

Standard Project Report 2015

Reporting Period: 1 January - 31 December 2015

AFGHANISTAN

Capacity Development in Support of the Strategic Grain Reserve in Afghanistan

Project Number	200635
Project Category	Single Country Special Operation

Project Approval Date	29 Sep 2014
Planned Start Date	01 Sep 2014
Actual Start Date	01 Sep 2014
Project End Date	31 Aug 2017
Financial Closure Date	n.a.

Approved budget as 31 December 2015 in USD	
Capacity Dev.t and Augmentation	18,922,386
Direct Support Costs	2,322,391
Indirect Support Costs	1,487,134
Total Approved Budget	22,731,911

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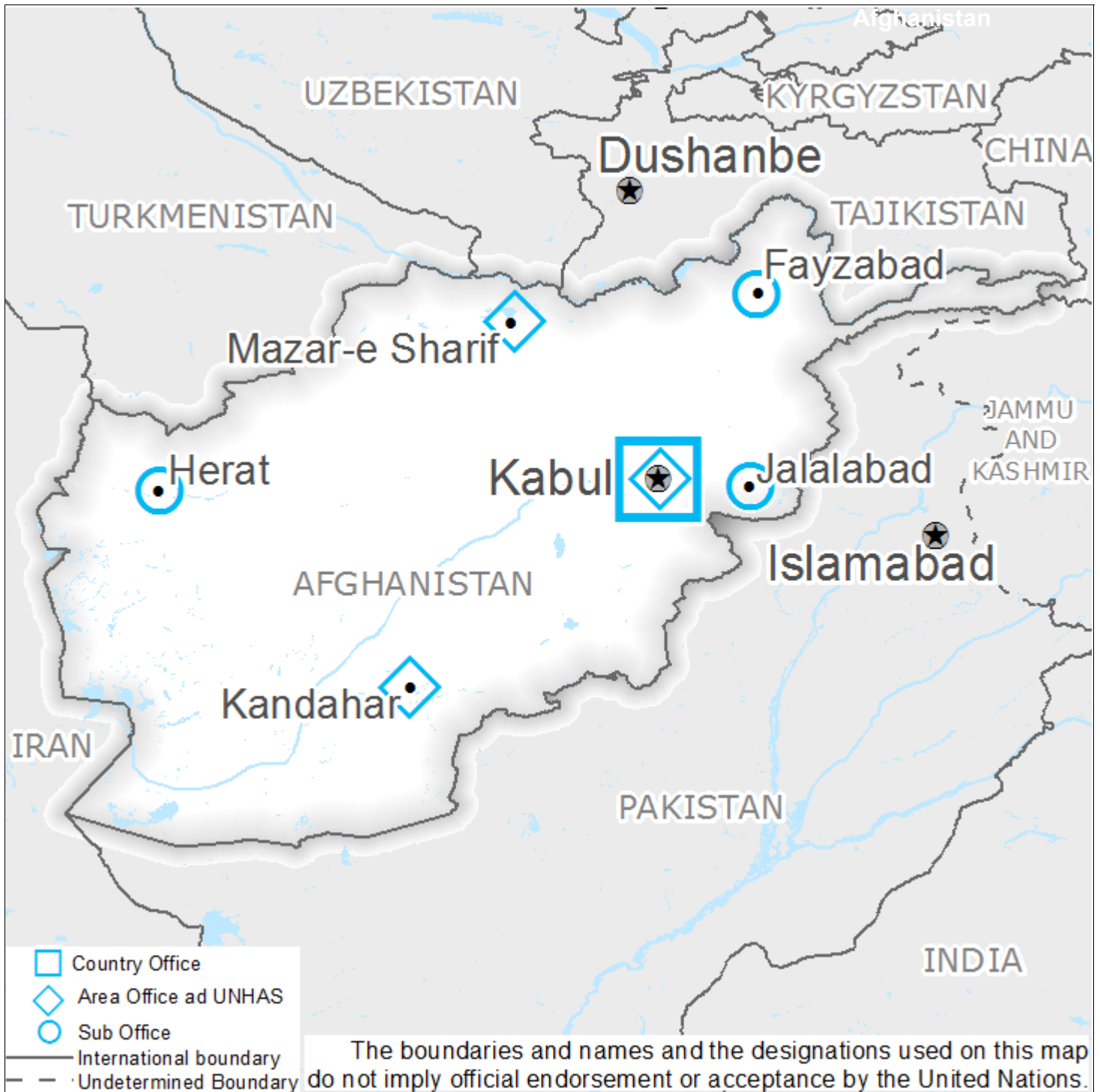
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COUNTRY BACKGROUND

Afghanistan is a landlocked country, with an estimated population of 30 million, and with a rank of 171 on the 2014 Human Development Index. After more than three decades of war and civil unrest, Afghanistan continues to face enormous challenges. Despite recent economic growth largely driven by foreign assistance, the socio-economic indicators of the country remain poor and still in need of recovery and development support.

