



BRIEFING PAPER

Sarah Lister and Adam Pain

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Trading in Power: The Politics of “Free” Markets in Afghanistan

Overview

The purpose of this briefing paper is to challenge policy makers not to focus solely on the economic benefits of market growth in Afghanistan, but to consider the political implications of growth that is neither free nor equitable. The limited political economy research conducted recently in Afghanistan has tended to focus on the illicit narcotics sector and has largely ignored how licit but often informal markets operate, as well as the connections between licit and illicit markets. As a result, three detrimental outcomes of the way markets function in Afghanistan have been widely neglected: participation in markets is not open to all; benefits are not spread equitably between participants; and the way markets currently operate is having a negative effect on political governance and “state-building.”

These factors have the potential to seriously undermine the development of Afghanistan. Plans for reconstruction are premised on economic growth created by the rejuvenation of “collapsed” markets, driven by the private sector and organised within the “free” market. The key concerns of policy making have centred on the need to create a light regulative state to promote private sector growth. The role of the market has largely been seen in terms of exchange and how competitive pricing and efficiency will arise out of forces of supply and demand.

This approach has stripped the market of its wider dimensions, as well as underestimated the strength of informal markets and patterns of trading that have developed over many years and operate according to well-established patterns. It neglects aspects of market performance that depend on extra-market conditions, including history and non-market institutions, which combine to exclude many from taking part and enjoying the benefits of participation. These aspects include social and economic structures, gender relations, ethnic identities and spatial patterns of production. This view also ignores the potential for current patterns of economic growth to destabilise the country politically.

Recent research by the Afghanistan Research and Evaluation Unit (AREU) into the functioning of markets challenges the dominant views

Trading in Power

This briefing paper outlines how markets work in Afghanistan and the negative consequences of market growth that is neither free nor equitable. The briefing paper analyses the following:

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The way markets are currently functioning is also having a negative effect on political governance and “state-building.”

about the role of markets in Afghanistan.¹ The research shows that the booming non-formal economy is highly regulated by informal institutions and is definitely not “free.” The appearance of economic dynamism hides the fact that informal social regulation actively restricts competition and participation. This lack of competition means that the distribution of the benefits of markets (and therefore of economic growth) is skewed towards those who are already wealthy and powerful.

The way markets are currently functioning is also having a negative effect on political governance and “state-building.” There are close, mutually beneficial links between big business and political and military power holders. Businessmen receive security, tax exemption, credit and in some sectors (such as construction), access to lucrative contracts. For power holders, the linkages provide a means of investment and the potential for money laundering. The accrual of benefits from these markets provides them with the resources to strengthen their military and political power still further.

The costs of these trends to social equity, further growth, political stability and environmental protection are considerable. The key lessons from AREU’s research are:

- o Economic growth is necessary but the market on its own will not deliver the wider benefits expected of it;
- o Greater accountability is needed of market operators to the state;
- o More, rather than less active state intervention is needed to ensure i) greater opportunities to participate in the markets and ii) allow wider distribution of the benefits of growth; and
- o There is a need for an overall political strategy that limits the power of those who have gained control of the markets through force of arms and illicit activities.

¹ AREU conducted research into three markets – construction, carpets and raisins – with funding from the World Bank. The views and opinions expressed herein do not necessarily reflect the views of the World Bank. Individual case study reports on each of the three markets are available from the AREU office or can be downloaded from www.areu.org.af.

I. How Are Markets Run?

AREU’s research looked at the markets in construction materials, carpets and raisins and identified the following key aspects of the way these markets are functioning.

Who is doing business?

The fall of the Taliban did not constitute a decisive break with the past in terms of economic processes, patterns or players. The same traders who have been developing their power bases since the 1970s in the markets of Pakistan, and continued to trade under the *mujaheddin* and the Taliban, are many of those who today dominate trading in Afghanistan. Even if some of these traders have recently returned to the country, this mostly signifies a relocation of their base rather than the entry of new players to the markets.

