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Case Study Series

OPIUM POPPY STRIKES BACK
The 2011 Return of Opium in
Balkh and Badakhshan Provinces



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Acronyms

ADP/N	Alternative Development Program for Northeast Afghanistan
ANA	Afghan National Army
ANP	Afghan National Police
DDA	District Development Assembly
INGO	international nongovernmental organisation
MCN	Ministry of Counter Narcotics
PRT	Provincial Reconstruction Team
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development

Glossary

<i>jerib</i>	Unit of land measurement equivalent to approximately one-fifth of a hectare
<i>ser</i>	Unit of weight measurement equivalent to approximately seven kilogrammes
<i>woluswal</i>	district governor

Executive Summary

Opium poppy cultivation has re-emerged in Balkh and Badakhshan in 2011. In Badakhshan, it has spread across several districts in rainfed areas and, according to informal estimates, the cultivated area has doubled from official figures of 1,100 hectares (ha) in 2010 to around 2,200 ha. In Balkh—which was declared “poppy-free” in 2006—opium’s return has been more location-specific; it is currently being planted openly on a small scale in Chimtal District. While a rise in opium prices has played an important part, a range of contextual factors including power, insecurity, social identity, agro-ecology and location are also important in explaining the crop’s re-emergence, as well as the patterns of difference within and between the two provinces.

Driven by a fall in production in the South in 2010, the rising price of opium is a contributing factor to the expansion of cultivation. However, this has also taken place in the context of a failing rural economy; many households are food insecure, rural employment is scarce and there is rising insecurity. In the eyes of many rural informants, promises made in 2006 to support the rural economy as a return for giving up opium poppy cultivation have not been met. There is also a sense, especially in Badakhshan, that southern provinces are being rewarded with greater levels of development funding despite their failure to give up the crop.

Counter-narcotics policies and support to rural development do not appear to have generated the conditions that might encourage households to move permanently away from opium poppy cultivation. The real indicator of effective counter-narcotics strategies is to make farmers relatively insensitive to opium prices; this is clearly not yet the case. There are no easy solutions to the persistence of opium poppy cultivation in Afghanistan. However, evidence from this study suggests a number of ways to improve both counter-narcotics strategy and support for the development of the rural economy:

- The notion of “poppy free” should be abandoned as an indicator of success. Supply reductions in one place can have price effects that shift production elsewhere. This reflects the irrepressible demand that continues to drive the opium market.
- The re-emergence of cultivation in areas where it had declined highlights the limits of previous interventions. It also suggests the lack of a geographically joined-up counter-narcotics strategy. Provinces and districts are not islands and the return of opium cultivation to old areas is a reflection of this.
- There is a need to recognise the significant political obstacles that exist to growth. The commodity market in urban centres such as Mazar-i-Sharif is characterised by non-competitive, exclusionary behaviour. A supply-side approach to agricultural development thus makes it difficult to give Afghanistan’s agricultural economy a competitive edge compared to its more powerful regional neighbours. This is especially important as there is also limited room to protect the domestic market from aggressive competition from outside.
- The rural economy lacks domestic demand. A broader, less neo-liberal approach could involve using cash transfers and social protection measures to help reduce livelihood risks and increase local purchasing power. Combined with measures to increase agricultural productivity, this could help create the incentives to increase productivity and help reduce the risks of markets for the poor.

1. Introduction

In 2007, the United Nations Office on Drugs and Crime (UNODC) reported that the area of opium poppy cultivation in Balkh Province had fallen to zero from an estimated 7,252 hectares (ha) in 2006.¹ The province was accordingly declared “poppy-free”—a status that it has maintained until 2010—and was rewarded with a good governance payment.² In the same year, Badakhshan Province also experienced a significant (75 percent) decline in opium poppy area, falling from 13,056 ha to 3,642 ha. However, while this then fell to a mere 200 ha in 2008, the province never achieved “poppy-free” status.

However, in 2011 opium poppy cultivation has re-emerged in both provinces. Indeed, in Badakhshan cultivation has been expanding since 2008, with a reported area of 1,100 ha in 2010. According to various informal estimates, the opium poppy area in the province has at least doubled to more than 2,200 ha over the course of 2011. Although no formal estimates were available at the time of writing, field evidence from Balkh suggests that the area of cultivation in the province in 2011 is likely to be at least 200 ha and probably more. Moreover, far from being a hidden crop, it is being openly and extensively cultivated within sight of the Provincial Reconstruction Team (PRT) post in Chintal District.³

UNODC had feared that an expansion of opium poppy cultivation was possible in 2011 after a fall in opium production in the south during 2010. This fall was caused by crop disease and has had knock on effects on opium prices, which had climbed from US\$50 per kilo of opium in July 2007 to over \$250 per kilo by March 2011. The UNODC commented:

*...the price of wheat—one of Afghanistan’s principal crop alternatives to opium—has fallen. At current prices, planting opium poppies is six times more profitable than growing wheat. The high price of opium combined with a low wheat price may encourage more farmers to cultivate opium in 2011.*⁴

While UNODC appears to view price as the main factor in determining levels of cultivation, it also highlights the importance of government presence and the rule of law in deterring poppy production. It goes on to suggest that these should be supported by assisting farmers to plant other crops:

*Providing villages with agricultural assistance encourages the cultivation of licit crops. For the first time this year, we saw a correlation between the provision of agricultural assistance and a drop in opium cultivation. Providing farmers with access to markets for their crops also helps keep them away from opium poppy cultivation [author’s emphasis]. In villages that are close to agricultural markets, farmers plant less poppy than in villages with no access to markets. We encourage donors and the Afghan community to continue to invest in alternative livelihood programmes and increase market access for farmers.*⁵

So what does the re-emergence of opium poppy cultivation in Balkh and Badakhshan tell us? Does it simply point to the weakness of the incentives against cultivating opium

1 United Nations Office on Drugs and Crime and Government of Afghanistan (GoA) Ministry of Counter Narcotics, “Afghanistan Opium Survey” (Vienna and Kabul: UNODC, 2010).

2 “Afghanistan Opium Survey.”

3 Informant Blk06 (see Appendix for a table of key informant codes).

4 UNODC and GoA, “Afghanistan Opium Survey,” 5.

5 UNODC and GoA, “Afghanistan Opium Survey,” 5.

poppy, particularly under conditions of rising opium prices? Or might it also question how far external interventions and alternative livelihood programmes in both provinces have—as claimed—been responsible for a decline in cultivation?⁶

It is possible that the current rise in cultivation is a temporary blip, and will recede once production in the South recovers and prices fall. If so, supposed economic and security gains could then be consolidated to eventually encourage households to withdraw permanently from opium cultivation. Unfortunately, this may not be the case. The evidence in this paper suggests that the security situation and the health of the rural economy in both Balkh and Badakhshan is worsening. This questions not only the effectiveness of rural support programmes in both provinces, but also whether such interventions were responsible for the fall in poppy cultivation in the first place.

In exploring these issues, this case study is structured as follows. Section 2 examines the existing literature and highlights the gaps in understanding this study is designed to address; Section 3 outlines the study's methodology and provincial contexts; Section 4 compares and contrasts the rise and fall of opium poppy cultivation in each province between 2001 and 2007; Section 5 examines the return of opium poppy cultivation in 2011, where this has occurred (and where it has not) and some of the possible causes of this return. Section 6 goes on to explore what the conditions necessary for the growth of the rural economy might be. In doing so, it draws on lessons from the opium economy, examines the possible role of urban centres as drivers of growth in rural areas, and highlights potential obstacles to growth. The final section summarises the study's core conclusions and their policy implications.

⁶ Adam Pain, "Let Them Eat Promises: Closing the Opium Poppy Fields in Balkh and its Consequences" (Kabul: AREU, 2008); David Mansfield and Adam Pain, "Counter-Narcotics in Afghanistan: The Failure of Success?" (Kabul: AREU, 2008).

2. Study Rationale

There is an extensive literature on opium poppy cultivation in Afghanistan. This can be broadly divided into two camps. Firstly, there is the body of literature that engages with opium largely as a problem to be addressed. Here, the opium economy is seen as a challenge to state-building that calls for counter-narcotics policy, eradication, interdiction and incentives to move individual households and Afghanistan as a whole out of the opium economy. Literature of this kind includes UNODC studies on opium area and production, their changes over time and the provincial shifts in cultivation with suggestions as to the reasons for this shift. This ties in with other work on the opium economy and its actors that focuses on the grey and criminal economies, the links between insecurity and insurgency, and the effects these have on the state-building programme in Afghanistan.⁷ Significantly, efforts to produce estimates of crop area—a key indicator in driving claims of success or failure of policy—have largely been framed within this context.

The second body of literature has not followed the orthodoxy. It has engaged with Afghanistan's opium economy not as a phenomenon to be judged and condemned, but rather one that needs to be understood, a lens through which to view rural economies, political context and what state-building actually looks like in practice. One aspect of this research has traced the ebb and flow of opium poppy cultivation at a micro level, looking at farm-level decision-making, how households benefit from growing poppy and the geographically differentiated nature of cultivation.⁸ A second part has also emphasised the links between the opium economy and political processes and the potential impact that drugs might have on state building processes.⁹

Underlying the divisions between these two broad schools of enquiry are questions of the balance between cause and symptom. The first approach is more inclined to see the opium economy as a factor undermining the state building programme, while the second views it more as a symptom of prevailing power structures, inequalities and underlying state failure. The policy response in the case of the first school is to stress more the question of choice that actors in the opium economy have. It thus structures its incentives through raising risks and rewards to move households out of cultivation and individuals away from trading. The second school gives more attention to the underlying power structures that determine what choices individuals are able to make. Accordingly, it gives more weight to the institutions that surround markets, for example, and the ways these regulate access and returns. It thus uses the opium poppy economy as a way to understand and address the economy of the political and commodity marketplace, the structures of power that define them and the ways they distribute resources.

It is clear that the opium poppy economy is highly unlikely to disappear even in the medium term. Many of the underlying drivers (such as drought, price shifts or coercion) that contributed to the decline in opium poppy area have not proved durable, making provincial “poppy-free” status fragile and subject to reversal. The terms of trade

7 Cinthia D. Mass, “Afghanistan’s Drug Career. Evolution from a War Economy to a Drug Economy” (Kabul: Afghanistan Analysts Network / German Institute for International and Security Affairs, 2011).

8 David Mansfield and Adam Pain, “Evidence from the Field: Understanding Changing Levels of Opium Poppy Cultivation in Afghanistan” (Kabul: AREU, 2007).

