very short time.

[14] UN OCHA Integrated Regional Information Network (IRIN), Afghanistan, quoted by Interim National Action Plan for the Women of Afghanistan (I-NAPWA), March 2006.
[15] WFP's EFSA Handbook, table 10H.

The security situation in Afghanistan limited the mission's interaction with affected household and interviews could only be collected in four of the seven urban areas identified in the flash appeal as having needs for food assistance. Experienced staff for focus group discussions could only be found in two area offices.

2 Results

This section sums up the emerging findings of the mission, based on primary data collection and reviewed secondary information.

2.1. Food Availability and Markets

The Afghan wheat and wheat flour markets have been extensively studied over the past years. Chabot and Dorosh[16], as well as a recent study from FEWSNET and WFP [17], both give a rich baseline to understand the current food markets situation in Afghanistan. The section below summarized the findings and lays the emphasis on what changes have been captured by the mission.
Food availability situation has been fairing better in Afghanistan over the past year through increased production (see table below). However, 77 percent of all the wheat produced remained in the households for domestic consumption or for later sale. Also, more than half of this wheat exchanged from the farm is exchanged outside of the markets (share cropping, land rent and other obligations such as religious taxes). The proportion of wheat produced exchanged through the market is minimal. Different supply-side interventions are ongoing supported by the Ministry of Agriculture and FAO but dependence on commercial imports still drives availability.

(In thousands MT)	2000	2001	2002	2003	2004	2005	2006	2007*
National production	1469	1597	2686	4362	2293	4266	3363	4000
Commercial imports	650	908	500	300	1300	347	1096	900
Food aid	239	312	360	250	412	197	115	100
Total Imports	889	1220	860	550	1712	544	1211	1000
Total Availability	3247	4037	4406	5462	5717	5354	5785	6000

Source: MoA
* Still estimates

The current availability situation is not of great concern (see price analysis below for further details) *but* a rapid look at the main trade partner for private imports and in-kind food aid countries of origin stresses the importance of the Pakistani wheat and wheat flour. The Pakistani border closure threatens the country overall availability, if Northern routes cannot supply enough and/or smuggling results in disincentives (transport costs, risks).

	In thousands MT		In percent	
	2005/06	2006/07	2005/06	2006/07
Flour				
Pakistan	215	428	58%	62%
Uzbekistan	112	134	30%	19%
Kazakhstan	24	94	6%	14%
Russia	10	10	3%	1%

16 Chabot P. and P. Dorosh (2007), Wheat markets, food aid and food security in Afghanistan, Food Policy 32
17 Northern Wheat Trader Survey and Food Security in Afghanistan, FEWSNET and WFP, August 2007

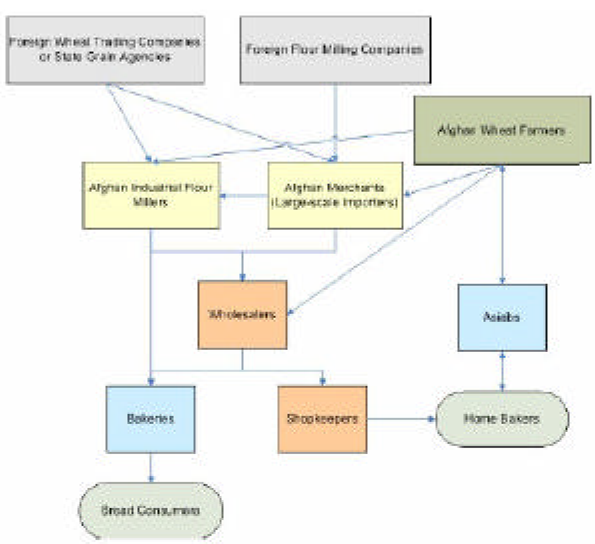
Iran	4	3	1%	0%
USA	1	20	0%	3%
Others	3	4	1%	1%
TOTAL	370	694		
Wheat				
Pakistan	36	43	44%	46%
USA	26	6	32%	6%
Kazakhstan	10	12	12%	13%
Uzbekistan	8	30	10%	32%
Others	10	1	12%	1%
TOTAL	82	93		
Total Wheat Equivalent	526	925		

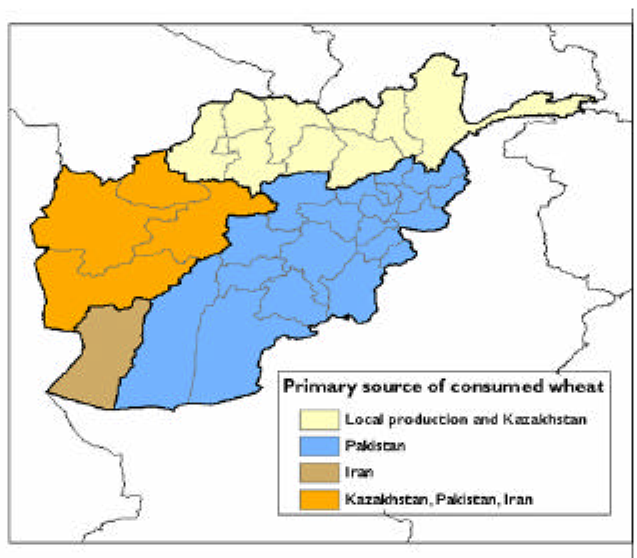
Source: Customs Department. Includes both commercial and food aid.

The industrial milling sector remains very small and there are few signs of growth. There are thousands of very small artisan mills known as chakkis or asiabs which can turn out a crude type of flour. These mills provide flour for the great majority of the population, particularly in rural areas and among the poorest segments in towns and cities. Therefore, Afghanistan experiences the vicious re-importing syndrome for its wheat.

Market Characteristics and Networks

The marketing chain below is extracted from the August 2007 reports on wheat and wheat flour markets in Afghanistan by FEWSNET and WFP. The discussion with millers, cross-border traders, wholesalers and retailers confirmed a non disruption of the m arketing channels due to price hikes. The only weaker linkage is from the Afghan wheat farmers outlets but it is mostly imputable to the winter season.





Commodity Flows

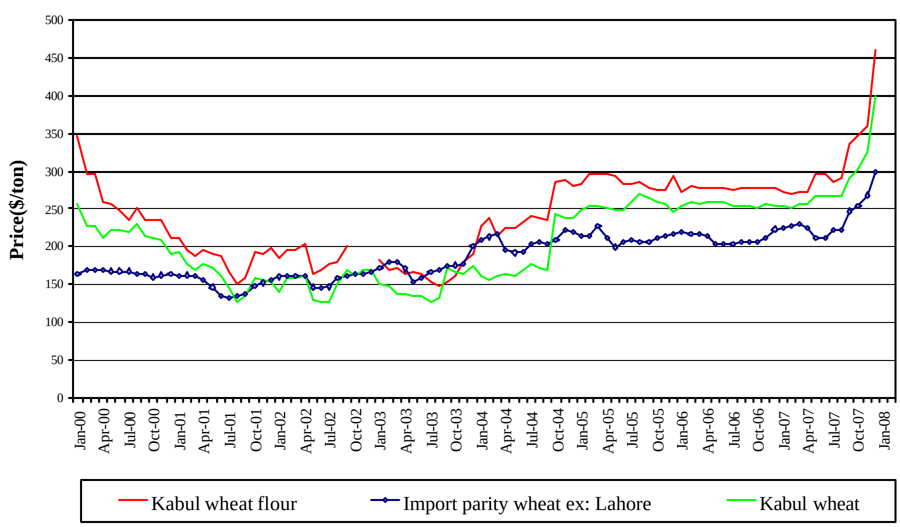
Food markets in Afghanistan have to be thought as three major basins relatively well integrated. The map above sums up the actual in-flows to face the country's food deficit situation.

The traders interviewed all mentioned the reviving of trade routes between those basins, namely the Northern partners' inflow s now going up to Kabul to cover food needs. Transportation costs (from WFP) are not (if the weather conditions are good enough) obstructing flows and market integration between the main urban centres.

