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Afghanistan:

Current employment and socio-economic situation and prospects

Adam Pain and Jonathan Goodhand

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PREFACE

This report is part of the ILO's background analysis on Afghanistan. Like its other background materials, the ILO has prepared this to inform formulation of relevant assistance and policies for tackling Afghanistan's serious employment gap and other socio-economic challenges.

The ILO's InFocus Programme on Crisis Response and Reconstruction is grateful to Adam Pain and Jonathan Goodhand, the Programme's consultants who prepared this report. I would also like to acknowledge the contribution made by my colleagues in the InFocus Programme, especially J. Krishnamurty.

The report brings together valuable insights regarding a number of key issues which are closely linked to the country's employment and other aspects of the socio-economic situation. Furthermore, it highlights some of the prospects for tackling the problems in this sphere.

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EXECUTIVE SUMMARY

Chronic conflict in Afghanistan did not start with the Taliban and will not necessarily end with its removal. Whatever emerges from the post-Taliban era, it will tend to build on past continuities and social transformations.

Three types of interlinked economic systems, schematically represented as the war, black and coping economies, have emerged during the last 20 years. Each is characterized by key actors, motivations and incentives for war and peace, the key activities or commodities traded and impacts. Most households are located within the coping economy characterized by diversification strategies related to risk mitigation. These may straddle the licit-illicit continuum, categories that have been largely meaningless in such a fluid and informal context.

Key issues fundamental to reconstruction processes are the necessity for an understanding of the strong interconnections between conflict, governance, society and the economy, the need for historical analysis because of strong continuities with the past, the requirement to view Afghanistan's position as part of a regional conflict and recognition that past international engagement in the country has contributed to the present situation. The nature of the Afghan State is a central issue, but it must be appreciated that the conflict has not been about breakdown but rather about profound transformations and change.

Employment creation will play a major role in contributing to the socio-economic transition required to orientate Afghan society and the economy towards peace. This is a necessary but insufficient condition to help build the political and security transitions that are also needed. However in building employment, rural-based activities will have a key place in this; the nature of diversified livelihood strategies must be recognized. In supporting a transition from a "bad" to a "good" economy, understanding must precede action, the threats of the licit economy to coping strategies addressed, the effects of globalization in relation to Afghanistan's past markets understood and the opportunities and threats offered by the diaspora community and returning refugees taken into account. The particular needs of the socially disadvantaged (women, widows, disabled and children) require special focus.

The challenges to reconstruction are enormous, and peace will not come easily. Identifying and adhering to key principles of engagement will be crucial for external agencies. These should include: investing in both short- and long-term strategies to build quick gains but developing longer-term processes; seeking multiple points of entry at both micro and macro levels to build household assets, reduce vulnerability and build institutions; being aware of the underlying causes of conflict at all levels and seeking to address them; recognizing that there will be those who will gain and those who will lose from the processes of transition and that the needs of both must be addressed; and emphasizing the building of capacities and the building of understanding and analysis of the context at all levels. The use of a livelihoods perspective, which is also largely linked to the ILO's decent work agenda, will greatly facilitate

analysis in identifying priorities and points of action and ensuring that linkages are made between macro- and micro-level interventions.

1. INTRODUCTION AND THE CONTEXT

1.1 Overview

Afghanistan is one of the poorest countries in the world, ranking 170 out of 174 in the 1995 UNDP's *Human Development Index*. Its vital statistics are alarming (table 1). For the last 20 years, armed conflict has threatened both lives and livelihoods. There has been a collapse in the pre-1978 rural economy. Basic social services for its population have largely disappeared. The conflict has claimed nearly 1.5 million lives and has displaced roughly 8 million people.[1]

Table 1: **Vital statistics on Afghanistan**

Total population	20.1 million (approx.)
Life expectancy	43 years
Literacy rate	Men 45%; Women 13%
Under age-5 mortality rate	257 per 1,000 births
Infant mortality rate	165 per 1,000 births
Access to safe drinking water	Rural 5%; Urban 39%

Source: *UN 1998 Consolidated Appeal*.

This report draws on the available literature, direct field experience, publications and other documentation to present an historically based analysis of Afghanistan's current socio-economic situation and the implications of this for reconstruction and employment creation. The document is divided into four main chapters. The first outlines the context. The second traces the different phases of the Afghan conflict. The third outlines key themes that derive from the historical experience; and in light of these, the final chapter addresses reconstruction challenges that are faced.

An argument that runs through this text is that whatever emerges from the latest phase of the war will tend to build on past continuities and social transformations, offering both opportunities and constraints. Key themes that provide the historical thread are the history of a "rentier" state, a situation of

[1] P. Marsden; E. Samon, 1998: *Conflict in Afghanistan: The economic and social impact*, Paper for a workshop on economic and social consequences of conflict, Queen Elizabeth House, University of Oxford. Exactly how many people have died during the Afghan war is contested, and estimates vary between 1-2 million.

chronic conflict leading to state collapse and the emergence of a regional war and economy, compounded in the last three years by a major drought. These all have implications for the development of peace and reconstruction.

Future employment prospects will be dependent on the emergence of security both nationally and within the region and the development of a legitimate system of governance. If these two preconditions for transforming the war economy into a peace economy are not achieved, there will be limits to the growth in the rural economy and industrial and service sectors.

1.2 Understanding Afghanistan

The problems of data and definitions

At the outset, it should be clearly understood that there are few quantitative data of any reliability and on any scale to either inform analysis or argument. Louis Dupree wrote that statistics on Afghanistan are "wild guesses based on inadequate data".[2] Given the events of the last 20 years, ground realities are even less certain. While a review of data sources cannot be undertaken, Annex 1 discusses some of the problems relating to boundaries and population statistics.

A key reason behind the historical scarcity of statistics relates to the nature of the Afghan State. As will be discussed later, the Afghan State has largely been dependent on external rather than internal revenue. It failed to do what modernizing states usually do, i.e. making the rural landscape more clear through cadastral surveys, land taxation systems and intrusive civil administration.[3] The rural economy has remained statistically unknown.

Since 1978, there has been little substantive empirical academic research in Afghanistan, to such an extent that understanding remains at pre-war levels. In terms of aid practices, action has always been ahead of understanding. Mainstream economic analysis may have limited descriptive and explanatory powers in an environment that has been so fluid and informal. Categories such as employed and unemployed, licit and illicit seem to have little precision or meaning in relation to the spectrum of economic activities and actors.

Geography

[2] L. Dupree, 1980: *Afghanistan*, Princeton University Press, p.43.

[3] J.C. Scott, 1998: *Seeing like a state*, Yale University Press.

There are two key dimensions that need to be understood with respect to the organization and significance of space in Afghanistan. The first is the lay of the land, and the second is the superimposition of ethnic identities over it.

Afghanistan is a contrast of mountains and intervening valleys edged with plains,[4] linked by four major regional river systems. The relative proportion of mountain to valley is variable, but the key point is that Afghanistan has mainly a Mediterranean climate with winter rainfall and dry summers. Rainfall ranges from up to 700-800 mm in the east and to 300 mm or less in the plains and lowlands. The Spring snowmelt provides water through rivers, irrigation systems and *karezes*[5] that support a major part of the agricultural production base. Apart from contrasts between mountains and valleys, the landscape of Afghanistan is also one of contrast between rain-fed areas and the green corridors of irrigated land. Water rather than land tends to be the limiting factor to agricultural production.

Ethnic identities

Superimposed on this landscape is a mosaic of ethnic and religious identities that often coincide with discrete locations (table 2). However, one should be careful not to assume that ethnic identity is the defining social category. Most of the ethnic groups have sizeable populations living outside Afghanistan – the Turkmen in Turkmenistan, Uzbeks in Uzbekistan, Pashtuns in Pakistan, etc. – but there have never been any calls for secession. In spite of the war, the notion of an Afghan identity remains strong. Some of the settlement is of relatively recent origin – for example, a large proportion of the Turkmen population settled in Afghanistan after 1920. Apart from the Pashtuns who retain strong traditions of endogamy, cross ethnic group marriages occur.[6]

An essentialist view of ethnicity is not justified, since it is just one of a number of sources of identity for Afghans. The strong local identities often relate more to family, clan and village. Moreover, as Schetter[7] notes, the

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[4] Dupree, 1980, op. cit. He recognized six largely mountainous areas surrounded by five plains and desert regions in the north, west and southwest of the country. The rivers are the Amu Darya in the north (the classic Oxus river), the Hari Rud in the west, the Helmand in the southwest and the Kabul system that flows into Pakistan.

[5] Man-made subterranean channels draining water from the groundtable.

[6] Dupree, op. cit., p. 65.

[7] C. Schetter, 2001: "The chimera of ethnicity in Afghanistan: Ethnic affiliation no baits for a new regime", in *NZZ Online*, 10 December, 2001 www.nzz.ch."There is a lack of viable criteria to determine who is an Uzbek, a Hazara or a Pashtun. For example, those who maintain that all Pashtuns are Sunni Muslims are seriously in error, since there are also Shiite Pashtuns in the Kandahar region and the Afghan-Pakistani border zone. Those who say that all Pashtuns speak Pashtu are also mistaken. Pashtuns in Kabul, who insist on their Pashtun identity, often do not know

criteria to establish ethnic differences are riven with inconsistencies. As will become clear, ethnic divisions were not the cause of the conflict, but they have been used increasingly for military and political purposes.

One specific socio-economic group – the nomads or Kuchis – should be noted. Estimated in the late 1970s[8] to comprise some 2 million (12-14 per cent of the total population), this group has been a distinctive feature of the physical and social landscape of Afghanistan. However, as Dupree noted, this number included both fully and semi-nomadic groups, and there has been a long process of semi-sedentarization. Comprised almost entirely of Pashtun, Baluch or Kirghiz ethnic groups, the economy of this group has changed dramatically since the eighteenth century. From being primarily pastoral nomads,[9] they became increasingly engaged in caravan transport systems, often working for Hindu merchants and travelling down to India. From the 19th century and increasingly from the 1930s, many Kuchis moved into trading in their own right, using camels to bring goods to northern Afghanistan, particularly after the border closure with Russia.

Table 2: Major ethnic groups of Afghanistan

Ethnic group	Language	Religion	Population (m)*	Major locations
Pashtun **	Pashto Dialects	Hanafi Sunni	6.5	Eastern & southern mountains & foothills
Tajik	Dari, Tajiki	Hanafi Sunni / Ismailiya Shia	3.5	Northeast
Farsiwan	Dari	Imami Shia	0.6	South & west
Qizilbash	Dari	Imami Shia	?	Urban-based, scattered
Hazara	Hazara (Dari dialect)	Imami Shia/ Ismailiya Shia	0.87	Central mountains
Aimaq	Dari	Hanafi	0.8	Western

a word of Pashtu, while Tajiks in Jalalabad and Hazara in Ghazni do speak it. For these reasons, it is also impossible to determine the size of the country's ethnic groups. It is unclear whether the Pashtuns constitute 65, 60, 45 or 38 per cent of the Afghan population."

[8] Dupree, op. cit.

[9] G. Pedersen, 1994: *Afghan nomads in transition*, Thames and Hudson. B. Frederiksen, 1996: *Caravans and trade in Afghanistan*, Thames and Hudson.

		Sunni		Afghanistan
Uzbaq	Uzbaki, Turkic	Hanafi Sunni	1	Northern mountains & Turkoman plains
Turkoman	Turkic	Hanafi Sunni	0.125	Turkoman plains
Kirghiz	Kipchak Turkic	Hanafi Sunni	0.005	Afghan Pamirs
Pamiri	Pamiri/East Iranian	Ismaliiya Shia/Hanafi Sunni	0.005	Bakakshan, Wakhan
Baluchi	Baluchi	Hanafi Sunni	0.1	West, northwest
Nuristani	Kafiri	Hanafi Sunni	0.1	Northeastern mountains
Hindu	Hindustani/ Punjabi	Hinduism	?	Urban, traditional role as merchants, traders & moneylenders; few remain
Sikhs	Punjabi, Hindu	Sikhism	?	
Jews	Hebrew, Darii	Judaism	?	

Adapted from Dupree, 1980.

* Estimates of population made by Dupree based on official 1967 sources.

** The Pashtun group has many sub-tribes, but a major division is usually made between the Durrani tribal units of the south and the Ghilzai of the east.

By the late 1950s, already this situation was changing, in part because wealthier traders built up land assets and settled as merchants in the bazaar. The expansion of the road system also meant competition for the Kuchi trading systems. In the case of the Zala Khan Khels,[10] some settled and ran trucking businesses combined with land ownership, abandoning stockbreeding. By the late 1970s, many had abandoned the nomadic life.

Both changing economic conditions and political interventions caused further changes in the country's economy. In 1961, Pakistan closed the border to Afghan nomads, depriving some 300,000 of access to their traditional winter pastures. In the late 1960s, Afghan government action had restricted the operation of nomad bazaars, thus increasing the pressure to settle.

[10] Pedersen, op. cit.

2. POLITICAL AND ECONOMIC CHANGE

An understanding of Afghanistan's current situation is approached through an analysis of processes of change. Reconstruction must be firmly grounded on an understanding of the history of the Afghan State and changes of the last 20 years that have reconfigured the social, political and economic landscape, although key connections remain with the past.

This analysis covers four time spans – pre-1978 Afghanistan, the Soviet era from 1979 to 1992, the process of fragmentation from 1992 to 1995 and the Taliban regime from 1995-2001. In each, the nature of the State and the characteristics of the economy are traced.