This relatively small group of businessmen dominate major trading activities in Afghanistan. Through a variety of mechanisms and processes they actively exclude competitors and have positioned themselves to be the major beneficiaries of growth in the sectors in which they are involved. Key tactics that they deploy include:

- Price manipulation through various means;
- Possession of capital (when credit is unavailable to others) and the ability to place orders in cash;
- Political influence; and
- Quite high levels of vertical integration at the “top” of the chain (that is, their companies own other companies or service-providers with which they do business).

Further investment and the return of capital to Afghanistan is constrained by the current business environment. Many returnees are reluctant to risk the capital they have, recognising that only the dominant group can benefit in the current environment.

What sort of business are they doing?

Big and medium-sized traders deal in multiple commodities. Within a given region, the actors in the middle of “commodity chains” (i.e., not primary producers or retailers) tend to be the same. Traders will trade in carpets and/or raisins and/or construction materials, or perhaps even televisions or fertiliser, depending on demand, prices and seasonality issues. This aspect of

trade in Afghanistan contributes to the dominance of a limited number of traders. It also reflects the lack of formal financial systems (so an exporter of raisins may import to return his money to the country) and issues of seasonality and risk.

Related to this point, there are very blurred lines between “licit” and “illicit” markets and activities in Afghanistan. Many traders, even if they are primarily engaged in activities that could be brought into the formal economy, have a background in and a capital base derived from illicit activities. Even if traders have not themselves been involved in the illicit economy, they require good relationships with those who are because this latter group controls the supply routes and transport systems.

How is business conducted?

Most business is conducted on the basis of social networks and personalised client relationships. These relationships are based on a complex mix of factors, including family relations, ethnicity, shared history and shared religious ideology. They are not, as is sometimes asserted in the Afghan context, simply based on family. As research elsewhere has shown, such networks provide information, regular trade flows, trade credit and risk sharing.²

Throughout the country, the business elite has strong financial and personal links with national, provincial and local political and military power holders. Such relationships are mutually beneficial; for businessmen they provide security, tax exemption and credit, and (in some sectors such as construction) lucrative contracts. For power holders, they provide a means of investment, the potential for money “laundering” and an overall strengthening of influence by the linking of military, economic and political power. Power holders also often control the “inputs” to production processes in Afghanistan, such as water and land.

How are markets regulated?

Despite their usual description as “informal,” markets are heavily regulated by “non-state” forms of regulation. Many of these regulations

² Fafchamps and Minten. “Returns to Social Network Capital Among Traders.” *Oxford Economic Papers*. 2002. 54: 173-206.

are embedded in social and ideological norms and institutions. The carpet study, for example, highlights the distinctly gendered basis of production and distribution, with women dominating as producers but totally invisible at all other levels of the “chain.” Women were absent from all sections of the other two sectors.

Government attempts to regulate markets are increasing with, for example, the recent adoption of new tax and tariff laws and streamlining of coordination of private sector activities between different ministries. However, these interventions are still at an early stage and their enforcement is weak or not even observed in some provinces.

Moreover, a lack of information and low awareness of tax and tariff issues has caused a degree of panic as well as disgruntlement among smaller traders and companies.

What are the spatial patterns of business?

Some markets are operating increasingly nationally (thus reversing the trend towards regionalisation under the Taliban) and there are many economic activities that are common across the provincial and district centres of the north (where the fieldwork for these studies took place). There is also evidence of economic specialisation in some areas, as the carpet centres of the north illustrate. Spatial patterns of economic activity are linked to geographical centres of growth and power, as well as ethnic identities.

II. Keys Themes Across Afghan Markets: Illustrations from Three Sectors

A. The construction business: a growing sector controlled by a politically-connected oligopoly

The construction sector is booming in cities across Afghanistan. Four major types of construction contribute to it:

- Major military-related projects, currently the Baghram airbase and the NATO premises at Darul-a-man;
- Donor-funded government reconstruction projects, including a few very large projects, such as the recently completed Kabul-Kandahar road;
- Large-scale private and business construction, the so-called “narco-villas” and big shopping malls; and
- Smaller scale development of retail and residential premises.