A more secure way to understand the current situation and to avoid anecdotal statement is to look at prices. Given the short-time for the analysis and the focus on Kabul and Pakistan instability, further analysis on the Northern part of the country has not been carried out. Pakistan being the main exporter to Afghanistan and therefore driving up prices, as well as Kabul population concentration gives a good rationale for that. The graph below supports this approach. When looking closely at the price determinants in Afghanistan (through Kabul wholesale prices), one could see that wheat flour prices have gone up in line with Pakistan wholesale (and import parity) wheat grain prices: thus, Afghanistan prices through November 2007 were still being driven up by Pakistan import parity via Pakistan wholesale markets. Indeed, Pakistan prices rose steeply in September 2007 along with world prices, though beginning in August they were significantly below export parity levels. Thus, although the earlier more gradual price rise can be attributed to a rise in the world export price, it appears likely that since August/September, there have been restrictions on export volumes that have kept Pakistan prices from rising as fast as world prices. Nonetheless, Pakistan prices have risen sharply in recent months suggesting that other domestic factors (price expectations, some previously unexpected supply shock, perhaps related to expected harvest for April 2008, a limited volume of continued exports to international markets are all plausible reasons) are playing an important role.

The announced policy change by the Government of Pakistan in January 2008 regarding banning of private sector exports to Afghanistan adds much uncertainty to both the quantities and prices of future imports by Afghanistan. The upper bound situation for Afghan prices (Import Parity Pakistan) is therefore very much at stake and intense monitoring of trade policies and prices is of utmost importance.

Wheat, Wheat Flour Wholesale Prices and Import Parity Pakistan in Kabul



The tariff cancellation for private imports decided by the government should stimulate flows from the North and diminish the risks of lack of availability. Though, route changes inertia and Pakistan's major role in the Afghan wheat market are still major threats.

From the mission data collection, traders interviewed, mostly wholesalers stated a decline in traded food volume from 20 percent over the last three months, to 40 percent compared to last year's average weekly traded volume. Buying and selling prices having surged by 25 percent on average. Among main reasons for change mentioned by traders in the different urban centres, usual ones include high transportation costs (90 percent of traders interviewed), border policies (40 percent), and lack of availability (37 percent). This new situation nevertheless raised a new limitation to trade: high commodity prices (reducing purchase power as well as sales), claimed by more than 90 percent of interviewed traders. Along with the fiercer contribution of border policies (also 90 percent) in restrictions incurred to trade routes and mechanisms, market response capacity becomes crucial if the export ban from Pakistan remains.

Domestic Market Regulations and the Tax System

All traders interviewed mention taxes and border policies being major constraints to trade. In late January 2008, the government announced an urge not to hoard stocks to smoothen prices in Afghanistan.

Credit Availability and Access

Traders interviewed unanimously stressed the lack of access to credit and the recent pressure not to extend credits to customers (for retailers as well as wholesalers) to ensure payments. Market interventions should therefore be channelled to lessen the fiscal burden and facilitate access to credit, in obedience to the Islamic law forbidding profit income. A tenser situation is experienced and risk transferred to vulnerable households.

2.2. Food Access

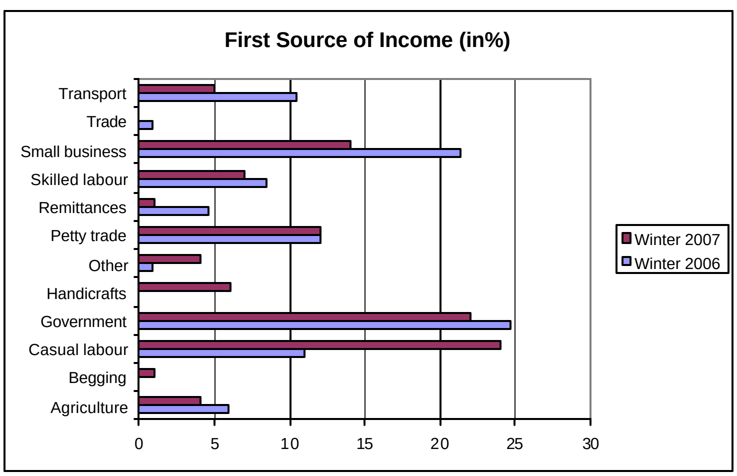
The main cause of food insecurity in the context of soaring food prices is often to be found in food access. Decreasing purchasing power and the inability to afford a quality diet are serious threats to vulnerable households. This type of vulnerability is particularly the case in urban centres, where dependence on markets is high.

Market Performance and Food Access

The main constraints usually faced by traders and newly faced by traders were collected in four urban centres, showing the main impediments to performing markets in Afghanistan. Security is a minor factor for traders. They mostly underline availability and prices (for almost all), secondly transport costs and road conditions (especially in winter), for 80 percent, taxes and cross-border trade disincentives (for three-fourths) and enforcement of contracts and lack of credit access (for half) as the major negative contributor to trade. In the new set of constraints, a fiercer price-effect through the very low purchasing power of consumers (answer given by 50 percent as one of the new constraints) is notable.
Margin responsiveness to price hikes is very low (gross margins decreased by less than five percent while prices increased by 25 percent).

Income Sources

Even though the sample was small in the rapid data collection/verification in January 2008 it does however show a changing trend in main income sources. Casual labour has become more important this winter as well as handicraft and begging in the four urban centres included in the mission's verification exercise. These findings were further confirmed by the qualitative discussions with focus groups. Begging, for example, was not mentioned at all as a main income source in December 2006.



Source: FSMS (3rd) and Mission data

There have been some further important changes since last winter, as shown in the table to the right. Due to the increased importance in casual labour amongst households this winter the supply of labour is higher than the demand; hence a six percent reduction in nominal terms (-22 percent in real terms) in the average daily casual wage. Remittances have decreased slightly and could be explained by the fact that prices have also increased in neighbouring countries where the family member works, making it more difficult to send home the same amount. Note that begging on average gives 50 Afs/day.

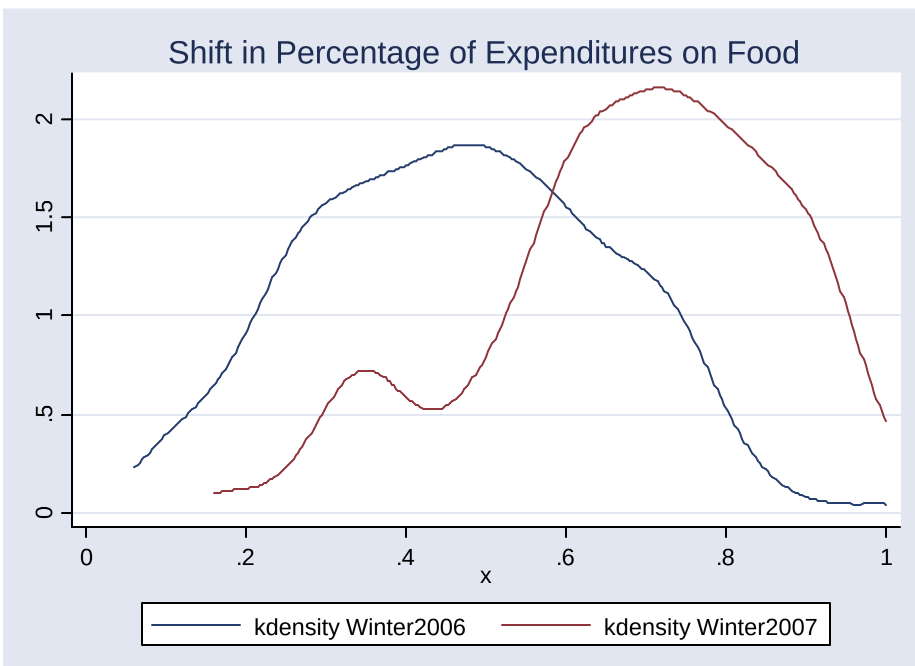
In Afs	Dec-06	Jan-08	Variation
Avg. Daily Wage	**188.1** (119.1)*	**213.6** (159.3)	**14%**
Per activity			
Agriculture **	145.7	419.2	188%
Begging		50.0	
Casual labour	**176.2**	**165.0**	**-6%**
Government	128.3	194.7	52%
Handicrafts		291.7	
Other	150.0	107.5	-28%
Petty trade	196.1	249.8	27%
Remittances	198.3	150.0	-24%
Skilled labour	320.4	300.0	-6%
Small business	200.6	196.2	-2%
Trade	283.3		
Transport	209.8	244.0	16%