Since 2001, the Afghan population's access to basic services has greatly improved in nearly all sectors. School enrolment has increased sharply, with over eight million children currently enrolled in school, of whom 40 percent are girls. Adult literacy stands at 31.4 percent. Life expectancy at birth is 62 years.

Despite significant improvements in the coverage and quality of health services, as well as a drop in maternal, infant and under-five mortality, Afghan health indicators remain below average for low income countries, indicating the need to further lower barriers for women accessing services. Afghanistan has one of the highest levels of child malnutrition in the world, with over 40 percent of children under five years of age suffering from chronic malnutrition while both women and children suffer from high levels of vitamin and mineral deficiencies.

Afghanistan is a food-deficit country and relies on imports to meet consumption needs. In 2015, the Ministry of Agriculture, Irrigation and Livestock estimated that the country produced 5.8 million mt of cereals indicating a reduction of 0.940 million mt compared to the previous year (2014). The cereal deficit in 2015 was estimated at 1 million mt against 0.242 million mt in 2014. While food availability has improved since 2011 at the national level, challenges regarding the lack of physical and economic access to a nutritious diet persist. Poor infrastructure and limited livelihood opportunities, poor food utilisation, insecurity and market instability continue to have a negative impact on household food security.

The latest Afghanistan Living Condition Survey (ALCS-2014, formerly the National Risk and Vulnerability Assessment or NRVA) showed that 33 percent (9.3 million people) of the total population are food-insecure. Among them, an estimated 3.4 million (or 12 percent) are severely, and 5.9 million (or 21 percent) moderately food-insecure.

Widespread insecurity is a major and growing concern. Military operations launched in most parts of the country against insurgents have not only affected the food security of populations, but also undermined the government's reconstruction efforts and led to serious restrictions on humanitarian interventions. Despite the growing insecurity, WFP remained fully operational in most parts of the country through three area offices and three sub offices addressing health, educational and environmental deficiencies and providing livelihood opportunities in remote, food-insecure areas.

SUMMARY OF WFP ASSISTANCE

WFP's programme portfolio is comprised of a Protracted Relief and Recovery Operation (PRRO), Purchase for Progress (P4P), the United Nations Humanitarian Air Service (UNHAS) and a Special Operation for a Strategic Grain Reserve (SGR).

WFP supported the acute food and nutrition security needs of the most vulnerable populations in Afghanistan with food and unconditional cash or voucher transfers and food-based nutrition interventions, and continued to respond to emergencies through the provision of basic food rations. Contributing to Millennium Development Goal (MDG) 1 (eradicate extreme poverty and hunger), WFP ensured that the most vulnerable could meet their basic food needs during times of crisis, by supporting internally displaced people (IDPs) and returnees, people affected by natural disasters, and economically stressed populations. WFP also assisted moderately malnourished children under five years of age, and pregnant and lactating women, thus contributing to MDG 4 (reduce child mortality), MDG 5 (improve maternal health).

WFP contributed to learning achievements among primary and lower secondary school children by providing take-home rations and among adults, particularly women, through vocational skills training activities. There was also broad participation in the country's recovery efforts by developing local capacities and rehabilitating household and community assets. WFP also helped communities recover from shocks by supporting communities in their efforts to restore the degraded environment by constructing flood protection walls, check dams, irrigation canals, establishment of tree nurseries and planting trees, etc., throughout the country. These activities contributed to: MDG 2 (achieve universal primary education) and MDG 3 (promote gender equality) and MDG 7 (ensure environmental sustainability).

Through the P4P initiative, WFP supported increased production, productivity and market development in Afghanistan. WFP purchased local wheat from farmers and locally produced high-energy biscuits to strengthen Afghan markets and improved market access for small-scale producers. WFP continued to support national flour fortification programmes, and enhancing the capacity of private millers to fortify flour for commercial purposes, by providing millers with micronutrients and training. In addition, WFP supports and promotes soya and soya fortification, a good source of daily protein.

The UNHAS operation provided safe and efficient air transport services for the humanitarian community throughout Afghanistan. UNHAS operated a fleet of two aircraft and one helicopter, serving 25 destinations, and supported up to 160 humanitarian organizations to deliver assistance in locations where no commercial air transportation option exists.