Although the third and fourth categories of building are the most visible when driving around major cities in Afghanistan, construction in the first two categories (especially the military but also major government projects, such as road projects) actually dwarfs the private construction activities in value, by many orders of magnitude.

Five related trends in the construction business are particularly important:

- The most significant trend is **the overall reduction of the number of players** in the construction business, which is fuelled primarily by concerns about security. Thus contracts awarded by international contractors to sub-contractors are getting fewer in number, but larger in value and covering a wider range of services and activities.
- The second trend relates to **the types of companies that are primarily benefiting** from these contracts as sub-contractors. There are two groups: the first group is those Afghan companies with very strong political connections, usually to one of several members of Cabinet; and the second group is non-Afghan companies, particularly Turkish, Iranian, Chinese and Pakistani.

There are a number of reasons that medium-sized Afghan companies are being excluded from even quite small (e.g., \$200k) contracts. These include their lack of:

- o Technical skill and experience;
- o Sufficient heavy machinery, or the ability to purchase such plant through credit;

- o “bonds” or other forms of recognised security; and
- o Pre-existing relationships with the foreign contractors, unlike many of the non-Afghan companies.

Of course, this is an increasingly exclusionary situation. As a few companies continue to benefit, they are able to grow and further exclude others from the market.

- A third trend, which is much discussed, but difficult to substantiate, is the perceived **increase in corruption** related to the awarding of contracts at most levels of the contracting-subcontracting “chain.” As the contracts become larger and more exclusive, with opportunities for fewer companies to benefit, so the “kickbacks” have also become larger. There are certainly allegations of very large sums of money changing hands, including sums paid to international and national staff of international businesses and agencies, as well as to government officials and politicians.
- Related to this, the fourth trend is an **increase in the overall “militarisation” of the construction business**. As concerns about security lead to increasing levels of armed protection for those involved in construction, so the enforcement of formal and informal agreements is accompanied by the (perhaps often implicit) threat of armed force.
- A fifth trend is the **very low levels of scrutiny, both financial and technical, of the implementation of contracts**. This not only increases the financial payback for those who conduct sub-standard work, but it also allows the use of poor quality or illicitly procured materials, with little fear of redress.

All of the above factors are causing disquiet among those involved in the construction business, from international staff to Afghan contracting companies, as well as those concerned with broader economic governance and political economy issues. It is impossible to verify most of the claims of corruption made during the course of this research and some may be motivated by jealousy from companies unsuccessful in winning contracts. However, even while recognising that construction is a “dirty” business all over the world, there is a perception that a “step-change” has taken place in Afghanistan in terms of the level of corruption. Moreover, there is widespread and deep-seated

concern about the way business is being conducted and it is common to hear reference to a “construction mafia” who are closely, and quite openly, tied to Cabinet ministers and warlords.

B. The carpet market: a growing sector, but with benefits for whom?

There is a widespread view that the carpet market is in need of revival. The evidence from Andkhoy, a carpet producing area in north western Afghanistan does not support this. While much of the carpet producing capacity did relocate outside Afghanistan during the long years of political instability, this was not a dysfunctional and exceptional event that now requires the restarting of carpet production in Afghanistan. It was, instead, part of a long-term transformation of the carpet industry, which since 2001 has returned to Andkhoy, fuelling dynamic growth but with an inequitable distribution of outcomes.

The last thirty years have seen a decline in the role of the independent home based producer of carpets and use of traditional materials and designs. The growth in use of poorer quality machine spun wools from outside Afghanistan has been matched by the imposition of style and production patterns by an international carpet market into which key Afghan carpet traders have become linked.