* The standard deviation is in brackets
** Not significant (Small sample size)

Source: FSMS (3rd) and Mission data

Expenditures and Food Purchases/ Purchasing power

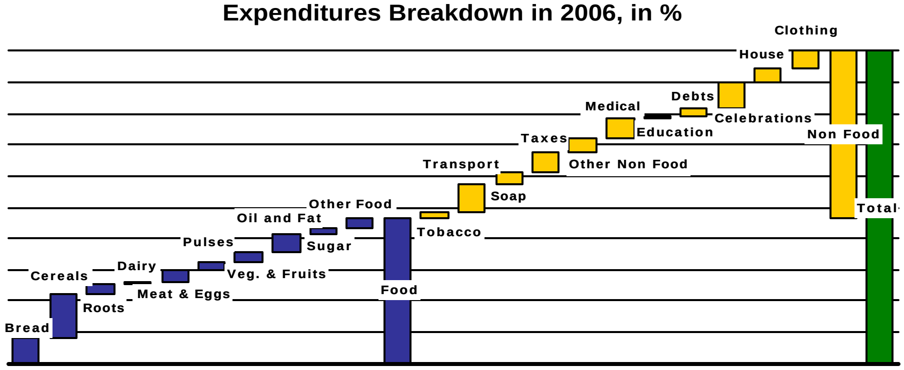
Including Focus Group Discussion data, the percentage of expenditures on food 'shifts' to a higher vulnerability level, with a faction of households (30 percent) spending more than 80 percent of their income on food today.



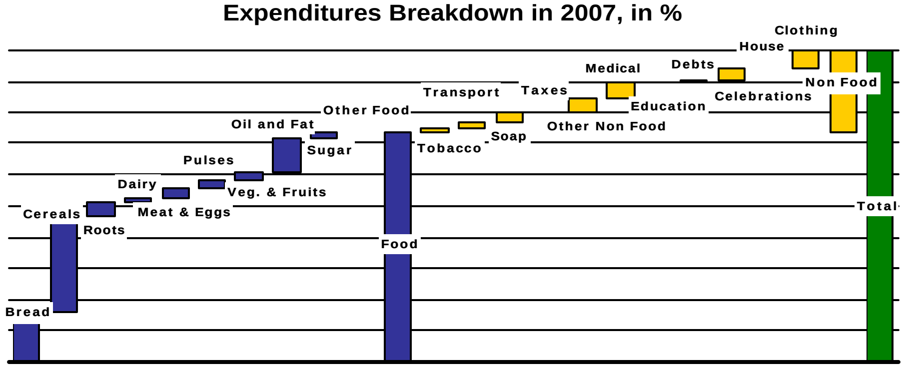
Source: FSMS (3rd) and Mission data

A rapid matching of households with the same food consumption score (see below) in the two surveys, confirms, if needed that this shift is entirely due to a value increase of the food. A closer look at the expenditures breakdown stresses the dramatic increase of the share of income spent on food.

Expenditures Breakdown in 2006, in %



Expenditures Breakdown in 2007, in %



Source: FSMS (3rd) and Mission data. Each band accounts for 10 percent.

The above two graphs show the proportion of expenditures by different items and the individual differences between December 2006 and January 2008. The proportion of expenditures on food has greatly increased since 2006, particularly for cereals, bread and oil.

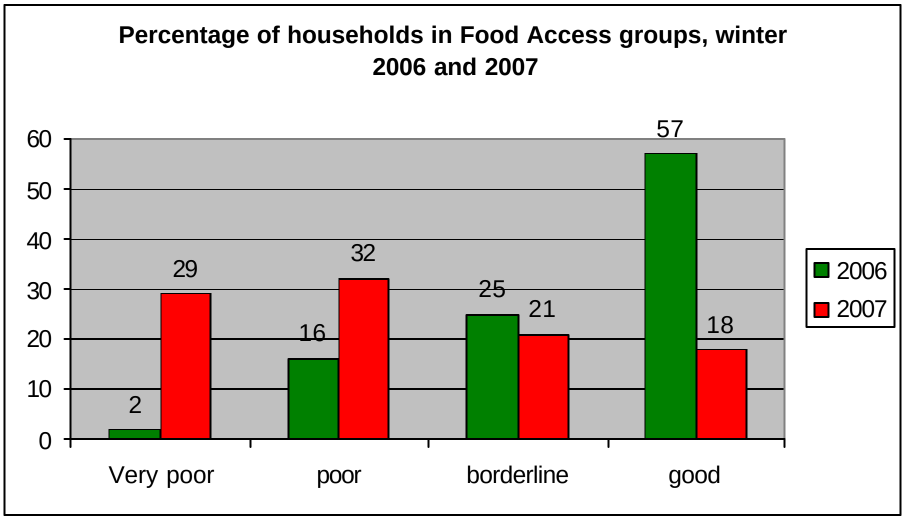
There has consequently been a reduction in expenditures on non-food items particular on transport and taxes, debts are housing rents are not paid at all. The level of debt is thus assumed to have sharply increased.

Household Food Access

A food access analysis was carried out, based on estimates of the proportion of expenditure spent on food. The cut off points for the percentage of expenditure spent on food was set at:

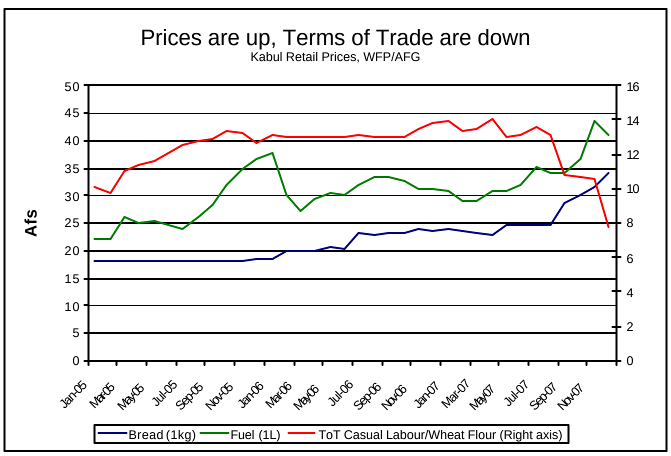
- Good: <50 percent of expenditures spent on food.
- Borderline: 65- 50 percent of expenditures spent on food.
- Poor: 65- 80 percent of expenditures spent on food.
- **Very poor (severe) : >80 percent of expenditures spent on food.**

There has been a remarkable change in food access in urban areas since December 2006. Twenty-six percent of households now suffer from severe food access, compared to only two percent in the winter of 2006. This confirms that the worsening food security situation is caused primarily by wheat price increases.



Source: FSMS (3rd) and Mission data

Looking at the terms of trade in urban areas (see graph below for Kabul) helps to emphasize the multi-factor grounds for this deterioration. With the rapid increase in wheat flour prices over the past months, a particularly harsh winter, and subsequently tense casual labour market, has severely impacted the purchasing power of urban households. Higher costs of fuel have also contributed negatively to the current situation as transportation costs for households to go to the workplace are higher.



