

Report on

Market System Analysis of Grape and Raisin Sector in Balkh and Samangan provinces of Afghanistan



Road to Jobs Project of ILO Afghanistan

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Abbreviations

ACCI	Afghanistan Chamber of Commerce and Industries
ADF	Agriculture Development Fund
AISA	Afghanistan Investment Support Agency
AMA	Afghanistan micro finance association
ANHDO	Afghanistan National Horticulture Development Organization
ANSA	Afghanistan National Standard Agency
ARFV & MPA	Afghanistan Raisin Fruit Vegetable & Medicinal Plant Agency
BCCI	Balkh Chamber of Commerce and Industries
BDSs	Business Development Services
CARD-F	Comprehensive Agriculture and Rural Development Facility
DAIL	Directorate of Agriculture, Irrigation and Livestock
EPA	Export promotion agency
FGDs	Focus Group Discussions
GAIN	Global Agriculture Information Network
IDPs	Internally Displaced People
ILO	International Labour Organization
ISO	International Organization for Standardization
MAIL	Ministry of Agriculture Irrigation and Livestock
MFIs	Micro Financing Institutions
MSA	Market System Analysis
MSEs	Micro and Small Enterprises
M4P	Making Markets Works for the Poor
MTs	Metric Tons
NATO	North Atlantic Treaty Organization
NGOs	Non Governmental Organizations
NHLP	National Horticulture and Livestock Development Program
OSH	Occupational Safety and Health
PHDP	Perennial Horticulture Development Project
R2J	Road to Jobs project
RADP	Rural Agriculture Development Programme-North
ROP	Roots of Peace Organization (ROP)
Sida	Swedish International Development Agency
SMEs	Small and Medium Enterprises
UN	United Nations
UNOPS	United Nations Office for Project Services
USAID	United State Agency for International Development
VC	Value Chain

Executive summary

This report sets out a study of market system research and analysis of grape and raisin sector in the Balkh and Samangan Provinces undertaken by the Road to Jobs project of the International Labour Organization (ILO) Afghanistan, funded by the Swedish International Development Agency (Sida). The Road to Jobs project aims to unleash the economic potential of rural communities through the expanded rural road network with better connectivity to markets in Afghanistan, which has been supported by Sida-UNOPS. The project has planned to carry out market system analysis in selected value chain sectors during its inception phase to identify the underlying constraints inhibiting pro-poor growth. The grape and raisin sector were selected for conducting of market system analysis after comprehensive assessment process of sector selection.

The main objectives of the market system analysis were to identify underlying causes of underperformance (constraints) and identify initial intervention areas to facilitate change in the grape and raisin market system to allow it to function more competitively and inclusively in order to create more jobs and income for target groups.

The research was conducted from mid-August to end October 2015. It comprised a secondary research and desk review, field research which covered 66 interviews and 6 focus group discussions with market actors at different levels and several workshops including a presentation with stakeholders to receive feedback on the findings.

The analysis revealed that there are the positive prospects for developing the grape and raisin sector in the Balkh and Samangan Provinces. It is estimated that approximately 5,000 farm households are involved for grape farming activities in the Balkh and Samangan provinces (However, around 10,000 people are involved and derive their incomes in direct and indirect ways with grape and raisin value chain from sourcing to marketing as per estimation based on knowledge of data collectors). The local demand is not sufficient to absorb the quantity produced; therefore, it's vital to link with external markets. There is potential to develop market linkages with new markets. However, the growth potential is constrained by a number of factors, including: low quality inputs in the market, lack of farmer knowledge on appropriate agriculture techniques, lapses in public extension services, low yield, traditional methods and lack of trellising in most areas, limited information is available on new product development and value addition, lack of awareness on existing logistic support services, lack of market information and limited awareness of exporters regarding high-end markets.

As result of this analysis, priority intervention areas were identified and proposed in order to address the identified underlying constraints. The findings of analysis were presented to the stakeholders and useful feedback received at the presentation workshop.

Priority intervention areas:

1. Introduce new farming methods including good agricultural practices and techniques to farmers. Training will be needed for farmers to apply good practices and techniques which help to increase the yield. There is a need to explore more to develop new service package of trainings and introducing new systems to strengthen the service delivery of existing service providers (both public and private). This intervention area is boosting farmers access to knowledge, and training is just one way to do this (others include embedded service provision, role modelling, media etc.).
2. Design a media program and pilot to make awareness among the farmers on cultivation methods and other agriculture information. Input supply companies could initiate joint actions to strengthen their dealer/retailer network through trainings and capacity building for embedding relevant information service with products. This is needed to give confidence for input supply companies to embed information service on proper usage of agrochemical along with their products to outreach a large number of farmers and improve the trust and awareness. However, currently input supply companies do not train retailers to embed information service with their products as it is very difficult for them to invest more money for trainings to embed information service with their products while compete with low quality/fake imported products in the market. Thus, it is important more research to develop a business case and build interventions based on this business case.
3. Persuade solar water pump companies to enhance the awareness of the grape farmers on benefit of solar pumps for irrigation to reduce cost of production. There is a possibility for the micro finance institutions to work with the solar companies to provide farmers with solar water pumps through developing Islamic finance products.
4. There is a possibility to find new export market/buyers in Dubai and India for grapes. It is need to explore more information and facilitate to link local grape exporters with buyers in Dubai and Indian market. The existing cargo service (ground cargo service) and new cargo services (air cargo service) could be bridged to connect with these new markets. The role of certain service providers could be strengthened through some interventions to provide information on market and logistic services (cargo and cold storage facilities) for the wholesalers, processors and exporters. BCCI is already thinking about this possibility.
5. It is imperative in giving confidence through building capacity of service providers to develop the training and information service for new product development and packaging. It is also important to initiate training service for value additions and make available those services for market actors do more value additions for grapes and raisins. Facilitation is required to persuade entrepreneurs to invest on value addition and new product development of grapes since limited information is available on new product development and lack of awareness of entrepreneurs. There is a possibility to form a women cooperative that they can work together for value added cottage products of grapes. However, it is important to do a further research on women cooperative vs.

commercial viability, job-wise feasibility, scale of operation and potential market in this intervention area prior to design the interventions.

The priority intervention areas that directly relevant to upgrade current situation of grape and raisin sector, enhancing women engagement, increasing the income and create more jobs. It is imperative to pave gender inclusion, decent work and migrant labour aspects further at the design of interventions to address the identified underlying constraints of this market system analysis.

1. Introduction

The Road to Jobs project of the International Labour Organization (ILO) in Afghanistan has been working in the Balkh and Samangan Provinces of the northern region. It is funded by the Swedish International Development Agency (Sida). 'Road to Jobs' aims to unleash the economic potential of the expanding rural road network in Afghanistan, which has been supported by Sida-UNOPS. These new roads provide rural communities with the opportunity for better connectivity to markets. The Road to Jobs project helps turn that opportunity into reality in selected Northern Provinces. The project will cover up to eight rural districts and two provincial capitals of Balkh and Samangan Provinces, with focus on rural areas where the road construction have opened up year-round access to products and job markets, and addressing opportunities and challenges of the urban economy that absorb the products and labour coming from the rural economy. The ultimate target is the rural households and their income earners who work either in rural communities or in urban centres and other major centres of employment. The project will pay special attention to the livelihoods of marginalized groups.

The Road to Jobs project intends to bring economic benefits to the rural communities of Balkh and Samangan Provinces which are better connected by rural roads built by UNOPS with the financial support of the Sida. The overall objective of Roads to Jobs project is to create more and better jobs in Balkh and Samangan Provinces which contribute to improved livelihoods and poverty reduction. The project is aimed to improve collaboration and co-ordination between local stakeholders in rural districts and its urban centres for local economic development, improve the position of poor and disadvantaged groups within selected agricultural and urban sectors and improving financial management of poor and disadvantaged groups in Balkh and Samangan Provinces.

The Road to Jobs project follows the market system approach to address critical underlying constraints inhibiting growth for better employment outcomes. Hence, the type of interventions promoted under the project will be mostly 'light touch' with avoiding most of typical direct interventions fully funded by the project. The Road to Jobs project acts as a facilitator: encouraging permanent market players, both public and private, to take on new and improved roles within value chains which lead to more inclusive economic outcomes for target groups. Tripartite constituents will exercise their influence on creating conducive policy and regulatory environment and coordinate their technical and financial resources with the strategic partners.

The project intends to contribute for "bolstering private sector confidence and creating jobs," one of the seven reform agendas of the Government announced at the London Conference in December 2014, by promoting private sector-led job creation, along with several relevant national programme priorities. Thus, the Road to Jobs project supports the rural households through three components, namely a) developing the promising agricultural value chains for exports and import substitution so that the farmers will also develop with the value chains; b) enhancing opportunities for migrant workers in urban centres; and c) financial education for rural households and migrant workers.

The project will enhance the competitiveness of selected value chains connected by the road network through multi-faceted interventions that respond to the underlying constraints inhibiting pro-poor sector growth with a special attention to vulnerable and marginalized groups including women. The project

promotes market-driven, locally-owned strategies that build on the incentives and capacities of various public and private actors to change: and hence increase prospects for the more and better jobs to be created and sustained based on social dialogue at the local level.

Hence, the project planned to carry out market system analysis in selected value chain sectors during its inception phase to identify the underlying constraints inhibiting pro-poor sector growth. Thus, grape and raisin sector were selected as one of value chain sectors, a market system analysis (MSA) was carried out to identify the underlying constraints inhibiting pro-poor sector growth in the target provinces. The objectives of the MSA are as follows:

- a) Conduct a market system analysis to Identify underlying causes of underperformance (constraints) in the grape and raisin market system,
- b) Identify specific market constraints, and set out a vision of how the market needs to change to function more competitively and inclusively
- c) Identify intervention areas required to facilitate change in the market systems in order to create more jobs and income for target groups

1.1 How it was done

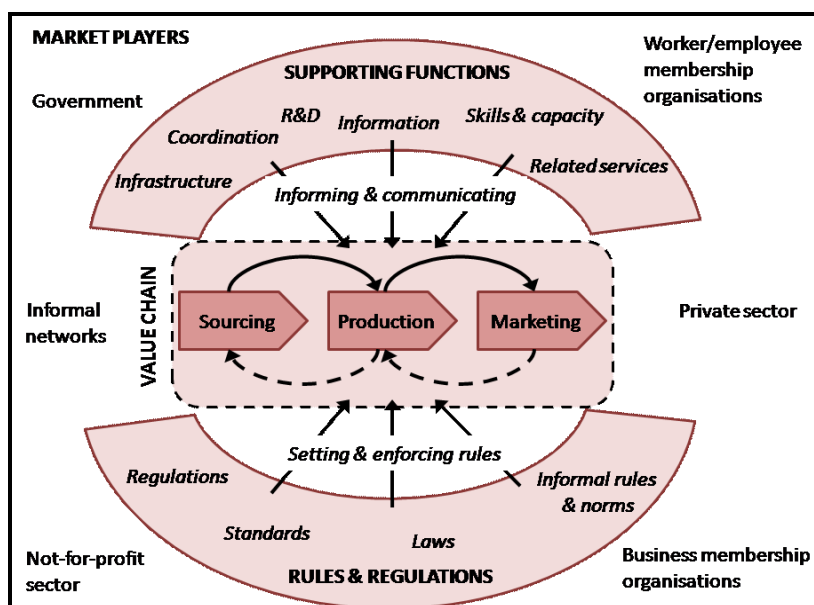
The grape and raisin sector were selected as one of the value chain sectors to conduct a market system analysis after a comprehensive assessment process which included the execution of a series of Rapid Market Assessments (RMA) of six core sectors, a Local Competitiveness Assessment for each of the provinces (using PACA methodology) along with sector selection exercise. Subsequently, the market system research and analysis (MSA) was conducted following the guidance set out the M4P operational guide (2014) and the ILO's guide on value chain development for decent work (2015) as per the terms of reference (TOR) in annex 1. 1.2.1 Value chain and market system approach.