Under the Strategic Grain Reserve programme, led by the Ministry of Agriculture, Irrigation, and Livestock, WFP worked to support the construction of storage facilities to increase national emergency response capacity. In addition to enhancing emergency response, the SGR programme seeks to facilitate the stabilisation of wheat prices, provide storage options to farmers, and reduce post-harvest losses.

Through a budget revision of the PRRO, WFP sharpened its focus on food security and nutrition interventions in the country, and expanded the programme to include food assistance to some 200,000 Pakistani refugees in Khost and Paktika provinces as well as a pilot project providing high-energy biscuits to primary students in one district of Badakhshan province. WFP continued to contribute to the capacity development of central and district level government counterparts in food security analysis and emergency preparedness and response.

Beneficiaries	Male	Female	Total
Number of children below 5 years of age	390,924	375,594	766,518
Number of children 5 to 18 years of age	688,771	661,760	1,350,531
Number of adults	781,848	751,187	1,533,035
Total number of beneficiaries in 2015	1,861,543	1,788,541	3,650,084
Total number of beneficiaries in 2014	1,605,770	1,657,575	3,263,345
Total number of beneficiaries in 2013	1,910,222	1,562,917	3,473,139

Distribution (mt)						
Project Type	Cereals	Oil	Pulses	Mix	Other	Total
Single Country PRRO	62,363	9,778	6,481	1,359	409	80,391
Total food distributed in 2015	62,363	9,778	6,481	1,359	409	80,391
Total food distributed in 2014	60,937	11,237	6,517	2,065	440	81,195
Total food distributed in 2013	74,967	10,009	11,026	9,295	822	106,120

Operational SPR

OPERATIONAL OBJECTIVES AND RELEVANCE

The Afghan Government is committed to promoting the national ownership of food security solutions, including support to wheat production and milling. The government wanted to provide a boost to wheat farmers in the country, enable higher domestic production and milling capacity and reduce import of wheat flour, which they viewed as a key reason to stifle the domestic market. WFP designed a special operation to enhance technical and operational capacity in the area of wheat production and in the milling industry at the national and district levels, in line with the overall objective of the government's own wheat policy. WFP's technical support is intended to build institutional and human capacity in logistics, procurement, food safety, quality control, and warehouse management.

In 2015, the new government cabinet re-defined its Strategic Grain Reserves (SGR) approach and in addition to infrastructure, committed also to address the strategic management of grain and the allocation of sufficient budget capital to purchase wheat grains and cover running costs. Additional government storage facilities with a combined capacity of 150,000 mt were also added for rehabilitation in their revised requirements. The government eventually aims to have sufficient SGR bagged storage facility to hold emergency food supplies, principally wheat, to assist approximately two million people up to one year.

The government has discussed with WFP that they expect the second phase of the project to be in support of the SGR with the following objectives:

- stimulate production and productivity by providing both technical and marketing support to farmers;
- provide technical support to the milling industry; and,
- use the SGR to regulate the market and to provide an immediate response capacity to natural disasters, crises and emergencies.

In this respect, a revised project proposal has been discussed with the Ministry of Agriculture, Irrigation, and Livestock and it is expected that the special operation will be revised accordingly to reflect this new line of support to the SGR initiative, including the conceptualisation and development of an operational and functional SGR. However it must be recognised that due to the complexity of the working environment in Afghanistan, negotiations of this nature, such as changes to the scope and objectives of an operation, take time; hence the pace of implementation and overall progress have been slow.

RESULTS

Outputs

Limited outputs were achieved in 2015, due to funding shortfall and a change in the scope of the project. The government was still in the process of formulating a viable strategy for the management of the SGR and furthermore, no capital funds had yet been allocated to purchase wheat or to support the running/operating costs which would sustain a strategic stock position.

Thus, with the basic facilities and operational infrastructure in place for running the SGR, WFP shifted its focus to devising an appropriate implementation approach in 2015. To this end, WFP led an information gathering process in coordination with the Ministry of Agriculture, Irrigation, and Livestock. Subsequently, an expert in SGR mechanisms was recruited to prepare a document on the implementation of the SGR. The recommendations presented in the document centred on the organizational structure and operational capacity of the SGR, but also stressed the importance of the rehabilitation of existing storage facilities as well as the construction of additional warehousing capacity. Other plans include progressive building of stock to reach 400,000 mt in locations spread across the country, as part of the national wheat policy under preparation. In addition to emergency preparedness and response activities, the revised SGR project will also facilitate orderly marketing, provide storage options for farmers and aim to reduce post-harvest losses.