		Jan-08	Dec-06	Y-o-y Change
Nominal Wheat flour price	*	460	280	64.3%
Nominal Wage	**	180	190	-5.3%
CPI		149.6	124	20.6%
Real Wheat flour price		307.5	225.8	36.2%
Real Wage		120.3	153.2	-21.5%
Terms of Trade		0.39	0.68	-42.3%

* Retail wheat flour prices in Kabul ($/mt)
** Average daily unskilled labour wage in urban areas (in Afs)

Source: WFP, Mission data

A rapid price and income elasticity estimation based on GDP per capita in Afghanistan resulted in an estimate of -0.5 for wheat (wheat flour) own price elasticity and 0.5 for income elasticity. This data, when used along through share of wheat and wheat flour in expenditures as well as daily income help build a scenario in terms of food consumption reduction. Taking into account a 35 percent price increase (in real terms) and a degradation of the average daily wage (assumed much lower than the actual degradation of casual labour wages), one can show the burden of two economic effects on different livelihoods groups. Casual workers, spending more than 80 percent of their income on food, allegedly had to reduce their food consumption by ten percent.

Shock-response analysis	Share of wheat in expenditures *	Contribution of the daily wage as income
Casual labour	31.7	88.5
Casual labour - Very Poor Food Access	35.1	88.6
Casual labour - Poor Food Access	17.7	100.0
Casual labour - Borderline Food Access	25.7	85.6
Casual labour - Good Food Access	-	-
Government	20.6	88.1
Small business	15.2	93.9
Total	21.5	87.0

Assumption:Percentage bought around 90% (Second source is borrowing)

* The bulk being wheat flour

	Food consumption change as result of shocks (in %)	
	Wheat price increase (%)	Daily wage rate change (%) *
Percentage change **	35	-5
Casual labour	-5.0	-2.7
Casual labour - Very Poor Food Access	-5.5	-2.7
Casual labour - Poor Food Access	-2.8	-3.0
Casual labour - Borderline Food Access	-4.0	-2.6
Casual labour - Good Food Access	-	-
Government	-3.2	-2.6
Small business	-2.4	-2.8
Total	-3.4	-2.6

* This is the average decrease in daily wage to ensure statistical significance

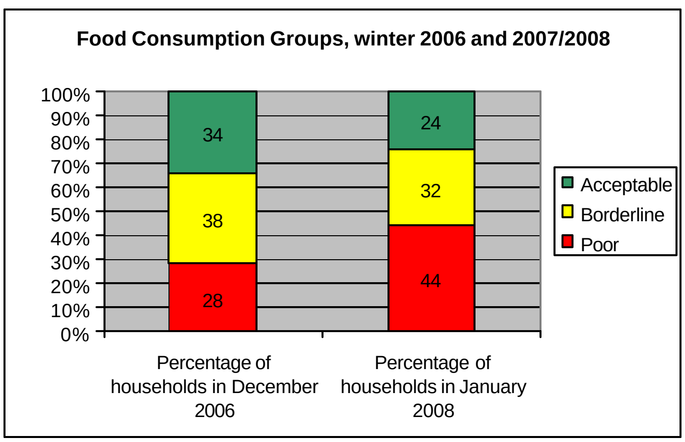
** Elasticity of demand for wheat = -0.5; Income elasticity for food = 0.5

Food Sources

Both household interviews and focus group discussions revealed that the most important source of food in the urban areas is the market. A second source is often not available but those households who reported a second source mentioned borrowing food, specifically, bread, oil and sugar.

2.3. Utilization

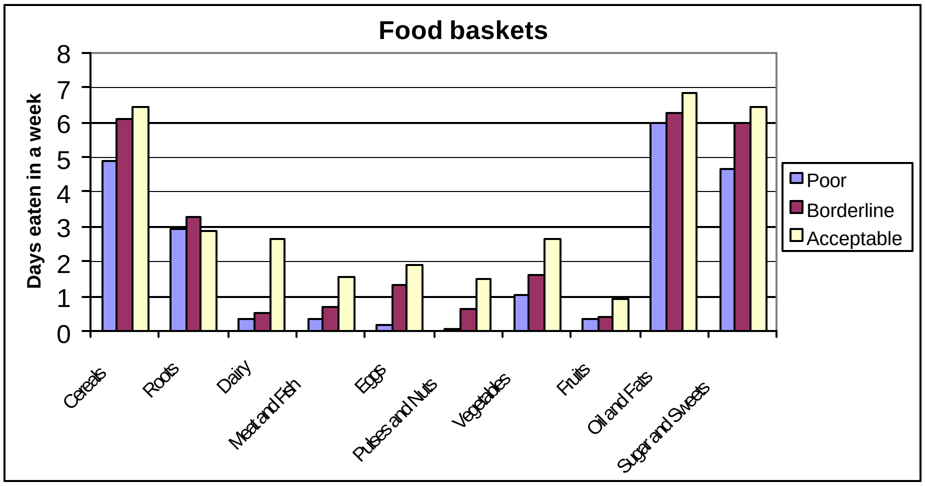
There is a slight shift in food consumption now compared with December 2006 as shown in the graph below. There is a 16 percentage point increase in the category of households with poor food consumption this winter, compared with the same period a year ago. Methodologically speaking, upper cut offs[18] were used for urban households in Afghanistan. They are indeed liable to consume oil and sugar everyday, although in small quantities.



Number of Meals

The average number of meals for adults remains at three per day and four to five meals per day for children under five years of age. Meals, however, are very limited in quality and can consist of bread and tea only. The average food intake for households in the different food consumption groups in January 2008 are shown in the graph below. Households with poor consumption have an almost a non-existent intake of protein (animal and non-animal sources), as well as a very limited intake of micronutrients from fruit and vegetables.

[18] See WFP revised EFSA Handbook (2008) for further explanation on food consumption score methodology. Cut offs at 28 and 42 were respectively used to disentangle poor and borderline food consumption based on seven days recall data.



Coping Strategies

When discussing the shocks experienced by households to date the participants in the focus groups concluded without difficulty that the harsh winter, increased prices on food and non-food items, and reduced income opportunities, were the over riding shocks faced by the large majority of households in the communities they represented.

The same groups reported that the coping strategies mostly used now to are:

- Reduction of food quality;
- Reduction of food quantities;
- Begging; and
- Undertaking debts to avoid paying the rent.

From the household questionnaires a comparison was possible with 2006 data indicating that the type of shocks faced this year is indeed different. The table below sums up the five most frequently reported shocks: as many as 40 percent of those surveyed in 2006 reported not to have experienced any shocks at all; in 2007, price increases and the harsh winter mentioned in almost equal proportions. It is possible that people's the impression of the winter this year is worse as many reported that firewood prices have increased, and due to overall price increases, families have less money to spend on heating.

Shocks			
2006		2007	
No Shock Experienced	40.0 *	Unusually high increases in food prices	23.4
Unusually high increases in food prices	9.4	Severe winter conditions	22.0
Serious illness for working household member	8.4	No Shock Experienced	11.3
Reduced salary of a household member	7.8	Increase in household rent	7.2
Increase in household rent	6.2	Exhausted food stocks	5.2

* This figure represents the percentage household interviewed mentioning this shock

The five most commonly used coping strategies are almost the same for both winters; the order of importance has changed a little though as this could be due to the 2007 small sample size. Reduction in food quantity was not mentioned as a strategy in 2006, whilst 10 percent are using it in 2007.

Coping Practices			
2006		2007	
Spent savings or investment	27.6	Loans from family/friends	20.5
Decreased expenditures	15.4	Decreased expenditures	19.7
Loans from family/friends	14.3	Reduced quality of the diet	10.5
Could not do anything to compensate	10.4	Reduced quantity of the diet	10.5
Reduced quality of diet	6.8	Spent savings or investments	7.5

* This figure represents the percentage household interviewed mentioning this coping practice

Note that traders claimed less and less credit extension in the actual lack of mid-term visibility regarding food prices (more than 60 percent of interviewed traders). Households are therefore compelled to be able to afford on-the-spot purchases to cover basic food needs.