A value chain is defined as a sequence of target-oriented combinations of production factors that create a marketable product or service from its conception to the final consumption. This includes activities such as design, production, marketing, distribution and support services up to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms, as well as within a single geographical location or spread over wider areas. The term value chain (VC) refers to the fact that value is added to preliminary products through the combination with other resources (for example tools, manpower, knowledge and skills, other raw materials or preliminary products). As the product passes through several stages of the value chain, the value of the product increases.

Value chain development is all about making the consumer/customer at the end of the chain happy. If enterprises cannot satisfy the needs (or requirements, preferences, desires) of their buyers, the buyers will sooner or later turn to another supplier. Value chain development is therefore a market-oriented approach. All activities of a particular chain are directed towards the market. It is therefore important to understand that all stakeholders along a particular value chain need to cooperate and coordinate their activities to satisfy the needs of the end consumer. A value chain is embedded within a wider market system. At the

centre is the value chains (the core of the market system) that bring products and services to the market. The business environment is formed by supporting functions (e.g. information, training, finance, inputs) and rules and regulation. Figure 1 below shows the relationship among these functions.

Figure 1: Value chain within the market system



Source: Springfield Centre (2014)

This diagnostic process is vital to understand often-complex market systems and to arrive at the real underlying constraints (in supporting markets) that can be intervened in to maximize of scalable and sustainable change in the core market system (the value chain). Taking a value chain and market system analysis approach to economic development and poverty reduction (that includes creation of Decent work & Jobs) involves addressing the underlying causes and opportunities faced by input suppliers and producers, processors, traders and other businesses at multiple levels and points along a given value chain. Market system analysis identifies opportunities and constraints of a particular local/regional sector and its market integration, and most potential intervention areas that propose various solutions to address these opportunities and underlying causes.

1.2 Scope of the analysis

As highlighted in the previous section, the market system analysis focused on identifying how key players in grape and raising sector (both formal and informal, public and private) can improve value addition and market competitiveness of products and better integration of those into local and international markets while promoting the creation of more decent jobs and income. The research was limited only to fresh grape and raisin products which were identified as having high potential for creating more income and employment opportunities for the target groups in Balkh and Samangan Provinces of northern region in Afghanistan.

Furthermore, the grape and raisin sector was selected for MSA based on its growth potential, relevance of the sector for poor, migrant women and men and also the feasibility for intervention.

1.3 Process of market system research and analysis

The process included following main steps;

- i. A secondary research and desk review
- ii. Field data collection from stakeholders and market actors through interviews and focus group discussions(FGDs)
- iii. Data analysis, and a
- iv. Presentation workshop with relevant stakeholders at provincial level.

A secondary research and desk review was carried out for secondary data. Interview guidelines and FGD format were adapted as data collecting instruments to collect primary data from market actors in grape and raisin sector. A three day preparatory training workshop was conducted with the core team prior to start field data collection. It was followed by conducting 66 interviews and 06 FGDs covering all market actors as a representative sample across the grape and raisin value chain during the data collection process.

The ILO's guide on value chain development for decent work (2015) and the M4P operational guide (2014) were used to track the value chain mapping and analysis. Field data were gathered into summary notes by regular team meetings and proceed with ongoing reviews and data processing prior to the analysis. A technical workshop was conducted with VC core team to carry out the analysis. It was followed by a presentation workshop with relevant stakeholders at provincial level to present the findings of the analysis for their feedback.

1.4 Time frame

The market system research and analysis was conducted in 60 working days, within a 9 weeks period starting 16th of August 2015.

1.5 Limitations

Secondary information and data were limited and had experienced in difficulty to find those within a limited period of time in the research process. The field works and data collection was completed within three weeks period due to time constraint. Thus, it was taken additional effort and time to make documentary review and field works than normal work plan of MSA research. However, necessary data were traced during the consultation process and incorporated those into the analysis. Necessary estimates for demand and supply were made based on available secondary information (e.g. number of farmers, street vendors etc.).

2. The grape and raisin sector and relevance

2.1 General sector characteristics

The grape and raisin sector plays an important role in agriculture livelihoods and rural economy of Afghanistan. Thousands of people have been engaged in the sector activities as farmers, collectors, local traders, street venders, processors and exporters. Thus, this sector has created direct and indirect employments for many people. Forty four percent (44%) of farmers in Afghanistan grow grapes. Majority of farmers in the grape and raisin sector are smallholders. Grape farms in large scale have provided wage works for people at rural areas. Most of the works are available in large farms on temporarily basis (3-4 months or a few weeks) during the harvesting seasons.

Grape is the largest horticultural crop in Afghanistan. Farmers grow grapes in many of the provinces in the country except a few provinces such as Nangarhar and Nimroz due to excessively hot climatic condition. Grape farming is more popular among the farmers in Kandahar, Kabul, Parwan, Jawzjan, Balkh, Samangan and Herat provinces. The top five producing provinces are Kabul and Parwan (in the Shamali plain), Kandahar (south), Herat (southwest) and Ghazni in the eastern part. Faryab and Saru-e-Pul are the leading provinces in the north. There are two types of grape varieties namely fresh grape and raisin types. Farmers grow both types of varieties. Estimated average grape production in Afghanistan is 520,000 metric tons per year (Gorter et al 2011). The secondary information reveals that productivity and land extent of grape cultivation (hectares) has been increased in recent past due to various donor-funded interventions. It was expected to reach the total production 690 000 MT in 2014 due to adoption of good practices and new techniques (e.g. trellising). The records indicate that estimated total land extent under grape production is 62,600 Hectares and grape production was expected to increase by 20% in 2014 due to rehabilitation of old vineyards and introduction of new varieties.

Many of the jobs in the sector exist at the farming level. Small scale grape farms (subsistence farmers) and street venders can mostly be considered as self-employment as well as large scale grape farms can be considered as commercial enterprise. Therefore, the major part is self-employment (street vending of grapes is a good source of income especially for migrants in Mazar-e-sharif City. Some of these street vendors come from districts of Balkh Province). Grape and raisin collectors and street venders are informal enterprises which are operated at small and medium scales throughout the country. Local traders and wholesalers in the sector are mostly formal enterprises which are also operated in small and medium scales.

Fresh grapes and raisins are main two end products of this sector in Afghanistan. The end consumers of these two products are mainly in export market while a considerable amount is disbursed at the domestic market. Thus making of fresh grapes for export market is one of the main enterprises in this sector. A few numbers of large grape traders and exporters (with own warehouses /shops) are engaged with this enterprise (estimated number is 36 grape exporters) at urban centers (e.g. Kabul, Mazar-e-sharif etc) in the country. (These traders and exporters involve for collecting, transporting, cleaning, sorting, grading, packaging, storing in their warehouses and exporting). They have been employed a very few number of workers for their operations.

Other main enterprises of this sector comprises with processing of raisins and exporting. There are 29 raisin processing and exporting companies in Kabul and 6 companies are located in the Mazar-e-sharif City of northern Afghanistan. There are few raisin processors cum exporters also available in urban cities of other provinces. The raisin processing factories have provided very few employment opportunities for workers. Although, it is important to denote that the raisin processing factories are one of very few industries in Afghanistan which employ more women (more than 60% of total workforce in raisin factories is women) as their workers e.g. nearly 200 poor women and men are working in raisin factories in the Mazar-e-sharif City. More than 100 of workers are women in these factories. And women workers of the raising factories are underpaid laborers. The wages of women receive in raisin factories are half of the wages paid to men. These factories pay for female worker on average 150Afs/day while male worker receives on average 300 Afs/day. Reasons behind this disparity are yet to be established. However, it was revealed from secondary data that the number of new raisin processors and exporters have not been emerged in the last ten years.

The domestic market disburses 30% of total grape production in Afghanistan for local consumption. A large volume is exported either fresh grapes or raisins (dried) form. Fresh grapes of Afghanistan are mainly exported into Pakistan (e.g. Peshawar). It is important to denote following example: Feroz Nakchir district of Samangan is the one of the districts in the northern provinces of Afghanistan produce export quality grape which mostly exports to Pakistan. The main export destinations of the raisin products in Afghanistan are, Russia, Turkey, Uzbekistan, Europe (e.g. Netherland, Germany) and a few amounts of exports started to Canada in recently. However, the raisin products of Afghanistan have to compete with other competitors of the region at the export market. Major competitors are Iran, Turkey, Uzbekistan, South Africa and the United States. Afghanistan earns around \$15 million from exporting fresh grapes. It accounts nearly 40% of total fresh fruits export earnings in the country.

Raisins is one of the most important export good of Afghanistan and the country earns approximately \$100 million from exporting raising products based on official statistics in 2014. It is important to note that these export earnings contribute to \$ 20 billion GDP of the country (World Bank in 2014). It is also equivalent to around 40% of total earnings from dried fruit and nut exports. However, Aforesaid data cannot reflect the whole export volume of grape and raisin in Afghanistan since trade with Afghanistan's regional partners is largely unrecorded.

The market demand for grapes and raisins has been increased globally in recent past. Global grape and raisin exports have increased more than twofold during 2008-2011. Major competitors of the neighboring countries: Turkey, Uzbekistan, Iran and India have a significant lead over Afghanistan in the exports of grapes and raisins to the world market. The raisins historically have provided export revenue for the Afghanistan. There was a sound reputation with raisin product of Afghanistan dating back to the 1970s. However, exports of grapes and raisins from Afghanistan to the world market were cut down significantly during past period due to uncertainty of security situation. Nevertheless, Afghanistan continues to feature in the top 25 exporters of grapes and raisins globally during the same period (2008-2011) according to the ILO value chain study in 2014.

Fresh grapes are rarely exported beyond Pakistan due to lack of a cold chain facilities. Some traders tried to export fresh grape to India via air but malpractices and long delays due to security reasons in Kabul airport discouraged the traders from continuing this business. It was reported that exporting fresh grapes through Kabul airport can be profitable in India as it offers much better price compared to Pakistan market. However, grape exports to Pakistan have been declining over last 03 years due to deteriorated bilateral relationship between government of Pakistan and Afghanistan and Pakistan increases import taxes time to time at the borders.

It is estimated that farmers in Afghanistan dry up to 25% of their fresh grapes into raisin. Farmers in remote areas tend to dry most of their grapes into raisin due to marketing problems and security situation. Nevertheless, most of farmers in northern region (except Sar-e-Pul and Faryab Provinces: farmers dry up to 80% of their grapes and convert into raisins) dry about 10% of their grapes because they can easily sell their fresh grapes in the markets in Mazar-e-sharif city or move them to Kabul City due to good quality and relatively good access to markets. However, the raisin production was expected to peak to 36,000MT in 2014 with a 5% increase. It was reported by exporters during the study that the raisin export to Russia has increased in the last few years. This indicates the demand for raisins in Russian market is high. Also processors and exporters were able to receive a good supply of raisins from farmers in last few years to cater for the demand in Russian market. However, available source of secondary data does not reveal the whole export volume to Russia due to largely unrecorded trade.

The raisin production has increased because many organizations have worked in this sector (at other provinces) and increased the production through enhancing the farmer knowledge and practices on new varieties and good agriculture practices during last few years. Nevertheless, it is important to note that there is still lack of knowledge with farmers in Balkh and Samangan provinces on good agriculture practices and techniques. The table 1 below shows available records of raisin export of Afghanistan in last four years. It is important to note that increasing demand in Europe market will be expected for grapes and raisins. However, meeting these market requirements with quality standards will be a real challenge for the processors and exporters in Afghanistan.