2.1 Pre-war Afghanistan: 1880–1978

The consolidation of Afghanistan into a distinct geographical and political entity can be dated to the rule of Abdur Rahman (1880–1901) and Afghanistan's strategic geo-political position as a buffer state between Russia and Britain. External funding to maintain internal political stability and influence came initially through a British subsidy, but as the twentieth century evolved, competitive support between Soviet and American interests became a key feature of Afghan state finances. As Rubin[11] has argued, this external finance turned Afghanistan into a rentier state as it played an increasing role in funding domestic expenditure, allowing the ruling elite control without the need to be domestically accountable through internally derived revenue.

During the 1930s, land taxes accounted for about one-third of total revenue, but by the five-year period from 1952 they averaged just 12 per cent (table 3). From 1967-71, direct taxes provided less than 10 per cent of revenue, with less than 2 per cent coming from agriculture. Indirect taxation by the early 1950s accounted for some 47 per cent of revenue, with the balance coming from corporate taxes and government monopolies. Over 45 per cent of financing came from external assistance, and this was maintained until 1978 with revenue from sales of natural gas from northern Afghanistan becoming increasingly important.

Supported through rentier income, the Mohammadzai tribal lineage of Pashtuns largely controlled the State and was a significant component of the urban elite. In addition to other largely urban Pashtun social formations, bound

[11] B. Rubin, 1995: *The fragmentation of Afghanistan. State formation and collapse in the international system*, Yale University Press.

either by political or religious ideology,[12] there was a wider set of rural associations grounded in linguistic, ethnic and geographical identities. These groupings tightly held together by kinship and reciprocity networks of a tribal (*qawm*) or religious (*ulama*) nature have remained a key feature of the rural landscape and its resistance to centralized control.

The history of Afghanistan during the twentieth century is one of continual contention between urban and rural and central and local power centres. Attempts to impose rural taxes or implement social or economic reforms were countered through uprisings and resistance, which led to the overthrow of King Amanullah in 1929 and were the foundation of the resistance to the communist regime of 1978. The Taliban has also incurred resistance to attempts to reintroduce agricultural taxes and impose conscription.

Table 3: **Composition of government domestic revenues, 1952-72 (%)**

Years	Domestic revenue (millions Afghanis)	Direct taxes			Indirect taxes		Sales		Other revenues
		Total	Agri-culture	Other	Total	Foreign trade	Total	Natural gas	
1952-56	957	23.4	11.8	11.6	46.8	41.4	11.2	0	18.6
1957-61	1628	16.2	6.2	10	49.8	46.8	14.5	0	10.5
1962-66	3224	14.6	4.2	10.2	59.4	55.8	22	0	4
1967-71	5057	8.8	1.8	7	51.2	49.6	31.4	8.6	8.6
1972-73	6605	9	1	7	47	44.5	34	12	10

Source: Summarized from Rubin 1995, p. 60.

While there have been limits to the legitimacy of a state-building project, nevertheless efforts were made to develop Afghanistan and to increase state revenue. From the 1930s, investment, mostly in the north, led to an expansion of exports of primary products. Trade in karakul skins (skins of lambs of an

[12] M. Fielden and J. Goodhand, 2000: "Peace making in the new world disorder: A study of the Afghan conflict and attempts to resolve it. Peace building and complex political emergencies", *Working Paper Series Paper no 7*, IDPM, Manchester/INTRAC, Oxford.

Asian sheep breed), fresh and dried fruit, cotton and carpets largely through joint stock companies under a private bank provided substantial revenues through export taxes. By the 1930s, Afghanistan was providing over 50 per cent of the world market in karakul skins and a substantial component of the dried fruit market, particularly in raisins (an estimated 65 per cent by 1970). Northern Afghanistan prospered, and education systems were established, primarily in the urban centres.

From the 1950s, foreign aid increasingly came to supplement indirect taxation as a source of revenue, comprising some 40 per cent of state expenditure by the 1960s. It was invested in infrastructure, education and agriculture, with transport systems taking the major share during the 1950s and 60s (table 4). From the late 1960s, investment in agriculture was funded by USAID – mainly in the form of large irrigation schemes in southern Afghanistan.

Foreign aid also supported the expansion of the education sector. The school population was 1,350 in 1932; by the 1950s, it had risen to some 100,000. By 1978, it reached over 1 million, with nearly 90 per cent in primary education.[13] Much of the secondary education took place in the large urban centres. In 1959, Kabul with 1.8 per cent of the country's population had nearly 74 per cent of the secondary school students.

Table 4: **Composition of development expenditure**

Years	Development expenditure: per cent allocated by sector					
	Education	**Health**	**Transport & communication**	**Agriculture**	**Industry & mines**	**Other**
1952-56	10.8	1.4	16.2	2.2	1.6	67.8
1957-61	8.8	3	53.3	13.5	12.0	9.4
1962-66	5.4	1	41.4	15.6	29.6	7.0
1967-71	6.0	2.2	20.2	42	19.6	10.0
1972	4	4	15	45	16	16.0

Source: Summarized from Rubin, 1995.

Data on enrolment by gender are limited. For the period 1969-70 ,of the 2,904 schools only 348 (12 per cent) were listed as girls' schools (apparently

[13] Rubin, 1995, op. cit.

a few schools in Kabul were co-educational) and girls comprised about 13 per cent of the student population of 580,000.[14] With the establishment of Kabul University and the Polytechnic Institute, supported through aid (from France, Germany, the United States, and the Soviet Union) tertiary education expanded from some 500 students in the early 1950s to over 20,000 by the late 1970s. The increased recruitment of an educated elite into an expanding bureaucracy and army further separated the Government from its rural constituency.

By the late 1970s, Afghanistan had an economy dominated by primary products - natural gas, fruits and nuts, karakul, pelts, cotton, carpet and wool exported to the former Soviet Union, the United Kingdom, India, Pakistan, and Iran. Agriculture provided about 50 per cent of its GNP[15] (table 5). The country's industrial base was limited to small-scale production of textiles, soap, furniture, shoes, fertilizer, and cement; handwoven carpets; natural gas, oil, coal, and copper. Estimates of employment vary, but most sources indicate that agriculture and animal husbandry employed some 65-70 per cent of the working population, industry about 10 per cent, construction about 6 per cent and trade about 5 per cent, with services a further 11 per cent.[16]

It is commonly argued that the state-led modernization programmes led to a major division or bifurcation of the Afghan economy and society. Rubin[17] (p. 1791) characterizes it as follows:

> "In the 1970s, Afghan society was split between a rural, largely subsistence economy and an urban economy dependent on a state that in turn drew most of its income from links to the international state system and market. As late as 1972, the cash economy constituted less than half of the total."

Table 5: Contribution of the livestock sector in the Afghan economy during the pre-war period

Item	Magnitude
Gross National Product (GNP)	Af 115 billion
GNP per capita	Af 82,000 (US$160)

[14] Dupree, 1980, op. cit., p. 195. These are aggregate figures and there was regional variation.

[15] World Bank, 2001: *Role and size of the livestock sector in Afghanistan*, draft, Islamabad.

[16] *World Factbook*, 1994, p. 18.

[17] B. Rubin, 2000: "The political economy of war and peace in Afghanistan", in *World Development*, 28, No. 10, pp. 1789-1803.

Contribution of agriculture (including livestock & forestry)	50 per cent
Contribution of livestock	16 per cent
Contribution of handicrafts (largely woollen carpets & rugs)	8-10 per cent
Exports	
Contribution of livestock products	14 per cent
Carpets and rugs	9 per cent
Unrecorded export of live sheep to Iran	US$33 million/year

Source: World Bank, 2001.

This characterization of a dualistic economy with a largely subsistence non-monetized rural economy is open to challenge. The role of indirect taxation drawn from agricultural product exports and the expansion of these from the 1930s indicate a rural sector that was very much engaged in the market economy. Even if there was a large subsistence component, it was a robust one. As the UNDP[18] put it:

> "The agricultural production systems of Afghanistan can only be described as robust and resilient. For 14 years, from 1978 to 1992, rural production systems in Afghanistan continued to support the remaining rural population under conditions of extreme difficulty. Although malnutrition and hunger were reported, this did not degenerate into the same catastrophic situations which developed in countries where the production systems are basically far less robust, and far more marginal and, in many cases, have simply exceeded their human carrying capacities. This is not the case in Afghanistan for, although the infrastructure developed by agricultural production systems in many areas has been degraded or destroyed, the basic elements of land and water remain."

Political divisions between the urban and rural sectors became increasingly evident, pitting a modernizing state project against more conservative rural policies and interests. The revolution of 1978 and the subsequent Soviet invasion was the culmination of a train of events set in motion by several interlocking crises, namely a breakdown in the hegemony and institutions of the State, relationships between the State and civil society, and the mechanisms for managing conflict between groups competing for positions and power.[19]

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[18] UNDP, 1993: United Nations Development Programme, Kabul, Afghanistan: "Afghanistan rehabilitation strategy – Action plan for immediate rehabilitation", Vol. IV, in *Agriculture and Irrigation*.

[19] Fielden and Goodhand, 2000, op. cit.

In summary, the history of Afghanistan to 1978 is one of an emerging but weak central State, reliant for state building on rentier income from external competing powers and interests to maintain control domestically. Its reach and legitimacy at the rural level was limited, but it was the rural response to the revolution of 1978 that was to set the stage for the next 25 years.

2.2 1978 and the Soviet occupation: 1979-89

Security and political developments

The seizure of power in April 1978 by a group of army officers in the People's Democratic Party of Afghanistan (PDPA) and a second coup 17 months later in September 1979 were the triggers for the large-scale deployment of Soviet troops into Afghanistan from 25 December 1979. This was the culmination of a deepening Soviet ideological and material engagement with Afghan affairs since World War II. Although there was armed resistance to the PDPA regime during 1978, the Russian invasion transformed the conflict.

The policies of the new regime reflected its communist ideology. It acted ruthlessly to anticipate and dispose of any potential opposition from other urban and social elites. A range of reforms was introduced designed to assert social control, including the regulation of rural mortgages and debts, marriage and bride prices and land reform. The regime moved quickly and coercively to implement these but rapidly met hostility and resistance that turned to revolt from rural communities and within its own movement.

The Soviet involvement further fuelled support for the growing resistance movement of the Mujahideen, and throughout the Soviet occupation state control was largely limited to the urban areas with rural locations becoming scenes of conflict and resistance. This contributed to a rapid urbanization of the population. The details of the Soviet occupation are recorded elsewhere,[20] but the major consequences of the next ten years' warfare on social structures and the economy are noted here. From the start, it was clear that the new Afghan State had even less legitimacy than previous regimes, and its attempts to assert control and reconfigure rural social relations were strongly resisted.

The reaction to the communist regime and the Soviet invasion, while home grown, rapidly drew external support from both the Americans and other countries, notably Saudi Arabia which supplied arms and money. The scale of support for the resistance had a number of impacts. First, it raised the conflict from a domestic one to a cold war "proxy war" between super powers in which

[20] B. Rubin, 1995, op. cit.

global strategic interests were at play. Second, the scale of the war and the resources and armaments that were applied to it had a transforming effect on local society, creating new elites amongst well-armed resistance commanders, new identities as a result of the politicization of Islam and a more general politicization of society. However, the scale of funding and the interplay of regional interests in supporting their own constituencies encouraged a hardening of distinctive identities, particularly along ethnic lines.

The economy

The economy during this period was shaped by the competing war aims of the two sides. The Russians provided substantial resources and subsidies to the population under their control (which were mainly in the urban areas) while systematically destroying infrastructure and means of livelihood in the rural areas. The United States/Oakistan CIA/ISI pipeline provided massive amounts of lethal and non-lethal aid to the Mujahideen in rural areas while supporting "refugee warrior" communities in Pakistan and Iran. It is thought that a total of US$8 billion was provided to Mujahideen groups.

The formal economy grew even more dependent on external resources. From 1978 to 1988, government expenditure doubled in real terms, with expenditure on defence rising to 60 per cent of the budget. With Soviet technical support and resources, production and export of natural gas rapidly increased (from 9 per cent to 34 per cent of national revenue) and this, combined with Soviet food aid and an increasing expansion of the money supply, pushed the Afghan State into even greater and more precarious dependency on external resources (by now exclusively Soviet) and ultimately into fiscal crisis.[21]

The conflict had a major effect on agricultural production as the rural sector, disrupted by warfare and refugee movement, retreated into subsistence production, partly driven by the collapsing of markets but also as a result of the destruction of infrastructure and villages by Soviet bombing. Estimates vary, but an estimated two-thirds of all villages were bombed, thus leading to dislocation of the rural workforce and to over 30 per cent of the farms being abandoned. A survey[22] of over 5,000 farmers who had remained in Afghanistan found that in 1985 at the peak of the war 24 per cent of them reported destruction of irrigation systems, 11 per cent had had their crops destroyed, 53 per cent had had their villages bombed, 13 per cent had had their grain

[21] B. Rubin, 1995, op. cit.

[22] Swedish Committee for Afghanistan, Agricultural Committee, 1988: *The agricultural survey of Afghanistan,* First Report, Peshawar.

stores destroyed and 25 per cent had lost livestock through mines or shooting. Of the 4,300 who had left Afghanistan, 36 per cent reported destruction of irrigation, 65 per cent bombing of their village, 10 per cent destruction of their grain stores and 42 per cent loss of livestock through being shot or mines. Destruction of rural physical capital was considerable.