9 See, for example, Jonathan Goodhand and David Mansfield, “Drugs and (Dis)Order: A study of the opium trade, political settlements and State-making in Afghanistan” (London: London School of Economics Crisis States Research Centre, 2010).

between wheat and opium that favoured a shift out of opium production in 2007 and 2008 have now reversed. Insecurity has spread and the political deals that were struck in key provinces (particularly Balkh and Nangarhar) as part of the presidential election process may have helped create the conditions for a resurgence in cultivation. In addition, the movement out of poppy—whether forced or induced by price shifts—has in some cases increased poverty by restricting sharecroppers' access to land or reducing on-farm labour opportunities and wage rates. The rural economy in resource-poor areas and those distant from markets has all but collapsed, forcing men to migrate at a time when seeking work in Pakistan or Iran is becoming an increasingly hazardous choice.¹⁰

Although external factors play a role, the local dynamics of the opium poppy economy are fundamentally rooted in local structures of poverty inequalities, politics and power.¹¹ This means that research into opium needs to move beyond household decision-making and adopt a political economy approach that locates opium poppy in its social and political context, with a focus on power relations and institutions. Understanding how opium interacts with the local social, economic and political context—along with the political and poverty outcomes this produces—will enable further understanding of the factors driving rural households' decisions on poppy cultivation. This would link knowledge about the role of opium poppy at the household level to wider social, political and economic dynamics. By doing so, it would allow for improved policy and programming efforts to induce sustainable behavioural change and reduce the significance of the opium poppy economy.

Better understanding is also needed of how transition out of opium poppy cultivation takes place—what its consequences are, how far it is linked to interventions, and the likelihood, differentiated by location and household status, that the shift will be permanent. It is critical to identify the conditions needed to support a permanent shift out of opium poppy cultivation, and thus establish whether the design of existing interventions is providing them.

The focus of this research is on the links between the opium economy and rural poverty, the determinants and drivers of that poverty and the connections between policy and programmatic responses to the opium economy on the one hand, and actual livelihood trajectories on the other. The research has been undertaken largely at the household and local (district and provincial) level and was originally designed to address the following questions:

Contextual drivers

- How are wider structures of power and poverty inequalities shifting at district and provincial level and what effect might this have on the potential re-emergence of opium poppy cultivation? How and why do these effects vary across regions, villages, households, and agro-ecological zones?
- How do counter-narcotics policies and political structures relate to each other? What have been the impacts of counter-narcotics policies and development aid on political structures and institutions? How have these changes influenced livelihood patterns and options in the study areas?

10 Paula Kantor and Adam Pain, "Running out of options: Tracing Rural Afghan Livelihoods" (Kabul: AREU, 2011).

11 See for example Mansfield and Pain, "Evidence from the Field."

- Are there specific types and sequences of rural development policies and activities that are likely to support sustained reductions in opium poppy cultivation?

Household level drivers

- How have households that shifted out of opium cultivation in the study provinces responded to the loss of benefits associated with the crop? What has this meant for their livelihood security?
- How far has development programming responded to the immediate needs of households previously engaged in the opium poppy economy? How has it addressed the wider structures of inequality and power that underlie patterns of opium poppy cultivation?
- How are the potential drivers of a return to opium poppy cultivation changing? How does this vary between households and geographic areas?

However, events overtook the design of the study, and what began as an investigation into the potential for opium's re-emergence became an examination of its actual return. This allowed researchers to explore why this had happened, along with its implications for current efforts to shift households durably out of poppy cultivation.

3. Methodology and Provincial Contexts

This study has used a range of secondary and primary sources. Firstly, it draws on and reviews a substantial body of relevant secondary literature and province-specific material related to the rural economies in Balkh and Badakhshan. In addition, it uses two forms of data collected during provincial field visits. The first involves primary data from a range of district and village-level informants on household livelihood security. The second consists of secondary data from key provincial agencies on politics, governance and programming activities and evidence of impact and change. It should be noted that such data is extremely difficult to find. One bilateral agency (Blk06—see Appendix for a list of key informants for this study) openly admitted that little effort had been put into understanding the effects of programming, and that reporting was largely an exercise in accounting back to the funding ministry on dispersals and activities. In this respect, even major international nongovernmental organisations (INGOs) are not in a strong position to assess impacts and effects of their programming.

Time and security issues limited the extent of direct fieldwork. In Badakhshan, visits to the key districts where opium is currently being cultivated were not possible. Instead, fieldwork took place in two locations where the conditions for the return to opium poppy cultivation seemed favourable. The first was in Khash District, where opium poppy has played a historic role as a staple crop and has only substantially receded over the past three years. The second was a valley in Jurm District where the crop had brought an unprecedented degree of prosperity, although lacking the same historic presence. The valley also has a long history of resistance to government and once chased out an opium poppy eradication team in 2006.¹²

Fieldwork in Balkh coincided with the April 2011 attack on the UN compound in the city of Mazar-i-Sharif. Security was thus tight and this limited movement. In addition, the two research districts in Balkh—Chimtal and Char Bolaq—were experiencing high levels of insecurity. As a consequence, known informants from these districts were invited into Mazar-i-Sharif city for interviews. However, it was possible to conduct in-depth interviews with members of the Swedish PRT who regularly visit the relevant districts and obtain first-hand reports from them. Further, researchers decided to conduct a preliminary investigation into the rise of Mazar-i-Sharif’s urban economy to compare it with declines in the rural economy elsewhere in the province. This was designed to gain a greater understanding of markets in general, and of whether such growth might in itself provide a driver for the rural economy.

3.1 Provincial contexts

Analysing and contrasting the two provincial contexts is crucial to understanding the differences between them in terms of opium poppy cultivation trajectories. Context here is defined as “the existing social order, as determined by the organisation of society and the ways in which economic, political and social systems contribute to that organisation.”¹³ It varies between village¹⁴ and district and, as discussed at length

¹² Adam Pain, “Afghanistan Livelihood Trajectories: Evidence from Badakhshan” (Kabul: AREU, 2010), 19-20.

¹³ Drawing on Douglas C. North, John Joseph Wallis, Steven B. Webb and Barry R. Weingast, “Limited Access Orders in the Developing World: A New Approach to the Problems of Development” (Washington, DC: The World Bank, 2007).

¹⁴ Adam Pain and Paula Kantor, “Understanding and Addressing Context in Rural Afghanistan: How Villages Differ and Why” (Kabul: AREU, 2010).

by Thomas Barfield, there are deep historical structural contrasts between regions in Afghanistan. These have given rise to distinctive regional identities that continue to be of significance in the present.¹⁵

Balkh and the city of Mazar-i-Sharif has been one of Afghanistan's historic rural and urban centres. The city's location within a well-irrigated agricultural plain has provided the agricultural surplus that has traditionally formed the basis for its economy. It has come to establish a key regional identity and play a significant role in the current politics of the country, primarily through the consolidation of the political and economic position of its Governor Atta Mohammed Noor. In contrast, Badakhshan has historically been on the periphery of the Afghan state, largely due to its mountainous economy and small urban population. However, an early investment in education led it to become a centre of origin for various left-wing political parties and location of opposition to both the Soviets, the Taliban and the rule of President Karzai. These factors have thus long made it contested political territory. The different resource and political positions of the two provinces in relation to Kabul since 2001 are central to an understanding of the role that opium poppy has played and continues to play in their respective political economies .

Balkh Province

Since at least the 19th century, Balkh has experienced a complex history of migration, settlement and the development of irrigation structures.¹⁶ A key part of Abdur Rahman's (ruled 1880-1901) strategy for incorporating the province into his state involved a systematic process of settlement by people from the South.¹⁷ This was implemented in several waves with varying degrees of coercion but included, at various stages, Durrani Pashtuns from the West and South, Ghilzai Pashtuns from eastern Afghanistan, and populations of Hazaras. New settlements were often located in favourable spots such as the upper reaches of river valleys, and settlers from the South were quick to establish political and economic domination over the existing population of Uzbek, Aymak, Arab and Turkmen.

Along with its clear spatial dimensions, this ethnic diversity has played a critical part in the complex identity politics surrounding the insurrection against the Soviets, the Mujahiddin movement, the interregnum after the fall of President Najibullah in 2002, and the rise of and opposition to the Taliban.¹⁸ It is a story of shifting alliances played out through conflict over political, economic and natural resources (especially water). The last two decades have seen contention between two key political parties—Jamiat-i-Islami, most notably under Governor Atta, and Junbesh under General Abdul Rashid Dostum.¹⁹ While Junbesh may have had the military edge up until 2004, Atta has gradually built and consolidated his political position and now has uncontested political authority within the province. The transition that he has made from regional warlord to political figure has assured him an audience with the international community, both for the relative security that he has brought to the province as well his willingness to support the provision of certain public goods. While it is clear that Atta's rise to power since 2001

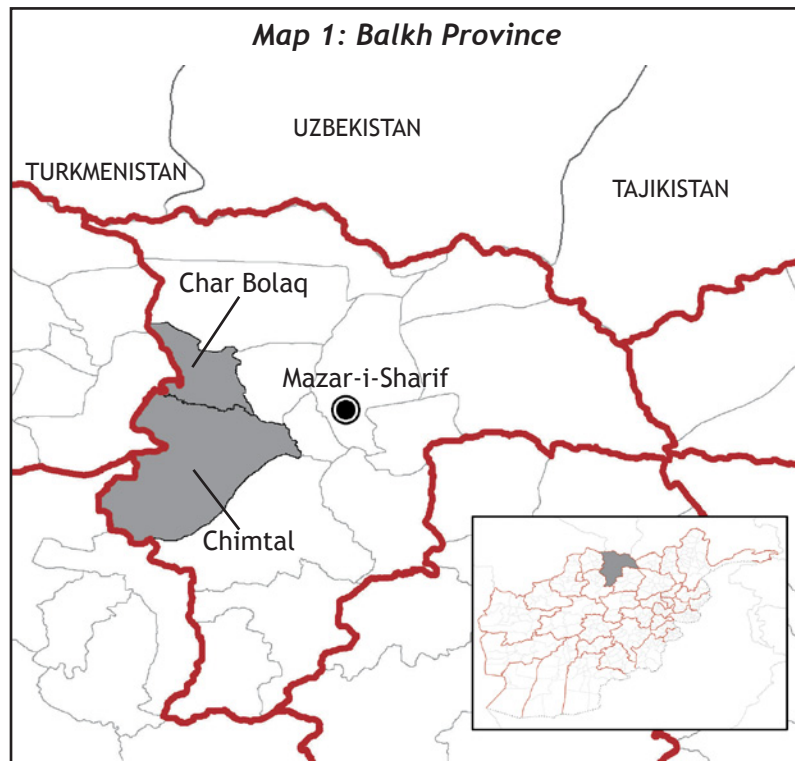
15 Thomas Barfield. *Afghanistan: A Cultural and Political History* (Princeton and Oxford: Princeton University Press, 2010).

16 For a fuller discussion see Adam Pain, "The Spread of Opium Poppy Cultivation in Balkh" (Kabul: AREU, 2007).

17 See Nancy Tapper, "The advent of Pashtun 'Maldars' in North-Western Afghanistan," *Bulletin of the School of Oriental and African Studies* 34, no. 1 (1973): 55-79.

18 Pain, "The Spread of Opium Poppy Cultivation in Balkh."

19 See Antonio Guistozzi, *Empires of Mud: Wars and Warlords in Afghanistan* (London: Hurst and Company, 2009).



has been built on the drug economy, he has also consolidated his political power and prospered financially through more legitimate and profitable sources of income related to trade, property and land development.²⁰ He has capitalised upon Mazar's significant economic growth since 2001, which has been based on its location as the economic hub of the North and cross-border trade through Uzbekistan via the Hairatan border post.