Table 1: The raisin export of Afghanistan from 2010 to 2014

Country of Export	2010/2011 (MT)	2011/2012 (MT)	2012/13 (MT)	2013/2014 Oct to April only (MT)
Russia	14,309	10,050	8,568	6,703
India	5,457	7,999	7,484	9,431
Pakistan	3,700	2,500	3,000	2,700
EU	4,413	3,167	1,342	1,678
USA	268	122	508	66
Belarus	1,701	957	737	324
Kazakhstan	616	860	343	869
Australia	18	20	111	283
Ukraine	582	285	390	140
Others	330	432	194	197
Totals	31,394	26,392	22,667	22,391

Source: SDA Foreign Agriculture Service, GAIN on Global Trade Information System

It is imperative to note that secondary information reveals, raisin imports are also taking place in Afghanistan. A different channel exists for imported raisins in Afghanistan. However, dry fruit traders usually import Iranian raisins but also fresh grapes from China and Uzbekistan and sell those through the domestic raisin market channel. During the Eid seasons, most of the Iranian raisins hit the Afghan market because of the sudden surge in demand. Iranian raisin importers claimed that people buy Iranian raisins in local market only when there is unmet demand or the local supply reduced and price goes up.

With aforesaid brief overview of grape and raisin sector, it is worth to denote the followings: farmers grow grapes in several districts of Balkh and Samangan Provinces. Scale of farming activities are vary from place to place within these two provinces e.g. just few grapevines with other crops for home consumption to commercial scale farms. However, Feroz Nakchir district of Samangan Province and Dawlatabad district of Balkh Provinces are well-known areas for grape production in northern Afghanistan. Grape is one of the main sources of income for farmers in these two districts.

In addition, a considerable number of farmers in Hazurat Sultan district of Samangan Province and Balkh district of Balkh Province are also engaged in grape farming. Nevertheless, grape production of these two districts is less than Feroz Nakchir and Dawlatabad districts.

2.2 Relevance to the target groups

The poor people (men and women) in Balkh and Samangan Provinces are mostly involved at the grape farming and production level. Around 5000 farmer families are involved in grape farming, because it is the most important source of income for them. Most of the poor people are involved at the production level and majority of people involved are self-employed (they handle their own orchards of the grapevines). Poor people are also employed seasonally, for pruning (a few weeks) and harvesting (3-4 months).

The poor are also involved in work at processing factories. It is mainly cleaning, sorting and grading of raisins as well as loading and unloading at the processing factories. However, very less number of poor people (nearly 200 workers) has engaged with the processing factories in the Mazar-e-sharif City. In addition, poor people work as retailers and street vendors of grapes especially during the harvesting season. It is important to state that poor people plays their main role as the recipients of supporting services e.g. poor farmers just receive agriculture extension service but they are not involved in disseminating their knowledge with peer – farmers in the same village. There is no any significant involvement of them with supporting services except few weak farmers associations.

Most of the women in Balkh and Samangan provinces are generally connected at the lower levels of the grape/raisin value chain, where they perform irrigation, weeding, and harvesting. However, women are also engaged at home based primary processing (sun-drying the grapes for raisins) and packing is mainly done by women. This is family labour at the household level. The harvesting is mostly done by seasonally employed poor women.

A very few number of women have involved in work at processing factories. It was estimated between 100 - 150 women workers in the processing factories of the Mazar-e-sharif City. Women of target groups are only recipients of supporting services and they do not perform any role other than recipients.

Street vending of grapes is a good source of income especially for migrants (men) in the Mazar-e-sharif City. Some of these street vendors come from districts of Balkh province and sell grapes in the Mazar-e-sharif City during the harvesting season. Estimated number of street vendors in the Mazar-e-sharif City is more than four hundred people.

3. Analysis of the market system

3.1 The core of the market system

Three main levels in the core can be indentified at the grape and raisin value chain of Balkh and Samangan Provinces.

- I. Sourcing of Inputs
- II. Farming
- III. Marketing (collecting, wholesale and retail ,processing and exporting)

The input supply such as fertilizers, agrochemicals, plant nutrients, tools and equipment etc, is mainly provided by few private sector companies for the farmer communities in Balkh and Samangan Provinces. Around 5000 farm households of Balkh and Samangan Provinces are engaged in grape farming. The local collectors and commission agents are directly linked with farmers as well as wholesalers, retailers and processors at urban centers such as in Mazar-e-sharif and Kabul Cities etc. The marketing of grapes at domestic markets is mainly done by retailers and wholesalers for domestic consumption. There are 6 factories (private sector establishments) that are involved in processing of raisins in Mazar-e-sharif City.

Figure 2: Value chain map of grape and raisin sector



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planting materials by providing mother plants and cuttings for propagation. A considerable number of farmers produce non-certified planting materials (grape cuttings). However, good quality characteristics of these planting materials are not assured and selling price is lower than the certified planting materials (with assured good quality characteristics).

A majority of farmers are willing to buy non-certified planting materials from the fellow farmers than purchasing certified planting materials due to low price. Few donor funded projects are still providing selected input items to farmers and it is not a long term supply. No sooner these subsidies will not be available with the phasing out of projects. It is important to note that watering and irrigation cost is very high at farm operation due to water pumping using fuel pumps. However, solar pump companies have started to introduce solar pumps with different capacities to farmers (including grapes farmers) in districts of Balkh and Samangan provinces. One solar company has recently installed two solar pumps for two large farms in Hazrat Sultan district. According to the company, the number of solar pump users has been increasing day by day. This company has sold solar pumps to 120 farmers on credit basis.

The estimated number of grape farmers in Balkh and Samangan Provinces is nearly 5000. Grape farming is prominent in Feroz Nakchir and Hazrat Sultan districts of the Samangan Province as well as Balkh and Dawlatabad districts of Balkh Province. There are approximately 3,000 grape farmers in Feroz Nakchir and Hazrat Sultan districts of the Samangan Province and 2,000 farmers in Balkh and Dawlatabad districts of Balkh Province as per the primary estimation of this MSA.

Grape farming is operated at commercial and semi-commercial scales in Balkh and Samangan Provinces. A majority of farmers do operate commercial scale farms in Feroz Nakchir and Hazrat Sultan districts of Samangan Province as well as in Balkh and Dawlatabad districts of Balkh Province. These farmers cultivate two types of grapes: grape type (fresh) and raisin type (dried). Farmers in both provinces are mostly producing fresh grapes and production of raisin type is at a minimal level due to climatic conditions and unavailability of suitable grape raisin variety in the field

The farmers commonly use 4 varieties of grape: Hussaini, Taifi, Shortak and Kishmishi. The Taifi variety is mainly produced to cater for the export market while Hussaini, Shortak, and Kishmishi varieties are for the domestic market. The primary estimation of the field data reveals that in Samangan Province, 80% of the grape cultivation is of Taifi variety and 20% of Hussaini. However, in the Balkh Province nearly 30% of the cultivation is of Taifi variety and the rest of the cultivation was from other varieties since climatic conditions are more suitable for other varieties (e.g. Shortak and Kishmishi). The average production of both provinces is around 17,500 metric tons per year according to primary estimation of this MSA. Feroz Nakchir farmers are better in terms of their know-how of grape cultivation practices. They have been practicing trellising systems for their grapevines and evidence of field observations reveals that the yield is high due to this practice. In addition, it was noticed that some farmers visit other grape farmers in Dawlatabad district and help them learn the trellising systems. These farmers could be trained further as lead farmers and possibility of organizing them into a lead farmer service (informal supporting service group) to disseminate best practices among fellow farmers. There would be a possibility to charge a small fee from fellow farmers for their service.

Women engagement in farming activities is minimal in Balkh and Samangan Provinces. Women in Feroz Nakchir do not get involved in grape farming activities. However, there is a little involvement of women in farming in Balkh and Dawlatabad districts. They perform various tasks of farming such as land preparation/softening, weeding and irrigation. Nevertheless, the tasks performed by women are mostly light work. Further, they are underpaid and their daily pay is 150Afs in contrast to the pay of a man which is 300Afs per day. Migrant workers (male) are also involved in work at grape farms in Feroz Nakchir district. They come from other districts of Balkh Province such as Khulm and they are not skilled. Migrant workers receive 300AFs/day while skilled local workers receive 500 Afs/day. Reason for this disparity is that migrant laborers have low levels of skills.

There are 25 local grape collectors in two provinces (20 grape collectors in Feroz Nakchir, 6 grape collectors in Dawlatabad and Balkh districts). In addition, 30 grape collectors are available in Kabul. Collectors directly come to villages and buy fresh grapes from farmers and sell those to wholesalers & retailers in main cities such as Mazar-e-sharif and Kabul. They always demand good quality grapes from farmers and the quality is determined based on freshness, size, colour and good appearance. Collectors visit grape farms and negotiate the price with the farmers. There is no any formal contract and grading scale (other than freshness, size, colour and good appearance) with farmers. The collectors use small trucks and cars to transport the collected grapes to main cities. However, farmers are not very happy about the deals with collectors because, their bargaining power is very low with collectors. In addition, the collectors choose only good quality grapes (relatively large size, freshness, good colour and appearance) and do not buy low quality grapes. A few exporters are also directly collecting grapes from farmers for their consignments.

There are two major markets for this local value chain: domestic market and export market. Domestic main markets for grapes are located in Mazar-e-sharif, Ayback, Kundus, Baghlan and Kabul cities. Wholesalers are in main cities such Mazar-e-sharif, Ayback, Kundus, Baghlan and Kabul. There are about 20 grape wholesalers in the main fruit market at the Mazar-e-sharif City. They buy bulk volume of grapes from local collectors. In addition, a few farmers directly supply their grape production to these wholesalers. This indicates the weak supply link between these wholesalers and farmers. There are approximately 450 grape retailers (including push carts) in Mazar-e-sharif City and they buy grapes from wholesalers in the main fruit market. Moreover, there are nearly 50 grape retailers in Ayback city. Grape selling is a seasonal activity for these retailers and they sell other fruits during the off season. Migrant workers (male) are also engaged in selling grapes by using push carts.

The main export destination for grapes is Pakistan. There are 6 grape exporters in Feroz Nakchir district and more than 30 grape exporters in Kabul. There are no any grape exporters available in Mazar-e-sharif City. All these exporters directly export grapes to Pakistan. They collect grapes mainly from the collectors. Also, a few numbers of migrant workers (male) are working under grape exporters. However, the demand for grapes has been declining over the last two years due to deteriorated relationship between the two governments. One grape exporter in Feroz Nakchir district has already made an attempt to send grape samples to Dubai market via Kam Air (Airline) and the samples have been accepted by a buyer. However, this effort was constrained by very limited information on Dubai market and logistic services.

Raisins production is at a minimal level in both provinces. There are nearly 50 local raisin processors cum wholesalers in Mazar-e-sharif City. They operate at a small-scale and do drying, sorting, grading, and selling of raisins. They collect raisins from farmers. The supply link of raisins between these local raisin processors cum wholesalers and the farmers in Balkh and Samangan Provinces is very weak due to low production of raisin type grapes. However, they source a very little quantity of raisins from farmers in Balkh Province and mostly a larger quantity from other provinces. A few female workers as well as migrant workers are also engaged in processing activities under these processors. There are around 500 raisin retailers and few supermarkets which sell raisins in Mazar-e-sharif City. They buy raisins from local raisin processors cum wholesalers.

There are 6 raisin processing factories in Mazar-e-sharif City. In addition, another 29 processing factories are in Kabul City. They do both processing and exporting of raisins. The Mazar-e-sharif based processors and exporters buy raisins from other provinces such as Kabul, Parwan, Ghazni, Logar etc for processing. It indicates that there is not any link between grape farmers in both provinces (Balkh and Samangan) and Mazar-e-sharif based raisin factories. Also, workforce at raisin processing factories is dominated by women workers. Therefore, women involvement is high at raisin processing level other than any level of this value chain. It is worthy to note that this is one of the few industries where women are hired and paid. However women are underpaid compared to men. A woman receives 100 Afs/day while a man engaging in a similar work in this sector or elsewhere receives 300 Afs/day. Working condition of these factories is considerably poor. In addition, few migrant workers (male) are also engaged as daily wage labors in raisin processing factories in Mazar-e-sharif City. They come from other districts to find works in Mazar-e-sharif City.