Partly driven by the refugee experience and the drought, many households moved into carpet production on either a profit share or wage basis, expanding production but with declining returns to their labour. Although conditions have improved since 2001, the change in the structure of the carpet market has essentially reduced the ability of producers to negotiate better returns for their skills. It may also be leading to a systematic erosion of traditional artisan skills of both design and execution. There are a number of key structures in the existing market driving this process:

- i) There is a distinctly **gendered basis of production** with a dominant role for women as producers but total invisibility for them in the marketplace that is controlled by men. Economic growth on its own will not address this fundamental inequality of the market structure.
- ii) There has been a **change in the structures of pay with worsening returns to labour**. The majority of producers now work on a profit share or wage basis, for which the returns to labour even under the best of

conditions are unlikely to generate more than an income of US \$250-300 a year. The return is between six and 12 percent of the final retail price in the west. This is enough to allow producers to survive but not thrive.

- iii) There has also been a **change in the type of product, affecting returns to labour and trading patterns**. The market has become dominated in both production and absorption of labour by the *Chob Rang* carpet, made from wool imported largely from the middle east, vegetable dyed and with patterns based on a pastiche of motifs for western consumer culture. These designs have no relation to existing skills of design and weaving, and are produced under wage labour conditions to exacting requirements for uniformity. These carpets are not traded within the carpet bazaar, thus removing any opportunity for independent sales by a producer. Instead, the *Chob Rang* market is almost entirely controlled by a few big traders with international connections who work outside the traditional carpet bazaar. Through their dominance and tactics within the market they reduce the opportunities for small traders to compete.

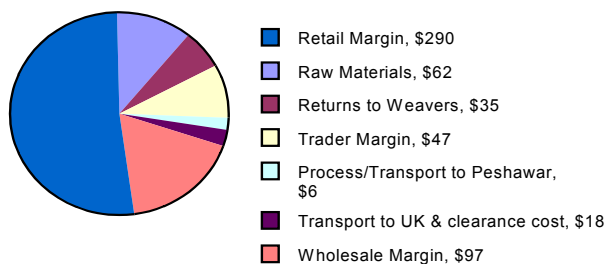
C. Raisin exports: government bureaucracy and bribe-taking, but no quality control or support

“We don’t have any government and they don’t care about the raisin business. The custom and excise authorities are serious about their own benefits and are not serious about trade. They collect duty from us, and that’s all.” (Mazar raisin trader, interview March 2004)

Raisins are economically the largest part of the horticultural crop in Afghanistan and the country’s primary export commodity. During the 1960s and 1970s, export of raisins from Afghanistan accounted for 60 percent of the world market. Accordingly, there is perceived to be a tremendous potential in the Afghan dried fruit market and there is a considerable interest in the market from donors, who see in potential raisin exports a way of boosting Afghanistan’s economy.

In general, there is a hands-off approach by government to the raisin industry. However, there is a disparity between the level of regulation of the industry claimed by government and the experience of those working in the raisin trade. Their actual experience, at least in the

Chart 1: Breakdown of returns for Chob Rang carpets



south, reveals that there are no government controls on the raisin or fresh grapes markets, no gazetted grades or standards, no cleanliness rules, no public health inspections, no price supports and no availability of technical assistance. Such interventions could help to strengthen one of the most promising export markets in Afghanistan.

Instead current government involvement consists of bureaucratic requirements and “rent-seeking” (the transfer of goods or services to one’s self through manipulation of public policy) by officials. There are government-related structures with a mandate for involvement in the export of raisins and these agencies, together with other more general export requirements, impose a heavy burden on potential exporters. However, the Afghan Raisin Export and Other Dry Fruit Export Promotion Institute, a non-profit body, located institutionally in the Ministry of Commerce (MoC), could provide useful services to exporters and regulate the quality of exports. It has offices in Kabul, which are equipped with a small laboratory recently fitted out by the Japanese government, as well as offices in Kandahar, Mazar and Jalalabad. It issues a certificate of “quality control” after carrying out laboratory tests, a procedure for which it charges 50 Afs per metric ton. It also claims to grant an export licence for every shipment, although the exact division of responsibility between the Institute and the MoC is not clear. In addition, the Institute claims to carry out inspections at factories at various stages during both processing and the loading of goods. The extent to which these services are widely provided is not clear.