3. Food Security

The standard analysis process of WFP (revised EFSA Handbook, 2008) to determine food security by cross tabulating food consumption scores with access indicators has not been carried out for it would be too different from the methodology used in the NRVA. The latter puts much more weight on food consumption and calorie intake. In order not to open up a debate on the actual percentage of food-insecure households in Afghanistan this report has analysed the impact of price increases on consumption and access only but not on food security per se.

4. Chronic versus Transitory Food Insecurity

The data from December 2006 indicated that 10 percent of households in the urban areas were severely food-insecure (the analysis was only done by the authors using data from the seven centres identified by VAM for this emergency, see list of districts in Annex 2). This percentage has greatly increased amongst the interviewed households included in the additional data collection primarily due to a reduction in food access caused by price increases. This would indicate that the additional food insecure households are, to a large extent, transitory food-insecure, therefore able to recover should prices return to normal and/or if labour wages increase to compensate for loss of purchasing power.

It can be assumed that the severity of food insecurity for the households who were already chronically food insecure in 2006 has worsened with the market price increase and consequently a reduction in purchasing power as shown above. This chronic stratum of the Afghan urban population is to be considered as their vulnerability to any market-based shock is high and could subsequently translate into emergency situations as the one facing presently.

5. Scenarios

Whilst there might be a temporary reduction in market prices after the harvest in mid-2008 the most likely scenario for the coming year is not optimistic as the underlying factors causing the wheat price increase are mainly beyond the control of Afghanistan and are multi-sector (macro economics, policy and security). There are a number of factors that are discouraging; security within Afghanistan being a major concern and currently being discussed at the highest international levels.

While the harvest in 2007 was better than that of 2006, which was a drought year; it still did not meet national requirements. Prospects for 2008 Afghan (and Pakistani) productions are still largely theoretical but not particularly abnormal. Afghanistan will likely remain food deficit and largely dependant on inflows from Pakistan (if the export ban is lifted) and Central Asia (for the Northern part of the country). One positive aspect of the current high wheat prices is however that this could encourage farmers to produce more wheat (although the spring crop would not be positively impacted). In the past, local prices have been low and thus not very profitable for farmers. This also resulted in private traders selling Afghan wheat in neighbouring Tajikistan, where the prices were higher.

Afghanistan's dependency on its neighbouring countries for wheat is currently causing a lot of difficulties. Closure of borders, Pakistani traders accused of hoarding stocks due to political instability; and in Iran, due to threats from the US regarding its nuclear ambitions, a stocking phenomenon is diverting food flows from Central Asia and Pakistan (prices being more profitable in Iran than in Afghanistan). Due to the above factors, which are not likely to improve quickly, continued high market prices in Afghanistan could persist for the next foreseeable future.

With the forced repatriation of Afghans from Iran some 40,000 have already been deported (not IDPs) and some further 1.5 million people may be deported in the future[19]. In addition, refugees in Pakistan are also returning. During the voluntary repatriation program which started from April 15, 2007 a total of 239,064 individuals were returned (October 2007 for the latest headcounts) which means that there are still 1.9 million Afghans mainly from Eastern, Northern and Central Regions living in Pakistan[20]. The majority of returning refugees have gone back to rural areas, but urban centres such as Kabul, Nangarhar and Kunduz also received considerable numbers of returnees. These returnees could complicate the food security situation when settling in urban areas as they have limited skills, and add to the number of people depending on casual labour, which in the winter months show high mismatch.

[19] FEWSNET, Afghanistan Food Security Update, January 2008 report

[20] UNCHR Summary Report 2007

It is thus recommended that WFP monitor the urban situation carefully in order to be prepared should the Government request further assistance to urban areas after the first semester of 2008. Economic indicators presented in this report point to a situation where prices will not be greatly reduced after the harvest; WFP should therefore be prepared to defend a decision for longer-term intervention.

6. Response Options, Capacities and Priorities

Discussions with key informants and stakeholders helped consolidate the below response options matrix for urban emergency interventions for the February-June 2008 period.

6.1. Options to be considered

Activity	Strength	Weakness
Bakery projects with subsidised sale of bread	Ensures poor households access to their basic food needs in the form of bread, the most important item in Afghan diet.	Needs extensive planning and identification of bakeries. Targeting the most vulnerable has been problematic and resulted in high inclusion and exclusion errors based on previous years of WFP experience. It requires staff for monitoring that seem to be beyond the Country Office capacity to date. Previous implementing partners not ready to take on same level of responsibility now at short notice and do not have additional funds or staff.
Market intervention	Can influence the price of wheat on the local market but need to be in large quantities to ensure that it benefits the poor.	WFP has no control over inclusion and exclusion errors of the poor and vulnerable when the wheat traders bid for the wheat. A study of the markets and problems of access is required to justify this intervention
Cash/Voucher (for work)[21]	The current price crisis is not caused by an availability problem so cash could be appropriate as it would stimulate the local market. As shown from the results, not only food prices have increased but also fuel, wood etc. Cash would give the family the possibility to also use money for e.g. heating. Quantity vouchers would also be an alternative to cash.	With the current volatility in prices it would be a difficult programme to run as the amount of cash would have to be adjusted frequently to ensure a constant real value. This problem could be solved by quantity vouchers put the payment becomes a delicate exercise when food inflation strikes however cautious shop selection might be. The number of job opportunities that are required are unrealistic during the winter season in the urban centres for conditional cash transfers. Access to banks for beneficiaries is questionable and security would make it difficult to set up alter native mechanism for cash distribution. Vouchers would be possible to introduce in the bakery project however it will need additional time for planning etc which is not available at the current situation. Should be considered and planned for the future, in less volatile and uncertain situations.
Food for work	Resolves the problem of food access at household level. Self targeting which can also create assets	With 40 percent unemployment in urban centres there would be more people willing to work for food than the number of created FFW opportunities. It might not be possible for the most affected households to participate and this exclusion and inclusion error could become high. The amount of job opportunities that are required are unrealistic during the winter season in the urban centres
MCN	Improves nutritional status of beneficiaries that have been caused by reduced food intake by providing food items, ensuring better food access to households, as well as providing nutritional education. Prevents severe malnutrition.	Requires a functioning health infrastructure to provide additional health care. Strong implementing partners.

21 The IMF recent mission to Afghanistan advised (February 6, 2008) for a more cost-efficient way to address emerging food insecurity in Afghanistan through cash transfer. Emerging findings nuance this statement questioning the actual reach and efficiency in the current setup and need for immediate action. Should a social protection system be in place and proven operational in Afghanistan, markets functioning fully support, nonetheless, non food assistance to address food insecurity in urban areas.

Free food distribution to targeted households	Quick option to reach the vulnerable without setting up additional projects. Cautious targeting criteria and quality partners should minimize leakages.	Requires solid targeting criteria based on objective assessment findings, finding reliable partners for identification of beneficiaries and distribution could be a challenge in some urban centres. A high percentage of the wheat may end up in the market to cater for other pressing household needs for which prices also greatly increased, such as rents, fuel for heating and cooking oil.
Food for Education	Not applicable as schools are closed for the winter. It could otherwise prevent drop-outs and prevent an increase in child labour due to current economic difficulties.	

6.2. Priorities

The team in consultation with a number of key informants discussed in length the above mentioned response options and have come to the conclusion that for this particular emergency intervention in the urban centres the most practical feasible and cost-efficient response (the alpha-value[22] varies from 60 to 70 percent)is in the form of free distribution to clearly targeted population. A bakery project could also have been a good option but due to the tight time constraints it is not recommended as it would require proper and careful planning to be successful. It would also require that some cooperative partners make changes to their own priorities and would also require additional implementation costs including staffing. All of these issues are possible to overcome and agree upon but would require more time than what is currently available.

Food for Work can be implemented to very limited number of households should area offices have the possibilities as of March 2008. The targeting criteria for households should however be adhered to as listed below.