The main export destinations of these raisin products are Russia and Turkey. Few agents are based in Russia and keep coordination between Mazar-e-sharif based raisin factories and Russian buyers. It is imperative to note that the raisin exports to Russia during the last few years have increased. Nevertheless, quality of these raisin products is low. These export markets are required low quality raisin products as ingredients for their further processing and value additions. However, there is one raisin exporter (Tabasum Company in Kabul) which exports raisin to Europe (Netherland and Germany) for a better price. This company has the ISO standards. It shows that this particular market requires high standards of processing and high quality raisin products.

3.1.2 Symptoms of underperformance and constraints in the core of the market system

Market demand for inputs of grape cultivation and production (mainly agrochemicals and fertilizers) has been declining in the last 3 years. This is because of low income of farmers due to decreasing price of grapes. Thus, the farmers do not have adequate money to buy sufficient quantity of inputs. Also there are no credit base facilities offered by retailers. In addition, many donor projects are used to buy inputs from supply companies and freely distribute to farmers. Currently this has also stopped due to limitation of funding of the donor funded projects. However, farmers are still looking forward to free inputs.

There are low sales of inputs (especially good quality inputs) in the market, as the farmers have tended to utilize low quality chemical inputs. They have lost their trust on available chemical inputs in the market. This

is because of importing and selling of low quality inputs (agrochemicals and fertilizers) by different companies. This has further aggravated with the lack of farmer awareness on importance of quality inputs and limited knowledge of farmers on their applications.

Customers (farmers) show a tendency to purchase cheaper inputs in the market. The input supply companies import low quality inputs (agrochemicals and fertilizers) to sell at cheap prices in the market due to rivalry. Therefore, customers (farmers) do not trust the dealers who import good quality products and they prefer to buy those products with lower price. Because of farmers experienced with low quality product or fake products. In addition, non-certified grape cuttings (planting materials) are available for a cheaper price in the market, which reduces the demand for certified cuttings.

Farmers receive low yield from their grape farms which is caused by use of inappropriate agriculture practices and techniques, (e.g. no trellising. However, farmers use trellising in some areas. They use their own resources for trellising and donor funded projects also support farmers), usage of low quality inputs (agrochemicals and fertilizers) and lack of farmer knowledge on how to use inputs (majority of farmers themselves cannot read instructions) as well as limited use of agrochemicals and fertilizer inputs. Spreading diseases in grapes (e.g. Anthracnose) is another reason which leads to low yield at farms.

Cost of production is high at the farm level. This is because of high cost of manual land preparation, water pumping and inputs, which is due to lack of surface water to irrigate grape farms and very high transportation cost for inputs since input retailers are away from villages in some districts.

Farmers produce grape and raisins of low quality in some areas (e.g. Dawlatabad district). The quality of the grapes has gone down due to poor production skills and handling skills of farmers (e.g. grading, sorting, pruning, harvesting, and drying). The diseases (e.g. Anthracnose) too have been a contributing factor to in reducing the quality. Farmers are not capable enough to control these diseases. In addition, the low quality of the raisin products as a result of limited awareness of farmers on drying methods/processing methods and packing methods, limited packaging skills of farmers (e.g. famers just fill bags and tie them get compacted which leads to deterioration) and lack of facilities and resources (e.g. shad drying structures).

Low price (low farm gate price) for grapes at the farm level is caused by the declining export demand (e.g. for Taifi grapes) in Pakistan market and lack of access to market information to connect with new markets. The situation is further constrained due to lack of cold storage facilities that urge the collectors and wholesalers to sell their collection immediately.

Farmers receive low incomes due to low yield, low quality, and high cost of production and low price of grapes. Thus, farmers do not offer much paid work for women and men at the farm level, but women are more affected with less or no work at grape farms. Hence, women earn a low income which is not sufficient for them to meet family needs. Also wages for women and men are low at farm level, but women are paid less than men. In addition, there are restrictions in terms of mobility for women which prevent them from working at farms due to cultural norms in Feroz Nakchir district of Samangan Province. Therefore, women do not engage in farm work in Feroz Nakchir district. However, it was observed that a less number of

women are working at grape farms in other districts of Samangan and Balkh Provinces due to cultural norms.

Low price for grapes in local market is also caused by lower purchasing power of local consumers due to low income and high rate of unemployment, problems in transportation to main cities due to bad road conditions, security situations and spoilage due to lack of cold storage facilities. Use of low quality packaging materials (e.g. low quality wooden crates: skills of local carpentry workers are not adequate to make good quality wooden crates) by collectors for transportation of grapes has caused damages during the transportation which leads to spoilage. Therefore, collectors, wholesalers and retailers are having tended to sell immediately at the local market.

Low demand in Pakistan market for grapes could be seen as a result of deteriorated bilateral relationship between the two governments. This is because, local exporters lack linkages with other markets due to lack of market information and increased insecurity. Thus, exporters receive low price for grapes at present. However, it is further constrained by high cost of transportation to Pakistan.

The processing factories produce low quality raising products due to low quality raisin supply of farmers, limited application of quality standards at raisin factories in Mazar-e-sharif City, no quality control system and facilities (e.g. quality testing lab) and outdated machineries of processing (e.g. very old machineries are used by raisin factories in Mazar-e-sharif City).

Hence, the raisin exporters receive a low price for their raisin products. This is because of low quality raisin products, lack of quality standards with raisin factories in Mazar-e-sharif City, limited awareness of exporter about high-end markets due to lack of market information and lack of resources to invest to meet high-end market requirements.

Raisin processing and export is one of the few enterprises where women are hired and paid, however women are underpaid compared to men. Also processing factories hire women as women have less or no bargaining power over their labour and thus can be accommodated to a lower wage. Thus, workforce of men in processing factories outnumbers that of women. The lack of quality and productivity standards has led to bad working and hygienic conditions at some raisin factories. Hence working condition is also not good for women at factory level in many cases. Absence of proper resting places with privacy and bad conditions of washroom facilities for women at some factories were observed.

3.1.3 Opportunities

The input supply companies have the opportunity to increase their sales volume and customer base through farmer awareness on their input products to improve the trust by embedding relevant information service with their products. The farmer perception and trust on quality of chemical inputs are negative. The input supply companies do not sufficiently outreach a large number of farmers to make them aware due to low capacities and resources. Also, Authorities have ensured to enforce the relevant regulations effectively to avoid fake /low quality product coming into markets.

The input supply companies have an opportunity to strengthen their dealer/retailer network through trainings and capacity building to outreach a large number of farmers. Currently they receive low sales and return from their business. Also these companies do not start to strengthen their dealer/retailer network yet due to lack of understanding about incentives and lack of resources. Also, it is worth noting that supply companies to import good quality products can build trust of farmers by ensuring good quality products through working in collaboration with DAIL/MAIL who are supposed to enforce the standards on imports.

The vast land area is available in Feroz Nakchir district to expand the grape cultivation through establishing new orchards to increase the grape production. Nevertheless, farmers do not start expansion of cultivation due to lower demand in the market at present and lack of resources.

There is an opportunity to introduce new grape varieties (good high yielding varieties introduced by ANHDO/PHDP) to farmers to increase the production of new cultivation. A majority of farmers are not aware on these new grape varieties due to low farmer outreach of service providers.

The cost for water pumping can be reduced by using solar pumping systems for watering/irrigation at grape farms. However, farmers are not adequately aware of the incentives of solar pumps and its' feasibility and capacity due to lack of coordination by solar pump companies. Also, farmers are constrained by required finance.

The quality of grapes in Feroz Nakchir and Hazarat sultan districts is very good for exports. A good supply of quality grapes (Taifi variety) is available for local exporters. There is an opportunity to link farmers through exporters to new markets in Dubai and India. However, this has not been started yet due to lack of market information and lack of information on logistic services and coordination.

There is a possibility to make use of existing cold storage facilities/services (newly available) in Mazar-e-sharif City for storage of grapes. The opportunity is there to connect grape exporters with existing cargo service (e.g. Kafayat international cargo service is available with cold truck facilities), but exporters do not use these services due to low awareness about this service and lack of coordination of service providers. As a result the service providers are not yet given priority for perishable fruit storage and transportation.

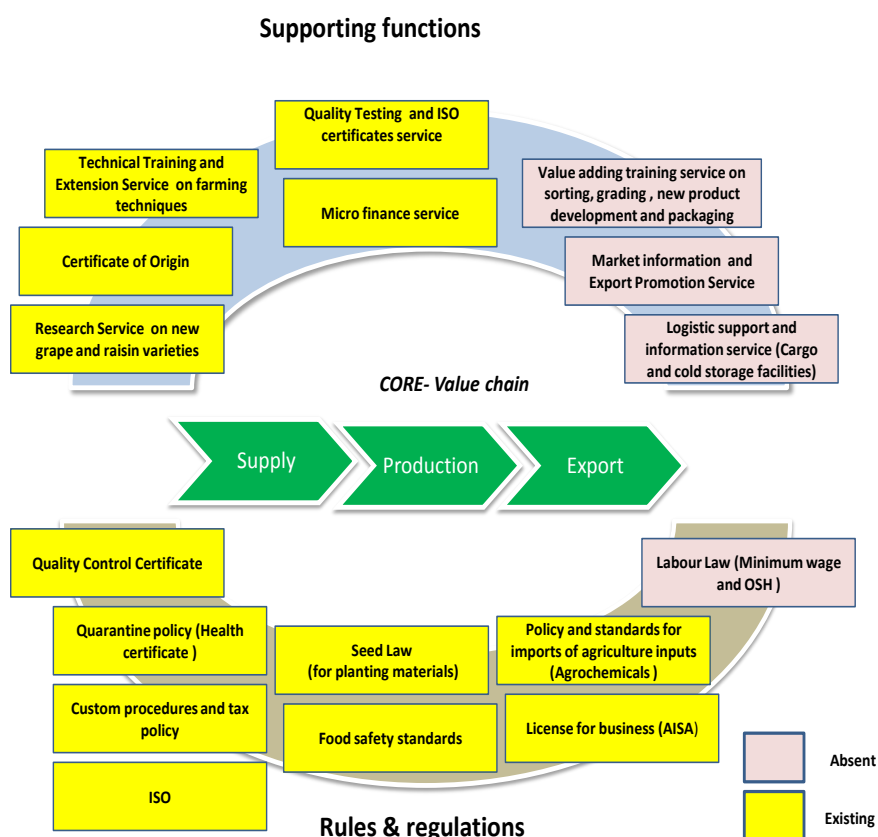
There is a possibility to make value addition and promotion for grapes (e.g.: grape juice, jam, and vinegar and spice powder). Also, there is an opportunity for women to engage in making value added cottage products of grapes (e.g. vinegar and species powder). They are already involving in micro scale in, vinegar and spice powder production at village level. However, this has not yet initiated by market actors (including women) due to lack of information on new product development, training on value addition and packaging, and resources.

3.2 Supporting functions

Number of government institutions, few private sector companies, donor agencies and development organizations, donor funded projects and NGOs are involved in the provision of various supporting functions and services to the grape and raisin value chain actors. A graphical illustration of service providers (the existing supporting functions of under-performing) at different levels is given below the

market system diagram in figure 3. However, some of the important supporting functions are currently absent.

Figure 3: The market system diagram of supporting functions and rules



The market system diagram shows the key supporting functions relevant to the grape and raisin value chain. Extension service on technical trainings, information on cultivation practices, good farming practices and techniques which include agrochemicals and fertilizer application, pest and disease control, weed management, and agronomic practices is a key supporting function at farm level. The public extension service of Directorate of Irrigation, Agriculture and Livestock (DAIL) together with few donor funded projects is currently providing the required service to farmers. The research service on new grape varieties is also a vital supporting function for farmers and it is currently performed by DAIL together with PHDPO project and BABA Dehqan Company. In addition, micro finance services are another important supporting function at farm level. Agriculture Development Fund (ADF), Afghanistan Microfinance Association (AMA) and several other micro financing institutions (AFIs) are currently providing this service.