Provincial departments of the Ministry of Agriculture and Animal Husbandry (MAAH) also provide a certification service to exporters of raisins. When a consignment is ready to be

shipped for export, this ministry sends a provincial department representative to the processing plant where the representative checks the quality of produce. The cost of the phyto-sanitary certificate is said to be 50 Afs. Although laboratory testing is rare or non-existent, traders are compelled to obtain a certificate from this department. Without this certificate, customs does not allow the consignment to leave the country, although the extent to which there are ways around this regulation is difficult to judge. Nevertheless, almost all traders interviewed during this research said they obtained the certificate. MAAH also signs a weigh bill for exporters.

In fact, there are a number of export documents that a shipment of raisins requires, with charges related to all of them, and the additional

possibility that “informal” charges will be levied at every stage. As with all procedures related to export and import, it is not exactly clear what the current charges and procedures are and the extent to which they are uniform across the country. Box 1 details the requirements on a trader and typical charges levied on a shipment of raisins from Mazar to Hairaton port on the border with Uzbekistan. These include various informal taxes.

Informal taxes are also levied on actors at early stages in the trading and export process. For example, sometimes a local warlord collects taxes from the grower in the local markets. Additionally, middlemen may pay a fee to local power holders when they bring the product to the wholesale market. In Mazar, this is currently \$40 per ton.

Box 1: Typical charges levied on a trader’s shipment of raisins from Mazar to Hairaton

“Government” charges:

- Trading licence to be renewed annually at a cost of 3,500 Afs. (A new, simplified and more transparent process for this was introduced in April 2004.)
- Phyto-sanitary certificate from MAAH in duplicate or triplicate – 40-60 Afs
- Certificate from Raisin Export Institute – 50 Afs per ton
- Export tax – temporarily removed by Presidential Decree on September 24, 2002, but a 0.5 percent tax has been temporarily re-imposed on all export and import operations and must be paid to Ministry of Finance (MoF) bank account in Mazar. Some exporters firmly assert that they are still paying a 2.5 percent export tax.
- Export license 0.018 percent payable to MoC
- Income tax of 20 percent on trading profits payable to MoF
- Sales tax of 2.5 percent payable to MoF
- Additional “local government” taxes and payments at checkpoints
- Other additional taxes in northern Afghanistan include a “security tax” of 0.5 percent of the market price of the raisin that is levied. This is supposed to be refundable, but is never actually refunded.

Additionally, total bribes and port handling fees payable on export are estimated at US\$8 per ton.

III. The Negative Reality of Afghan Markets

There are four major reasons why the issues identified here matter:

Inequality is worsened by the skewing of benefits from markets

The research suggests that the benefits of growth in private sector activities are disproportionately accruing to the wealthy and powerful who have established their dominant position over a number of decades. There are few signs that this oligopoly is willing either to share the benefits that they are accumulating, or open up space for others to join them in their dominant position.

Many of those who emphasise the importance of growth, also recognise that it is not just the quantity of growth that is important, but also the quality:

“What is needed is growth with improving social indicators (reflecting investments in human capital) and without a significant deterioration in income distribution...”³

Socially equitable growth implies redistribution of social and economic benefits within and between generations and across different socio-cultural groups. This research suggests that the current business environment might worsen inequality.

Future growth is constrained

Private sector led development is considered the key to Afghanistan’s longer-term economic development. However, discussions about private sector activities are often based on an assumption that markets in Afghanistan are open and all that is needed is the stimulation of “entrepreneurship” among Afghans. In the current non-competitive environment, those opportunities that are provided are not open to all, but are captured by those who are in a position to do so, creating a self-reinforcing pattern of exclusion. The current trends in the construction industry (described above) illustrate this well.