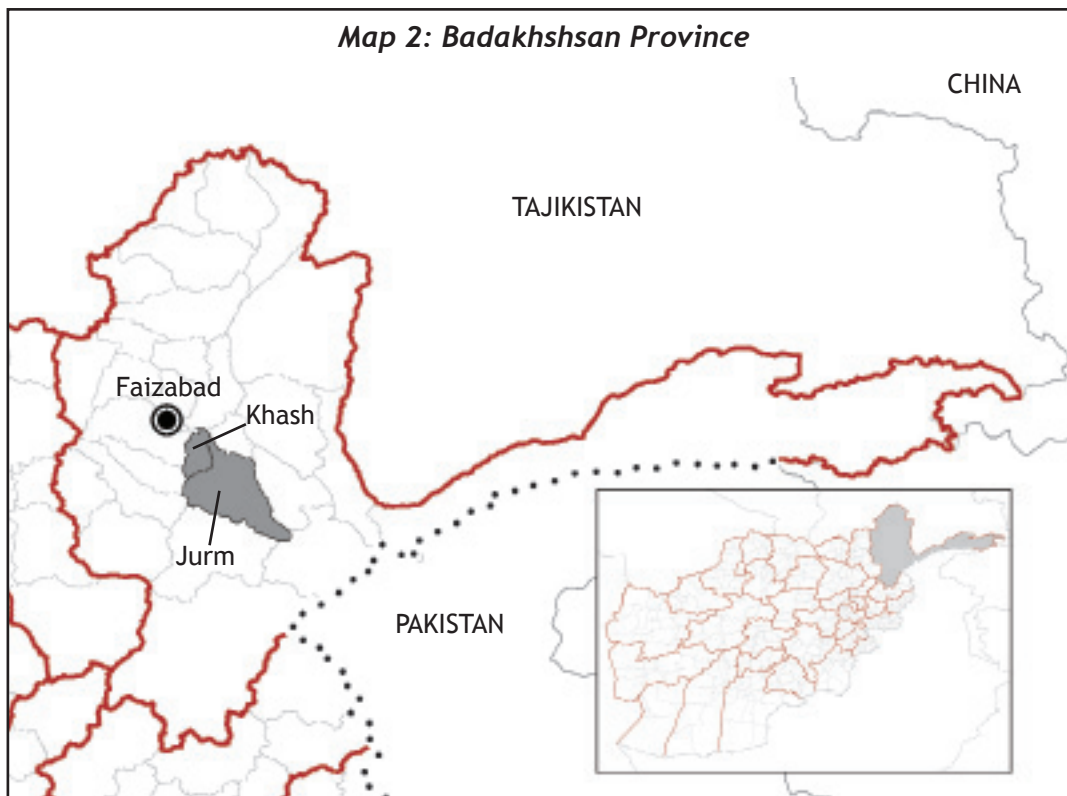
However, it is important to acknowledge that while Governor Atta may have consolidated his political grip on Mazar city and maintained his constituency of support in many of the districts, centres of opposition to his rule have remained. This is particularly true in areas where there are significant Pashtun populations, including districts crucial to the economy of opium production such as Chimtal, Char Bolaq and Balkh.

In large part, the power dynamics between the province's different districts are determined by the distribution and control of irrigation water. The last two decades have seen a well-documented breakdown of the traditional system of water distribution.²¹ This has been for a range of inter-related reasons, including decreased water flows, increased demand from urban sources, as well as crop intensification caused by decreasing farm sizes. These factors have been exacerbated by the use of water as an instrument of power, and compounded by corrupt government. This dynamic has manifested itself both within and between districts through the systematic over-extraction of water by upstream areas at the expense of downstream ones. The result has been extremely unequal patterns of water distribution, with a strong concentration of double-cropping at the upstream end of all canals that leaves downstream areas only able to single-crop in good years and barely at all in times of drought.²² These water distribution issues, in part, underlie the spatial distribution of opium poppy cultivation.

20 Goodhand and Mansfield, "Drugs and (Dis)Order."

21 Jonathan Lee, "Water Resource Management on the Balkh Ab River and Hazhda Nahr Canal Network: From Crisis to Collapse" (Kabul: Central Asia Free Exchange, 2003).

22 Pain, "The Spread of Opium Poppy Cultivation in Balkh," 17-18.



Badakhshan Province

If post-2001 Balkh has been characterised by the consolidation of power by one strong regional political player, then the opposite is true in Badakhshan, where no significant political settlement has been reached and power remains contested. There is a long history to this.

Part of the political position of Badakhshan relates to the geographical causes outlined earlier: its mountainous economy, limited urban economy, historic grain deficit and long history of political marginality. The province has long depended on economic resources from elsewhere to survive. On the other hand, it is more ethnically homogenous than Balkh, peopled primarily by Tajiks with smaller populations of Uzbek. There are also a minority of Shia Muslims, particularly in more remote districts.

However, an early investment in education led to the rise of an educated elite who contributed to the emergence of leftist parties in the 1970s and the opposition to the Soviet invasion. During this period, two key political figures emerged who played a central role in the Mujahiddin movement and in the political struggles after President Najibullah fell in 1992. These were Professor Burhanuddin Rabbani and Ahmad Shah Massoud, the latter from a political base in neighbouring Panjshir. With the capture of Kabul by the Taliban in 1996, Badakhshan became the centre of opposition to their government and remained so until their fall from power in 2001 (although Massoud was killed in the final weeks of the Taliban government).

After 2001, Rabbani maintained a weak grip on the province through his leadership of Jamiat. With the rise of the opium economy there was considerable conflict between competing local valley and district powerholders over the control of the drugs trade and government presence was limited. At the national level, Rabbani remained a centre of opposition to President Karzai. After 2005, Karzai increasingly intervened in Badakhshan's

politics through his support for the local politician Zalmay Khan. Khan is widely reported to have links to the drugs trade and an ambition to establish his own power networks.²³

The conflict between Rabbani and Karzai has fuelled the rise in the political significance of Badakhshan, and their use of patrimonial networks to build political support has fuelled political competition. While the province lacks the agricultural wealth of Balkh and the dynamo of a significant urban economy, its border position,²⁴ historic role in the opium trade and wealth of certain natural resources has given rise to competition between the political elites over the economic rents²⁵ to be extracted from it.

23 Antonio Guistozzi and Dominique Orsini, "Centre-Periphery Relations in Afghanistan: Badakhshan between Patrimonialism and Institution Building," *Central Asian Survey* 28, no. 1 (2009): 1-16.

24 Badakhshan has borders with three countries.

25 An economic rent is a benefit that is in excess of normal profits when there is perfect competition. In talking of economic rents the reference here is to key political and government figures capturing income from resources through illegal means or the deliberate restriction of competition.

4. The Rise and Fall of Opium Poppy Cultivation 1994-2007: A Tale of Two Provinces

Both Balkh and Badakhshan saw a rise and fall in opium poppy area during the period between 1994 and 2007 (Table 5.1), although there are important differences in how this occurred within each province. Both provinces had a long history of cultivating the crop. In Balkh, the Turkmen community cultivated it for domestic purposes;²⁶ in Badakhshan, certain more remote valleys grew opium poppy as a cash crop, both for trading to the Wakhan corridor, as well as for purchase by a state trading corporation based in Faizabad.²⁷

In both provinces the period after 1996 saw an expansion of cultivation, although with rather different dynamics. In Badakhshan, the cultivation began to creep down from its historic base in the rainfed areas into the broader, irrigated valleys. Although price played a role, this process was also supported by expanding demand linked to a developing drug trading network funding key commanders in the opposition to the Taliban. In Balkh, however, a new centre of cultivation opened up in a core group of Pashtun villages in the well-irrigated areas of Chimtal District.²⁸ This expansion drew on older trade connections to Kandahar founded on common tribal identities, replacing an existing trade in birds of prey with opium. This was further supported by the adoption of new higher-yielding poppy varieties brought from the south and encouraged by problems of water availability in the Balkh irrigation system. However, in contrast to Badakhshan where the market seems to have been more open, in Chimtal the market was highly regulated by the Taliban, and the crop did not expand beyond these core villages.

As a result of a Taliban edict in 2001, opium poppy cultivation was stopped in the Chimtal villages in Balkh. But it expanded in Badakhshan which was outside the control of the Taliban—in 2001, the province provided nearly 80 percent of the estimated national crop area. With the fall from power of the Taliban in 2001 and the subsequent dramatic rise in price in opium, there was an expansion of area in both provinces, although the phasing was different. In the case of Badakhshan, the growth in area in 2001 provided the base for a rapid expansion; over the next three years the opium poppy area more than doubled, contributing between 11 to 16 percent of the national area. Production peaked in 2004. Although it contributed about seven percent of the national area in 2005-06, cultivation fell sharply to pre-2001 levels in 2007. The widespread nature of cultivation between 2000 and 2006 reflects the relative openness and legitimacy of the opium market in the province at that time.

The market structures in Balkh after 2001 were relaxed as a result of the loss of control by the Taliban. Cultivation began to spread out from the core area, although at a slower rate than the expansion in Badakhshan, and peaked at ten percent of the national area at just under 11,000 ha in 2005. At its height, opium poppy cultivation was concentrated in three districts—Balkh, Char Bolak and Chimtal—which together provided just under 80 percent of the provincial area under cultivation.²⁹ This concentration was likely determined at least in part by the link between ethnic identity and market access. Within these districts, cultivation became concentrated in two distinct areas. Opium poppy was either grown upstream in well-watered, double-cropped areas as a profitable

26 Pain, "The Spread of Opium Poppy Cultivation in Balkh," 12.

27 Adam Pain, "Opium and Informal Credit" (Kabul: AREU, 2008), 19-20.

28 Pain, "The Spread of Opium Poppy Cultivation in Balkh," 19-20.

29 UNODC and GOA, "Afghanistan Opium Survey 2010."

Table 1: Percentage contribution of core and non-core opium poppy producing provinces to national area of opium poppy cultivation 1994-2007 *

	1994	1996	1998	2000	2001	2002	2003	2004	2005	2006	2007
Badakhshan											
Percentage	2.4	5.7	4.4	3.0	79.3	11.1	15.9	11.9	7.1	7.9	1.9
Area (ha.)	1,714	3,230	2,817	2,458	6,342	8,250	12,756	15,607	7,369	13,056	3,642
Balkh											
Percentage	0	1.9	1.6	3.2	0	0.3	1.4	1.9	10.4	4.4	0
Area (ha.)	0	1,065	1,044	2,669	4	217	1,108	2,495	10,837	7,233	0
Other Provinces (Percentage)											
Nangarhar	40.9	27.4	27.8	24.1	2.7	26.7	23.6	21.5	1.0	2.9	9.7
Helmand	41.7	43.7	47.9	52.2	0	40.5	19.2	22.4	25.5	42.2	53.2
Kandahar	5.1	5.4	8.2	3.7	0	5.4	3.8	3.8	12.5	7.6	8.6
Uruzgan	8.8	13.8	7.3	5.8	0	6.9	8.9	8.4	1.9	5.9	4.7
Farah	0	1.1	0.3	1.7	0	0.7	2.1	1.7	9.8	4.7	7.7
Others	1.0	1.0	2.5	9.4	17.9	8.4	24.9	28.2	31.7	24.5	14.1
Total ('000 ha)	71	57	64	82	8	74	80	131	104	165	193

* UNODC and GoA, "Afghanistan Opium Survey 2004" (Vienna and Kabul: UNODC, 2004); "Afghanistan Opium Survey 2006" (Vienna and Kabul: UNODC, 2006); and "Afghanistan Opium Survey 2007" (Vienna and Kabul: UNODC, 2007).

cash crop, or grown at the bottom ends of the irrigation canals in a water-scarce, single-crop environment where it provided better returns to land, water and labour in contrast with wheat.³⁰ In 2006 the cultivated area dropped and in 2007, in response to an order from the governor, cultivation in these core districts stopped entirely (at least in theory) and the province was classified as a poppy free province.