> "As a result, from 1978 to 1986 yields decreased by about 50 per cent for dryland wheat and about 33 per cent for irrigated wheat, while at least a third of the land was abandoned. The number of sheep, goats and cattle declined by from one-half to two-thirds".[23]

External funding had a transforming effect on the Afghan economy. The availability of large sums of money and other resources for which there was limited accountability led to a rapid monetization of the economy and the development of criminalized trans-border networks involved in the arms trade, smuggling and money laundering.[24]

Social relations

The experience of conflict and displacement had a number of impacts on social identities and relations. Government policy promoted equal opportunities for women, and for urban women access to education and employment rapidly expanded, partly driven by the recruitment of men into the war effort and the need for women to fill employment gaps. In rural areas, opportunities for education were almost certainly reduced. The possibilities for women to attend university, particularly within the Soviet Union, expanded. However, the content of education was another matter, and the sovietization of the system[25] and its values effectively excluded many women from education. One consequence of equal access to education was that by the time the Taliban came to power educated women accounted for 70 per cent of all teachers, about 50 per cent of civil servants and 40 per cent of medical doctors in the country.[26]

The military conflict within Afghanistan changed the relations between the urban and rural populations. One effect was a large movement of people

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[23] Swedish Committee for Afghanistan, op. cit.,: First Report, pp. 17, 19, 24-30. Quoted in Rubin, 1995, p. 227.

[24] Rubin, 2000, op. cit.

[25] N. Dupree, 1998: *Education patterns in the context of an emergency. refugee*, Vol. 17, No. 4, pp. 17-21. The same issue of highly ideological education for the refugees was a contributory element to the starting of the Madrassas system which gave rise to the Taliban.

[26] Human Rights Watch, 2001: *Humanity denied. Systematic violations of women's rights in Afghanistan*, Washington, DC.

into urban areas for security and a greater dependency on government support. On the other hand, combined with a retreat from the market, for those who stayed in rural areas traditional gendered structures and roles deepened.

Many of the landed rural elite and educated urban elite whose positions were insecure with the new regime fled to Pakistan and Iran. From there, many moved on to the Middle East, Europe and the United States. Data on the skills or education of refugees are limited, but it is widely believed that the first wave of refugees from Afghanistan were the most able and educated. The rural component of refugees who fled because of threats to livelihood (recruitment of male members into the army, destruction of rural infrastructure, bombing, etc.) came later. During ten years of fighting, at least 3 million fled to Pakistan and a further 3 million moved to Iran.

International assistance

In the 1980s, refugee and cross-border programmes were seen by many as the non-lethal component of aid to the Afghan resistance. The refugee camps became a rear base for the Mujahideen, and refugees had to register with one of the seven political/military parties approved by the Pakistan Government.

Until 1988, both the UN and ICRC were constrained by sovereignty issues from providing aid in Mujahideen-held areas. NGOs became the principal means by which humanitarian relief and rehabilitation assistance were provided. NGOs, as in a number of other contexts, became the "vehicles of choice" for a semi-covert, cross-border relief operation. This was linked to the broader military strategy of keeping the civilian population inside Afghanistan to provide support for the Mujahideen. Conversely, the Russians attempted to systematically destroy rural infrastructure in order to depopulate such areas.

There was considerable secrecy as to the involvement of bilateral donors, and NGOs were seen as convenient middlemen, obscuring the original source of funding. Eastern Afghanistan tended to be the main recipient of humanitarian assistance, because of its close proximity to Peshawar and agencies' political ties to local commanders connected with the dominant Mujahideen parties.[27]

2.3 Post-soviet occupation to Mujahideen rule: 1989-95

Security and political developments

[27] H. Atmar and J. Goodhand, 2001: "Coherence or cooption? Politics, aid and peacebuilding in Afghanistan", in *The Journal of Humanitarian Assistance*, http://www.jha.ac/articles/a069.htm.

Until the demise of the Soviet Union in December 1991, the Afghan regime under President Najibullah was maintained as a client state. The political battle against Soviet occupation was won, but external interests - both Pakistani and American - sought military victory. To counter the Soviet military and economic support to Najibullah, funding for the Mujahideen continued. But with the end of the Soviet empire, American engagement also ceased. The political and military objectives of the cold war had been achieved, and the conflict shifted into a different gear.

The conflict mutated from being a cold war "proxy war" to a hybrid regional "proxy war and part civil war". As super-power funding declined, the relative importance of the neighbouring powers and their relations with client groups in Afghanistan increased. Thus, Pakistan and Saudi Arabia broadly supported Pashtun- and Sunni-based parties, Iran supported the Shia-based parties, and the newly independent States of Turkmenistan, Uzbekistan and Tajikistan provided support to the Uzbek-, Tajik- and Turkmen-based factions.

With the fall of Najibullah in 1992, a fractured coalition of parties came to power. In what has been called the "Lebanonization"[28] phase of the post-Soviet conflict, the units of political and military action in Afghanistan became ethno-regional coalitions organized around elites that cohered around territorial units and had access to external resources for patronage.[29]

Afghanistan, from being a buffer state with closed borders, reverted to its earlier status of a land corridor linking Southern and Central Asia. In effect, it became a transport and marketing corridor for a growing illicit economy, made possible by the collapse of the State and the development of trans-border religious and business networks.

The economy

With the withdrawal of Soviet technicians, production and revenue from the gas fields ceased, and all other sources of domestic revenue disappeared. Najibullah's efforts to maintain influence and support led to printing money to buy both. Rapid inflation (45 per cent a year from 1987 to 1992) ensued.

With the collapse of the major sources of external funding for war, local and regional commanders had to find more domestic sources of revenue. With limited surplus to be extracted from the rural economy, three major sources of revenue from domestic natural resources emerged in addition to the profitable

[28] O. Roy, 1989: "Back to tribalism or on to Lebanon?", in *Third World Quarterly*, Vol. 11, No. 4, 1989.

[29] Rubin, 1998, p. 4.

occupation of smuggling. Opium production was the most widespread. It provided a source of rentier income for local power centres and injected a major source of cash income into the rural economy, both for the direct producers and for farm labour harvesting the raw opiate.

The extraction of minerals (lapis lazuli and emeralds in Badakashan) and timber (Kunar Province in the east of Afghanistan) was a much more localized revenue source but contributed major profits to Commanders Massoud and Rabanni (of the United Front) in the case of the minerals and to Pashtun/Pakistani traders in timber.

However, these commodities fed into a wider set of trade linkages that reconfirmed Afghanistan's historical role as a transmission zone. In addition to drugs and timber, the transport through Afghanistan of arms and consumer goods offered major opportunities for rent seeking and profit taking.

The disintegration of any pretence of a legitimate state and central authority led to the emergence of regional and local economies, many highly predatory and opportunistic, in which military commanders and the control of weapons and resources established control. Urban areas previously relatively untouched were now badly affected. The emergence of regional economies has been referred to as a "peripheralization"[30] whereby key resources flowed to regions of neighbouring countries rather than to Kabul. Thus, the timber of Kunar moved into the Northwest Frontier Province of Pakistan; the opium fields around Kandahar provided resource flows south to Quetta; the economy of Herat linked into Iran; and the northern economy centred around Mazar-e-Sharif linked into Uzbekistan. The mineral and opium wealth from Badakshan flowed from the northeast into Tajikistan and to Chitral in Pakistan.

Social relations

Nevertheless, from 1992 with the return of refugees and aid support, there was substantial rehabilitation of agricultural infrastructure, and within five years Afghanistan was producing an estimated 70 per cent of its food needs.[31]

Although in parts of Afghanistan a degree of stability returned, this was localized and dependent on precarious and opportunistic balances of power. The more general experience of instability and insecurity was to prevail and

[30] J. Goodhand, 2000: *From holy war to opium war? A case study of the opium eonomy in northeastern Afghanistan,* Central Asia Survey.

[31] P. Sloane, 2001: *Food security strategy for Afghanistan,*. Draft, UNDP/World Bank, Islamabad.

this, amongst other issues, limited the possibilities for developing the Afghan trade routes. It was precisely against local predatory action and the extraction of rent from a Pakistani trade convoy that the grouping of Taliban coalesced in 1994. Its move for an establishment of order and security was what was to bring it strong support and fuelled its march to power. By 1996, it had taken Kabul and in 1998 captured Mazar-e-Sharif from Dostum, forcing the remnants of the United Front into Badakshan.

The international response

During this period, the UN political mission lapsed and, with the political and strategic stakes unclear, humanitarianism emerged as the primary international response.[32] Humanitarian support from the UN and NGOs, although never on the same scale as previous resource flows, provided localized opportunities to control resources and to benefit from leakage of aid resources. With the virtual collapse of a functioning state, the aid community increasingly performed the role of a surrogate state, becoming the main providers, e.g., of health and education services.

[32] Atmar and Goodhand, op. cit.

2.4 The Taliban rule: 1995-2001

Security and political developments

In part, the rapid gaining of territory and power by the Taliban was a capitalization on widespread resentment of the instability and insecurity brought about by feuding warlords of the Rabbani regime. But a significant element was the mobilization of Pashtun sentiment against the rule of Afghanistan by non-Pashtuns – the Tajiks and Uzbeks who made up the dominant components, along with the Shia Hazaras of the United Front. In this, there was support from the Pakistani authorities who shifted their support from other Pashtun groups to the Taliban. There was also strong backing from the regional trucking mafia who had much to gain from greater security.

Born and nurtured from the teachings of the Madrassas in northern Pakistan, the Taliban's strong sense of identity and belief created a cohesive and unified force, in contrast to the fractured interests of its opponents. The Taliban's conservative interpretations of the Koran very rapidly led to strictures on dress and the roles of both men and women. Women lost most in terms of access to employment, education and freedom of movement. The girls' schools that had operated in the northern cities until 1998 were closed.

As Rubin argues, the Taliban arose out of an extremely parochial and conservative milieu.[33] However, growing confrontation with the international community and ever-closer links with transnational Islamic groups pushed it towards a more radical agenda. At the outset though, it was the security that the Taliban brought that distinguished it from the previous regime.[34]

The Taliban emerged due to a range of internal and external factors. However, external support and funding were clearly important. The Taliban received substantial funding and military support from state and non-state actors in Pakistan and the United Arab Emirates,[35] though the amounts and their relative importance in relation to internal resource flows are unclear. Table 6 summarizes some of the only figures existing on internal revenue sources.

Table 6: Summary estimates of source of profits to the Taliban

[33] Rubin, 2001: p. 17.

[34] "In Mazar, meanwhile, where the Hizb-i-Wahdat was entrenched, all the old evils of Mujahideen misrule in Kabul reasserted themselves - extortion, lawlessness and rape. "Mazar did not just fall because of the Pakistanis", says moderate Pashtun politician Hamid Karzai. "The locals were sick of what was going on." Davis, 1998.

[35] Human Rights Watch, 2001, op. cit.

Year	Activity	Value (M. US$)	Source
1997	Tax on transit trade	75	World Bank, 1999
1998	Foreign aid from Pakistan	10	Rubin, 2000
1999	Tax on opium cultivation	45	Rubin, 2000
	Service industries – fuel stations, shops, tea houses	?	

Source: Derived from Rubin (2000).

By August 2001, the Taliban established a regime of security in the 90 per cent of Afghanistan that it controlled, which was considered to be a monopoly of violence and predation. Given the events since 11 September 2001, we will never know how the Taliban proto-state might have played itself out. It could be argued that given its actions and the extent of its control, as for example with respect to the ban on opium cultivation, the Taliban authorities were anything but a failed state. What was emerging was a state-building project, even if it was an internationally unacceptable one.

While the ability of the Taliban to enforce the opium edict demonstrates a level of control that previous regimes lacked, in many respects it was no more successful than earlier state- building projects. There are reports that the Taliban's attempts to impose rural taxes were met with resistance, a throwback to results of earlier states' attempts. There is field evidence[36] that at the local level there were limits to the reach and power of the Taliban. Amongst tribal Pashtuns in Paktia, the Taliban had been unable to disarm them (as with the Kuchis); they had not been able to impose Sharia law and the tribes still played music. Elsewhere, relations between local Taliban and communities were negotiated so that women could work and schools for girls could operate. In that sense, the Taliban was far from monolithic.

The economy

From 1996, trading systems began to re-establish themselves. In the absence of other sources of revenue and as a result of the widespread security, a rapid expansion and deepening of the trade economy took place from which the Taliban derived substantial revenue. This had various components.

Under the Afghan Transit Trade Agreement (ATTA), Afghanistan was allowed to import duty-free goods across Pakistan, a right for landlocked

[36] Adam Pain, unpublished field notes.

countries under the UN Charter. More than half of imports probably entered through this route. However, an illegal trade in which the transport and trading mafia from Pakistan's Northwest Territories played a key role emerged during the Mujahideen period, and many of the goods promptly re-entered Pakistan illegally via truck, camel or donkey. It has been estimated that goods worth roughly US$2.5 billion were smuggled annually across the border into Pakistan, causing lost custom and tax revenue to Pakistan of some US$400 million.