The certificate of origin is a key supporting function for raisin exporters and currently Balkh Chamber of Commerce and Industries (BCCI) undertakes this function for raisin exporters. The quality testing and service for ISO certificate is another vital supporting function for raisin processors and exporters. The ACE Company in Mazar-e-sharif City is providing ISO certificate service for the industries. However it is

important to note that following key supporting functions: market information and export promotion service, logistic support and information service (cargo service and cold storage service) and value addition training service on sorting, grading, new product development, and packaging are currently absent due to the absence of market players involved in performing the said functions.

3.2.1 The constraints in supporting functions

The capacity of public extension service is inadequate to outreach a larger number of farmers due to lack of resources. Also there are no other market actors providing information on good farming practices and techniques or embedded information to farmers. Therefore, lack of awareness of farmers on importance of inputs usage (agrochemicals and fertilizers), appropriate utilization of inputs, use of low quality agrochemicals and fertilizers, disease control, appropriate techniques (e.g. trellising, control practice of Anthracnose disease etc) , raisin drying methods/processing methods and packing methods. Thus farmers use inappropriate farming practices which lead to low yield and grape production.

The research information and service on new grape varieties is inadequate for farmers. Technical capacity and outreach of research service is inadequate due to lack of resources and capacities (e.g. no research or trial yet to find suitable raisin type varieties for Baloch and Sindh Provinces). Farmers use traditional low yielding grape varieties which are more susceptible to diseases (e.g. Anthracnose) that result in low yield in grape cultivations.

Existing microfinance services (MFS) are not affordable for farmers due to considered high cost of borrowing. It should be noted also that there restrictions imposed by Islamic religious norms regarding interest rates. Also, MFS are not available at district level to reach more farmers. Therefore, farmers cannot invest in their farms. In addition, men and women do not have access to micro finance services. However women are more affected than men because, non- availability of affordable micro finance services affects value addition activities of women. They need more micro finance service for micro scale operation of their cottage products (e.g. vinegar, spice powder etc).

Limited access to information on food safety standards and quality testing services (however, a service provider is available in Mazar-e-sharif City) due to lack of information and coordination among market players leads to low awareness of raisin processors and exporters on ISO service and quality testing services. Hence, processors/exporters are less aware on putting their efforts to maintain quality standards and application of ISO standards to reach new markets. It is important to note that a weak function of quality standard services affects the sector growth. The majority of workforce in raisin processing factories is women. Due to this stagnated growth in the sector, women employment opportunities are limited.

There are no market players providing market information, export promotion and marketing services for exporters (both grape and raisin) to find new markets. This service function is currently absent, although BCCI has the potential to play this role. Therefore, exporters are less aware of new export markets (e.g. Dubai, India, Europe etc) which lead to lack of exporter linkages with other new markets other than Pakistan market. Hence the effect of low price for grapes is penetrated into all levels (including farmers, collectors, wholesaler and exporters) of the value chain.

The absence of logistic support information service causes limited access to information on existing cold storage and cargo services. Thus wholesalers and exporters are not aware of existing cargo and cold storage services and lack of sufficient information on profitability of usage in cold storage facility for exporting grapes could also be noticed. Therefore it is one of the reasons that wholesalers /exporters are not using available cold storage facilities and existing cargo service (ground and air) in the Mazar-e-sharif City for exporting grapes to new markets.

There is no value addition training service on sorting, grading, new product development and packaging currently available. This supporting function is absent and as a result, no value additions (e.g. grape juice & vinegar etc.) in commercial scale for grapes could be noted other than raisins. A weak farmer skill on storage and packaging of raisins is yet another consequence. Hence farmers produce low quality raisin products which resulted in low quality raisin supply for processing factories. This is one of the causes that eventually lead to low quality of raising products at the processing factory level.

Also, women are engaged in micro scale value additions for grapes (e.g. vinegar, jam, spice powder etc.). However the process is stagnated due to lack of value addition services to improve their cottage products and quality. Nevertheless, outreaches of aforesaid services are limited for women in overall due to cultural norms and barriers. Hence, they are affected by multiple ways compared to men.

3.2.2 Opportunities

There are few opportunities for actors in the supporting function to fulfill their roles better.

The demand for micro financing services is high at village level. However, current products are not affordable due to religious norms and due to limited outreach at the village level. Thus, there is an opportunity for the micro financing institutions to develop affordable new micro finance schemes with affordable finance products and thus to increase the outreach.

There is an opportunity to provide services on new product development. A greater potential is there in local market for new diversified products (e.g. grape juice). Hence, Balkh Chamber of Commerce and Industries could have an opportunity of awareness campaign to persuade their members to work on new products development from grapes (e.g. vinegar, juice etc) to cater for local market.

Export Promotion Agency (EPA) and Afghanistan Raisin Fruit Vegetable & Medicinal Plant Agency (ARFV&MP Agency) to support to export raisins and grapes to high-end markets. Strengthen the private sector service providers and Export Promotion Agency and ARFV&MP Agency together to work on market information services to connect exporters with high-end markets. There is a possibility to explore more information on high-end markets.

A greater potential is there to provide logistic support services for perishable fruit exports to new markets. Facilitation is necessary to existing cargo and cold storage service providers to make available their services for grape exporters.

3.3 Rules and Regulations

There are key formal & informal rules and regulations relevant to the grape and raisin value chain. These rules and regulations are enforced by number of government authorities and institutions to regulate the operation and performance of grape and raisin value chain. The market system diagram in figure 3 above shows the key rules and regulations (which are under-performing) predominantly relevant to grape and raisin sector.

The planting materials (seeds, cuttings, seedlings and other propagating materials) are protected by the seed law (2014) which is a vital regulation for grape cultivation and production. The seed law is for planting materials production, propagation and distribution and protection. Also, the policy and standards for import of agriculture inputs (agrochemicals and fertilizers) is mandatory regulation for grape cultivation and production. The Ministry of Agriculture Irrigation and Livestock (MAIL) & Directorate of Agriculture Irrigation and Livestock (DAIL) are the responsible authorities to enforce the seed law and standards for import of agriculture inputs.

The quality control standard for raisin exports is enforced by Afghan Raisins, Fruits, Vegetables and Medicinal Plants Export Promotion Agency. This agency issues quality control certificate for raisin exporters which is mandatory requirement for raisin exports. The quarantine policy and regulations is an important regulatory process in raisin exports. The MAIL and DAIL enforce quarantine regulations. The DAIL is authorized to issue health certificate (quarantine certificate) for raisin exports. It is a compulsory requirement to proceed with raisin exports. In addition, the food safety standards are also an important regulation for raisin processing factories. The Ministry of Health is the responsible authority to impose the food safety standards with food processing industries including processing of raisins.

The custom procedures and tax policy is another key rules in raisin export process. The custom department of Afghanistan is authorized agency to enforce custom procedures. It is important to denote that all exports of Afghanistan are exempt from taxes and imports of machineries (e.g. for raisin processing) are also exempted from import duty. The Afghanistan Investment Support Agency (AISA) is authorized to issue import duty exempted letter for import of machineries. The license for business is also a mandatory requirement for raisin processing factories. It is an annually renewable license for industries and is issued by the AISA.

The regulations of minimum wage and the policy of occupational safety and health (OSH) are currently absent. However, the Ministry of Labour is currently in the formulation process of this policy and regulations. The Ministry of Labour has already drafted the policy and regulations on minimum wage and OSH but it is yet to be approved by the Cabinet.

3.3.1 The constraints

There are lapses in control mechanism of seed law policy implementation (due to lack of resources) which is caused to production of non-certified grape cuttings (planting materials). These non-certified grape cuttings (planting materials) are available in the market which resulted in low demand for certified cuttings and make certified cuttings business less competitive. Farmers could get assurance on the variety, harvest

and productivity only from certified cuttings. However, farmers have to face problems in their grape farm level such as mixed varieties, taking long time to get flowering / bearing of fruits than expected, high susceptibility for diseases and low production due to non – certified grape cuttings.

The lapses in implementation of the control mechanism for imports of inputs (agrochemicals and fertilizers) are with authorities due to lack of resources, which is led to importing low quality inputs, (agrochemicals and fertilizers), fake /forge input products by different input supply companies to sell in the market. Thus low quality products with cheaper price are available in the market. The customers (farmers) experienced with low quality chemical inputs have lost their trust on chemical inputs. Farmers do not trust the dealers who import good quality products (due to bad experience of farmers with fake products in the market) and therefore they prefer to buy those products with lower price because of low quality products and faked products. Hence, use of low quality agrochemicals and fertilizer inputs by farmers is one of the causes leading to low yield. In addition, low sales and market demand have been reported for input business over the last 03 years. Consequently the good quality input businesses have eventually become less competitive in the market.

The quality control certificate does not meet the international requirement of high-end export markets due to weak capacity of Afghan Raisins, Fruits, Vegetables and Medicinal Plants Export Promotion Agency. There are no laboratory for testing facilities and resources with this agency to check and issue the quality control certificates for raisin exports. Thus exporters claim that this certificate is not recognized by high-end export markets (e.g. European markets). In addition, weak capacity of monitoring inspections on quality standards at processing factory level leads to lack of application of quality standards and quality control system (quality testing and control lab) at raisin factories. This apparently causes low quality raisin products and low price. Furthermore, there are very weak monitoring inspections and enforcement by the authority for food safety standards at raisin processing factory level, which is also one of the leading causes for low quality of raisin products. This, also, correlates with bad working conditions /hygienic conditions at raisin processing factories.

The DAIL issues the health/quarantine certificate with weak laboratory facilities to test and staff is under capacity (only one staff member and no other technical staff). They do not have modern facilities and equipment to meet some international quarantine standards. However; the DAIL is fulfilling the current mandatory requirements of health certificates for exporters even with lack of resources and capacity.

There are lapses with custom procedures and mechanism of duty charges due to weak enforcement of the law. The situation is complicated with malpractices of some officials when attempting on custom clearances (A detail exploration is required to identify the real lapses with this complicated situation), which is also one of the causes leading to importing low quality inputs (agrochemicals and fertilizers) by input supply companies. In addition, exporters have to face a long process of custom clearance along with security for perishables exports.

The regulations of minimum wage and the policy of occupational safety and health (OSH) are currently absent which affect all workers of women and men in any sector. It is also one of the leading roots that

women are underpaid by raisin processing factories. It is further associated with weak labour inspections due to lack of capacity and resources.

It is important to reveal that some areas in formal and informal rules are negatively affected for women. Of which, it can be re-scrutinized and concluded as followings: women participation is restricted in economic activities due to cultural reasons, value system and informal social norms. Women are underpaid at raisin processing companies due to lack of regulation on minimum wage as described. In addition, working conditions (at raisin factories) are bad for them due to lack of occupational safety and health (OSH) policy.

3.3.2 Opportunities

There is a possibility to strengthen and enforce quality control regulations, standards and mechanism for imports of agriculture inputs (agrochemicals and fertilizers) by the MAIL and the DAIL. However, it is not yet realized due to lack of capacity and resources.

It is also potential to introduce new quality standards for raisin production and strengthen the monitoring mechanism to enforce them in a better way with collaboration of key market players. The authorities are currently not in progress with this due to lack of capacities and resources.

In order to strengthen the process to set policy and regulations on minimum wage and occupational safety and health (OSH) is important, the Ministry of Labour is currently in progress with these policy and regulations which will create conducive environment to remove the barriers that underpay women.

Strengthen and enforce the control mechanism to implement seed law is important in order to make the planting materials production, propagation, distribution and protection more efficient.

There is a trade agreement between government of Afghanistan and government of Iran to promote the export to other country. Therefore, a greater opportunity is available to export through Chabahar port in Iran and connects with new markets.