4.1 The impacts of opium poppy cultivation

The boom in opium cultivation in the first half of last decade is an example of technical change in agriculture that spread at an unprecedented rate with high rates of adoption and absorbed labour that transformed the rural economy through its multiplier effects.³¹ Households in Badakhshan referred to the period of cultivation as the "opium revolution" or "festival" years in recognition of the crop's role in improving food security, access to credit and welfare.³² It is also a crop that has multiple uses—as a fuel, oil crop, animal feed—as well as cash crop. Parallels can be drawn with the years of the Green Revolution in Asia and elsewhere during the 1960 and 1970s, which also saw a process of unprecedented technical change in cereal crops leading to productivity increases and welfare improvements (although augmented in this case by a long history of investment in public goods and state support to the development of the market).³³ However, as a result

30 Adam Pain, "Opium Poppy Cultivation in Kunduz and Balkh" (Kabul: AREU, 2006), 20.

31 John Mellor, "Raising Farm Income in the Context of Poppy Eradication—Implications to Employment and Strategy" (Kabul: USAID and ABT Associates 2005).

32 Pain, "Opium and Informal Credit."

33 A. Dorward, J. Kydd, J. Morrison, and I. Urey, "A Policy Agenda for Pro-Poor Agricultural Growth," *World Development* 38, no. 1 (2004): 73-89.

of the tendency to frame opium poppy as a problem to be addressed, more attention was given to its perceived negative dimensions than the transformative elements of its cultivation.³⁴

During this period, returns on opium varied between landlords, sharecroppers and labourers, and between upstream and downstream positions in irrigation systems.³⁵ The greater returns from the opium value chain accrued to those further up its hierarchy—the bigger level traders, those involved in trafficking and processing to heroin, as well as those involved in providing protection on the trafficking and processing routes. However, while the rise in opium prices after 2001 did give rise to increasing burdens of opium denominated debt among poorer households cultivating opium poppy before 2001, much of this debt had been incurred prior to the price hike. Essentially, for most households who moved into cultivating opium poppy after 2001, opium poppy was debt relieving. Thus the debt reflected more underlying social structures—in Helmand and Kandahar for example—rather than social and economic dynamics intrinsic to the crop.³⁶

The link between those in power and the capture of economic rents from opium trading is not in question, but has played out in different ways according to the political context in each province. There is evidence to suggest that the relative consolidation of power within Balkh and stable security situation there may actually have been aided rather than hindered by the opium economy.³⁷ In Badakhshan, by contrast, a political settlement remains elusive, and since other economic rents are limited the competition for revenue from the opium trade has fuelled political competition rather than reduced it.

4.2 The reasons for the fall in opium poppy area and its effects

The links between the degree of political settlement, the revenue available from the opium economy and other factors in driving the decline in opium poppy area in the two provinces are different. The dramatic decline in opium area in Balkh was heralded by national and international actors in Afghanistan as an example to be followed:

*...other Afghan provinces should be encouraged to follow the model of this northern region where leadership, incentives and security have led farmers to turn their backs on opium.*³⁸

*The poor farmers in Afghanistan's mountainous North and East who grew poppy two to three years ago have now mostly stopped, as security, governance and development opportunities have improved in these areas...and as the recent successes in Balkh, Badakhshan and Nangarhar demonstrate.*³⁹

Even at the time, the evidence to support these claims was not compelling. In the case of Balkh, there was little evidence of either development opportunities or good governance, although the existence of security was not in doubt.⁴⁰ Instead, the major factor in halting production was more likely the ability of Governor Atta, like the Taliban

34 Perceived negative dimensions of opium poppy cultivation include its potential links with crime, insurgency and corruption—all outcomes of a socially determined view of its illegality.

35 Pain, "The Spread of Opium Poppy Cultivation in Balkh."

36 Pain and Kantor, "Understanding and Addressing Context."

37 Pain, "Let Them Eat Promises"; Goodhand and Mansfield "Drugs and (Dis)Order."

38 UNODC and GoA, "Afghanistan Opium Survey 2007," iii.

39 Bureau of International Narcotics and Law Enforcement Affairs, "Fighting the Opium Trade in Afghanistan: Myths, Facts and Sound Policy," <http://www.state.gov/p/inl/rls/other/102214.htm>, 11 March 2008 (accessed 8 August 2008), 2.

40 Pain, "Let Them Eat Promises," 11-18.

before him, to broadcast and enforce a position that further cultivation would not be allowed.⁴¹ His reasons and motivations for taking this position remain far from clear. However, they may be related to his repositioning of himself as a political figure who could do business with donors, and the fact that alternative sources of income were readily available to him. The fall in price of opium and the fact that the bulk of production was in better irrigated areas well-suited to alternative crops probably further contributed to the effectiveness of the ban.

In Badakhshan, where USAID had funded a five year “alternative livelihoods program,” under the banner of Alternative Development Program North (ADP/N), it was also argued that alternative development had led farmers out of opium poppy cultivation:

Over the four-year life of the program, the production of vegetables, cereal grains and orchard products increased dramatically in Badakhshan, while the cultivation of opium poppy, according to the UN Office of Drugs and Crime, declined more than 99-percent from 15,607 hectares in 2004 to less than 200 hectares by the time [it] ended in February 2009.⁴²

Badakhshan farmers planted fewer poppies because they made a rational economic determination that they could make more money growing other crops...they voluntarily switched from cultivating poppy...because ADP/N's broad-based, sustainable development program stimulated economic growth and business activity.⁴³

There is indeed evidence that a fall in opium price, pressure from counter-narcotics efforts and a significant rise in price in wheat straw were all significant in the shift out of opium poppy cultivation; in certain well-irrigated and market-connected areas, vegetable crops also provided sufficient returns to alleviate the loss of income from opium poppy.⁴⁴ However, as in Balkh, evidence on “good governance” remains sparse. In the case of both provinces, governance in the marketplace in particular works to a logic far removed from ideas of free, impersonal competition.

41 Pain, “Let Them Eat Promises.”

42 USAID/Afghanistan, “Alternative Development Program for Northeast Afghanistan (ADP/N) 2009. Completion Report” (Kabul: AECOM International Development, 2009), 1.

43 USAID/Afghanistan, “Alternative Development Program for Northeast Afghanistan,” 9.

44 David Mansfield, “Governance, Security and Economic Growth: The Determinants of Opium Poppy Cultivation in the Districts of Jurm and Baharak in Badakhshan.” (Kabul: GTZ, 2007).

5. The Re-Emergence of Opium Poppy Cultivation in 2010-11

Since 2010 the area of opium poppy cultivation has expanded in Badakhshan and the crop has re-emerged in Chimtal in Balkh. According to two informants,⁴⁵ opium poppy cultivation did not in fact disappear from Balkh altogether during 2007-10 despite the province's "poppy-free" status. Rather, it disappeared from view behind the Arbutz Mountains in the south of the province, where pockets of cultivation reportedly persisted.

The reappearance of cultivation raises a number of issues. Above all, it questions the long-term "success" of counter-narcotics practice in reducing or "freeing" areas from opium poppy cultivation, thus raising fundamental doubts about counter-narcotics strategy. It also challenges the assumed cause-effect relations in how these reductions were achieved. To put it simply, did efforts to eradicate opium deal with the symptom—the crop's cultivation—or with its underlying causes? As noted, claims have been made that good governance and agricultural development contributed to a reduction in the cultivated area. But how far can this reduction actually be linked to these factors? It might also be that the re-emergence of cultivation is simply a function of price; if supply responds to that price incentive, an increased production will lead to a fall in price which might take households out of cultivation. This is indeed possible, but this can only be confirmed by examining future long-term trends in cultivation.

To address these questions, it is important to look more closely at the timing of the opium poppy's re-emergence, consider why it has appeared in specific places and not in others, and explore the potential underlying causes for the reappearance.

5.1 Where has opium poppy cultivation re-emerged in 2011?

In both provinces, opium poppy cultivation has re-emerged in areas where it had a significant presence in the years 2005-06. In the case of Chimtal District in Balkh, it has been planted in precisely the same areas that were at the centre of the emergence of commercial cultivation of the crop from 1996 onwards. These are double-cropped areas with assured irrigation and historical connections to opium markets in the south. Some reports indicate that it has also spread to other districts in the province where it has been cultivated before. However, the visible and challenging planting in Chimtal—where poppy fields are in plain view of the Swedish PRT district command—is particularly notable.⁴⁶

The expansion of cultivation in Badakhshan is somewhat different. After 2007, official figures indicate a drop in cultivation to 200 ha in 2008, a rise in 2009 to 557 ha and an expansion in 2010 to 1,100 ha.⁴⁷ 99 percent of 2010's cultivation was on rainfed rather than on irrigated land, which had provided the greater proportion of the area in 2003-05.⁴⁸ It has not yet, as far as evidence indicates, re-emerged in either the historical centres of cultivation, as in Khash, or in newer centres of production that emerged during the boom years, such as Jurm.

45 Informants Blk01 and Blk08.

46 Informant Blk06.

47 UNODC and GOA, "Afghanistan Opium Poppy Survey 2010," 34.

48 UNODC and GOA, "Afghanistan Opium Poppy Survey 2010," 35.

Rather, cultivation in Badakhshan was reportedly⁴⁹ happening primarily in the rainfed areas of Darayim—the centre of cultivation—as well as Kishim, Tishkan and Argu. It was also present in the remoter valleys of Jurm, Shahri Buzurg, Yaftali Payan, Warduj and Baharak. The informant—a senior law enforcement officer in Faizabad—reported that these were all late-autumn planting but that other communities had already decided to proceed with planting in spring. He indicated that cultivation of the crop was becoming more open in comparison to 2010, when it was largely cultivated in remote places far from the road. A second informant⁵⁰ confirmed the locations and anticipated that cultivation levels would triple to over 3,000 ha in 2011.