Different players in the market are affected differently by the current environment. The return of business people and their capital to the country is certainly being constrained. Additionally, the situation is inhibiting the growth of small and medium businesses that are unable to “scale-up” their activities and break the hold of the big players on the markets.

The same issues of access to finance and appropriate contacts also affect smaller players trying to enter the market, although they are manifested somewhat differently. New entrants are, for example, in competition with existing players for the necessary patronage from government officials and other power holders, as well as for physical space in market areas.

Existing patterns of political and military control are reinforced and “state-building” diminished

The operation of markets in Afghanistan is closely linked to broader political economy issues. Insecurity reigns throughout the country and the disarmament of warlords and militias in Kabul and elsewhere has been impeded by internal and external politics. The military and political control exerted by regional and local commanders is underpinned by financial resources that come from a variety of licit and illicit sources, including the narcotics trade, customs revenues, revenues from mines in some regions, and unofficial taxation. As this research confirms, big businessmen have close relationships with warlords who both benefit directly from large contracts and also use licit businesses to launder money.

The failure to understand linkages between political power (both inside and outside central government) and the economy sometimes leads to an assumption by policy makers of an inherently mutually positive relationship between economic growth and “good governance,” with a lack of clarity about the direction of causality. The realities of the Afghan political economy are that while improved governance may improve the distribution of economic benefits, economic *growth* will not necessarily lead to improved political governance. Indeed, unless there are concurrent changes in the ways that markets function and in the distribution of the benefits of economic growth, the chance of genuine democratic change and increased security may actually decrease with further economic growth.

³ TISA and International Agencies. *Securing Afghanistan’s Future: Accomplishments and the Strategic Path Forward*. Kabul: TISA and International Agencies. 2004, 7.

There are negative environmental and health consequences

The patterns of private sector activities revealed in these studies are clearly having a number of detrimental effects on the environment. In terms of natural resources, the lack of regulation of logging, extraction of sand and aggregate and use of river bed gravel is worrying. Additionally, the lack of regulation in the building industry is a deep cause for concern, particularly because Afghanistan is so prone to earthquakes.

Furthermore, there are many health and safety issues around the working environments created in the sectors discussed here. Conditions of production for carpets can lead to many health problems, particularly as a result of poor light and air quality. Much of the processing side – the dyeing of wool, the washing of the finished product – can lead to severe pollution. There is also the major issue of child labour to be

considered. The construction study also highlights the particular health concerns for workers in the brick industry. In general, the health and safety aspects of large retail areas are completely uncontrolled and there is no mechanism to make private landlords, who benefit from renting these spaces, provide even basic sanitary or other facilities. All these environmental health and safety issues impact disproportionately on poor people.

The control of major trading activities by a small group of businessmen with strong political and military ties means that regulation on environmental issues is less likely to be forthcoming from government and more likely to be circumvented by businessmen (for example, the current issuing of exemptions on export of wood). Additionally, there are presently few signs of self-regulation by associations of business people.

IV. Possible Ways Forward

So is the picture unreservedly bleak? The answer has to be that it is not. Despite the situation described, the economy of Afghanistan is growing. Clearly there are more people involved in economically productive activities than there were a few years ago. Moreover, there is evidence that key players are not simply “rent-seekers” in the market. The non-competitive forms of exchange probably reduce transaction costs and market structures may therefore, at least in the short term, not be damaging to growth. All the evidence is that the markets, at least for carpets and construction, are responding to demand and expanding. So the critical questions are how to influence the economy so that participation in markets is broadened, the benefits of growth are more widely distributed and inequality is reduced.