3.4 Context factors

A national unity government was formed in 2014. Two rival teams lead by Ashraf Ghani the current president and Abudllah Abdullah the current chief executive officer were contested for the election, however after the result was announced by the election commission, Abdullah's team claimed that the election was fraudulent and he would not accept the result. Then US secretary of state John Kerry mediated and paved the way for a national unity government. The teams agreed on 50% sharing of the government positions. Nevertheless political confrontations occur from time to time between two governing teams over different issues such as appointing the senior officials or some other national issues, some analysts predict the national unity government may collapse at any time before it completes its term. This indicates a slightly unstable political environment with present government which may negatively affect the key functions and transactions in the market system. However, government announced that private sector development is one of the top agenda of the government at the London Conference in December 2014, by promoting private sector-led job creation, along with several relevant national program priorities. Also the government has given the priority for women empowerment and combating corruption. The government

current agenda on private sector development is favorable for the market system development despite of macro political environment. However, there will be a risk, in case of government collapses before completion of its term due to fairly unstable political environment and confrontations, the priority of private sector development may change.

Despite the macro political context, the local security situation seems getting worse over the recent past. The recent developing situations of fighting between government security forces and insurgents in neighboring provinces (e.g. Kundus City) shows fairly unfavorable security environment which negatively affects to business climate in the local economy of Balkh and Samangan Provinces. Hence people are fear to invest because of developing unstable security situation and they need to save money for emergencies. Hence the market systems have been negatively affected with this deterioration of the security situation. If this situation is developing further, internally displaced people (IDPs) may move to Mazar-e-sharif city from villages due to fighting. It may lead to low sales of inputs further and farmers produce less. There is a risk that eventually leads to no jobs and less income for people. In addition, many people do not save money at banks (people have a past experience with trust issues). The MFIs are not willing to work at village level due to developing security situation. It is also important to denote that phasing out of foreign forces (NATO) have created a sudden economic vacuum into the local economy due to losing of local people's jobs and income. Because of, a considerable number of local people were engaged to provide services and goods for foreign forces.

3.5 Systemic causes

The findings of the analysis reveal following systemic (underlying causes) constraints that cause the underperformance in the grape and raisin value chain.

Farmers receive low yield, because of inappropriate agriculture techniques and usage of low quality inputs. Farmers are having poor knowledge on appropriate agriculture techniques due to lapses in extension service due to lack of resources and capacity. This is because the government does not have enough resources to allocate for the public extension service. And there is no any other private sector extension service provider.

Farmers use low quality inputs due to their poor knowledge on importance of good quality inputs for grape cultivation. Therefore, they use low quality inputs available at retailer shops in the market. Most of the companies supply low quality inputs and fake products to the market due to competition. These companies (Input supply companies) import low quality/fake products due to lapses in control policy, enforcement and custom procedures and lower capacity of authorities and malpractices.

Processors and exporters are lacking awareness on high-end markets and requirements of international standards for grape and raisin. These exporters cannot connect with high-end markets, because lack of market information and promotional service for them. There is neither market information and promotional service nor service providers (public or private). This is mainly because existing service providers do not give priority for providing market information and promotional service due to lack of capacity and resources.

This is because, lapses in government attention on importance of market information and promotional service and allocation resources.

Wholesalers and exporters do not fully aware on existing cold storage facilities and cargo services (Mazar-e-sharif based). Also they do not use existing cold storage facilities and cargo services (Mazar-e-sharif based). This is because of no information and promotion about these services. Because, cold storage facilities and cargo service providers do not give priority for providing their services to grape wholesalers and exporters.

There is less value addition for grape (e.g. no grape juice, vinegar etc, except raisins) by market players due to poor attention and awareness on value addition of grapes. One of the reasons is the absence of training and information service available for value additions (grading, sorting, product development and packaging) and absence of public or private sector service providers. The priority is not given to these services by existing service providers as not much importance is laid on new products and their profitability. Because of, existing service providers do not have sufficient capacity and resources.

4. Market actors analysis

The capacity and willingness of market actors to promote change (through the interventions) in the value chain, in supporting functions, in rules were briefly assessed and summarized in to the table 2. The incentives of them were incorporated under their willingness to promote change in the market system.

Table 2: The capacity and willingness of market actors

Category of market actors	Individual players (Specific firm)	Capacity	Willingness
Input suppliers	Samsorband company	The company has 50 staff members and 20 branches in different provinces. 18 Specialists are working in this company and operational capacity is relatively good. Low financial capacity to invest.	These companies are willing to train retailers and farmers to increase farmer knowledge on application of inputs. They can increase their sales more by increasing farmer knowledge on correct application of inputs to increase the yield.
	Noor Hirawi Brother company	This is one of the largest input supply companies in Kabul, Afghanistan and has 15 staff members and 9 branches in northern region. Operational capacity is good and financial capacity is low.	However, they have financial constraints and low financial capacity to invest for trainings.
	Gulf Star company	This company has a good distributor network with good operational capacity.	
Raisin exporters	Sun Shaheen company	This company has a processing factory in Mazar-e-sharif city and good operational capacity.	The company is willing to work with farmers and collect good quality raisins to export.
Grape exporters	Najmullah and sahid Assrar	Good network with collectors and farmers. Financial capacity is relatively good.	They are willing to invest for exporting grapes to new markets in Dubai and India to increase their sales. They are constrained by lack of market information and linkages with new markets.

Category of market actors	Individual players (Specific firm)	Capacity	Willingness
Cargo service providers	Kefayt international cargo service company	The company has a good capacity and cargo service network with foreign countries including Dubai and India.	They are willing to provide service for grape exporters. More income for their service.
Cold storage service providers	Seraj Nezam cold storage company	They have cold storage facility with a good capacity in Mazar-e-sharif city	They are willing to work with companies and exporters. More income for their service.
Extension service providers	Balkh Directorate of Agriculture, Irrigation and Livestock (public extension service)	They have 70 extension officers and assistants to cover the whole province. However, they operate with limited resources and low outreach.	They are willing to work with farmers to introduce good agricultural practices and techniques. It will help DAIL team to achieve the ministerial plan and earn credibility for their service.
Quality control authorities	Afghan Raisin Fruit, Vegetable and Medicinal plant Export Promotion Agency	This agency is running with very weak capacity and lack of resources for their operations.	
Investment promotion authorities	Afghanistan Investment Support Agency	This agency has a good capacity for their operations.	This agency is willing to work with new investors, raisin processors and exporters to earn more credibility for their services.
Industrial standard service providers	ACE company	This company has a branch office in Mazar-e-sharif city and providing services to ISO certification process. However, operational capacity is limited.	
Business membership organizations	Balkh Chamber of Commerce and Industries (BCCI)	The BCCI has more than 90 business members (large companies) and operational capacity is moderate.	The BCCI is willing to work with processors and exporters to earn more credibility, new memberships and income for their services.
Micro financing institutions (MFIs)		There are many MFIs operating at Balkh and Samangan Provinces with sufficient wholesale credit facilities. However, finance products are not affordable and low outreach at village level.	They are willing to expand their outreach to increase their sales. Afghanistan micro finance association (AMF) is willing to do capacity building of MFIs and promotions.

Category of market actors	Individual players (Specific firm)	Capacity	Willingness
other potential facilitators	Rural Agriculture Development Programme-North (RADP – N)	RADP-N is working in grape and raising sector. They have funding capacity to collaborate. The RADP – N is focused their work on certification and standardization of raisin factories to develop linkages with high- end markets, strengthening of farmer associations and providing assistance to farmers for trellising in the grape and raisin value chain.	RADP-N is extending their willingness to collaboration and coordination with the R2J project. There will be a possibility of cost sharing with interventions.
	Mercy corps	Mercy corps is working on grape and raisin sector in other provinces. Mercy corps is focused on capacity building of farmers to adapt best agriculture techniques, facilitating exporters to connect with new markets and quality improving aspects in the grape and raisin value chain.	They are willing to collaborate through sharing information with the R2J project.
	Roots of Peace Organization (ROP)	ROP is working in grape and raisin sector in other provinces. ROP is focused on aspects in quality improvements, promoting post harvest techniques, farmer training on best agriculture practices and developing market linkages of the grape and raisin value chain.	ROP is willing to collaborate with the R2J project through shearing their experience of grape and raisin value chain and market information in Dubai and India.

	Comprehensive Agriculture Regional Development Facility (CARD – F)	CARD – F is working on grape and raisin sector in other provinces. The program is focused to assist for trellising, shade drying structures and farmer training on best agriculture practices to increase the quality and production. It is also focused on facilitation to value addition through partnerships with private sector	CARD - F is willing to collaborate with the R2J project through shearing information.

5. Proposed intervention areas

The intervention areas were driven on the analysis to address systemic causes. The capacity of market actors and their incentives to address these causes, the level of influence the project can make on market actors to bring change and influence of other donor programs (potential for collaboration or distortion) were taken into account to determine the priority interventions areas. The additional areas of interventions were identified during the analysis for further actions if requires.

5.1 Priority Intervention Areas

1. It is important to introduce new farming methods including good agricultural practice and techniques to farmers. Trainings will be needed for farmers to apply good practices and techniques which help increase the yield. Moreover; the grape orchards are not established according to modern agricultural best practices, for example currently there are grape vines with different varieties in the same farm and they are there from long periods. Crop water requirement is also high due to different varieties in the same farm and cost for water pumping is also high. Therefore, farmers are to be trained on new techniques to efficiently use the water and avoid wastage. Also, risk of spreading diseases (e.g. Anthracnose) is high due to lack of awareness. There is a need to make farmers aware of disease control. Therefore, there is a need to explore more on developing a new service package of trainings and introducing new systems for existing service providers (both public and private). Also it is important to strengthen the service delivery of existing service providers. Public extension service has a limited capacity to outreach a larger number. However, public extension service can take a leading role in technical contribution for good practices and techniques. Also it is important to train farmers on drying grapes into raisins, grading, sorting based on market information. The grape and raisin exporters are to be persuaded to take a leading role together with public extension service to train farmers on good agriculture practices and techniques. These exporters will benefit with good quantity and quality of grapes

and raisins from farmers. The extension service providers could enhance the credibility for their services as incentives by take part of active role in this intervention area while farmers could increase the yield by adapting good practices and techniques.

Rural Agriculture Development Program-North (RADP – N) is a five years programme funded by the USAID and working in northern region. The RADP – N is also working in grape and raising sector on promoting good agriculture practices and techniques. This programme is extending their willingness to collaborate and coordinate in this intervention area. There will a possibility of cost sharing with interventions.

Mercy corps is working on capacity building of farmers to adapt best agriculture techniques and linking the farmers with traders in grape and raisin sector. They are willing to collaborate through sharing information with the R2J. It is better to explore more on their lesson learnt in introducing best agriculture techniques to farmers and linking farmers with traders before design interventions.

2. Design a media program and a pilot program to create awareness among the farmers on cultivation methods and other agriculture information. It is important to explore more through an audience research on women and men access to information through television, radio and mobile phone service messages.

Input supply companies could initiate joint actions to strengthen their dealer/retailer network through trainings and capacity building to embedding relevant information service with products. It is needed to give confidence for input supply companies to embed information service of proper usage of agrochemical along with their products to outreach a large number of farmers and improve the trust and awareness. Therefore, it is important to do more research to explore on capacity and skill training requirements of input supply retailers and dealer networks. However, currently input supply companies do not train retailers to embed information service with their products as it is very difficult for them to invest more money for trainings to embed information service with their products while compete with low quality/fake imported products in the market. Thus it is important to explore more information to develop a business case and build interventions based on this business case. Also, the input companies should be persuaded to supply good quality agrochemical inputs. It is difficult for them to compete with low quality/fake imported products. Thus it is important to develop a business case for change.

The joint actions will benefit farmers to receive more knowledge on correct use of agrochemical inputs which will lead to increased yield while input supply companies can earn the trust with farmers and receive more sales and income.

3. Persuade solar water pump companies to enhance the awareness of the grape farmers on benefit of solar pumps for irrigation. The use of solar pumps for irrigation will reduce the cost and will result in reduction of the total cost of production at farm level (if technically feasible). The solar is a good option for farmers in areas where they tap ground water (areas where no surface water available and plenty of sunlight is available with a long day length during the summer period). It will create

more sales incentives for solar companies. There is a possibility for the microfinance institutions to work with the solar companies to provide farmers with solar water pumps through developing Islamic finance products. In consequence, this will create more sales incentive for the microfinance institutions.