5.2 What explains the current location-specific nature of cultivation?

One conclusion to emerge very clearly from the field evidence was that knowledge of opium poppy's reappearance was widespread. Most informants in Balkh and Badakhshan—both in opium cultivating and non-cultivating areas—could provide current information on market prices for opium, reporting a range from \$200-300 per kg. The availability of current price information in part reflects improved telecommunications over the last decade. More significantly, however, it also indicates the presence of traders. In current non-cultivating areas in Badakhshan, richer households were reportedly still holding stocks of opium and, with the rise in price, were now selling these to outside traders (Bdk09, Bdk16).⁵¹ Further, the basic inputs for a return to cultivation were present. When a request was made for opium poppy seed in Khash market, a 250 gramme bag was readily supplied.

It was also very clear that a strong sentiment to return to opium poppy cultivation existed and that it would take very little for a more widespread move into it. One trader in Jurm market (Bdk14) suggested that if someone else would be the first to grow it he would be the second. A second informant (Bdk16) in one of the Jurm valleys simply asked if it was now possible to cultivate opium again. A third informant in Balkh (Blk11) from Char Bolaq made the observation that “at the moment in the district neither the government, the militia or the Taliban were specifically supporting the cultivation of opium but if the Taliban said we could grow it, we would not delay for one minute.”

It is worth comparing the characteristics between and within areas where opium poppy cultivation is re-establishing in the two provinces. Both have significant government connections, with key political figures who either hold a position in the national assembly (as in Darayim) or hold a key government appointment (as in Chimtal), though these are reputed to have links with opium trade. However, there are also other factors at play.

In Balkh, the contrast between Chimtal and Char Bolaq is important. Although both have long been centres of opposition to Governor Atta and sites of instability and insecurity,⁵² a pervasive sense of insecurity and the lack of a political settlement characterises Char Bolaq in particular. Informant Blk11 put it as follows:

49 Informant Bdk03.

50 Informant Bdk08.

51 It should also be noted that there were suggestions from various sources that the structure of the market had changed; before 2007 it had been a relatively open market but now shopkeepers who had been involved in it in the past were not. Rather, the trade had become more secretive and controlled by bigger traders.

52 Antonio Giustozzi and Christoph Reuter, “The Northern Front: The Afghan Insurgency Spreading Beyond the Pashtuns” (Kabul: AAN, 2010).

Security is divided two ways and one cannot figure out who is your friend. In the night it is the Taliban who in the day disappear and come back in the evening and invite themselves as your guests. In the day it is the militia who move around between the villages. Now you cannot go freely. Many people have complained about militia looting, the taking of motorbikes and demanding meals just like the Taliban. Last Tuesday in the market, a member of the militia beat a member of the public with a rifle. The wuluswal [district governor] and the Chief of Police were there but did nothing.

When asked about the militia he noted that the militia belong to commanders from different parties: “the rumour is that the militia salary is from the government...it all started about forty days before the presidential election; during the presidential election they were there, armed but hidden; during the parliamentary election they came out in the day.” He went on to suggest that farmers were not growing opium poppy because of the lawlessness in the district: “...we don’t dare to grow because powerful people would simply seize the crop.”

This is in contrast to Chimtal; when asked why opium poppy was being grown in Chimtal and not Char Bolaq, informant Blk11 commented that “Chimtal is where ISAF is and the government is not.” This was in part a reflection of the fact that “government” through the support of militia was a key cause of the insecurity in Char Bolaq and that the presence of ISAF in Chimtal limited their presence. Coupled with this fact was the presence of a Taliban shadow government in Chimtal, who ensured the security for the cultivation of opium poppy.⁵³ A Western adviser in the Swedish PRT (Blk06) also commented that he had heard from farmers in Chimtal that they were cultivating opium poppy because “they were compelled to do so.” However, he also noted that such statements remained open to interpretation.

In Badakhshan, the rise and concentration of cultivation in Dariyam has been attributed by various sources (Bdk03 and Bdk08) to a loss of government control in the district, even though it is home to one of the province’s new MPs elected in 2010. According to Bdk03’s own assessment, and supported by Bdk08, a majority of the MPs elected from Badakhshan to the national assembly have direct connections to the opium trade. This means that the question of who has lost control to whom is open to interpretation. Respondent Bdk08 claimed that an announcement had been made through the mosques in Dariyam, Tishkan and Argu that protection would be given to those that wanted to cultivate opium, suggesting that this was linked to certain Badakhshani members of the national assembly. There were also persistent mentions of an alliance between opium traders and the presence of “the Taliban.”⁵⁴ Again, both of these factors point to a reduction in the risks around cultivation.

What is certain is that when an eradication team went into Dariyam last year, a roadside bomb exploded, killing a number of its members. Although the number of security incidents in Badakhshan during the 2010 opium poppy eradication⁵⁵ season were under ten percent of the total recorded, 13 of the 28 deaths that occurred as a result of these security incidences took place there, revealing something of the conflict over opium poppy cultivation.

In Khash District, the presence of government and especially a district governor with a strong counter-narcotics stance was reportedly the reason why cultivation had not started

53 Informant Blk08.

54 The precise nature of these “Taliban” remains unclear—as various informants commented, the “Taliban” in Badakhshan are not the “Taliban” of the South.

55 UNODC and GOA, “Afghanistan Opium Survey 2010.”

there. One respondent (Bdk13) recounted how in a public meeting the *woluswal* had been challenged by a man who said that he would be growing opium, and that the man was subsequently arrested (and then released). The *woluswal* in Jurm stated directly (Bdk11) that a group of farmers had tried to cultivate opium around Jurm town to challenge him but he had enforced eradication. However, his account was not supported by members of the local District Development Assembly (DDA). And if the farmers in Khash were not willing to take on the government, another valley of the main Jurm valley had no such reservations. This was the valley that had chased the eradication team out in 2006 and respondents there made it apparent that they had no fear of the government (Bdk16). One of a group of farmers was clear: “we have a plan to cultivate, we are not afraid of government, we beat them back before, we will beat them back again.”

However, a second member added an important qualification that reflects the major social inequalities in the village: “we should tell the truth: the decision to cultivate lies with the rich people—the ten households who have the land—if they decide to cultivate we will cultivate. If we cultivate then we could get credit from them and the shopkeepers; no poppy then no credit.” If this is the case then it is also possible that the reduction in opium poppy stocks held by richer households, as noted earlier, may be a further factor in to the return to cultivation.

In summary, there are complex and context-specific reasons which explain where and why cultivation has started in some places and not others. Where cultivation has resumed, the reasons relate to essentially a reduction in the risk of cultivation, the assurance of protection for its cultivation and a calculation—social and political as well as economic—of the potential returns to its cultivation balanced against the risks of crop loss.

5.3 The reasons given for a return to opium poppy cultivation

In Badakhshan respondents gave a consistent set of reasons to explain why farmers had gone back to opium poppy cultivation or why the sentiment to return to its cultivation was so strong. No one was singled out as the major factor.

A key point is the awareness that opium poppy is being cultivated in both the south and the east of the country—and is being tolerated. The comment was made forcibly by a member of the farmers’ group (Bdk16) who had just returned from labouring in Helmand. He reported how he had seen opium poppy openly growing in the South next to checkpoints. Many young men who had served in the South with the Afghan National Army Security Forces (ANSF)—often in response to the decline in the opium economy—returned with similar accounts.⁵⁶ There was also a perception that the levels of reconstruction assistance in the South are substantially greater than those in the North. This was seen to be a consequence of continuing the cultivation of opium poppy rather than an outcome of stopping it. There was thus a very strong sentiment that two policies were being applied—one for the South and one for the North—and that this was unfair. Bdk16 quoted the proverb “if the child does not cry, the mother does not give milk” to make his point. There also seems to be some ethnic and anti-Pashtun dimension to many of the informants’ understandings of policies towards Badakhshan. These were reinforced by the perceptions of many that Rabbani, in agreeing to join the High Peace Council established to negotiate with the Taliban, had gone over to the government.

Resentment about the levels of support to the South was compounded by a sense that promises made by the government to provide “alternative livelihoods” in Badakhshan

56 Adam Pain, “Afghanistan Livelihood Trajectories: Evidence from Badakhshan” (Kabul: AREU, 2010).

had simply not been met. The informants in Bdk16 were blunt about how far such efforts had fallen below their expectations—there had been one small dam project in their area that had provided a limited amount of work and nothing else. The members of the DDA in Jurm (Bdk15) commented that some work had been done and noted that the USAID project that had constructed canals, conducted training, built cold storage systems and introduced new farming techniques. However, most of the money that had been promised did not arrive, and the projects that did take place were not seen as bringing long-term benefits: “we have given up our weapons, given up poppy but there is nothing for income, the government has done nothing.”

Closely linked to these sentiments was the widespread view that the economic conditions of Jurm in particular and Badakhshan Province in general had worsened since the decline of opium. As one informant put it (Bdk15); “five years ago there was the opium business, it was being grown, traded, even children were involved, everyone was self-sufficient; people were busy. But since the government and the international community was against this we gave them promises and did not get much in return.” Even in Khash, which seems to have attracted a rather large number of infrastructure projects and an increase in public good provision, the economic conditions have declined and many have left for work outside the province. This picture of the overall decline in the health of the rural economy in Badakhshan is supported by other recent research.⁵⁷

Running through all informant comments was a view that many provincial government and political figures were, as Bdk05 put it, “just thinking for their individual benefits and not considering the people.” He, along with others, went on to list a majority of serving Badakhshani MPs as some of the key culprits. When listing the various agricultural commodities they had, the DDA in Jurm (Bdk15) also noted that they had minerals “but these are under the control of powerful people.” There is also a sense that such actors do not just actively seek control of resources, but intervene to protect them as well. Informant Bdk03 commented on how a heroin factory had been destroyed in Darayim and the owner of the factory was being pursued. However, an MP from Darayim had intervened directly with the counter-narcotics police to protect him, arguing that since the president’s brother in Kandahar was not being harassed, the man should not be pursued. Bdk03 talked of how the counter-narcotics police “could arrest farmers, but can go no further with people with more power.” Recent security incidents in Baharak District were attributed (Bdk03 and 04) to the replacement of the long-serving district police chief. In Baharak, the position is a lucrative one given its central position to trade in opium in the province, and the displaced chief is assumed by many to be behind the sudden rise in insecurity.

In Balkh, the return to opium cultivation is much more location-specific, and concentrated in more resource-rich areas. Yet here too, a very similar set of perceptions about the lack of economic development, the neglect of the rural economy and the failure of government to meet promises made for stopping opium poppy cultivation were present. As an informant from Char Bolaq (Blk11) commented, “the government made promises in 2007. It was a mutual promise—we made a promise not to grow opium again, they promised to provide support. But nothing happened. Three hundred tractors were meant to be purchased, but probably the money went into construction in Mazar; they were meant to build nine kilometres of tarmac road to the district centre. That has only just started.”

The old problems of water distribution remain, indicating that the damaging actions of informal powerholders remain unchecked. When the rains are good there is sufficient

57 Kantor and Pain, “Running out of Options.”

water to go round and production is plentiful, as it was in 2008. But 2011 has been a dry year. As Blk11 put it:

There is a struggle over water. Yesterday we had a meeting—we need 200 cubic metres of water but now we are getting only 50. One reason is that it is a very dry year, there was no snow or rain so there is a very poor supply. But most of the supply is being used by those in power; in addition Sholgora, which legally should only have seven canals, has in total 11 and nothing has been done about this.