The main achievements for this special operation in 2015 encompass needs assessments and data collection on the government processes for the SGR. The following outputs were achieved in 2015:

- (I) The government wheat policy document was finalised.
- (II) The SGR concept note was produced by WFP and shared with the government before August 2015.
- (III) The SGR implementation project document was produced in consultation with the government.

With a view to enhancing synergies among projects, WFP also incorporated the purchase of approximately 15,000 mt of locally fortified produced wheat flour under its Protracted Relief and Recovery Operation (PRRO) during the year.

Outcomes

The Government of Afghanistan intends that, in addition to providing emergency food supplies, the SGR will also give them the opportunity to establish a minimum guaranteed price for the sales of wheat by Afghan wheat producers. Apart from wheat, it is expected that other essential commodities will be considered for inclusion among SGR stock. This integrated approach will encourage farmers to plant more wheat, knowing that a) they will receive a minimum guaranteed price and b) that they will have a storage option at harvest time which is crucial for the efficient operation of the supply chain. It is expected that post-harvest storage losses will also decrease.

It is important to note that out of the quoted local purchases made as part of the PRRO food basket, 50 percent (7,500 mt) originated from small-holder Afghan farmers. These local purchases were intended to have a positive impact on the SGR initiative, in support of the SGR strategic component: 'provide incentives and support to Afghan farmers'. This is a demonstration of the combined success achievable, when the SGR special operation, P4P and PRRO projects work hand-in-hand with the government.

Sustainability, Capacity Development and Handover

As the initiative is largely in its inception, it is too early for a comprehensive discussion on the sustainability and hand-over strategy in connection with the WFP special operation. At this stage WFP, the government and key partners are collaborating to lay the necessary groundwork for the successful and expedient implementation in line with national priorities. However some relevant observations that have emerged so far are noted here.

Regular imports of Pakistani flour into Afghanistan pose a continuing disadvantage for the Afghan milling industry. Despite this challenge, there is enough evidence to suggest that entrepreneurial activity was taking place and in some cases, growing at a fast pace. The lack of available statistics however, in this very important agribusiness sector, is a hindrance to robust national policymaking and is a problem that needs to be addressed in the future.

Currently existing facilities can allow the storage of a minimum of 100,000 mt of grain by the 2016 harvest season. With agreed donor contributions, the remaining government-owned storage space (circa 135,000) could be functional by 2017. Imported grain (including aid) is the most realistic storage option in the early stages, with a minimum guaranteed price policy, following on from autumn 2016 and in preparation for the harvest season of 2017.

The implementation report recommended the establishment of an Afghanistan Grain Board (AGB), a government body dedicated to pursuing the stated objective of the Afghanistan Government, i.e., the implementation of a functional SGR, with capital funds for the purchase of wheat and running costs. Furthermore, it was recommended that the AGB form the Strategic Grain Reserve Agency (SGRA) which would, on behalf of the former, carry out all necessary activities such as purchases, stock rotation, etc. Set up to be a non-profit entity, the SGRA would become the custodian of the grain in the SGR, supported by the Government through the payment of operational costs depending on the agreed storage capacity of the SGR. However, the vital component currently missing in this scenario, which has placed constraints on the development of an Afghanistan SGR until now, is the emergence of a secure funding stream capable of sustaining both an agency and its purchasing strategy over the longer term.

MANAGEMENT

Partnerships

The Ministry of Agriculture, Irrigation, and Livestock is the owner of the SGR programme structure, while the Food and Agriculture Organization (FAO), the World Bank, and WFP are supporting this initiative. Technical assistance from FAO led to the wheat policy document. The World Bank committed to provide US\$ 12 million for the purchase of capital stocks for the SGR. The government has launched a tender for the rehabilitation and construction of 16 provincial/district warehouses with a committed budget of USD 1.8 million, to be supplemented by WFP with over USD 1 million, for the purchase of equipment and related costs, e.g. plastic pallets, scare, sketching machines, fumigation, warehouse management trainings, capacity building and the cost of the SGR Expert Consultant.

Lessons Learned

Since the main function of the SGR is to utilise its stocks in case of natural disaster and/or food shortage, the government will have to replenish the stocks as and when needed in order to keep stock at required levels. It should therefore be accepted that the reserve is likely to be a continuing cost given the Afghanistan political context and fragile economy.

The SGR should not be expected to generate sufficient funds from the sales of grains to cover either its replenishment or its full operating costs. Considering the new proposal discussed with the government in support of the SGR, the Country Office will do a budget revision to align the special operation with the changed orientation as well as new budget requirements.