4. There is a possibility to find new export market/buyers in Dubai and India for grapes. It is needed to explore more information and facilitate to link local grape exporters with buyers in Dubai and Indian market. Existing cargo service (ground cargo service) and new cargo services (air cargo service) could be bridged to connect with these new markets (high-end markets). Also, there is a need for facilitation to connect and strengthen coordination of cargo (including Mazar-e-sharif based cargo services) and logistic service providers (including cold storage facilities) to make available their services for grape exporters/ perishable exporters. It is important in giving confidence for the existing logistic service providers (cargo, cold storage facilities) to enhance marketing and promotion for their services on perishable product export. It is required to explore further on market requirements and buyers in Dubai, India and elsewhere. Grape exporters will benefit with more export and income while logistic support service providers will receive more return for their services.

The role of certain service providers (e.g. BCCI and other BDS providers) could be strengthened through some interventions to provide information on logistic services (cargo and cold storage facilities) for the wholesalers, processors and exporters. The service providers could enhance the credibility for their services (They also can charge for this service if they wish or possibility to increase their memberships) by take part an active role in providing information on logistic services.

Export Promotion Agency (EPA) is required to provide more support to export (raisin and grapes) to high-end markets. Strengthen the private sector service providers and EPA together to work on market information , export promotion and marketing services in order make it timely available for exporters. Therefore interventions are necessary to strengthen the service providers (e.g. Export promotion agency/Chamber/other BDSs) to make available high-end market information and export promotion service to traders cum wholesalers, processors and exporters.

RADP – N is facilitating on market linkage development. There will be a possibility to collaborate for interventions of linking with new markets (e.g. international exhibitions). Also, the Mercy corps is also facilitating exporters to connect with new markets (e.g. they facilitate the visit of Afghan exporters to India and Dubai to find new markets and buyers). Hence, it is better to explore more information on new markets for grape exporters since they are willing to collaborate through sharing information with the R2J project.

Roots of Peace organization is also working in grape and raisin sector. They facilitate two Afghan exporting companies (Takdana Company and Afghan Business Company) to find markets and buyers in Dubai and India. This organization is willing to collaborate with the R2J project through

shearing their experience of grape and raisin value chain and market information in Dubai and India. This market information can be used to design interventions to connect exporters with new markets in Dubai and India.

5. It is imperative in giving confidence through building capacity of service providers to develop the training and information service for new product development and packaging. It is also important to initiate training service for value additions and make available those services for market actors so that more value additions for grapes and raisins could be done. Facilitation is required to persuade entrepreneurs to invest on value addition and new product development of grapes. It is essential to explore more information on lapses with new product development process and current packing practices at the enterprises level. The service providers could enhance the credibility and more income for their services. The entrepreneurs/investors will receive more income and create more jobs by take part of active role in investing for value additions of grapes and new products.

Design a program to give confidence and promote value added cottage products of grapes among the women as micro enterprises and organize them into clusters of producers. There is a possibility to form a women cooperative that they can work together and the cooperative can also help them find the market for their value added cottage products of grapes (e.g. Vinegar production & other products). It is important to do a further research on women cooperative vs. commercial viability, job-wise feasibility , scale of operation and potential market in this intervention area (women cooperative and home processed foods- e.g. vinegar) before design interventions.

The Comprehensive Agriculture Regional Development Facility (CARD – F) is a joint program of ministry of agriculture, ministry of rural development and finance. This program is working on grape and raisin sector in another province (Parwan). The key activities of this program is assisting to farmers in Parwan Province for trellising to increase production and shade drying structures to improve the quality of raisins as well as providing farmer trainings on best agricultural practices. Also CARD – F is facilitating to value addition of grapes (e.g. Juice) with a partnership of private sector Company to establish a factory in Parwan Province. This factory will process raisin as well as concentrated grape juice to export market. The CARD – F has already signed an agreement with a private sector company (Bostan-i-Sabz Company) for this initiative. The program is supposed to share the 20% of total cost of this investment with Bostan-i-Sabz Company as per the agreement. It is better to learn more on their experience and explore what process of facilitation is undertaken to establish this factory in Parwan Province prior to design interventions by the R2J project.

5.2 Additional intervention areas

- It is important to strengthen the regulations (control policy and standards) for imports of inputs (agrochemicals and fertilizers) and control mechanism of relevant agencies to receive good quality inputs into the country. It is required to explore more about the lapses of control mechanism in importing inputs (agrochemicals and fertilizers). The MAIL together with custom department and ministry of commerce could take a leading role to strengthen and

enforce these regulations by enhancing the competitiveness of input supply market (controlling low quality and fake products in the market) while ensuring good quality inputs for farmers.

- Support and persuade the standard agencies to build their capacity to introduce new regulation and high standards for grape and raisin production. It is important to explore more information and research on requirements of high-end markets to set new regulations. It is required to build linkages between the exporters and standard providing agencies to introduce new standards and certifications for raisin exporters and giving them confidence to adapt those standards to reach their export in high-end markets (e.g. Europe). Exporters will benefit with more income and jobs.
- It is important to assist labour authorities to set policies on minimum wage and occupational safety and health (OSH) and enforce them with industries to maintain labour standards.
- The RADP – N is working on standardization of raisin factories in grape and raising sector to develop linkages with high- end markets (RADP – N is already started to work with the Control Union to get their service for standardization and certification process of raisin factories in Mazar-e-sharif city). The RADP – N is also willing to collaborate on this intervention area with possibility of cost sharing for interventions.
- Support for micro financing institutions to develop affordable microfinance schemes and finance products and introduce for farmers.
- Explore the possibility to introduce carpentry trainings through vocational training providers in Mazar-e-sharif to train skilled carpenters to produce packaging materials (crate boxes).

6. Conclusion

In overall, the market system research on grape and raisin sector and the stakeholder workshop were successful. The support provided, participation and acceptance by market actors were high during the entire research process. The market system analysis resulted a comprehensive understanding of the current situation of the grape and raisin sector in Balkh and Samangan Provinces, its growth potential and the underlying causes of underperformance in realizing the potential. The proposed intervention areas are directly relevant to upgrade the current situation of grape and raisin value chain, enhancing women engagement in the local economy, migrant labour, increasing the income and create jobs. The findings of the market system analysis were endorsed by the stakeholders at the stakeholder workshop. The full account of the stakeholders' feedback is given in annex 2. The proposed intervention areas are a way forward to design interventions and concrete actions to make a systemic change in the current position of grape and raisin sectors. Thus contribution of market actors is vitally imperative to make promising impacts on create more jobs and increasing income of target communities in the Balkh and Samangan Provinces.

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Annex 1: Terms of reference

“Road to Jobs: Bringing decent work to rural households of the Northern Provinces in Afghanistan”

Terms of Reference

Consultancy to lead the execution of series of Market Systems Analyses of 4 value chains centered on Balkh and Samangan provinces in Afghanistan

August 6th– October 26th, 2015

1. Background

Road to Jobs (R2J) is a three-year project that aims to create more and better jobs in two provinces of Northern Afghanistan, Samangan and Balkh, that are connected to the major urban Centre of Mazar-e-Sharif. The project follows a market systems approach to address important underlying constraints inhibiting better employment outcomes, which in turn contribute to improving livelihoods and poverty reduction. R2J targets poor and vulnerable rural households and income earners who work either in rural communities, or in urban centres and other major centres of employment in both provinces. Poor are defined as those living on less than US\$1.25/day, and vulnerable groups include women, internally displaced populations (IDP) and migrant workers.

The project undertook a sector selection phase which is comprised of several overlapping activities including the execution of a series of Rapid Market Assessments (RMA) of six core rural and urban sectors¹ of relevance against specified selection criteria (see RMA template attached), a Local Competitiveness Assessment for each of the provinces (using PACA methodology) and a sector selection workshop scheduled to take place in the 1st week of August. As a result of this on-going exercise, 4 value chains were pre-selected to investigate more in depth through market systems analysis (MSA). These should be validated by stakeholders at the sector selection workshop.

2. Consultancy objective

The objective of this assignment is to lead and advise the execution of 3-4 Market System Analysis (MSA) of selected value chains to *identify* and *understand* the underlying constraints inhibiting the performance of key agricultural and urban value chains for job creation and inclusive growth. These MSA should take place according to the guidance set out in Chapters 2 ('Diagnosis') and 3 ('Vision') of the M4P Operational Guide (2014). Further guidance can also be sought from the ILO's *Value Chain Development for Decent Work Guide*.

For each of the MSA the consultancy will also propose a feasible vision, and possible set of interventions, for how the market system needs to change to ensure that growth can lead to more inclusive employment outcomes. This vision should focus on market-based opportunities which play on the system-wide incentives that shape how enterprises do business in the sector.

¹These include cotton, poultry, dairy products, almond, grape and raisins, goat and sheep.

General questions guiding the analysis are:

The system structure and sector performance:

- 1) What is the current performance and position of the target group (poor and migrant women and men working for a wage) in the market system?
- 2) What precise jobs problems do the target group face (e.g. wages, working time, quantity of work, safety and health etc.)?
- 3) What are the 'supporting functions' and 'rules of the game' which shape the core functioning of the construction system?
- 4) Who are the players that perform important roles in the system, and what are their current levels of incentive/capacity?

System-level constraints:

- 5) What are the most important functions and rules which are under-performing?
- 6) In turn, what are the underlying constraints that shape the performance of these supporting markets (root causes)?

Feasibility:

- 7) What is the opportunity for change, based on the 'will' and 'skill' of players in the system?
- 8) What are the most important constraints (placing emphasis on those that are likely to unlock 'more' jobs, and, ideally, those that can also lead to 'better' jobs in terms of improved wages or working conditions), that might be feasible to change?
- 9) What are the main issues for R2J to consider (trade-offs, pragmatic choices, time scale of change) to take into account if it wants to facilitate sustainable change?

Vision:

- 10) How will the system work better after the programme has finished?
- 11) What should be the main focus of programme interventions needed to bring about this vision?

The MSA will draw on the findings derived from the RMAs which have aimed at identifying initial constraints in each of the sectors, as well as decent work deficits. Other relevant information will be also extracted from PACA findings and recommendations.

The consultant will work in collaboration with the project staff to conduct the series of MSAs. The team is composed of a Market Development and Job Creation Officer, two provincial Local Economic Development Coordinator, a Monitoring and Results Measurement Officer and a Gender and Livelihoods Officer, who will be in charge of conducting field work and drafting reports with the guidance and advice of the international consultant.

3. Outputs and activities

This assignment is expected to deliver the following activities and outputs:

Part I: Preparatory Work

- Elaborate a work plan to conduct the series of MSAs: the work plan should include a detailed methodology outlining data-collection and analysis tools (for instance questionnaires, interviews, documentation review, observation, focus groups, case studies etc.), expected time frames to conduct both secondary and field research, as well as the specific roles of each of the project staff (MSD Officer, LED Coordinators, MRM Officer, Gender and Livelihood Officer).
- Training/guidance for project staff on the concepts of value chain development/analysis: the consultant will provide an informal training (separate from Turin's VCD training) to project staff. This should include an introduction of VCD concepts, methodology, and market system approach; practical exercises relevant to value chain analysis; a presentation of case studies, their approach, and findings; and a review of data collection methods that are ethical, representative, and sensitive to the current situation of the target group. This planned activity should last one day. The purpose of this informal training is to prepare project staff in conducting the market systems analyses. Please note it is expected that project staff will undergo a formal training on Value Chain Development provided by ITC from Turin at a later stage of the inception phase.
- Conduct further secondary/desk research-based on available resources, including PACA/RMA findings and sector selection report, the consultant will conduct initial secondary research to get a better understanding of the sector/value chain. The initial research needs to document what is happening in the sector, analyze constraints that affect its pro-poor competitiveness and the key causes for these constraints - which should be conceptualized as supporting markets. Through this initial research, it should be possible to:1) draft a value chain map outlining the flow of goods and services;2) create a diagram of the market system (see Box 1), which includes key market players (in general and specific to both provinces), as well as the supporting functions, rules and regulations (supporting markets) in the wider 'system' that influence the performance of core building construction transactions; and 3) prioritize the supporting market systems that will be most important to analyze in greater depth during field research².