The sense of decline in Balkh's rural economy is also widespread, putting pressure on the labour market for rural migrants in Mazar-i-Sharif. Many informants commented on the lack of work in the districts over this last year. The daily wage rate in Mazar declined to 250 Afs (around \$5) from 300 Afs in 2010. While most reported that they had been able to get 25 days of work a month last year, this has now dropped to about 10-12 days a month, just enough to survive on but no more. Traders (Blk04) working in the market in Mazar selling the poorest quality clothes to rural traders commented on how demand had declined over the last year. One had been working through a network of about 100 district-level traders but now only about 50 of these were active. A second trader, who had moved out of agriculture five years ago because of the lack of work, reported a 50 percent decline in his business over the last year.

The one crop that has seen a significant rise in price over the last year is cotton,⁵⁸ which has increased from 600-650 Afs per *ser* (around seven kg) in 2010 to nearly 1,200 Afs (\$27) per *ser* this year. The reason for this has been a strong demand from Pakistan as a result of the flood damage of Pakistan's crop. However, cotton is only grown in well-irrigated areas as a second crop and the costs of production are high. Given the needed fertiliser inputs, it is only affordable to larger farmers, limiting the benefits to the wider rural population.

As in Badakhshan, rural Balkh residents felt a sense of bias against them. However, rather than contrasting their situation with Helmand, informants here made the comparison between rural districts and Mazar City, which is enjoying a construction boom. As Blk11 put it, "security is in the city but not with us. International aid and expenditure has gone into the city, there is security for educated people." The signs of growth of the urban economy are visible but the basis of that growth has little to do with the rural economy; as will be discussed in Section 7, it reflects instead a tightly controlled market that generates windfall profits for a few but provides a questionable foundation for broad-based growth with wider benefits for the poor.

While many of the comments made in Badakhshan and Balkh are difficult to substantiate specifically, there is comparative data on provincial levels of food insecurity and reconstruction expenditure that largely supports the accounts presented by informants. Data drawn from the 2007/08 National Risk and Vulnerability Assessment⁵⁹ (see Appendix) shows Badakhshan as the province where the greatest proportion of the population—65 percent—is food insecure. Balkh is ranked fifth on this scale with 52 percent—striking given the richer agriculture of the province. Helmand and Kandahar were ranked much lower with eight and 17 percent food insecure respectively. By contrast, a 2008 assessment of aid effectiveness⁶⁰ estimated aid expenditure in Helmand and Kandahar at \$403 and

58 Informant Blk18.

59 Ministry of Economy (MoE) and The World Bank, "Poverty Status in Afghanistan. A Profile Based on National Risk and Vulnerability Assessment (NRVA) 2007/08" (Kabul: Al-Azhar Book Co., 2010).

60 M. Waldman, "Falling Short: Aid Effectiveness in Afghanistan" (Kabul: Agency Coordinating Body for

\$227 per capita during the financial year 2007-08. For Balkh and Badakhshan the levels were \$153 and \$142. This evidence is consistent with the perceptions of the relative neglect of Badakhshan and Balkh, not least give their relative levels of food insecurity.

In summary, the persistence of chronic poverty, the lack of progress in development and the declining health of the rural economy appear to be major factors driving the return to opium poppy cultivation. But why is the rural economy in such a poor condition given the supposed extent of efforts to support it?

Afghan Relief, 2008), 15. It is unclear whether this study includes spending through military budgets.

6. The Rural Economy and the Conditions for Growth

There have been high expectations that agriculture and the rural economy could be transformed to provide the growth and poverty reduction effects needed to develop Afghanistan, and especially to facilitate a durable shift out of opium poppy cultivation. While there have been debates on the relative merits of meeting food security needs versus a more market-driven model of agricultural development,⁶¹ the balance is currently tipped in favour of the latter.⁶² Without question, growth in the rural economy is needed since without it poverty and food insecurity—two of the main drivers of opium poppy cultivation—cannot be addressed. But what are the conditions for this growth and why have they proved so elusive in Afghanistan?

Agricultural transformations in the recent past, such as the Green Revolution in Asia, have largely emerged through a combination of rising productivity, rising demand and strong state support for rural commodity markets through subsidies on prices, credit and inputs. These have helped reduce the risks around markets for smallholders and increase the volume of transactions and the density of market networks. Fundamental to this process is a long history of prior investment in core public goods, including irrigation infrastructure, roads and electricity.⁶³ Two further preconditions are also necessary for growth, though not necessarily causal factors.⁶⁴ The first is confidence in and security of property rights; the second is competitive, suitably regulated but internationally open markets operating under stable macroeconomic conditions.

Clearly many of these basic preconditions do not exist in Afghanistan. There are severe limitations in the basic stock of public goods, although these have improved over the last decade; macroeconomic conditions have been far from stable; there is little sentiment within donor policy for subsidies on prices, credit or inputs; the deep level of poverty in rural areas is a major constraint on demand, with little evidence that there is a growing urban demand; and, as explored below, the existence of secure property rights and competitive markets is open to question.

From an alternative perspective, however, one can ask what the two examples of dynamic growth that have taken place in the study areas—the opium poppy boom and Mazar’s urban economy—tell us about how markets work and the preconditions for generating growth.

6.1 Lessons from the opium poppy market

As has been noted earlier, the spread of opium poppy during the first five years after 2001 generated positive effects on household poverty and food security, created employment and had multiplier effects in the rural economy due to a rise in household incomes and the resulting demand for other goods and services. It is perhaps the single example that makes an agriculturally-driven rural transformation seem possible. Simply explaining it in terms of illegality misses the point. Rather, the structure of the opium market can be viewed as a standard which must be reached if there is to be a rural transformation that will durably reduce opium poppy cultivation.

61 Adam Pain and Sayed Mohammad Shah, “Policymaking in Agriculture and Rural Development in Afghanistan” (Kabul: AREU, 2009).

62 Adam Pain and Paula Kantor, “Beyond the Market: Can the AREDP Transform Afghanistan’s Rural Nonfarm Economy?” (Kabul: AREU, 2011).

63 Dorward et al., “A Policy Agenda for Pro-Poor Agricultural Growth.”

64 Gareth Williams, Alex Duncan, Pierre Landell-Mills and Sue Unsworth, “Politics and Growth,” *Development Policy Review* 29 (2010): 28-55.

The core reason why opium poppy was such a good smallholders' crop is because of the way its market worked. The market, responding to strong international demand, was essentially a monopsony,⁶⁵ where one buyer purchasing the product worked through a multitude of sub-agents and set the price for purchase. Credit and input support was provided by traders and farm-gate purchase assured. All these reduced the market risk to cultivators of the crop. Monopsonies are not unique to opium poppy; many of the outgrowers schemes⁶⁶ for crops that require timely and appropriate processing—such as sugar, tobacco and tea for example—have worked in precisely the same way. The market support given to producers under such conditions—guaranteed prices, technical information, input support and provision of other public goods, including education—have often made these good commodities for smallholders to grow given the limitation on market risks associated with them.

However, there is a further dimension that needs to be understood with respect to the viability of opium poppy as a commercial crop—its competitive advantage.⁶⁷ Competitive advantage is generated through a combination of quality, quantity and price. Opium poppy, hashish and cotton are probably the three crops in northern Afghanistan that have a competitive advantage in international markets where demand is present. For most other commodities, Afghanistan produces poor-quality, high-price products that cannot compete either internationally or domestically. A strong complaint from many fruit and nut traders (BLK09) was how far prices in the domestic almond market were being undercut by imported almonds from the United States.

In summary, it is largely the high demand for opium poppy, its competitive advantage, and the relatively low risks of the market that make it a smallholder crop of choice. As prices rise and the crop is secured against eradication, the risks of cultivation are reduced and the reasons to make any other crop choice diminish. However, for most part, other Afghan crops cannot command the same levels of demand as opium, and thus have limited potential to fuel productivity changes, expand markets and raise rural incomes. Can that demand come from urban growth?

6.2 The cities—a source of growth to drive the rural economy?

A recent study of long-term rural livelihood change found that the route to improved livelihood security for households that had prospered in the study sample had almost exclusively come through employment in the margins of the dynamic urban economy of Kandahar, and not in the relatively rich surrounding rural economy.⁶⁸ Both Faizabad and Mazar Cities have also shown visible growth, although with a much shorter history in Faizabad. Can urban development, backward links to the rural economy and rising urban demand help improve the rural economy?

Badakhshan

A tarmac road connection from Faizabad to Takhar, Kunduz and on to Mazar and Kabul that was opened in 2010 has dramatically reduced travelling times to key neighbouring

65 A monopsony occurs where there is essentially one buyer in a market that sets the price of purchase; in contrast, a monopoly, which is the more common characteristic, is when there is one seller of goods or services to a multitude of purchasers. Both monopsonies and monopolies are seen to restrict competition in the marketplace.

66 Smallholder crop schemes for commercial crops that often require large-scale processing.

67 With thanks to Bob Moore at the US Department of Agriculture for a discussion on these issues.

68 Kantor and Pain, "Running out of Options."

provinces. Informants (Bdk04) commented on how it could take five days to get to Kabul prior to 2001; from 2005 this was reduced to two days and now Kabul can be reached in about ten hours, with six to seven buses travelling to the capital every day. A key economic effect of this improved connectivity has been to reduce transport costs and lead to an increasing availability of goods, particularly fresh fruits and vegetables and cooking gas to urban areas such as Faizabad and Baharak. The long-term effects of improved road connection on the economic transformation of the province should not be underestimated.⁶⁹ It has led to a construction boom in Faizabad City and an increase in shops supplying building material. The effect has been a substantial rise in land prices in Faizabad, Baharak and Jurm. Over the last decade land has increased in price from a reported \$1,000 to \$10,000 per *jerib* (roughly one-fifth of a hectare).⁷⁰ However, the effects of this urban development and improved connectivity on the province's rural economy remain to be seen.

Balkh

The city of Mazar-i-Sharif has a long history as a trading centre and economic hub of the North but until recently this was driven by the export of produce linked to its rural hinterland, rather than a manufacturing base. These included not only the sale of carpets but also karakul skins, dried fruits and raisins. However, the economic shocks caused by the break-up of the Soviet Union and the subsequent collapse of Afghanistan's banking system during the civil war in the early 1990s dealt a crushing blow to many once-flourishing businesses in the city. In subsequent years, many of the markets in which such traders had traditionally engaged became unprofitable or dominated by international competitors. However, a very different city economy has arisen since 2001. Although many of the traditional businesses and traders still exist, they are now very much marginal players.