This illegal trade, including televisions, shaving equipment, cosmetics, fruit juicers and telephones - all clearly with a limited market in Afghanistan under the Taliban,[37] had fiscal consequences for Pakistan as well as criminalizing large sections of Pakistan's border authorities who accepted bribes to allow the goods to pass through unchecked. For the transport mafia, the security stopped looting, lowered the transaction costs and boosted business. The illegal imports also benefited Pakistani consumers through price reductions and the undercutting of local production. In addition to the breaches of the ATTA Agreement, there was also a major transit through Afghanistan of goods sourced from Dubai, entering from Iran and smuggled across into Afghanistan. From all this trade, estimated in 2000 to be in the order of US$2.5 billion,[38] the Taliban extracted transit dues, but this had dropped by 2001.

As the Taliban strengthened its position, supported by Pakistan, the opportunity that the emerging security offered for the use of Afghanistan as a transit route for oil from the Caspian area brought American interests, with Pakistani support, into play and the involvement and negotiations by the US company UNOCAL with the Taliban during 1996-98 are now widely known.[39]

Two issues pushed the projected oil and gas pipelines into abeyance. The first was the emerging lobby in the United States against engagement in Afghanistan due to the suppression of women's rights, and the second was the emerging role of Osama Bin Ladin in external terrorist activities against the United States.

Another component of the economy that benefited from the security was opium production. In 1993, Afghanistan produced 680 metric tons of opium, making it the second largest opium producer after Myanmar. In 1994, over 71,000 hectares were cultivated, and this increased to 91,000 in 1999. Over this period, opium production increased from 3,416 metric tons to 4,581 metric

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[37] *The Financial Times*, 26 October 2001.

[38] World Bank, 1997: *Study of Afghanistan-Pakistan trade relations*, Consultant's Report, Islamabad.

[39] A. Rashid, 2000: *Taliban, Islam, oil and the new great game in Central Asia*, I.B.Taurus, London, New York.

tons.[40] The 1999 crop was estimated to have been worth US$183 million at farm-gate prices and constituted about 75 per cent of global production. In Rubin's view, while the opium trade was valuable, it probably raised less tax than that on the transit trade largely because the processing side, which is the key stage in adding value to opium, took place outside Afghanistan.[41] In the area under the control of the United Front, opium cultivation also provided a major source of revenue along with trade in emeralds and lapis lazuli in which the Russian mafia is reputedly engaged.[42]

The fact that the Taliban felt able to issue and enforce an edict for the banning of opium cultivation on religious grounds during 2001, which all the evidence indicates was effectively enforced (production fell to about 185 metric tons of opium), at least indicates that the revenue derived from its cultivation did not take priority over religious objectives and principles, and/or it was not crucial to the Taliban revenues, although it is likely that it retained stocks of it.

There is a further dimension to the war economy on which there are almost no data (although the World Bank has commissioned a study which has yet to be published). This is the contribution of remittances from both the semi-refugee populations in Pakistan and Iran as well as from the diaspora. Some informal sources have put the diaspora contribution at anything up to US$1 billion, and field studies make it clear that for rural households remittance income can be an important source of income. Its variability and the extent to which Taliban authorities derived any taxation revenue from it are unclear.

It should also be pointed out that the remittance income is channelled through informal banking systems that proved to be extremely effective system for money transfers in a country where there is no formal banking system.

The drought from 1998

Coinciding with the takeover of northern Afghanistan by the Taliban was the start of the drought that is now in its third year. A previous drought coupled with a hard winter in the early 1970s led to a decimation of the livestock

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[40] B. Rubin,2000, op.cit. UNDCP, 1998: United Nations International Drug Control Programme, *Annual Opium Poppy Survey*, Islamabad.

[41] For example, *The Economist* (October 2001) considered that by September 2001 the Taliban still had reserves of 2,800 metric tons of opium that would yield 280 metric tons of heroin. This would mostly be processed in Pakistan where it would be worth US$1.5 billion, but by the time it reached London through either Central Asia and Russia or through the Balkans via Uzbekistan or Turkmenistan, which both have substantial processing facilities, it would be worth some US$40-80 billion.

[42] Rubin, 2000, op. cit.

population in the north, which apparently had not recovered its full strength by 1978. There is no recorded precedence for the severity of the current drought.

For the worst-hit areas, particularly those primarily dependent on rain-fed agriculture (see Annex 3 on food economy zones), there has been no crop production for three years, and there has been substantial movement of people to find employment opportunities or into food relief camps. Parts of highland Ghor have effectively been depopulated. In other parts where rivers, streams and *karezes* have continued to flow, albeit at reduced levels, production has continued on a smaller scale. The drought has not led to famine, although household coping and survival strategies have been greatly tested. The various reasons for this are discussed later.

Social relations

There is a view, particularly prevalent amongst aid agencies, that the conflict has undermined or destroyed social cohesion.

> "The years of war have destroyed much of Afghanistan's social capital as communities and institutions were dispersed or destroyed."[43]

Leaving aside the considerable contestation that exists about the notion, value and use of the concept of social capital,[44] there is empirical evidence to the contrary. Rural communities are far from enfeebled, and traditional non-market exchange mechanisms, village solidarity and Islamic norms of alms giving still play a strong role at the community level.[45] Rubin points to the strong social capital that has bound the Taliban as a force – the darker side of social capital with its exclusive nature. It is also the case that the years of conflict have done much in many locations, although not necessarily all, to strengthen local identity in order to escape the predations of an illegitimate central state.

The international response

The advent of the Taliban, the expansion of the opium economy and the growing presence of radical Islamic groups, in particular Osama Bin Laden's

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[43] Rubin, op. cit., p. 1794.

[44] P. Francis, 2001: "Social capital, civil society and social exclusion", in U. Kothari and M. Minogue (eds.): *Development theory and practice: Critical perspectives*, Palgrave.

[45] A. Pain, 2001: *Livelihoods under stress in Faryab Province, Northern Afghanistan: Opportunities for support*, A Report to Save the Children (USA), Pakistan/Afghanistan Field Office.

Al Qaida group, brought international attention back onto Afghanistan. Growing confrontation at the political and diplomatic level, and Taliban edicts on women, made it increasingly difficult for humanitarian agencies to function effectively. It has been argued that the growing isolation of the Taliban regime internationally further radicalized it and strengthened the position of the hardliners within the movement.

3. MAPPING THE CURRENT ECONOMIC SITUATION

The preceding chapter provided an analysis of political and economic developments in Afghanistan. This chapter attempts to summarize the current state of the economy and to link this with a conceptualization of the economic strategies of key actors. The consequences of the war and the nature of the broader economic strategies have materially affected household economies, and this has direct relevance to reconstruction and peace-building processes.

3.1 Components of the macro economy

The major features of Afghanistan's economy include trade, finance and banking, agriculture, the public and private sectors and natural resources. The agricultural component has already been addressed. The key dimensions of the others are noted below.

Trade

The main regional players in terms of cross-border trade have been Pakistan and Iran.[46] Also significant, though less so since international sanctions, has been the trade in consumer goods with Dubai. Trade has been driven by differential tariffs and regulatory and taxation regimes that exist between states and the lack of rigorous control of traffic within Afghanistan.[47]

Although the ATTA existed before the conflict, cross-border smuggling increased during the war years due to a number of factors including the breakdown of the State, CIA/ISI support for arms smuggling networks, the lack of alternative sources of livelihoods and the growth of the Pakistan/Afghan transport mafia. The 1997 World Bank Study estimated that trade with Pakistan generated US$2.5 billion per year. Since then, there has been a substantial decline in Afghanistan's unofficial exports to Pakistan, reflecting changing policies and stronger enforcement in Pakistan. A later study[48] estimated that Afghanistan's exports and re-exports generated US$1,227

[46] World Bank, 2001: *Study Report: Afghanistan's international trade relations with neighbouring countries*, International Conference on Analytical Foundations for Assistance to Afghanistan, 5-6 June 2001, Islamabad, Pakistan.

[47] Loveless, 2001: *An Analysis of socio-economic processes affecting the vulnerable population of Kabul*, June 2001, unpublished report for ICRC, p. 8.

[48] World Bank, 2001, op. cit.

million in 2000, of which nearly US$1,100 million were unofficial re-exports. Afghanistan-sourced exports consisted of fruits, nuts and primary materials, and re-exports included tea, electronics, cosmetics, fabrics, and vehicle parts. Official exports of Afghan products collapsed during the war years, and they now generate less than US$5 per capita annual revenue.[49] Export markets for indigenous products generate incomes in mining, agriculture, horticulture, livestock production, carpets, semi-precious jewellery and handicrafts.

Total imports for 2000 were US$1,202 million (most of which were re-exported as part of the ATTA). Some 60 per cent of cereals consumed in Kabul come from Pakistan. The volume of imported construction materials indicates that some segments of the Afghan economy are investing in housing, warehouses, markets and shops. The national Ariana Airline was a main revenue source from its international flights, but these stopped due to international sanctions.[50]

Trade and the market have played a central role in mitigating the consequences of the drought, and the reliance on trade has grown because of the drought's effects on agriculture, becoming the most important source of employment and revenues. Herat and Jalalabad have become thriving hubs of trade.[51] Jobs have been created in transport, fuel supply, road building and repair, and wholesale and retail trade sectors. This dependence on trade has given the transport companies considerable power, although there is competition between the trucking conglomerates in Peshawar and Quetta for its domination. The Taliban imposed different tax rates on various commodities, which broadly translate to approximately a 6 per cent tax rate.

The financial and banking sectors

The official banking and finance sectors have collapsed, and informal systems have taken over. The *sarafis* (informal money traders) allow a money order to be cashed by a specific trader or to be used as a personal cheque when goods are collected in a different town. The transfers are based on relationships of trust or social capital. Many Afghans and Pakistanis use *sarafis* in Pakistan, which in turn undermines the official banking sector. Opium

[49] *Report of the Secretary General on the humanitarian implications of the measures imposed by Security Council Resolutions 1267(1999) and 1333(2000) on Afghanistan,* Interim Report, June 2001.

[50] Human Rights Watch, 2001, op. cit.

[51] World Bank, 2001, op. cit., p. 33.

resin has become a source of currency in many areas both as credit and payment.[52]

The currency issues are complex. There has been a monetization of the economy and a development in the use of multiple currencies. There are currently two Afghan currencies, the Dawlati or official Afghani and the Jumbesh or United Front Afghani. The Taliban did not print its own currency, and control of the new currency has remained with the Rabbani authorities. The United Front printed currency without any monetary control and on occasions released large amounts of new money into the market, thus inducing inflation. Injections of foreign exchange by the Taliban authorities – a total of US$1.1 million into the Kabul money market[53] - have apparently helped to keep inflation down.

There is a thriving currency trade in Afghanis, Pakistani rupees, US dollars and other regional currencies. In Kabul, money rates are determined through telephone contact with Pakistani networks. Money transfers from other countries are also arranged in the currency market, with remittances from the diaspora contribution to household economies and the local economy.

The public sector

As in many other wars,[54] public administration has been one of the main casualties of the conflict. Widespread asset stripping and privatization of public assets took place, particularly during the Mujahideen Government years. An estimated 58 public sector industrial units remain in operation in the country.[55] Although all military groups have imposed taxation and military recruitment regimes, none provided significant public services in return.

In 1998, the average government salary was only sufficient to cover 20 per cent of household needs.[56] In 1997, government salaries only benefited 2 per cent of Kabul's population (in pre-war years, the public sector had been one of the main employers of the urban population). From 1999, the Taliban initiated a public sector retrenchment, which left nearly 100,000 people acutely vulnerable. In the first quarter of 2000, between 30-60 per cent of government

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[52] D. Mansfield, 2001: *The economic superiority of illicit drug production: Myth and reality*, Paper for the International Conference on Alternative Development in Drug Control and Cooperation, Feldafing.

[53] *UN Sanctions Report*, 2001, op. cit.

[54] See, for instance, Stewart and FitzGerald, 2001: "War and underdevelopment", Vol. 1, *The Economic and Social Consequences of Conflict.*

[55] World Bank, 2001, op. cit., p. 32.

[56] World Food Programme, 1998: *Afghanistan Wage Labour Study*.

staff was laid off. This has produced a "new urban poor" – families who are dependent on public sector salaries and have few other sources of income or skills.

Private sector investment and industry

Investors have remained cautious (partly due to the impact of sanctions in the case of international investors) restricting themselves to small-scale or relatively rapid-return investments. Most international investors have not been prepared to take the risks involved. There is one UK-based communications company that attempted to set up a phone network in Kabul.

The Private Sector Investment Bureau of the Ministry of Mines and Industries has registered 1,015 possible investment projects nationally over the past four years. Of these, 305 became active.[57] There is almost no manufacturing industry currently functioning, although the Urea plant outside Mazar-e-Sharif (built by the Russians) occasionally runs. The large-scale state-owned industries including cotton mills, cement plants and a metal workshop in Kabul no longer function. Only one out of four cement plants is now in operation (Pu-I-Khumri). There is evidence of more investment in Kandahar and of attempts to revive enterprises such as the cotton factory there.

Some small to medium-scale enterprises continue to function, for instance agro-processing enterprises and handicrafts including leather working and carpets. The Hoechst factory in Kabul produces a limited range of medicines, and pharmaceutical traders are involved in medicine imports.

[57] *UN Sanctions Report*, 2001.

Natural resources and energy

Afghanistan is rich in natural resources, which in peace could contribute to the development of the economy. Coal, natural gas, salt and chrome have been commercially exploited in the past. There are deposits of iron, barites, talc and mica and significant reserves of copper that a Polish firm was interested in. The late Commander Massoud had a contract with a Polish emerald company.[58]

There are some oil reserves, and there was a previous Soviet plan for an oil refinery in the north. Natural gas is the major energy resource (95 per cent of which was exported to the Soviet Union) but these fields were capped in 1989. Like neighbouring Tajikistan, Afghanistan is potentially a rich source of hydroelectric power. There is one hydroelectric plant in the Kabul region that was operating in Kabul prior to the American bombing.