The key issue is how to build greater accountability into the market and improve opportunities for smaller players to compete. Clusters of opportunities exist at different levels and with different actors, although of course entry points for each sector are different. Some practical steps could include:

Strengthening ongoing governmental reforms. Existing reform efforts are targeting tax and tariff regimes, aiming to create simpler and more transparent processes where compliance

can be enforced. These reforms should also be accompanied by the establishment of well-publicised complaint mechanisms, as well as the wide dissemination of information about these reforms. This is the first step in enabling ordinary citizens to fight the corruption that stains their businesses. It is also important to continue with reform of legislation – including competition law, procurement law and labour laws.

Forcing external actors to demand accountability from key market players. This is especially the case where external actors are important in creating demand in the market, such as the reconstruction business and international military operations. Pressure must be strongly exerted on these external actors to ensure that not only are they made aware of the uncompetitive markets that they may unwittingly be reinforcing, but they are actively intervening to demand accountability from key market players. This would undoubtedly raise transaction costs because of the efforts and supervisory activity needed to enforce standards. However, intervention to support a more level playing field in terms of competition, as well as active support for smaller players through the way contracts are tendered and issued should be required. This will also send clear messages to other players in the markets.

Work with small and medium players. A third set of opportunities arise in the markets that the carpet and raisin sectors exemplify. These openings involve working with small and medium players. For example, providing access to credit may enable them to compete more effectively with the bigger players. Certainly lack of access to credit was a constant complaint from small and medium operators across the sectors studied here. However, learning from the wealth of experience in credit interventions internationally, care must be taken to ensure that the target groups are those who are most able to use such interventions to scale-up. The provision of credit should also be designed in such a way so that inequities reinforced by dominant social and cultural norms (such as gender or ethnic inequality) are not strengthened still further.

It is also important to help build associations of business people and to stimulate collective action. The associations described in the research reports (truckers associations and the Afghan Raisin Export and Other Dry Fruit Export Promotion Institute) all tend to be weakened by their close association with government ministries. Either power holders and “rent-seekers” unduly influence them or they are sidelined and largely irrelevant, unable to play a useful lobbying role. It is important therefore to ensure that such associations are membership-based and function in a reasonably democratic manner. The same applies to the establishment of chambers of commerce that are independent from government, to enable them to engage in transparent and legitimate lobbying of government.

Other initiatives such as providing better price information to producers could help small and medium producers gain a fairer share of the end price. The establishment of quality standards and certification processes, together with the building of technical capacity to enable businesses to reach these standards, will also assist in improving the position of smaller players.

Be pragmatic. It will undoubtedly be difficult in the short term to control or remove the deep-seated causes of non-competitive behaviour rooted in complex patterns of social institutions affected by decades of conflict and lawlessness. It may, therefore, be appropriate in the short to medium term to look at pragmatic and quasi-informal forms of regulation and their enforcement. For example, flexible environmental protection schemes, such as forestry controls operated through community structures (as has been tried in other countries), may be the best way of regulating destructive commercial behaviour in the short to medium term.

However, given the broader political economy of Afghanistan, there are some “private sector” issues that can only be tackled as part of a broader political strategy. Such a strategy will include disarmament and security sector reform, the control by the state of most state revenues and the limiting of illicit revenues, as well as other “state-building” strategies that enhance the ability of the state to deliver good political and economic governance.

The Afghanistan Research and Evaluation Unit (AREU) is an independent research organisation that conducts and facilitates action-oriented research and learning that informs and influences policy and practice. AREU also actively promotes a culture of research and learning by strengthening analytical capacity in Afghanistan and by creating opportunities for analysis, thought and debate. Fundamental to AREU’s vision is that its work should improve Afghan lives. AREU was established by the assistance community working in Afghanistan and has a board of directors with representation from donors, UN and multilateral agencies and non-governmental organisations (NGOs).

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For more information and to order publications, contact AREU at:
Charahi Ansari (opposite the Insaf Hotel and Popolano’s restaurant)
Shahr-e-Naw, Kabul, Afghanistan

Tel: +93 (0)70 276-637 Web site: www.areu.org.af E-mail: areu@areu.org.pk