Perhaps the first visible sign of post-2001 growth in Mazar was the spread of new fuel pumping stations in and around the city that began from 2003-04 onwards. This was followed by a major city road development programme. Each of the scheme's new roundabouts is now sponsored by the major businesses that have emerged since 2001 as an indicator of their presence and influence. Over the last few years, the mushrooming of new business centres and urban development to the south, east and west of the city complete with large, expensive housing has come to characterise the economic development of the city. The inauguration of a rail connection between Mazar and the border, 75 km away, has supported its position as a key trading hub and in 2008-09, the city provided over 20 percent of the national revenue from imports and exports, ranking third in importance after Jalalabad and Herat.⁷¹ What has driven this development?

Drawing on various informant accounts there appear to be four major interrelated dimensions to the growth of Mazar over the last two decades. The first has undoubtedly been the rise to undisputed power of Governor Atta that has brought both stability and physical security to the city, although the April 2011 attack on the UNAMA compound there has severely shaken this perception. The second factor has been Mazar's location as a historic centre for the economy of the northern plains of Afghanistan and its proximity to a major border crossing to central Asia. The third dimension of the city's growth has been the key role that the opium economy played in the North after 2001 in generating

69 Road connections beyond Faizabad remain very poor and it will take up to a decade of an intensive road building programme to give the province anything like the connectivity of other neighbouring provinces.

70 Bdk04.

71 Central Statistics Organization, "Afghanistan Statistical Year Book 2008-09" (Kabul: CSO, 2009), 230.

windfall profits for key political and economic actors. These profits have since been used to invest in other, more legal activities in land development, construction and import-export businesses.

The fourth and final factor has been the growth of a trading and speculative economy based more on short-term profit generation rather than long-term investments for durable growth. What is remarkable about the recent economic development is that it has largely taken place under the control of a small group of powerful businessmen, most of whom have risen to prosperity since 2001. Many of these actors have been able to exploit the power they formerly enjoyed as commanders or warlords in furthering their commercial interests. There is little separation between political and economic power, and the two often reinforce each other. In particular, political power is regularly used to restrict competitive behaviour in the market, extract economic rents and loot private and public property. Most of the profits are reportedly invested overseas rather than in the city or its surrounding rural economy. While a more legal economy also exists, it is characterised by small traders who stay small, largely constrained from growing by limited demand, lack of access to capital and fear of the predatory action of larger players who control the bulk of the city's economy.

These factors hardly represent the conditions needed for durable, broad-based growth. As Blk15 commented, "today Balkh has visible construction but if one wants a good economy, visible construction is not enough; the foundation of the economy has not happened." In the view of this informant the foundation of Balkh's economy had to start with agricultural development but this has been given no attention since "the quick money is elsewhere." In one sense the growth of the city economy did emerge from an agricultural base—links between control of the opium trade and rise of key businessmen in the city is widely reported although specific evidence remains elusive.⁷² However, the rise of these actors (around 40 in total according to Blk16) to control of the more legal economy of Mazar is not in question. This control has been achieved by a number of means.

First, there is widespread reporting of monopoly control of key commodities both in their import and supply. The comment by Blk22 echoes what others reported: "the import of oil is controlled by just two companies—no others are permitted. There is a monopoly over both the supply and the import; this is also true of some aspects of construction materials." He then went on to explain that even if a third party managed to get an import license, the connections to suppliers in Uzbekistan by the two key importers prevented them from gaining access to supplies.

This monopoly control also extends to the domestic market. A small trader (Blk19) explained how the owner of one big business had started with money from Junbesh and that "those businesses are all linked with power and government and have no interest in the economy...power is being connected to government and if you have power you get the contract; it is unfair and uncompetitive." Supporting this, a trader in the fertiliser market explained what had happened with the fertiliser supply:

Three years ago if one had money, one could go to the bank, pay and collect a receipt and then go to the factory to collect the fertiliser. Before, five or six companies were also importing fertiliser so prices were lower. It used to be a free market but now there are powerful companies linked to the government. Two big businessmen control all the fertiliser imports now; one

72 Goodhand and Mansfield, "Drugs and (Dis)order," 24.

has managed to buy all the output of the Mazar fertiliser factory. He gave money to government to enforce a monopoly. Business used to be free but now competition is not permitted.

Second, there has been widespread speculation in land, much of it government land that has been seized and acquired by less than legal means. Informant Blk15 talked of 27 projects under construction of which, according to his estimate, only seven were legal (in the sense that they had proper authorised documentation): “the rest have been seized by powerful people using false documents or taking land in the name of agriculture for \$1 per *jerib* and now selling at \$10,000 per *jerib*.” He then went on to identify three MPs from the province who were heavily involved in these land transactions, going on to comment that most of the province’s MPs were involved in similar activities. In his view this was closely linked to corruption in the provincial line ministry departments and chains of command in government. When asked if this was linked to the governor he replied, “you have asked a difficult question: I cannot answer.”

Illegal acquisition of land was the source of widespread comment. Blk17 dated this practice back to the 1990s and reported how all the major parties—Junbesh, Hizb-i-Wadhat and Jamiat—had started taking government land for their supporters. One informant (Blk14) then went on to describe how he had complained strongly about how political parties had taken land by forced and forged legal documents in a meeting with the head of the municipality. In another example, when the city allocated 600 *jeribs* for a new university a group of people claimed it was their land. It was known that they had only been settled there for 30 years but the “legal” documents were dated 50 years ago.

However, in the view of Blk17, the major illegal occupation started after 2002-03. Political figures with links to the government in Kabul started taking over government and community lands to develop residential sites. Profits and kickbacks filtered all the way up the chain of government, even as far as Kabul. Land that had been acquired for \$100 a *jerib* was in some cases being sold for \$15-20,000 a *jerib*.⁷³ A third informant (Blk14) explained how a deputy police commander had started to distribute land to the south of the town; the municipality said that it was illegal and purchasers were told to get their money back from him. On his way back from the mosque one day, the deputy commander was killed; it was widely believed that powerful local figures had ordered his assassination.

Underpinning the control of trade and land is a key third element—the close alliance between government and business. It is widely reported that the Governor himself has major business interests—particularly in fuel imports and land development—and comes from a wealthy trading family.⁷⁴ In addition, he also reportedly maintains close links with other prominent businessmen and holds stakes in a wide range of businesses beyond his core interests.⁷⁵

While many of the informants saw the key businesses as largely interested in short-term profits, Atta’s own position is more complicated than this. Many acknowledged the role that he had played in bringing security to the city: even one informant who made clear

73 A price confirmed in one of the discussions with a dried fruit trader. He had been talking with a relative who left shortly after the interview started. He commented how his relative had land near the airport and had been offered \$16,000 per *jerib* for it and he had refused.

74 D. Mukhopadhyay, “Disguised Warlordism and Combatantism in Balkh: The Persistence of Informal Power in the Formal Afghan State,” *Conflict Security and Development* 9, no. 4 (2009): 535-64.

75 D. Mukhopadhyay, “Lord of War, Prince of Peace: Strongman Governors in Post-2001 Afghanistan,” Doctoral Thesis (Boston, MA: Fletcher School, Tufts University, 2010).

that he was not a supporter or member of Jamiat (Blk15) observed: “I cannot ignore what he has done...I cannot hide the sun behind two fingers.” He went on to talk of how the governor had a sense of benefit for the wider community and listed cultural activities, the construction of gardens and support for the Blue Mosque that he had provided. In his view “he is the best of governors and has more respect than any—I have seen this.” In the view of one analyst (Blk17), “the governor sees power and money as essential to leadership—for supporting people and the economy for his long term position. He is moving towards national leadership of the Tajik people. He is popular.” However, he also added that “he is more concerned with business than with poverty.”

In summary, it is evident that even in Mazar, where the level of public good provision is relatively good compared to other parts of the country, the basic political preconditions for growth are not in place. The evidence supports more the existence of certain core political obstacles to growth in an environment where public position is used for personal advantage and private interests draw on political connections to further their interests. These include lack of security of assets (or freedom of appropriation), rent seeking behaviour in markets and public goods being channelled along patronage networks.

6.3 Political obstacles to growth in the two study provinces

Table 2 examines the relative significance of political obstacles to growth in the two study provinces. The differences between them reflect the levels of resources to be competed over and the way power is consolidated in each case.

Examples of predation on assets were widespread. In Char Bolaq, militias commandeered private motorbikes. In Mazar, carpet traders loaned their carpets to the Blue Mosque for the new year, only to see them seized by a local commander. In addition to such everyday cases, the reported seizure of community land by members of the national assembly illustrates the use of political position to take private resources. The acquisition of public land in Mazar and capture of the mines in Badakhshan by powerful local actors also illustrate the looting of public resources for private benefit.

Deeply uncompetitive behaviour in markets involving the use of political position to enforce monopoly power and capture economic rents was widespread in Mazar. Most informants indicated that these rents were largely used for short-term profits and were more likely to be invested overseas rather than back into the city’s economy. The rent-seeking is thus largely extractive and does not generate reinvestment that might have wider growth benefits.

There is also evidence to suggest that the distribution of public goods is determined by patronage spending. The contrast between the large number of projects in Khash in Badakhshan in contrast to other districts was noted by one informant (Bdk04) and attributed to the political connections the district had to a minister and adviser in the government in Kabul. In Balkh, Char Bolaq’s sense of neglect by the provincial government was voiced by one respondent (Blk17), who noted that although government is meant to distribute equally between the districts, this is not what happens in practice. The distribution of irrigation water between the districts was also widely noted. Within Char Bolaq, there was also a perception of unequal distribution of resources between villages (Blk07): “we still have the same head of police, who takes bribes and favours from certain villages; during a wheat distribution three or four months ago one village took 400 carts of wheat but another got none.”

A study six years ago on the functioning of commodity markets in Afghanistan argued that the conditions under which real markets operate there are neither free, equitable nor

Table 2: Political Obstacles to Growth*

Conditions for Growth	Obstacles	Degree of Risk	
		Badakhshan	Balkh
Sufficient investment in public and semi-public goods	Patronage Spending	Medium	High
Competitive Markets	Rent Seeking (Extractive)	Medium	High
	Rent Seeking (Dividend Collection)	Low	Low
Freedom from expropriation	Private Predation	Low	High
	State predation	Low	High
	Looting	Medium	High

*Based on Williams et al, "Politics and Growth," 38.

transparent, leading to increasing inequalities and constraining future growth.⁷⁶ Those conclusions still hold true. There is still a pervasive free market romanticism⁷⁷ in policy and Afghanistan's reconstruction agenda. While this agenda is attentive to the failure of political processes to be competitive and impersonal, it somehow assumes that markets are different.