6.3. Targeting Criteria

The most affected population group that has been mentioned by focus groups in both Mazari-Sharif and Kabul are female headed households. This is also confirmed through the analysis of the 100 household interviews done during the mission.

Based on qualitative data collection as well as analysis of household questionnaires the suggested targeting criteria are:

- **Female headed households, making up for approximately five percent of the urban population[23];**
- **Disabled heads of households, with maximum one casual labour earning family member, making up for four percent of households in Afghanistan[24];**
- **Poor large households with nine members or more but with only one casual labourer are seven percent of the urban population; and**
- **Recently deported households from Iran, who have not yet found any job opportunities, can be used as a criterion in selected urban centres like Herat where the concentration of poor deportees is high.**

6.4. Cooperative Partners

It is recommended that both the Afghan Red Crescent Society (ARCS) and Community Development Committees (CDCs) are being used in the districts were they are known to be particularly strong. A

22 See revised EFSA Handbook (2008) for details. It basically consists of comparing the local price of the food basket to imported ones, enabling to spot out WFP's niche to aid compared to private imports (that could be stimulated trough cash, for example).

23 The NRVA 2005 shows a national rate of two percent. There are however differences between locations where Nimroz, for example, has nine percent female headed households. Based on the estimate, it is believed that the rate is slightly higher in urban centers, thus agreed on 5 percent for this exercise.

24 The mission was not in the position to estimate if this percentage is the same for urban thus the national average is used.

consultation with UN HABITAT is recommended to identify strong CDCs with whom they have previous good experience.

6.5 Food Basket

The current PRRO has ration scales used in emergencies and Food for Work, which are being used in the rural areas for this particular emergency of food price increase.

For the urban areas it is recommended to distribute 50kg of wheat flour/family/month. Should Food for Work be possible then the regular FFW ration should be used. The limitation of this food basket is due to the main contributor to the current deteriorating food access, and main staples for Afghan households. Even if oil prices have also surged over the past months, food preference considerations and fear of food sales prevent from enriching the planned food basket, especially in the urban centres where beneficiaries are closer to a more lucrative market i.e. restaurants where cooking oil could easily be sold..

6.6. Market Response Capacity

When planning food assistance programmes, negative market spill over is often highlighted. With the current regional market integration, relatively high food prices and dilution of food assistance in time and space (before harvest comes) show little evidence for disincentives effects neither on trade, nor on production. An in-depth model could be developed to capture the extent of these limited impacts. Some questions about food aid impacts on trade were asked (though the very signal of food distribution should ease off slightly markets given the relatively working information channels), fewer sales and lower profit margins were both mainly stated as responses (30 percent each), subduing the expected impact of food assistance. Stability of prices, along with slight decline, was commonly answered to tentative impacts on markets.

The trader survey results lay the emphasis on the extremely limited access to credit and huge destocking phenomena (more than 80 percent of the traders interviewed mentioned border closure and fear of profit income as main reasons) - arguing in favour of food assistance as a first band aid, opening local markets instead of disrupting them. In addition, limited milling capacity in Afghanistan is a problem , and is a strong reason for a wheat flour preferred transfer.

6.7. Government Response Capacity

With the current soaring wheat prices situation, the Government of Afghanistan has limited capacity to import wheat or wheat flour and maintains no grain reserves that might be used to help offset higher prices. Nonetheless, some steps have already been taken to reduce the impact, including a temporary removal of the import tax on both wheat and wheat flour and tax reductions for other staple food items. The current discussion to revive a national stock reserve is nonetheless necessary. Tampering with inflationary pressures for food items when trade is hampered and cost-efficiency at stake should make a strong case against such measures.

A FAO technical assistance mission is currently in the country, helping the Government of Afghanistan to establish a strategic grain reserve (SGR), which hopefully may be operational by the end of 2008. First draft of the strategy paper prepared by FAO has been submitted to the Ministry of Agriculture for their review. The idea is to establish a SGR of approximately 50,000 to 200,000 tons of wheat, mainly to help Government to quickly respond to natural disasters and crop failure, as well as for price stabilisation and other market-based interventions. The FAO mission has also looked into the adequacy of existing storage facilities at various locations in the country.

<u>Social safety net/ social protection</u>

The new Social Protection System Strategy, 2008-2013, is part of the Afghanistan National Development Strategy [ANDS]. All projects under each ANDS' sector will be funded by external donations,

A rough estimate shows that half of the Afghan population (12 million) requires Government support[25]. However, in 2006 only around 2.5 million people benefited from social protection arrangements.

[25] Estimates by the Ministry of Labour and Social Affairs.

Afghan population covered by some of the public and market arrangements for social protection in 2006	
Martyrs' families	224 850
Disabled	87 717
Orphans	10 500
Children enrolled in kindergartens	25 000
Pensioners	54 000
Public works and skill development	1 750 000
Microfinance	340 000
Total	**2 492 067**

Source: MOLSMD and ANDS

The current social protection interventions cover several groups: (1) martyr's families, (2) disabled with war-related disability, (3) orphans and children en rolled in kindergartens, (4) victims of natural disasters, (5) pensioners .

The basic characteristic of today's Social Protection System in Afghanistan is an over -reliance of the poor and other vulnerable groups on the informal social risk management arran gements as Afghan poor have developed "self-protecting" arrangements. However, due to decades of war and severe poverty the informal arrangements and extended family networks have weakened making the urban poor even more vulnerable. Community based copying arrangements rarely reaches beyond the rural neighbourhoods leading, amongst others, to higher placement of the children in orphanages.[26]

8. Recommendations and Conclusion

To conclude, the following recommendations are made;

Short-term

- Free Food Distribution of wheat flour is found to be the most feasible and realistic intervention at the present time. The recommended targeting criteria are:
    1. Female-headed households and/or;
    2. Disabled head of households with unreliable income sources and/or;
    3. Poor large households with nine family members or more, who have only one income-earner and/or;
    4. Recently poor deported households from Iran in some locations , such as Herat.

- An Environmental project to create a green belt around urban centres could represent Food for Work opportunities starting as early as March 2008 should additional funding be available for non-food items needed to ensure successful implementation of the projects. Further discussions with the GAIN team could help identify project expansions as well as new schemes

- Close monitoring of food prices and cross-border trade incentives (and policies) from Pakistan and Central Asia would be the key to understanding the deterioration or the improvement of the food security situation.

Mid-term .

- It is recommended that WFP focuses a greater deal of the analysis of NRVA 2007/2008 on the urban population included in the survey in order to be better prepared for next autumn/winter season should food access still be a problem. It would assist WFP in justifying a decision for intervention.

[26] According to MOLSAMD, around two-thirds of children currently placed in the orphanages have at least one living parent.

Should food security monitoring data show a shift in food security situation in urban areas which might justify a WFP intervention longer than four months then the bakery support project should be seriously looked into again. Both cash/vouchers would be appropriate and it is recommended that the Afghanistan Country Office begin to contact previous partners who might be interested in order to investigate how the bakery project could be restarted and what that means for staffing level and additional costs.

Long-term

- With the poor health and nutrition data in mind WFP should consider a partnership with UNICEF in Mother and Child Nutrition (MCN) interventions. Currently Therapeutic Feeding programmes are operational at the provincial hospitals and Action Contre la Faim (ACF) together with SCF-UK will pilot Community Based Therapeutic Centres (CTCs) as the default rate for the Therapeutic Feeding Units is very high. It is a well established fact that the impact of therapeutic care in the absence of a supplementary feeding programme is limited. Having a programme that complements the treatment of severely malnourished children and prevents children from becoming so should be considered by WFP. A blanket programme for all pregnant, lactating women and children under two years of age is recommended.

- As shown in the food consumption section, intake of micronutrients is low, at least during the winter months. WFP could thus consider distribution of micronutrient powders to the same beneficiaries as mentioned above, in partnership with UNICEF and WHO and INGOs involved in nutrition.