The role of aid

Aid was the largest part of the licit economy after agriculture, but with the effects of drought the humanitarian aid budget by 2001 exceeded the total licit export revenues.[59] The NGOs have been the key implementing agencies and in 1998 contributed an estimated US$86.6 million to the economy, employing 25,000 people. NGOs have probably been more effective in terms of service delivery than in capacity building and long-term development.[60] Aid has tended to be short-term, humanitarian support. Of the US$200-US$300 million annually, only a small proportion of this was spent on longer-term developmental activities.[61] It has largely failed to engage with the political and economic dynamics as, for example, with the opium reduction strategies.[62]

Although the aim of the UN-supported Strategic Framework process was to facilitate a more coherent and co-ordinated approach, in practice aid substituted for robust political action. A 2001 evaluation pointed to continuing

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[58] Rubin, 2000, op. cit.

[59] Report of Secretary General, 2001, op. cit.

[60] Goodhand, 2000.

[61] Atmar and Goodhand, 2001, op. cit.

[62] "Most of the limited anti-drug aid to the region has gone to boosting interdiction. Much more needs to be done in crop substitution and demand reduction. Drugs should be tackled, not in isolation as a policing issue as so often in the past, but as a key aspect of development and conflict prevention." (International Crisis Group, 2001, p. 10).

tensions between the diplomatic and aid communities.[63] The report argued that there was continued distrust between the political and aid actors (significant for future development efforts). There were also divisions within the international community in its assessments of the context. While UNSMA (UN Special Missions for Afghanistan) viewed Afghanistan as a "rogue state", the aid community conceptualized it as a "failed state". Different analyses led to differing prescriptions, with UNSMA promoting isolation of the Taliban and the aid community arguing for engagement.[64]

3.2 Meso dimensions: Regional economies within Afghanistan

While the above features outline the components of a macro economy, they make little sense at the meso level and the contours of localized rural economies. While historically these were engaged with a national economy of which Kabul was the hub, the collapse of any formal sector, the disappearance of former trade systems and the peripheralization of the economy referred to earlier has meant that these localized rural economies have come to be defined largely in terms of food economy zones.[65]

The World Food Programme study of food economy zones[66] presented a provisional framework distinguishing 34 food economy zones on the basis of farm production mix and income sources. These are summarized in Annex 3. While spatial zoning takes no account of differential strategies between different socio-economic classes, the analysis is sufficiently disaggregated to allow distinctive patterns of local economies to be detected.

Thus, the border areas with Pakistan (see, for example, Paktia, Nagarhar 1 & 2, Kunar and Laghman) draw major income sources both from cross-border trade and seasonal and longer- term migrant labour. For the central mountain region (Hazarajat), remittance income from labour in urban areas in Afghanistan and in Iran have long provided essential income sources to this area. The irrigated areas of Takhar and Kunduz that in the past were the grain surplus areas of northern Afghanistan were dependent on migrant labour from Badakshan for whom this labour provided their key access to grain.

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[63] M. Duffield; P. Gossman; N. Leader, 2001: *Review of the strategic framework for Afghanistan*, A report commissioned by the Strategic Monitoring Unit, Islamabad., p. 29.

[64] See Fielden and Goodhand, 2001: "Beyond the Taliban? The Afghan conflict and resolution attempts", in *Conflicts, Security, Development*, Vol. 4.

[65] A food economy zone is a geographical area where most households obtain their food and cash income by roughly the same combination of means.

[66] World Food Programme, 1998: *A Preliminary Guide to the Food Economies of Afghanistan*, Draft.

The food zoning is provisional but useful in noting regional variation. The varying role of opium in the food economy zones should be stressed: for example, the differences between the opium economy in the East and that in the South. Equally the role of urban centres has changed. Many of the provincial centres, e.g. Jalalabad, Kandahar and Herat have thrived on trade offering employment opportunities, while Kabul has increasingly become a political and economic backwater. The effects of war have been to make Hazarajat even more geographically, politically and economically isolated.

3.3 Economic systems and interests

It is difficult to be specific about the implications of the changes in national and regional economies at the household level. A characterization of the types of economy in play representing key actors, their motivations and activities frames the context for rural households (table 7). Broadly (and somewhat simplistically) one can identify three types of economy that have emerged. These are the war economy, the black economy and the coping economy. Each has a set of distinctive features but all closely intertwined with actors engaged in one or more of these. These effectively provide the linkages between macro, meso and micro levels.

A number of cross-economy issues should be stressed. There has been a fracturing of the Afghan economy with both regional and sectoral disarticulations.[67] Regional economies have become increasingly tied to those of neighbouring countries, while military front lines and economic blockades prevent the free internal circulation of goods and services. Different goods may circulate in the war economy than in the non-war economy.

The motivation of warlords may be less about winning the war than about pursuing economic agendas; i.e., they wage war to make a profit. If this is the case, then there may be significant vested interests in maintaining a power vacuum at the centre. The economy is in many respects highly open and liberalized. Warlords have tended to exploit this rather than attempting to control or command it. Since 1996, national markets have become more integrated. Food trade with neighbouring countries is characterized by diversified sources of supply and open borders.[68] However, this national pattern of market integration breaks down at the sub-regional level due in part to front lines and economic blockades. As noted, there has always been a great deal of diversity from region to region.

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[67] K. Ostrom, 1997: *Understanding the economy of Afghanistan, an exploratory study*, SIDA.

[68] *Report of the Secretary General on the humanitarian implications of the measures imposed by Security Council Resolutions 1267 (1999) and 1333 (2000) on Afghanistan*, op.cit.

Table 7: Mapping the economic systems of Afghanistan

The war economy	The black economy	The coping economy
Who? *(key actors)* Commanders, "conflict entrepreneurs", fighters	Profiteers, businessmen, e.g. transport mafia in Peshawar and Quetta "Downstream" actors including truck drivers, poppy farmers,[69]	Poor families and "communities"- the bulk of the Afghan population The employment of child labour
Why? *(motivations and incentives for war or peace)* Economic activities are pursued or shaped to fund the war effort or achieve military objectives. Peace may not be in the interests of the conflict entrepreneurs, as it may lead to decreased power, status and wealth. Fighters may have an interest in peace if there are alternative sources of livelihood.	The aim of economic entrepreneurs is not to wage war but to make a profit on the margins of the conflict. Entrepreneurs profit from the lack of a strong state and the highly liberal nature of the economy. Peace could be in their interests with the right kind of governance framework that encourages long-term investment and entrepreneurial activity in the licit economy	To cope, i.e. maintain asset bases by diversifying into low-risk activities or to survive through asset erosion Peace could potentially enable families to move from coping to producing a surplus. There would need to be alternatives to the black economy - otherwise, a criminalized war economy would become a criminalized peace economy.

[69] Around 3 million people are thought to be involved in the opium economy, for instance. M. Von der Schulenburg (2000): *Illicit opium production in Afghanistan,* paper presented at a Conference on Afghanistan: Country without State?, Munich, 15-18 June 2000.

The war economy	The black economy	The coping economy
How? *(key activities/commodities)* Taxation of licit and illicit economic activities to fund the war effort - e.g. opium, smuggled consumer goods, lapis and emeralds, wheat, land taxes, etc.	Opium economy and related upstream activities Cross-border smuggling, particularly consumer goods under the guise of the ATTA Agreement	The aim is to employ diverse livelihood strategies to spread risk/low-risk activities in a high-risk environment.[70]
Incoming flows of money, arms, equipment and fuel, e.g. support for the Taliban from state and non-state actors in Pakistan and Saudi Economic blockades, e.g. Taliban blockade of Hazarajat Deliberate destruction of means of economic support, e.g. Russian bombardment of rural areas in the 1980s. Asset stripping and looting, e.g. Kabul, 1992-94	Uncontrolled extraction of natural resources including timber and marble Smuggling of high-value commodities, e.g. emeralds and lapis, antiquities, rare birds and animals *Hawalla* money order and currency exchange system "Capture" of aid resources	Subsistence agriculture Petty trade and small businesses On-farm and off-farm wage labouring Labour migration and remittances Redistribution through extended family networks Humanitarian assistance

[70] The characterization of Afghanistan as a nation of peasant farmers is no longer (and may never have been) a contemporary economic reality.

The war economy	The black economy	The coping economy
What effects? *(impacts)* Disruption to markets and destruction of asset bases Violent redistribution of resources and entitlements Impoverishment of politically vulnerable groups Out-migration of intelligentsia - Afghan "brain drain"	Tends to concentrate power and wealth May undermine patron-client relationships, thus increasing the vulnerability of the poor, e.g. opium economy in the south (Mansfield, 2001) Cross-border smuggling circumvents Pakistan's customs duty and sales tax, with its consequent impacts on revenue collection and the undercutting of local producers. The opium trade is reportedly leading to growing levels of drug use in Kyrgyzstan, Pakistan and Iran.	Coping may reinforce social networks, but survival may lead to negative or regressive coping strategies. Lack of long-term investment Long-term effects on human capital - lowering levels of health, education, etc.

3.4 Micro dimensions

While some households have benefited significantly from engaging in the war and black economies, for most people the conflict has led to major changes in livelihood strategies. Many have migrated or relocated when violence or economic conditions forced them. An ICRC study found that 90 per cent of the Kabul population had been forced to move at some stage during the war.

The variation in household strategies based on differing asset holdings is crucial to an understanding of the employment needs at the household level. Thus, households in Qaramqol villages without land derived a substantial proportion of their income from carpet production and engagement with the market. Households with land were largely self-provisioning and under normal conditions engaged with the market largely for sale of surplus production.[71]

For the majority though, the long-running situation of instability has both directly and indirectly had a negative impact on entitlements. The entitlement approach derived from the work of Amartya Sen[72] on famine argues that people do not necessarily starve because of an insufficient supply of food but because they possess an insufficient supply of food or insufficient command over or access to food through entitlement decline as a result of change in terms of trade. The notion of entitlement has come to be widely used with respect to claims on not just food or land but also to other assets.

While the way in which entitlements have changed varies by village, household and individual, a number of points can be made about coping strategies:

- Individually and collectively, people have attempted to increase their *direct entitlements* (by raising productivity) and diversifying them. The switch from wheat to opium production is one example of this. However, in general, direct entitlements have probably declined (sometimes as resource endowments have been eroded or markets reduced), leading to a retreat into subsistence, the selling off of assets and an increased reliance on daily labour.

- The conflict has made *market entitlements* more costly. Farmers in Badakshan for instance cannot take their livestock to the traditional markets in Kabul. However, new forms of market entitlements have

[71] Pain, 2001, op. cit.

[72] J. Dreze and A. Sen, 1989: *Hunger and public action*, Oxford, Clarendon Press. They define entitlements as "the set of alternative bundles of commodities over which a person can establish command given the prevailing legal, political and economic arrangements". p. 9.

emerged with the expansion of the opium and smuggling trades. For areas within close proximity of the borders of neighbouring countries, market entitlements are extremely important and may have increased.

- Pre-war *civic entitlements* appear to persist within the extended family and tribal networks, and redistributive mechanisms have been and still are very important in mitigating the effects of the conflict. A number of studies[73] present a consistent picture of sharing within the extended family. Afghan systems of mutual support and informal social security and social networks are still very strong. At least one informal literary society maintained itself in Herat[74] and village-level *shuras* continued to function. In addition, the central role of NGOs in implementation often gave them an effective negotiating role between individuals and authorities at the local level.

- Access to *public entitlements* has always been limited, but is now almost non-existent. The Taliban may have provided a "public good" in the form of law and order, while in the north the Shuri-e-nizar provided limited services, but lacked finance and legitimacy. Some of the gaps, as already mentioned, are being filled by NGOs.

- *Extra legal entitlements* refers to commodities acquired outside the existing legal framework. This has been an important source of entitlements for certain individuals, like commanders or drugs traders (although it is recognized that what constitutes legality and illegality in wartime is not necessarily clear). These tend to be regressive, as they tend to exploit the poor, concentrate wealth in the hands of those with economic and coercive power and undermine social relations.

Many have not been able to restructure their portfolio of entitlements in ways that keep it at pre-conflict levels. This has resulted in the reduction of consumption and the selling off of assets. The decline in entitlements, the movement into coping and for some survival strategies have created refugees and have severely affected women.

3.5 Refugees

The refugee population, both living outside Afghanistan and internally displaced persons (IDPs) within it, is one major outcome of the long-running situation of chronic political instability in Afghanistan. It is difficult to be

[73] See, for example, Pain, 2001, op. cit.; Goodhand, 2000, op. cit

[74] Adam Pain, unpublished field notes.

precise about estimates of the size of this population, its location and status, given the dynamics of the processes of refugee movement and subsequent processes and forces that have driven people out, encouraged them to return or displaced them. Conflict, relative stability, drought, opportunity and historical continuity are all elements in the movements of people within the region surrounding Afghanistan. A summary of refugee movements since the early 1990s, drawn from various sources, is given in table 8.