6.4 Wider challenges to Afghan markets

In addition to domestic constraints to growth, Afghanistan's markets face wider challenges given their late arrival on the developmental stage and the general reduction in the ability of governments to pursue economy policies that run counter to free trade.⁷⁸ This has reduced the availability of the mechanisms and policy instruments that other states in the past have used to protect infant industry from outside forces and allow themselves to build an economy. As mentioned above, the dried fruit traders interviewed for this research complained that the import of cheaper almonds from the USA was undercutting their market and affecting domestic producers; they saw this as an illegal practice that should be stopped. This relates to the wider experiences of domestic producers in other parts of the country. In Jalalabad, cement producers have found it difficult to compete with producers across the border in Pakistan, who engaged in deliberate price-fixing to drive Afghan producers out of business.⁷⁹ Both Pakistani and

76 Sarah Lister and Adam Pain, "Trading in Power: The Politics of 'Free' Markets in Afghanistan," (Kabul: AREU, 2004).

77 Barbara Harriss-White suggests that the failure to recognise the theoretical limitation to the neo-classical notion of the market or the practical incapacity of actual existing markets decently to structure life reflects a deep romanticism about markets including such aspects as fictitiousness and remoteness from experience. (See: Barbara Harriss-White, "Free Market Romanticism in an Era of Deregulation," *Oxford Development Studies* 24, no. 1 (1996): 27-45). Many surveys of the investment climate in Afghanistan thus externalise the political obstacles to economic growth rather than seeing them as intrinsic to how markets actually function (See: The World Bank, "The Afghanistan Investment Climate in 2008—Growth Despite Poor Governance, Weak Factor Markets and Lack of Innovation" (Washington, DC: The World Bank, 2009). A recent study drawing on the "binding constraints to growth" approach probes more deeply (See: Nicholas Lea, Joost Gorter and Juergen Ehrke, "Constraints to Growth in Northeastern Afghanistan. A Regional Growth Diagnostic. Balkh, Kunduz, Takhar and Badakhshan" (Kabul: GIZ, 2011). However, the "binding constraints to growth" approach still remains fundamentally an assessment of economic preconditions for growth rather than an approach to understanding the political obstacles.

78 Robert Hunter Wade, "What Strategies are Viable for Developing Countries Today? The World Trade Organisation and the shrinking of 'development space'" *Review of International Political Economy* 10, no.1 (2003): 621-44.

79 Jake Cusack and Erik Malmstrom, "Bactrian Gold: Challenges and Hope for Private-Sector Development

Iranian traders have deliberately practiced undercutting to squeeze out potential Afghan competition, supported by subsidies from their own governments.

However, the scope for protecting domestic production against outside competition is very limited given the scale of smuggling across Afghanistan's porous borders, which would systematically undercut any tariff barriers imposed.⁸⁰ Providing direct subsidies to producers might be one option but the costs of doing so and the capacity needed to administer such a scheme would be considerable. Such measures would also would run counter to free market orthodoxy and also provide enormous opportunities for rent seeking. But it is the orthodoxy of policy that is part of the problem. By focusing on supply side rural development within a liberal market model, current approaches do not adequately account for the lack of competitive behaviour in both the political and commodity markets, or the challenges facing Afghanistan's infant industries in terms of aggressive foreign competition.

If economic growth is to drive a durable transition out of poppy cultivation, a broader approach to growth strategies will be required.⁸¹ A start might be to focus more on the demand side. The use of cash transfers and social protection measures could reliably reduce livelihood insecurity risks and increase purchasing power in rural areas.⁸² This would have to be linked with more locally-based intervention to increase productivity, backed by a strong agricultural extension support system to increase the number of market players and boost competition.

in Afghanistan" (Kansas City, USA: Ewing Marion Kauffman Foundation, 2011), 18.

80 With thanks to Jim Robertson for these points

81 Williams et al, "Politics and Growth," 35-6.

82 Kantor and Pain, "Running out of Options."

7. Conclusions

Although this study was designed to explore the potential for the re-emergence of opium poppy in Badakhshan and Balkh, it has ended up examining the actual reappearance of the crop. Although not widespread, the return to opium poppy cultivation in both provinces indicates that the conditions needed for households to make a permanent move away from opium are not yet present. With a rise in price, the incentives not to cultivate have proved insufficient, indicating the severe limits of the “good governance” or “alternative development” interventions that claimed to have driven the reduction in the first place. Neither counter-narcotics policies nor more general support to rural development appear to have done much to generate the conditions for a stronger rural economy that might draw households out of opium cultivation. Alternative development programmes are often restricted by a narrow market supply approach, such as the ADP/N in Badakhshan, or their limited scale, as with a more recent UNODC project in Balkh,⁸³ or a combination of both. This indicates significant shortcomings in the “alternative development” model.

The real indicator of effective counter-narcotics strategies is when farmers become relatively insensitive to opium price so that they do not return to cultivation whatever the price incentives are. In this, counter-narcotics policy has surely failed. However, price has not been the only driver of the return to cultivation. Other contextual factors such as underlying power structures, security conditions, identity and agro-ecology have played a major role in determining whether opium cultivation has returned, and the pattern of that return. In particular, the perceived North-South bias in the distribution of reconstruction funding and perverse incentives of concentrating reconstruction in provinces with high opium poppy area have all contributed to a sense of unfairness and neglect among households in the study area, further stoking farmers’ will to cultivate.

The opium poppy market has a number of advantageous features for the rural poor that in many respects set the standard for successful, market-driven agriculture. However, Afghanistan stands at a distinct disadvantage in this respect. There are few other crops where the country has competitive advantage, even in regional markets. Relatively low levels of productivity, high costs of production, poor quality and variable volumes of production all serve to limit the competitiveness of Afghanistan’s products. For remoter and more marginal parts of the country—such as Badakhshan—or for poor households with limited land, the long-term future for agriculture may be limited. In parallel to this, the patterns of growth currently observed in the urban areas offer little basis for long-term employment generation.

7.1 Implications

There are no easy short-term solutions to the persistence of opium poppy cultivation in Afghanistan. But the failure of previous counter-narcotics measures to lay the grounds for a durable shift out of opium production and prevent a return when prices increase suggests a number of responses to improve both counter-narcotics strategy and support for the development of the rural economy.

Firstly, the notion of “poppy free” should be abandoned. It is a political construct and a fiction that does not account for continuing low levels of opium poppy cultivation and completely fails to acknowledge that opium trade can persist in designated “poppy-

⁸³ UNODC, “Handing Over of the Alternative Livelihoods Project in Jawzjan Province,” <http://www.unodc.org/afghanistan/en/frontpage/2011/March/alternative-livelihood-in-jawzjan.html> (accessed 27 June 2011).

free areas.” As the evidence shows, supply reductions in one place (whether induced by counter-narcotics efforts or otherwise) have price effects that shift production elsewhere, reflecting the irrepressible market for opium that continues to exist. As the long history of counter-narcotics efforts indicates, such programmes most frequently act to push opium poppy cultivation into different countries or between locations within a country as long as a demand exists.

Secondly, the fact that the price of opium has risen in response to supply constraints can hardly be seen as a surprise and should be factored in as a part of counter-narcotics strategy. The consequences of prices rises on pushing production elsewhere are well known. The re-emergence of cultivation in areas where it had declined not only point to the failure and limits of previous interventions (“good governance” and “alternative development”) but also suggests the lack of a joined up counter-narcotics strategy. Provinces and districts are not islands and the return of opium cultivation to old areas is a judgment on the weakness of current thinking.

Thirdly, there is a need to abandon free market romanticism and recognise the significant political obstacles that exist to growth. The commodity marketplace in Afghanistan, like its political one, is characterised by non-competitive, exclusionary behaviour and that will not readily change. Further, the supply-side approach to agricultural development can do little to make Afghanistan’s agricultural economy competitive given the given the limited room for protecting domestic markets and the market power regional neighbours have.

Finally, the key factor that the rural economy lacks at present is demand. A broader policy approach could involve using cash transfers and social protection measures to help reduce livelihood risks and increase local purchasing power. Combined with measures to increase agricultural productivity including effective extension services and other support measures, this would help create the incentives to increase productivity and bolster the development of healthy, vibrant markets.

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Appendix

Table 3: Key informants for the study

<i>Informant Code</i>	<i>Informant Position</i>	<i>Organisation / Location</i>
<i>Badakhshan (Bdk)</i>		
Bdk01	Political Adviser	International Organisation, Kabul
Bdk02	Member of National Assembly	National Assembly, Kabul
Bdk03	Commanding Officer	Law Enforcement, Faizabad
Bdk04	Programme Manager	INGO, Faizabad
Bdk05	Committee Head	Provincial Organisation, Faizabad
Bdk06	Civilian Adviser	German PRT, Faizabad
Bdk07	Project Officer	Enterprise Development, Faizabad
Bdk08	Head of Office	International Organisation, Faizabad
Bdk09	District Agricultural Officer	INGO District Office
Bdk10	Group of Traders	Khash District Centre
Bdk11	District Administrator	Jurm District
Bdk12	Businessman	Nut Oil Processing, Jurm
Bdk13	Head of District Office	INGO District Office
Bdk14	Trader	Jurm District Centre
Bdk15	District Council Members	Jurm District
Bdk16	Group of Farmers	Valley in Jurm District
Bdk17	Businessman	Baharak District Centre
<i>Balkh (Blk)</i>		
Blk01	Member of National Assembly	National Assembly, Kabul
Blk02	Carpet Trader	Mazar

Blk03	Group of Casual Labourers	Mazar
Blk04	Three Clothes Traders	Tawhid Clothes Market, Mazar
Blk05	Political Officer	Swedish PRT
Blk06	USDA Agricultural Adviser	Swedish PRT
Blk07	MRRD District Official	Mazar
Blk08	Head of Office	International Organisation, Mazar
Blk09	Four traders	Dried Fruit Market, Mazar
Blk10	Regional Officer	National NGO
Blk11	Mirab	Charbolaq District
Blk12	Mirab	Daulatabad District
Blk13	Journalist	Mazar
Blk14	Journalist	Mazar
Blk15	Influential Intellectual	Mazar
Blk16	Mirabs	Chimtal District
Blk17	Political Adviser	International Organisation, Mazar
Blk18	Cotton Traders	Mazar
Blk19	Ex cotton Trader	Mazar
Blk20	Fertiliser Trader	Mazar
Blk21	Wheat Trader	Mazar
Blk22	Owners	Old Established Business, Mazar

Table 4: Provincial levels of food insecurity based on 2007 NRVA data⁸⁴

<i>Province</i>	<i>% Food Insecure Population</i>	<i>% Borderline Food Insecure Population</i>	<i>% Food Secure Population</i>
Ghor	43	54	3
Paktya	58	36	6
Badakhshan	65	26	8
Day Kundi	54	38	8
Bamian	51	41	8
Samangan	35	56	9
Khost	53	37	10
Balkh	52	36	12
Logar	43	44	13
Wardak	29	57	14
Paktika	33	51	16
Laghman	55	26	19
Ghazni	39	42	19
Badghis	39	39	22
Nimroz	23	51	25
Nuristan	28	45	28
Sar-i-Pul	30	41	29
Nangarhar	24	47	29
Farah	21	49	31
Kunar	33	34	32
Herat	29	38	33
Kunduz	20	46	34
Jawzjan	38	27	35

84 Central Statistics Organization, "National Risk and Vulnerability Assessment 2007/8" (Kabul: CSO, 2009).

Baghlan	30	35	35
Uruzgan	22	41	37
Zabul	25	33	42
Helmand	8	44	48
Faryab	35	17	49
Takhar	21	30	49
Parwan	12	39	49
Kapisa	18	30	51
Kabul	21	25	54
Kandahar	17	29	54
Panjshir	24	17	59

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