- A stronger food policy strategy is needed in Afghanistan including trade and markets considerations as well as nutrition ones. This could help prevent emergency situations occurring due to further price increases. Wheat reserves establishment, setting of tariffs as well as addressing chronic malnutrition are all crucial stakes for Afghanistan on its way to development. WFP could be a relevant partner and have a capacity building role in the formulation of such a strategy. A high level technical mission jointly with FAO is recommended to support the GoA in this regard.

Annex 1. List of key informants and Stakeholders met

UNICEF
UNAMA
FAO
UN-HABITAT
World Bank

Ministry of Health
Ministry of Agriculture and Livestock
Ministry of Statistics Service
Ministry of Education
Ministry of Rural Rehabilitation and Development
Ministry of Women Affairs

BRAC
Afghan Red Crescent Society
Action Contre la Faim
Save the Children-UK
FEWSNET

Head of WFP Area offices in Kabul and Mazar
WFP programme staff
WFP procurement and pipeline staff

Annex 2. Beneficiary calculation (VAM and Ministry of Agriculture January 2008)

Province	District	Population SCO plus 2.03 growth rate per year	NRVA 2005 Finding Based on Kilo Caloric Intake		Potential additional food insecure population		Potential additional food requirements for additional food insecure in Urban and semi Urban areas for the month of Feb to March
			% of Rural Settled Population not consuming their age and sex adjusted energy requirement NRVA 2007	% of Rural Settled Population not consuming their age and sex adjusted energy requirement NRVA 2005	% of Poor Food Consumption & Borderline Food Access NRVA 2005	Additional potential population food insecure	**Wheat (MT)**
BALKH	MARKAZI BALKH - MAZARI SHARIF	390,298	66		23	89,768	3,591
HILMAND	MARKAZI HILMAND - LASHKARGAH	209,667	44	60	22	46,127	1,845
HIRAT	MARKAZI HIRAT- HIRAT	413,470	50	25	24	99,233	3,969
KABUL	BAGRAMI	71,039	25	17	19	13,497	540
KABUL	CHAHAR ASYAB	27,140	25	12	17	4,614	185
KABUL	DIH SABZ	49,256	25	12	27	13,299	532
KABUL	FARZA	15,750		0	6	945	38
KABUL	GULDARA	14,819		8	9	1,347	54
KABUL	ISTALIF	17,180		13	18	3,092	124
KABUL	KALAKAN	18,925		13	29	5,488	220
KABUL	KHAKI JABBAR	7,762		8	18	1,397	56
KABUL	MARKAZI KABUL - KABUL	2,656,822	37		21	557,933	22,317
KABUL	MIR BACHA KOT	33,770		14	12	4,052	162
KABUL	MUSAYI	19,091			11	2,100	84
KABUL	PAGHMAN	85,926	13	4	14	12,341	494
KABUL	QARA BAGH	52,349	25	23	16	8,376	335
KABUL	SHAKAR DARA	59,967		11	13	7,796	312
KABUL	SURUBI	46,679		15	22	10,249	410
KANDAHAR	MARKAZI KANDAHAR - KANDAHAR	496,017	29	34	18	89,283	3,571
KUNDUZ	MARKAZI KUNDUZ - KUNDUZ	257,421	8	5	19	48,910	1,956
NANGARHAR	MARKAZI NANGARHAR - JALALABAD	213,702	6	28	22	47,014	1,881
Returnee/Deportee		400,000	20	28	20	80,000	3,200
Total					**20**	**1,146,862**	**45,874**

Annex 3 . Questionnaires

Afghanistan 2008 – Rapid (urban) Trader Survey

(Five traders in each location)

POSSIBLE SHORT INTRODUCTION FOR TRADERS

"We are conducting a survey on the food security and nutrition conditions in Afghanistan. The survey also entails assessment of cereal markets. I would like to ask you some questions about markets and food aid, which will take about one hour. Your name will not be recorded and any information that you provide will be confidential and will not be disclosed to other people. Your participation is voluntary and you can choose not to answer any or all of the questions if you wish; however we hope you will participate since your views are important. Do you have any questions? May I begin now?"

ID.1. Questionnaire number	
ID.2. Province	
ID.3. City	
ID.4. Neighbourhood	
ID.5. Market name	
ID.6. Interviewer	

Coding	No Answer	99	Don't know	77

Trading activities

What commodities are you currently trading? (Circle answers)

01= Wheat
02= Wheat flour
03= Rice
04= Vegetable oil
05= Sugar
06= Other: ____________________

1. What commodities comprise the bulk of your trading throughout the year? *(Circle answers)*

01= Wheat
02= Wheat flour
03= Rice
04= Vegetable oil
05= Sugar
06= Other: ____________________

2. What is the approximate volume sold in bags for each commodity? Has the volume of the food commodities you are selling changed over the last 3 months? 12 months? Why?

Food commodity	How much did you sell last week (specify unit)?	What was your average weekly sold volume over the past 3 months ago?	Main three reasons for change	What was your average weekly sold volume over the same three months, 12 months ago?	Main three reasons for change
			Coding: *01=Security* *02=Weather conditions* *03= Commodity price increases constrain your ability to purchase for resale* *04=Increased prices has reduced the number of customers*		

			05=transportation costs *06=Lack of credit* *07=New regulations in cross-border trade* *08=Others:_________*

3. What are/were the buying and selling prices of the main commodities (specify unit)?

Food commodity	**BUYING**		**SELLING**	
	Currently	3 months ago	Currently	3 months ago

4. What are your expectations regarding prices over the next six months? *(Please give unit price and reason for change)* ____

____

____

____

5. From whom and where do you buy/to whom do you sell cereals? (*Choose from the table provided below).*

Food commodity	Buying		Selling		
	Typically	Over the past three months	Typically	Over the past three months	*Codes (whom):* *01=directly from/to customers* *02=directly from millers* *03=directly from/to traders* *04=Other:___________* *Codes (where):* *A=District* *B=Country* *C=Outside the country (specify where)* *D=Other:______________________*

6. What are the main sources of market information (Price, Availability and Security)? *(Circle the answers)*

01= Other traders
02= Government officials
03= Trader Associations
04= Radio
05=Internet, Mobile phone
06= Agents
07=Others, specify: ________

B. Constraints

7. Have your stocks particularly changed over the past few months?

____

____

____

8. What are the three most important constraints that you incur in wheat/wheat flour trade? *Indicate ranking in the box*

Usual constraints (up to 3 months ago)	New ones (currently)

01= Wheat/wheat flour availability
02 =Wheat/wheat flour quality
03 =Storage (costs, availability, quality)
04 =Enforcement of contracts
05 =Access to credit
06 =Road conditions
07 =Transport costs
08 =High commodity prices (purchase price)
09 =Security
10 =Demand (low purchasing power)
11 =Taxes and dues
12 = Border closing
13 = margins too narrow
13 = Others:_____________

Has the credit situation (for you and for your customers – credit extension) changed over the past months and, if so, how?