It should be remembered that migration of people out from Afghanistan both for seasonal and longer-term residence is an historical feature. Both Iran and Pakistan have always had Afghan migrant labour and traders. The Soviet occupation of Afghanistan transformed this process with migration of both the elite who feared for their lives under the new regime and rural populations who fled for reasons of insecurity and destruction of village infrastructure and resistance movements. By 1992 with the fall of the Najibulla regime, an estimated 6 million refugees were living in Pakistan and Iran.

Table 8: Estimate of refugee numbers (in millions) compiled from various sources by country, changes (+ new refugees, - repatriation), internally displaced (IDPs)

Year	Pakistan		Iran		Regional	IDPs	Total	Asylum seekers
	Off	+/-	Off	+/-				
1992	3.0		3.0				6.0	
1993								
1994	1.4		2.0			1.0	4.4	
1995								
1996		-0.121		-0.008				
1997								
1998								
1999	1.2		1.4	- 0.1	0.32	0.600	3.5	0.026
2000	2	+0.172 -0.076	1.48		0.38	0.515	3.6	0.029
2001						0.50		

Source: *World Fact Book*, 1994; *World-wide Refugee Information*, 2000.

From 1992, the rural population began to return, although the location and extent of return was variable depending on both where security had been

established and the rapacity of local warlords. Some did not return, having rooted themselves in an environment that offered a degree of facilities, education and employment that they would not necessarily find on returning. Data on who returned and who stayed are shrouded in uncertainty, given the relative ease of informal movement, and many never formally registered as refugees. The official estimate of refugees in Pakistan between 1996 and 1999 was 1.2 million, but it was also conceded that as many as a further 2 million Afghans were probably living in Pakistan unofficially and without refugee status. From 1996, there has also been support for official repatriation from both Pakistan and Iran, supplemented in Iran by forced repatriation.

Since 1998, both drought and localized conflict have also driven people to move – sometimes individual members of families looking for employment to supplement household income, sometime whole families. Emergency food relief has drawn some households; others have left particularly from front-line areas because of threat to life and property. Some have moved on a seasonal basis; others have migrated for a longer period.

It is difficult to estimate with any accuracy the number of Afghans internally displaced because of conflict. The United States Committee for Refugees (USCR) believes the figure to be about 375,000. Another 140,000 Afghans were internally displaced in western (70,000) and southern (70,000) Afghanistan primarily because of drought. Figures of up to 1 million internally displaced have been informally given, and under the current situation this may be true.

The number of returning refugees is one matter, and it must be in the order of at least 2 million people. The experience of being a refugee is another, and a number of transforming processes have been at work. First the politicization of official refugee camps[75] has generated both new solidarities and new or reinforced frictions. For some, there has been access to education for children, employment and new skill development; for others, particularly those in official refugee camps in the Northwest Frontier Province, opportunities may have been more limited. All are relevant to the way in which returning refugees will engage with social structures in the locations to which they return. There is some material[76] that illustrates how returning refugees with newly acquired resources and experiences have brought new dimensions into evolving negotiations over local power, space, gender and access to water.

[75] Fielden and Goodhand, 2000, op. cit.

[76] F. Klijn, 2001: *Access to and collection of domestic water at community and household level in rural Afghanistan: A gender perspective*, unpublished research paper, DACAAR, Peshawar.

3.6 Gender

For a detailed analysis of Afghan women's situation and other gender issues, the reader should see the ILO's *Crisis Response and Reconstruction Working Paper No. 4: Capitalizing on capacities of Afghan women*, by Barakat and Wardell (Geneva, December 2001).

Much has been written and said about the denial of women's rights, particularly under the rule of the Taliban, and the gross infringement of individual liberties remains an uncontested fact. The effective banning from public life, the denial of employment in most sectors (except for health), the banning of education for girls beyond primary-school level, restrictions on access to public places and codes of dress have all been well documented.

These issues did not appear with the advent of the Taliban, are not just confined to Taliban-controlled areas and are symptomatic of long-term tensions within Afghan society between tradition and modernity. But there have also been countervailing signs, with women's economic roles having become more important through opium production and home schools and with the effects of migration exposing rural communities to education.

However, to move from that suppression of human rights to a view that women have always been deeply subjugated in all aspects of life is difficult to sustain. Even during the Taliban period, subtle forms of protest could be seen in the use of *chadaris* embroidered with images of the Titanic, the way in which they were worn and the choice of clothing and ornamentation underneath. Even restrictions on movement without an accompanying close male relative were widely flouted.

There are writings[77] supporting a wider field experience that in daily life in many parts of the country (even if not in all) women do effectively exert considerable power and control at both household and village level as well as in urban areas. Female control of household expenditure and in some cases responsibility for key economic activities (e.g. carpet weaving in the north) draw to our attention the fact that rights and roles can be exerted in less obvious ways that aggregate statistics do not necessarily pick up.

Caution also needs to be taken against assumptions that access to education for girls has decreased since 1992 and severely so from 1996. While this may be true for formal education, the expansion of home schools and other

[77] V. Doubleday, 1988: *Three women of Herat*; B. Grima, 1992: *The performance of emotion among Paxtun women*, Oxford, Pakistan.

forms of access to education (e.g. the winter school programme in Hazarajat) could well mean that more girls have access to some form of education than ever before.[78]

That said, national-level statistics are grim reading, even if one cannot be certain of their robustness. Female literacy rates are estimated to be only 13-15 per cent. All the quality-of-life indicators place Afghanistan near the very bottom of the Human Development Index. High infant mortality (152/1,000), high child mortality (257/1,000) and high maternal mortality figures (1,700/100,000) point to extreme deprivation and lack of basic rights and access to health and clean water.

3.7 Summary of the costs of conflict

There have been those who have gained as well as those who have lost from the conflict. Comment was made above on how returning refugees have engaged in a dynamic of local institutional arrangements with subtle shifts in power balances. On a broader level, the emergence of new social roles and institutions[79] such as the Mujahideen commanders and resistance parties have changed, challenging although not necessarily replacing traditional power structures (amongst the religious, landed or wealthy). Arrangements and structures within the Taliban and the United Front have been distinctive, and the longer-term consequences of these are uncertain. The re-emergence at the time of writing of semi-autonomous enclaves of power and control such as that under Ismail Khan in Herat and that under Dostum based in Mazar-e-Sharif, both of which had an earlier incarnation in the 1990s, will have effects on regional identities if they persist.

It must be emphasized that power structures and social relations at all levels have changed since 1978. There have been profound effects of the black and war economies in terms of the redistribution of wealth. A “new rich” and new leadership have emerged.[80] With the growth in the importance of trade in the Afghan economy, so too has the political and economic importance of those who control the trade – e.g. the transport mafia.

Patron-client relationships have been changed with, for example, the traditional land tenure arrangements and informal credit systems being modified to co-opt those households without land or with insufficient land to

[78] Helen Kirby, personal communication.

[79] Fielden and Goodhand, 2002, op. cit.

[80] Goodhand, 2000, op. cit.

meet their basic needs into poppy cultivation. The *salaam* system[81] for opium production has deepened inequalities.

The conflict has also led to new forms of vulnerability – e.g. civil servants without land and the Hazaras suffering from the economic blockade. There has in some cases been a reversal of previous relations, with the residual urban population in Kabul having the lowest purchasing power in the country.[82]

The analysis has emphasized that the conflict has had important benefits for certain groups and costs to others. However, in aggregate terms, the human and development costs have been far greater. They have reduced household and social assets. These costs in terms of capital and associated assets are summarized below.

- *Political capital*: Collapse of the State and increased influence of military actors; decline in the rule of law; increased vulnerability and targeting of politically excluded groups.

- *Human capital*: Deaths, disablement, displacement; decline in the capacity of the State to provide services such as health, education, etc.; violence against women; declining literacy, life expectancy, increased infant mortality rates; higher levels of stunting; increased dependency ratios; long-term effects of a poorly educated and poorly skilled workforce; a future generation which has known nothing but violence.

- *Financial capital*: Financial institutions, investments, markets; impact on rates of growth, investment levels; decline in markets; lack of credit; outflow of capital.

- *Social capital*: Disruption of social relations, social dislocation; decline in trust and reciprocity; social capital deliberately targeted or used to generate perverse outcomes.

- *Natural capital:* Breakdown of customary rights and rules of usage; predatory behaviour leading to resource depletion and environmental

[81] The *salaam* system provides an advance payment on a fixed amount of agricultural production. The resource poor typically sell their entire crop prior to the harvests in return for an advance payment. The *salaam* system facilitates "distress sales", allowing traders to acquire opium at prices significantly less than market prices. It often locks households into patron-client relationships with local traders that may take years to escape (David Mansfield, 2001, op. cit., p. 6).

[82] World Food Programme, 2000: *Afghanistan Wage Labour Study*.

degradation; lack of management and investment in natural resources, e.g. the timber trade in Kunar; increased use of marginal lands.

- *Physical capital*: Destruction of and lack of investment in infrastructure and services; 10 million land mines.

4. POST-WAR RECONSTRUCTION AND EMPLOYMENT

The key themes that run through this report are the importance of the linkages at all levels (macro, meso and micro) between the conflict, political changes and economic systems and their effects on livelihoods. The dimensions of these are emphasized below:

- There are strong interconnections between conflict, governance, society and the economy, and nothing can be understood in isolation.
- Historical analysis is important, because there are strong continuities of the past with the present.
- Afghanistan cannot be viewed in isolation; it is part of a regional conflict, and there are strong interests in the maintenance of a regional war and a black economy.
- International engagement (either because of the lack of it or because it has been of the wrong kind) has been part of the problem, and lessons need to be learned from this.
- The nature of the Afghan State is a central issue – both in terms of the roots of the conflict and in any future reconstruction.
- The conflict has not been about breakdown but about profound transformations and change built on the endurance of coping mechanisms and social relations.
- There is an underlying rationality of the various actors, and various incentive systems have encouraged war. These need to be changed to foster peace.

What are the implications of these themes for post-war scenarios?

4.1 Post-war scenarios and implications for reconstruction

The political and economic contours of a post-Taliban Afghanistan are difficult to predict.

> "War in Afghanistan did not begin with the Taliban and it will not necessarily end with their removal."[83]

A smooth transition from war to peace cannot be assumed, and in many respects the most likely scenario, even if the peace agreement holds, is chronic political instability for years to come. The underlying causes of conflict still exist, and there is strong insecurity within the region. Drawing upon lessons from elsewhere, there is rarely a clear line between war and peace, and "winning the peace" will be one of the key challenges. Transitional contexts are often characterized by a "messy peace", frequently with a transition from civil war to "social violence", as for example in South Africa or Guatemala where murder rates actually increased after the peace agreement.

Critical to the transition is an understanding of incentives and who does or does not have an interest in putting the State back together. How can one create the right incentives for peace and wean the conflict entrepreneurs away from violence? Who will gain from the peace dividend? Will it be a small group of "shareholders" or the population as a whole?

Democracy may not immediately appear to be a panacea and may in fact increase conflict rather than take the violence out of politics. There is a far-from-perfect correlation between multi- party politics, electoral democracy and "development". Elections for instance may be politically destabilizing in transition contexts, and there is a need to think carefully about the institutional forms that are appropriate for Afghanistan and the pace and sequencing of changes.

As Ostrom has put it, "peace is a necessary but not sufficient precondition for the long- term improvement in the material standard of living in Afghanistan".[84] Even if returned to pre-1978 levels, Afghanistan would remain one of the poorest countries in the world. This poverty, unless addressed, is likely to be destabilizing, particularly given the existence of approximately 10 million small arms in Afghanistan today.

There will be a whole range of issues to address to prevent the country from descending into another cycle of violence. These include rapid urbanization, land scarcity, creating a legitimate State, etc. Research indicates that a legacy of violence is the most reliable predictor that a country will

[83] International Crisis Group, 2001: p. 2.

[84] Ostrom, 1997, op. cit.

experience violent conflict in the future.[85] Afghanistan, from being a country that is "geared up" for war, has to make the transition to one that is "geared up" for peace.

But there are major challenges. Afghanistan faces a triple transition:

- from war to peace (a *security* transition);
- from being a "rogue" state to being a legitimate functioning state - involving perhaps the transformation of warlords into statesmen[86] (a *political* transition);
- from a society and economy geared up for war to one that is geared up for peace (a *socio-economic* transition).[87]

There is a need for an overall peace-building framework in which these triple transitions should be linked to one another and occur simultaneously. For instance, reconstruction funding can be a significant incentive to transform the warlords into statesmen. Conversely, the lack of strong, legitimate governance will prevent the war economy from being transformed into a peace economy.

Although the International Labour Organization (ILO) is principally concerned with the socio-economic transition, its interventions clearly have an impact on the other two. For instance, building livelihoods for returnees, the urban poor and the marginalized, including ex combatants, will help support the security transition. In many respects, the ILO has a comparative advantage in terms of its mandate in relation to reconstruction, as employment generation and poverty reduction are perhaps the two major challenges.

4.2 Principles for reconstruction

Drawing upon experience gained from other contexts,[88] the international community needs to develop some clear principles of engagement in order to build the three transitions and to be held accountable in relation to these.

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[85] P. Collier, 2001: "Doing well out of war", in Berdhal and Malone: *Greed and grievance. Economic agendas in civil wars.*

[86] The future role of Afghan warlords as statesmen in a stable and legitimate Afghanistan is contentious, given the need to address human rights violations committed by all factions in the fighting. See Human Rights Watch (2001) available at http://www.hrw.org/press/2001/11/bonnrec1127.htm) for further discussion of this issue.