It is important to keep in mind that the initial value chain map and market systems diagram may need to be adjusted as the research further develops.

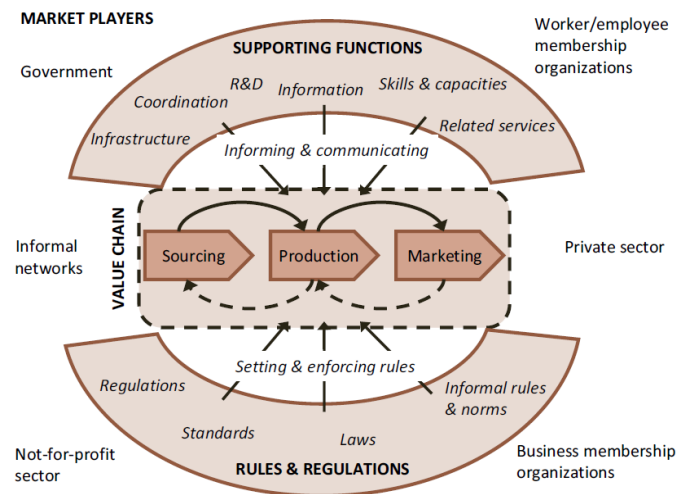
Outputs:

- A work plan to conduct a MSA
- Documentation of initial research containing: value chain mapping, and a market systems diagram, initial research on the sector and main constraints.

²As already mentioned, some of the main constraints in the market system, which have been previously identified through RMAs, will be further analysed using the market systems approach.

Box 1: Value Chains and the Market System

Below is a graphical representation of how a **value chain** is embedded within a wider **market system**. At the centre are the **value chains** that bring products and services to the market. The environment is formed by supporting functions (e.g. information, training, finance, inputs) and rules and regulations. Each of the supporting functions and rules that have been identified as relevant to shaping the functioning of the value chain can be seen as a 'supporting' market system. Around the core of this new market system (e.g. training), new supporting functions and rules emerge. This diagnostic process is vital to understand often-complex market systems and to arrive at the real underlying constraints (in supporting markets) that can be intervened in to maximise of scalable and sustainable change in the core market system (the value chain).



Part II: Market System Analysis

- Lead and guide field research: field research will comprise in-depth interviews and/or questionnaires applied to key informants relevant to the sector, including focus group discussions where required. The main purpose of MSA should be to probe the main 'supporting' markets that are shaping pro-poor employment outcomes in the core sector (see Box 2) to arrive at an understanding of the key *underlying* reasons that are preventing the sector from providing better employment outcomes for poor and migrant women and men. The consultant will be in constant communication with project staff as findings arise.

Note that while the focus is on pro-poor outcomes in Samangan and Balkh, the supporting market systems analysis should not be inhibited by narrow programme-related geographic boundaries. These markets operate, and weaknesses and their solutions may exist, beyond territorial constraints.

- Conduct further secondary research: additional and more specific secondary research around identified constraints and in collaboration with key market players should take place, if required.
- Analysis of findings: the consultant will review and analyze the information gathered through both the desk and field research. The analysis should identify those market players that have the potential to drive change (based on an understanding of their incentives and capacity). The preliminary analysis should be documented in a draft report, and submitted to the ILO (R2J and the lab) for comment, prior to the MSA validation workshop.
- Lead the organisation of and conduct a MSA validation workshop with relevant stakeholders: the consultant will lead the organisation of a validation workshop with the participation of the most relevant and representative stakeholders, with the objective of presenting and validating draft findings, prioritize underlying constraints and generate discussion for feasible intervention strategies that can address those key underlying constraints.
- Write a final report: The final MSA report will contain the following sections:
 - Methodology used
 - Documentation of research and findings of the Market System Analysis, including a set of opportunities and key underlying constraints identified
 - A set of interventions, outlining possible market system facilitation activities and key market players to engage with.

Please see the attached MSA Report outline.

Outputs:

- A validation workshop with stakeholders
- MSA final report³

³ The Lab can provide examples of MSA reports, if necessary.

Box 2: Understanding supporting market systems

The starting point is to understand the value chain at the core of the market system of immediate interest. This focuses on which rules, functions and players are currently underperforming and preventing the poor from fully participating in markets. Underlying causes of problems in this core value chain usually lie in supporting functions and rules.

Supporting functions/rules that have been identified as major constraints in the initial market are now seen as the core of a new market system. Whatever the constraint is – training, finance, seeds, information, regulations – becomes the 'core' of a new market (Market 2) as in **Figure 2**. And around this core, new functions and rules emerge. Different market players are also now entering the field of view, responsible for the performance of various functions and rules in the inter-connected market.

Thesesupporting market systems are then subject to a market analysis, using the same frameworks as in Market 1, in which again the functions, rules and the roles and incentives of market players are analysed. The process can be repeated if necessary as the focus of analysis 'deepens' from one market to another (Market 3 and beyond).

The driving motivation for programmes to move from one market to another is to focus interventions on causes not symptoms. As analysis - and therefore understanding - moves from one market to another, the potential for reaching impact at scale increases (see **Figure 3**)

Figure 2: Extending the analysis to supporting markets

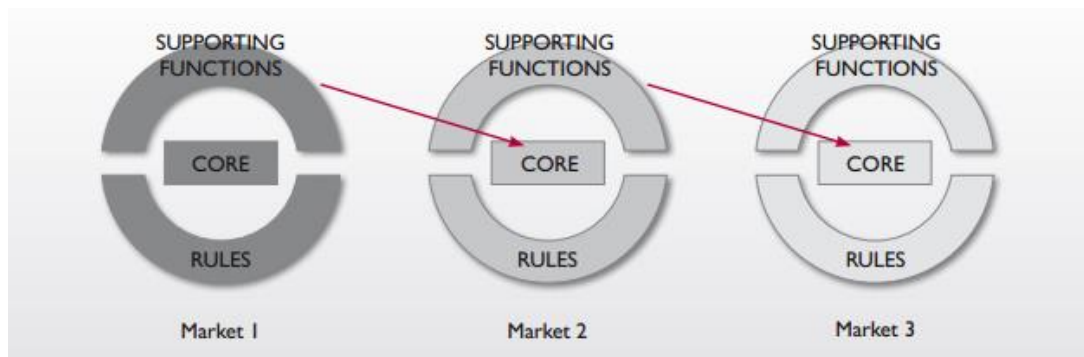
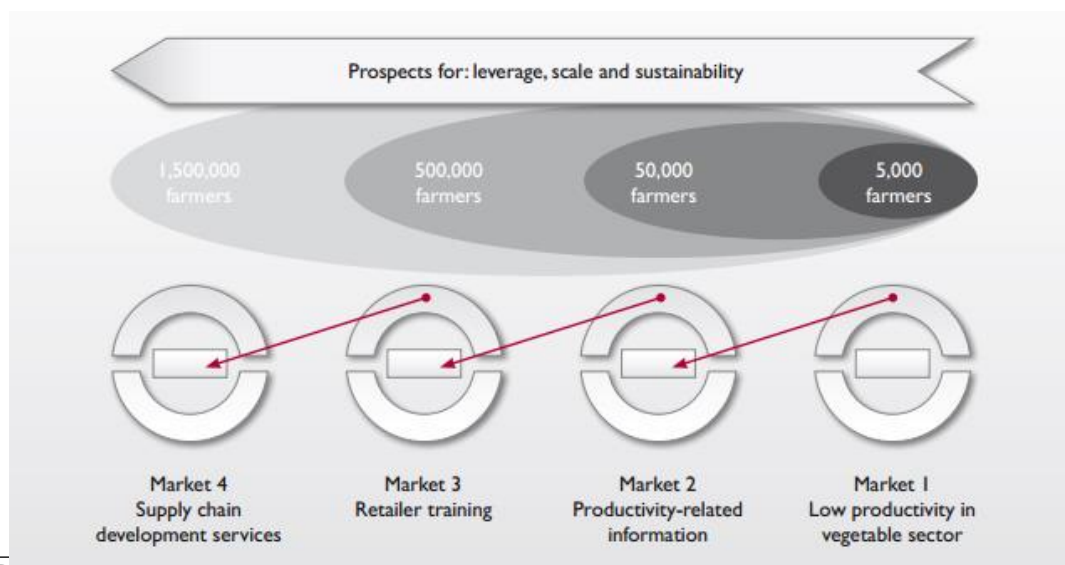


Figure 3: Supporting markets provide the means for scale and sustainability



4. Management arrangements

The consultant will report directly to Mr Julius Mutio, CTA of Road to Jobs and Roel Hakemulder, Senior MSD Expert. Technical backstopping will be also provided by the ILO Lab: Matthew Ripley and Daniela Martinez.

The consultant will work in collaboration with the project staff of R2J, who will responsible for conducting research and fieldwork in direct contact with stakeholders. These will be: MSD Officer (P3), LED Coordinators, MRM Officer and Gender and Livelihood Officer. By the beginning of his assignment the MSD Officer, one LED Coordinator and the Gender and Livelihood Officer are expected to be on-board. If necessary, R2J will select local facilitators to support activities.

Annex 2: Outcome of the stakeholder workshop

a) Stakeholders Workshop

A stakeholder workshop was conducted at the Conference Hall of Zarafshan Guesthouse in Mazar-e-Sharif City of Balkh Province on 8th October 2015 with the objective of;

- i. Present findings of market system analysis (MSA) of grape and raisin sector
- ii. To get stakeholders feedback on findings and proposed intervention areas
- iii. Call for support in implementing the proposed intervention areas

The workshop was participated by the key stakeholders (28 participants) of the grape and raisin sector, including representatives of Department of Agriculture, Irrigation and Livestock, Balkh Chamber of Commerce and Industry, donor agencies, representatives of the private sector companies, agri-business associations, representatives of directorate of women affairs and grape and raisin exporters.

Value chain concept and market system approaches was presented at the beginning to make audience more focused on MSA. Then it was followed by a presentation on a brief overview of grape and raisin sector. The findings and proposed intervention areas were presented next. This presentation was followed by the open discussion for feedback, suggestions, comments and new ideas for further consideration in design interventions for implementations.

b) Stakeholders' Feedback

In overall, stakeholders endorsed the findings of the market system analysis with their appreciations and stressed the need of taking measures to address underlying constraints. Further, stakeholders highlighted the importance of focusing on following aspects at the design stage of interventions;

- Samangan has good quality grape varieties, but no storage facilities in the area. It is a burning problem.
- Cost for water pumping and irrigation is high. Farmers have to bear a high cost of production due to cost of irrigation.
- Input suppliers (importers of agrochemicals) are not professionals and they do not have sufficient information on current pest and diseases in the region. They tend to import low quality inputs.
- Low quality agrochemicals are imported by input supplies due to free market policy. It is because of weak control of custom and government agencies.
- The CEO of ACE company informs that ISO service is available in Mazar-e-sharif city and willing to provide service for ISO certification to all companies those who need to meet ISO standards for their exports

- Local exporters and traders do not attempt to find other markets and just trying to work with familiar Pakistan market. However, local exporters do not deal with even main traders in Pakistan and just link with third party in Pakistan market.
- Exporters do not have access to get information about other market requirements (India and Dubai), packaging requirements, transportation and other cost. It is important for exporters
- BCCI informed that they have planned to work on market information. They will launch a web portal for exporters to find market information including Dubai and Indian markets.
- Traders in other provinces involve importing grapes from Tajikistan due to low price and export to Pakistan. The cost of production for grapes is low in Tajikistan and therefore grape price of Tajikistan is very competitive with Afghanistan.