C. *Food aid perception*

9. What would be the three main impacts of large food aid distribution on this market? 1.|__||__| 2.|__||__| 3.|__||__|

01= Fewer people come to buy
02= Prices of main food commodities decrease
03= Fewer traders come
04= No change
05= Increased insecurity
06= Increased food availability to purchase
07= Increased demand for non-food items
08= Stability of prices
09 = Other, specify:________________

10. Can you list three main impacts of large food aid distribution on your trading activity? 1.|__||__| 2.|__||__| 3.|__||__|

01= Fewer sales
02= Lower profit margins
03= Less purchases
04= No change
05= More sales
06= More purchases
07 =Other, specify: ________________

0.1 Date of interview		**0.2** Province Name	
0.3 City		**0.4** Neighbourhood	
0.5 Household Number		**0.6** Number of resident household members	
0.7 Head of household	|__|male |__|female Age |__||__|	**0.8** Family composition	|__|children <5, |__|disabled |__| chronically ill, |__| elderly

SECTION 1: Income activities in the last 3 months

Income source in order of importance.	**1.1** What are your household's income generating activities - in order of importance – in the last 3 months?	**1.2** How many household members are involved in the activity**?**	**1.3** How many days in the last 3 months did your household members spend on this activity?	**1.4** Using proportional piling, please estimate the relative contribution to total income from each activity.
1st most important income	|__|	|__|	|__|	|__|
2nd most important income	|__|	|__|	|__|	|__|
3rd most important income	|__|	|__|	|__|	|__|

Income activity codes				
1. Crop production for home consumption 2. Livestock product production for home consumption 3. Prod & sales of field crops 4. Prod & sales of cash crops (**Non Opium**) 5. Prod & sales of **Opium**	6. Prod & sales of orchard products 7. Prod & sales of livestock & products 8. Sales of prepared foods 9. Agricultural wage labour (**Non Opium**) 10. **Opium** wage labour 11. Shepherding 12. Mills 13. Other wage labour 14. Skilled labour	15. Salary/Government job 16. Small business 17. Petty trade 18. Cross border trade 19. Firewood /charcoal sales 20. Handicrafts 21. Carpet weaving 22. Mining 23. Military service 24. Taxi/transport 25. Remittances for seasonal migrants	26. Remittances from family members living permanently away from home. 27. Pension 28. Other Govt. benefits 29. Rental income 30. Sale of food aid 31. Begging/borrowing 32. Other	

1.5 For the main source of income (the highest number in **2.5**) please record with daily wage rate **OR** monthly payment(s) in Afghanis?

Daily Wage	**Afs** |__||__||__|	**Monthly Wage**	**Afs** |__||__||__||__||__|

SECTION 2: Household Shocks & Coping Strategies

In the last **3 months** has the household been negatively affected by any of the following? Rank the top 3 in order of importance.

Shock	**2.1** Rank 3 most important
0. ***NO SHOCKS EXPERIENCED (go to Section 6)***	
1. Reduced drinking water quantity	
2. Reduced drinking water quality	
3. Reduced agricultural water quality and or quantity	
4. Unusually high level of crop pests & diseases	
5. Opium eradication	
6. Grew opium last season but not this season	
7. Unusually high level livestock diseases	
8. Insecurity / violence	
9. Reduced availability of grazing areas	
10. Reduced availability of kuchi migration routes	
11. Earthquakes	
12. Landslides/avalanches	
13. Flooding	
14. Late damaging frosts	
15. Heavy rains preventing work	
16. Severe winter conditions	
17. Hailstorms	
18. Unusually high level of human disease	
19. Large influx of returnees	
20. Unusually high increases in food prices.	
21. Unusual decrease in farm gate prices	
22. Loss of employment by a household member	
23. Reduced salary of a household member	
24. Bankruptcy of family business	
25. Serious illness accident for working household member	
26. Death of a working household member	
27. Death of other household member	
28. Theft and/or violence	
29. Involuntary loss of house/land	
30. Involuntary loss of livestock	
31. Large increase in housing rent	
32. Ran out of food / exhausted food stocks	

2.2 What did the household do to cope this shock?
Fill in corresponding value for the THREE ***most*** *important activity(ies) used to compensate or resolve this decrease or loss of income and/or assets for each of the main problems listed in* ***2.1***

	Shock1	Shock2	Shock3
1. Reduced quality of diet	O	O	O
2. Reduced quantity of diet	O	O	O
3. Decreased expenditures	O	O	O
4. Increased collection and sale of natural resources	O	O	O
5. Spent savings or investments	O	O	O
6. Loans from family/friends	O	O	O
7. Loans from employer/moneylenders/traders/NGO	O	O	O
8. Purchased food on credit from traders	O	O	O
9. Received help from others in the community	O	O	O
10. Sold appliances, furniture, jewellery, doors, windows, roof beams etc.	O	O	O
11. Sold income generating equipment	O	O	O
12. Rented out land	O	O	O
13. Mortgaged house or land	O	O	O
14. Sold female reproductive livestock	O	O	O
15. Sold house or land	O	O	O
16. Worked for food only	O	O	O
17. Worked on relief programmes from Government/NGOs/International Organisations	O	O	O
18. Out migrated to look for work	O	O	O
19. Joined military	O	O	O
20. Increased child labour	O	O	O
21. Sons sent to work as indentured labour	O	O	O
22. Sold child brides <13 years old	O	O	O
23. Begging	O	O	O
24. Doing more of / increasing production of main income source activity type	O	O	O
25. Other	O	O	O
26. Could not do anything to compensate	O	O	O
27. Did not need to do anything to compensate	O	O	O
2.3 Has the household recovered from the shocks in 5.2? 1. Not recovered at all 2. Partially recovered 3. Completely recovered	O	O	O

SECTION 3: Food Consumption

Yesterday, how many meals did the adults and child household members eat?

3.1 Adults		**3.2 Children <5 years**	

3.3. Has this changed in the past 3 months? Improved/no change/ reduced (circle the answer)

I would like to ask you about all the different foods types that your household members have eaten during the **last 7 days**. Could you please tell me how many days in the past week your household has eaten the following food types and where they came from?

Food Group	**3.4 Days eaten in last 7 days**	**3.5 Sources of food (see codes below)**	
		1st	2nd
Cereals (bread, rice etc)			
Roots			
Dairy Products Meat including Fish			
Eggs			
Pulses & Nuts			
Vegetables			
Fruits			
Oil & fats			
Sugar and sweets			

Food source codes:	4 Borrowed
1 Purchased *2 Own production*	5 Received as gift 6 Food aid
3 Bartered goods or services	7 Other

3.6 How do you compare the overall economic situation of your household now with **3 months** ago? (circle the correct)	1. Much worse 2. Slightly worse 3. Same 4. Slightly better 5. Much better
3.7 During the last **3 months,** how many times did you either take food on credit, or borrow money to purchase food for the household?	0. Never 1. Sometimes 2. Rarely 3. Always
3.8 How often in the last **3 months** did you have problems satisfying the food needs of the household?	0. Never 1. Rarely (1 in last 3 months) 2. Sometimes (2-3 times in last 3 months) 3. Often (few times every month) 4. Mostly (almost every week)

SECTION 4: Expenditures

Expenditure activities – in past MONTH	**Total expenditure** ***(in Afs)***
4.1 Bread/nan	
4.2 Cereals: Wheat grain or wheat flour	
4.3 Other cereals: rice, maize, barley	
4.4 Roots: Potatoes, carrots, turnips etc.	
4.5 Dairy: yoghurt, milk, cheese	
4.6 Meat, poultry, fish	
4.7 Eggs	
4.8 Pulses: Beans, lentils, chickpeas	
4.9 Vegetables	
4.10 Fruits	
4.11 Oil and fats	
4.12 Sugar and sweets	
4.13 Food & drinks consumed outside the home	
4.14 Tobacco	
4.15 Transportation, fuel *(vehicle non-business)*	
4.16 Soaps / Detergents / HH items	
4.17 Taxes – formal and informal **4.18** Other/miscellaneous	

Expenditure activities – in past 3 MONTHS	**Total expenditure**	
	Number of months these expenditures existed	Typical monthly expenditure (in Afs)
4.19 Payment for medical services/doctor fees		
4.20 Medical items and drug costs		
4.21 Education/school fees		
4.22 Fines or debt repayments		

4.2 Celebrations/funerals/social events		
4.2 House construction/repairs		
4.2 Clothing/shoes		

SECTION 5: Programme participation

5.1 Has any member of your household participated in any cash-for-work or food-for-work programmes or income generating programme or projects in the last three months?

0. No
1. Yes

5.2 If yes, from which programme(s) (circle the correct)

Programme/project type
1. NSP
2. Cash-for-work project
3. Food-for-Work project
4. Free food distribution
5. Food-for-Income generation project
6. Non-food Income generating project
7. School Feeding 8. Food-for-Training project
9. Hospital staff/patient feeding
10. other (specify)