[87] Adapted from Forman and Shepherd, (2000: *Good intentions. Pledges of aid for post-conflict recovery*, Boulder, Lynne Reinner.

[88] Foreman and Shepherd, 2000, op. cit.

The need for sustained engagement: In many other "post-war" contexts, there has been a major gap between the promise and delivery of internationally supported reconstruction programmes elsewhere. In East Timor for example, just two years after the international response, the UN is struggling to meet funding targets. There is a danger that western attention will move on and the negative dynamics of the conflict will reassert themselves. The timing and sequencing of interventions are therefore crucial. There is a need for quick-impact projects that can provide tangible alternatives to the war and black economies. Short-term interventions need to be designed so there are synergies with longer-term development activities. Finally, thought should be given to the sequencing of rehabilitation activities. Certain types of activities, such as elections of war crimes tribunals, may have to wait until the security context and institutional framework have been established.

The need to tackle underlying causes: The long-term issues that caused the conflict in the first place have to be addressed along with the factors that have sustained the war economy. The central challenge is how to support good governance. In other words, what kind of incentives and disincentives can contribute to the creation of a legitimate central government?

The need for a regional and holistic framework: It has been argued that Afghanistan is part of a complex regional conflict system. Therefore, reconstruction cannot be addressed in isolation from the interests and needs of other regional actors.

The need to develop capacities: Capacity building at the central and local levels will be essential, as at present it is limited. There must be an engagement with "civil society", including Afghan NGOs and local structures. However, the International Crisis Group's recommendation of working primarily with local institutions runs the danger of encouraging aid actors to bypass the State – when the key challenge is to work with and build a central authority that can ensure security, the rule of law and regional equity.
The need to build understanding and analysis: For the last 20 years, there has been very little field-based research in Afghanistan. To a great extent, understanding is stuck at pre-war levels, and there is a compelling need to improve understanding and analysis through action research. Fine-grained analysis should lead to fine-grained approaches which take account of diversity within Afghanistan and acknowledge the changes within Afghan society. Reconstruction is not about returning to the*status quo ante*.

The need for conflict-sensitive approaches: There are dangers that new aid actors with limited experience of the context will inadvertently exacerbate underlying tensions. A "one size fits all" macro-economic framework is likely to be inappropriate and in the long term may be conflict producing. Assistance

strategies therefore need to be carefully aligned so that they are sensitive to conflict dynamics. Agreement will need to be reached on what "conflict sensitivity" means in practice, but it is likely to include conducting "do no harm" analysis, being aware of the distributional impacts of aid, building in "inclusiveness" at all levels and developing peace and conflict-impact assessment tools.

The need for gender awareness: Aid actors in the past have tended to take the line of least resistance and as a result failed to sufficiently incorporate women's perspectives and other gender equity dimensions into policies and programmes. Clear guidelines need to be established in terms of women's involvement in the planning and implementation of reconstruction strategies.

4.3 Possible implications for the International Labour Organization

There are a number of general implications that the ILO as an agency will have to address in considering its role in the reconstruction process. It will have to think carefully about where it will fit in relation to the wider picture.

At the macro level, the key challenges will be creating security and supporting the creation of a legitimate state. An essential part of that legitimacy will come from gaining a monopoly of force and ensuring political representation. Institutional capacity will have to be built so that services can be provided and a legal framework created so that there is an enabling environment for the growth of a licit economy. All agency strategies must be aligned towards this overall goal.

For the ILO, this will probably mean a focus on working with the State to help build institutional capacity and an enabling environment/policy framework in relation to the labour market. This will build on the ILO's rights-based approach. Although micro-level work will be important, a myriad of micro projects will not on their own lead to getting the macro conditions right as well.

But there is a need for both macro- and micro-level work so that creating the right institutional environment and building livelihoods are mutually supportive. Synergies between emergency or relief initiatives and longer-term development activities are needed. Relatively quick-impact job-creation projects such as building infrastructure will help households build assets and support the broader economy.

4.4 A livelihoods and decent work framework for employment generation

One of the key challenges to be addressed in the reconstruction process and in building peace is that of reducing poverty and improving livelihoods. The ILO has already identified its broad strategy with respect to employment and peace building.[89] The position that the ILO has taken,[90] and which this paper supports, is that employment creation serves much more than functional requirements and that it must be positioned as a central part of reconstruction processes rather than as an adjunct. In the principle of decent work[91] is embodied an understanding that work and the quality of that work contributes to the building of not only household food security and addressing poverty but also structures of governance and meeting people's aspirations for dignity, equity, freedom and security. Thus, the decent work concept is closely linked to the livelihoods framework.

If employment issues are to be mainstreamed and the appropriate connections made between immediate and long-term interventions at macro and micro level, the livelihood framework provides a tool by which the necessary linkages can be made.

For the purposes of this paper, the framework (figure 1) of the Department of International Development (DFID), United Kingdom, is employed to represent the key dimensions that need to be considered.

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[89] International Labour Organization, 2001: *Jobs for peace in Afghanistan*, InFocus Programme on Crisis Response and Reconstruction, Reconstruction Department, Geneva, paper tabled at the Afghanistan Reconstruction Meeting, Islamabad, November 2001.

[90] E. Date-Bah, 2001: *Crises and decent work: A collection of essays*, International Labour Organization, Geneva.

[91] "Work that meets people's basic aspirations, not only for income, but for security for themselves and their families, without discrimination or harassment and providing equal treatment for women and men", Date-Bah, op. cit., 2001, p. 2.

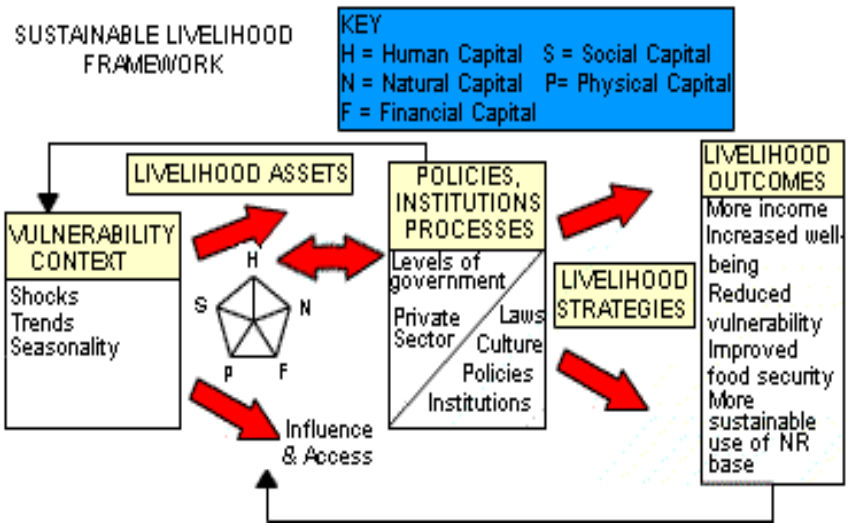

Figure 1: Sustainable livelihoods framework

The **arrows** within the framework are used as shorthand to denote a variety of different types of relations, all of which are highly dynamic. None of the arrows imply direct causality, though all imply a certain level of influence.

Source: DFID Sheets: www.oneworld.org/odi

There are five key components of the framework[92] that are addressed in a linear manner, although any one of these could be a point of entry for analysis.

The vulnerability context describes the shocks (conflict, natural disaster), trends (longer- term secular changes in population, prices, resource availability) and seasonal dimensions (prices, employment availability) that directly impact on the asset holdings of households and determine the options that are open to them in terms of livelihood strategies.

Five key assets or capital are seen to comprise a household asset base. These are usually given as human capital (skills, knowledge, health), social capital (networks, trust, social solidarity), natural capital (trees, land, water), physical capital (shelter, infrastructure) and financial capital (stocks of cash, credit and flows of income, remittances). While these are not all capital stocks in the strict economic meaning, they provide an assessment of household

[92] This section draws heavily on section 2 of the DFID Sustainable Livelihoods Guidance Sheets.

endowments that can be invested in or deployed in order to meet household needs.

The policies, institutions and processes are referred to in the DFID framework as the Transforming Structures and Processes, in that they essentially determine access by households and individuals to various capitals and livelihood strategies, the terms of trade or exchange between different types of capital and the returns from livelihood strategies. They include issues of policy, legislation, institutions (both formal and informal) and cultural dimensions. Structures exist in both the public (political or legislative, executive, judicial) and the private (commercial enterprises, membership organizations, NGOs) sectors. Processes are essentially the interconnections between the structures and are both produced by and in turn shape structures. Processes include policies, legislation, institutions (markets), culture (social norms and beliefs) and power relations.

Livelihood strategies reflect the choices (freely or as dictated by circumstances), range and combination of activities that individuals or households make and deploy in order to achieve their livelihood goals. These goals can include production, investment and reproductive choices. Livelihood outcomes result from the strategies. They may include more income, increased well-being, reduced vulnerability and improved food security.

For many though in Afghanistan, livelihood strategies have been concerned with coping and attempting to be able to achieve basic food security. The overall outcome for most has undoubtedly been a decline in well-being.

4.5 The role of job promotion

The ILO through job promotion must engage in three areas: the building of household assets, reducing vulnerability and strengthening policies, institutions and processes. Table 9 provides an illustrative and schematic representation as to how this can be done and at what level. The summary is illustrative rather than comprehensive.

Table 9: **An illustration of the role of employment creation in building livelihoods**

Livelihood components	**Level and nature of employment creation intervenion**		
	Micro	**Meso**	**Macro**
Livelihood assets			
Human	Skill development	Training infrastructure	Training policy
Social	Group support	Group consultation procedures	Policy environment, tripartism
Natural	Reafforestation for work		
Physical	Infrastructure	Private sector	

Livelihood components	**Level and nature of employment creation intervenion**		
Financial	Micro credit	Private sector	Employment policy
Vulnerability context			
Trends		Local enterprise	Skill development
Shocks	Work for assets	Peace building	Governance
Seasonality		Diversification	
Policies, institutions and processes			
Structures			
Public	Local structures	Regional structures	National structures
Private	Organization management	Membership organizations	Private sector policy
Processes			
Policies			Employment
Legislation			Labour
Institutions	Common property		Markets
Culture			Policies
Power	Participatory processes		Law

The use of the livelihood framework makes explicit the connections between the main factors that affect people's lives, providing a frame for analysis, implementation and monitoring. A number of important points can be derived from the table.

A concern for employment generation can contribute both directly through creating employment and training as well as indirectly through building policies and supporting new structures that are pro-employment generation. These are synergistic strategies.

For some areas, such as building household assets, employment generation can make substantial contributions over the short term and can probably assist in building across the range of household assets, since even generating short-term income will allow households to make choices as to how to deploy that income.

In other areas, direct action through employment creation can have little effect. For example, the vulnerability context is one which households have little direct control over, at least in the short term. Employment can reduce vulnerability indirectly by allowing households to build assets and thus increase their resilience to shock. But the key shocks of war and conflict that Afghanistan has faced require action at a national level and through the building of structures and processes, which can reduce conflict and promote institutions of nation building.

A key point is that initiatives to build employment have to be taken across all the components of the livelihood framework and at all scales (micro,

meso and macro) to build synergy and complementarities. Building the socio-economic transition will help political and security transitions to be made.

Drawing from the framework, the *vulnerability* context will require special attention in the reconstruction process.

- The specific importance of political vulnerability has been stressed, and employment strategies will need to factor this into their analysis and constantly monitor to ensure that this is being addressed in their projects.

- Early labour absorption will be critical to post-conflict peace building.[93] Employment- intensive rural infrastructure projects may be justified on these grounds alone in isolated areas as well as contributing to reviving the rural economy.

- If there is going to be chronic insecurity, this will probably lead to growing crime. This factor needs to be appreciated in planning so that the distributional impacts of assets are systematically addressed and there is an avoidance of creating or using "lumpy" or "mobile" assets that can easily be captured.

- Employment-creation opportunities need to be sensitive to where local conflicts might arise, either through returning refugees and/or where land shortage or past conflicts over land indicate competition for resources. Strategies that support upstream agricultural processing to relieve pressures will be needed.

- Addressing vulnerability in the long term requires attention to policies, institutions and processes.

4.6 Recognizing diverse livelihood strategies in employment creation

Livelihood frameworks have been widely used in the analysis and understanding of rural household strategies with respect to understanding food security issues and for the analysis of diversity of rural household strategies.[94]

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[93] C. Cramer and J. Weeks, 1997: *Analytical foundations of employment and training programmes in conflict-affected countries*, ILO Action Programme on Skills and Entrepreneurship Training for Countries Emerging from Armed Conflict (Geneva).

[94] H. Young et. al., 2001: "Food security assessments in emergencies: A livelihood approach", in *Humanitarian Practice Network Paper 36*, Overseas Development Institute, London. Frank Ellis, 2000: *Rural livelihoods and diversity in developing countries*, Oxford University Press.

The limited evidence from Afghanistan with respect to livelihood patterns and the deployment of household assets for coping and survival strategies are consistent with a picture of diverse rural livelihoods, within and between households, and the full deployment of assets in order to survive under conditions of food insecurity. Rural households in northern Faryab[95] showed considerable variability in asset holdings prior to the drought, underpinning markedly different strategies. Poor households with little land derived most of their income from carpet- weaving activities and other employment and obtained most of their grain from the market, while richer households were self-sufficient and had more limited sources of income.

The important point to recognize is that rural households have diverse portfolios for income generation that transgress the sectoral divisions between crop and livestock, farm and non-farm, rural and urban, and formal and informal sector employment. An employment creation strategy must take full account of this and respond to where households identify opportunities.

It is also important to distinguish between the immediate and long-term needs with respect to livelihood and employment building. Following the livelihoods framework, one can usefully distinguish between the immediate threats to life as survival strategies are exhausted and the longer-term threats to livelihoods and building of strategies because of the depletion of household assets resulting from drought and insecurity. These are linked.

Instruments of intervention

The classic intervention response to threats to life is food transfers, which is a costly way to do business. As and when security emerges, the opportunities to use cash transfers to address threats to life should be strongly considered. Not only will this allow greater choice to households as to how money is used, but it will also support local markets which, as always, are undermined with large transfers of food outside normal market processes.

Both “working for food” or cash (this formulation is preferred to “food for work”) are conventionally used for public works, and the need for infrastructure reconstruction – from communal physical capital (roads to public facilities including schools, irrigation structures, etc.) as well as natural capital (environmental rehabilitation, trees for fuel) - is not denied and features in the ILO immediate strategy. However, attention should also be given (and table 9 emphasizes this point), even at this stage, to restoring more than just physical and natural assets. The livelihoods framework can be used to emphasize that food and financial transfers under times of threats to life can

[95] Pain, 2001, op. cit.

be used more creatively. Transfers for investment in human, social and financial assets both at the community and household level are also possible but rarely tried.

For many households and individuals, threats to life will recede if agricultural production recovers and markets develop. However for some, particularly for members of the social groups identified below (disabled, female-headed households, etc.), there may be many longer-term needs for support to enable them to survive and build assets (human, financial, etc.) to create or find employment opportunities.

A longer-term need and closely linked to the above is reducing the threats to livelihoods, and that can only be done by systematically supporting households in rebuilding across the whole spectrum of their asset base. The creative use of humanitarian support could help households in that process. Much of the recovery in Afghanistan in rural areas will come from self-employment both within farm production as well as non-farm activities, but the longer-term support for skill development and educating children will be essential to re-establishing the resilience of Afghan farming systems.

4.7 Transitions from the "bad" to the "good" economy: Special concerns

A conventional framework for employment generation would look to agriculture, non-farm rural employment, manufacturing, other urban employment sectors including government and service sectors and migration as potential sources of labour absorption and income-generating opportunities. In the absence of any data relating to current employment and growth opportunities, it is meaningless to speculate as to the rates at which employment opportunities will grow as economic recovery takes place. There is a broad consensus though on the priorities relating to reconstruction, once security is achieved. As the Co-chairs' concluding remarks at the Reconstruction Meeting in Islamabad put it:

> "Agriculture is clearly going to be at the core of any survival and livelihood strategy for most of the population. It has demonstrated resilience and entrepreneurship."

Following this investment in education, health, water and sanitation and infrastructure will be the key focus of reconstruction.

Long-term gains and development of effective strategies in employment generation are going to depend on a number of measures to inform that process. There is a need for a relevant statistics and data on employment and

household strategies identifying clearly where, for whom and why employment opportunities are lacking. In part, this will be a needs analysis in relation to skill development to ensure that the participation rates of groups that have traditionally had restricted access to employment, e.g. women, are promoted through education, credit schemes and professional development.

This may include developing appropriate training schemes for adults who have missed opportunities for education, but providing refresher courses to those who have been out of work for some time, particularly in urban areas. But the social categories identified below (female-headed households, the disabled, etc.) will need specific focus, given the greater difficulties that they will have accessing labour markets.

Pro-employment policies will need to be developed with respect to both infrastructure (roads, buildings, etc.), construction and mechanization processes on farms and should be seen as fundamental to reconstruction. This will require addressing the need for technology policies that favour labour use over capital, at least in the short term. It may well need in the long term a concern for land redistribution or land reform if gross inequities in land holdings are found to restrict labour absorption in farm production.

But the process of transition is both about opportunities and dangers, strengths and weaknesses as well as meeting special needs, and these will need to be thought about carefully in the reconstruction process.

The need for understanding

All the issues listed below illustrate the need to understand and analyse both at the macro and micro level. Action research in poverty and livelihood analysis, vulnerability and conflict, labour market analysis and local contexts must be an essential part of agency action.

The threat of the licit economy

As noted in chapter 3, the highly informalized nature of the economy and the role of the *hawalla* banking system in transferring remittances is crucial to the coping economy and should not be lost sight of. If in terms of the war on terrorism attempts are made to close down informal banking systems, this will be deeply undermining to legitimate coping strategies. Great care needs to be exercised in simplistically applying concepts of licit and illicit, formal and informal, when household strategies have had to be carefully woven across the boundaries of all these. The transition to the formal economy has the potential to make many of the poor even more vulnerable.

In the long term, there needs to be a formalization of the economy and related institutions, but this is likely to be a slow transition and will not happen until Afghans develop a trust in the capacity and inclusiveness of such institutions. The ILO needs to think at all levels about working with and supporting institutions that connect with the development of a formal economy.

The incorporation of the Afghan economy

There are also a number of major and significant challenges that have arisen out of the changes due to instability since 1978. Some of these are economic. Before 1978, the economy of Afghanistan was linked to the west through flights from Kabul and had little formal linkages with Pakistan. Now, in many respects, the Afghan economy has become incorporated into a regional economy of which Pakistan is a significant component. The Pakistan rupee is a major tradable currency in Afghanistan favoured over the Afghani because of its relative stability. In addition, the US dollar has played an important function as a hedge against conditions of inflation dangers of decapitalization.

The penetration of the Pakistan rupee is indicative of the extent to which trade networks from Pakistan, of which the transport systems are a major component, have come to exert control over significant parts of the economy. An additional example is carpet production, which has established a major production base outside Afghanistan. The extent to which Pakistan's production and control of exports are managed by Afghans is unknown, but the control that the Peshawar carpet market holds over the production of carpets in Afghanistan has been documented,[96] and this has coincided with an increase in the number of Pashtun carpet merchants operating in the north.

The disappearance of past markets

There are other areas in which primary commodities from Afghanistan that in the past had a significant market share of the international market will now be difficult to regain. The market share that the export of raisins from Afghanistan had in the past has been captured by the expansion of grape cultivation in Chile, established by American import companies to compensate for the effective loss of Afghan raisins from the market since 1978. A similar position may be true for other dried fruit (apricots) as well as leather products.

Reverse migration to Afghanistan

[96] Pain, 2001, op. cit.

It should be recognized that Pakistan has a substantial pool of unemployed semi-skilled and unskilled labour. A reverse migration of labour looking for work from Pakistan to Afghanistan may well result and provide competition to Afghan labour in an emerging and expanding economy.

The opportunities and threats offered by the diaspora community

It is worth stressing the positive contributions that are likely to be made to an economic recovery. The first is the potential contribution from the Afghan diaspora. The size of this community is not certain, but estimates from the United Kingdom indicate some 35,000;[97] some 75,000 have been reported settled in Germany, some 150,000-200,000 to the United States and sizeable populations in Canada and Australia. The Middle East (Dubai) also contains a substantial population, primarily in business and the import/export of consumer goods into Afghanistan via Iran or Pakistan for re-export to Pakistan. In total, the Afghan diaspora may be between .75–1 million people. By and large, this diaspora contains the most educated and skilled component of the worldwide Afghan community, with many of the younger generation being educated in the west. This diaspora offers both skills and capital, and by all accounts the sense of Afghan identity is likely to lead to a substantial contribution of both to an Afghan economy in recovery.

The risks should be flagged. A western-educated and -oriented urban Afghan and a presence in substantial numbers will undoubtedly generate friction points with the current social structures and elite in Afghanistan, many of whom have emerged through the war economy. An hegemony of the former over the latter is a matter for concern, and the engagement of the diaspora in post-war bureaucracies will need to be carefully negotiated or resistance will be created. In addition, western-educated Afghans will have to engage with a cadre of educated Afghans who have remained.[98]

Little information appears to exist on the engagement on the diaspora community in business, but anecdotal evidence indicates that a significant number have prospered. Some of these will seek and find, with little support, opportunities for business in Afghanistan, but the extent to which the diaspora will engage in Afghanistan reconstruction is unknown.

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[97] *The Economist*, August 2001. BBC World Service, 27 November 2001.

[98] As has been put with respect to education, " Failings within the bureaucracy were responsible for much of the sterility and stagnation that characterized the entire system in 1978. Today exactly the same mind-sets affect officials, many of whom are hold-overs from pre-war days. They stubbornly resist innovations; change is anathema to them. Having survived the King, Daud, Taraki, Najibullah, Rabanni, and now the Taliban, they know that continued survival depends on keeping the system functioning without rocking any boats. As in the past, these officials are perpetuators, not innovators. This is a big stumbling block". N. Dupree, 1998, op. cit., p. 20.

The opportunities and threats of the returning refugee communities

The contribution of returning refugee communities settled in Pakistan and Iran is also uncertain. First, it is unlikely that all those who have settled will necessarily return; nor will they necessarily be encouraged to do so. For example, the contribution that the Afghan carpet- producing community in Peshawar has made to the Pakistan economy was estimated to be in the order of US$130 million in 2000,[99] and these weavers have been given special exemption from repatriation. There is a deeper consequence to the depth of the Afghan carpet-production business in Pakistan. There is also a well-established Afghan carpet-weaving community in Iran.

Of those who do return, many will bring added skills, largely obtained through work in the informal economies of Pakistan and Iran. Some will return with considerable resources to re-establish themselves. Whether those who have been long settled in Pakistan or in the region and who came from rural areas will return to their village of origin is debatable. Some may choose, as a result of the experience of urban facilities, to settle in the Afghan cities.

Whatever resources and skills they do return with, they will come back with changed attitudes as a result of living outside Afghanistan and with a greater interest in education which is bound to act as a stimulus for local demands wherever they settle. However, the remittance economy is likely to remain and will make an important contribution to redevelopment, even if only used for consumption purposes. Moreover, regional migration - both seasonal and long term - as a livelihood strategy is likely to persist in many parts of the country.

Returnees to rural areas may also reclaim use and access to natural resources and land. These potentially may generate conflict.

The challenge of the socially disadvantaged

There are three specific socio-economic groups that have emerged which have particular claims to employment needs and skill development:

- There is a substantial number of female-headed households which have lost husbands due to the war. For Kabul alone, there are estimated to be some 40,000 widows.[100]

[99] *Frontier Post*, 5 August 2001.

[100] Human Rights Watch, 2001, op. cit.

- There is also a large disabled population as a result of injuries due to landmines, and this population is likely to increase in the short term. There is also a population that has been dehabilitated through trauma and depression as a result of war. Its size and location is largely unknown but should not be underestimated. It will need identification and will have special rehabilitation and employment needs.

- The particular needs of children and their rights require attention. Many children have been drawn in as child labour under the coping economy. Programmes that support their access to education without undermining vulnerable household economies must be developed.

The new urban population

The final feature that will mark a significant change from the past is the emergence of a substantial urban population. Urban food security can largely be only secured through wage labour, and in the short term such opportunities may be limited. Comparative experience indicates that urban-rural linkages are essential to households on the margins of the formal economy, and they exploit inter-linkages between rural and urban in order to construct livelihoods. For urban residents, the rural environment offers cheaper food for consumption and resale, potentially cheaper natural resources (e.g. fuel), a market for urban goods in which there is less competition, a market for informal transport services including taxis and casual or specialized employment.[101] For rural households, urban centres can provide cheaper sources of goods, a market for rural products and casual labour opportunities.

The key point that emerges from the above is that many households in urban and rural areas are constrained, because of the absence of specific skills or lack of formal education, from full-time employment in one specific job; thus they may be engaged in several or more activities in order to meet household requirements. To help capture the diversity of strategies that households are likely to deploy, the utilization of a livelihoods framework can be usefully employed.

Are ex-combatants a special group?

Arguments have been made that ex-combatants represent a distinctive social group that raises special needs with respect to employment, both in terms of reintegration into society and as part of the peace-building process.

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[101] J. Swift and K Hamilton, 2001: "Household food and livelihood security", in S. Devereux and S. Maxwell: *Food Security in Sub-Saharan Africa*, p. 70, ITDG, London.

It should be pointed out that there has been no systematic research on the arrangements of the combatant forces, but anecdotal and observational evidence indicates that the composition of the armies of the warring parties has been made up of perhaps a small core of permanent soldiers with opportunistic joining or enforced conscription, often on a short-term basis.

For the Taliban, the core of the permanent army has been the students from the Madrassas and volunteers from outside Afghanistan. The Afghan component of the Taliban army has, according to field observations, been supplied (or conscripted) on a short-term and rotational basis from villages. Peak labour demands in agriculture have corresponded with severe constraints to recruitment for the Taliban, and conflict is known to have taken place between districts that refused the Taliban demands for this reason. With the drought, employment in the army has simply been part of a coping strategy for reducing household consumption demands. There is no reason to believe that the composition of the Northern Alliance forces has been any different. The conclusion from this is that, for many, fighting on either side has not meant a disengagement or detachment from their village social base. Therefore, it must not be assumed that ex-combatants are necessarily socially disengaged from their community or will remain "militarized".

The strengths of NGOs

NGOs, both national and international, have a long history and experience of working in Afghanistan. They have developed considerable competence in working at the micro and meso level that must be fully drawn on. In some respects, they occupy a key space between the private and public realms.

Trading systems

There are no data or any research on the past nature, size and capitalization of Afghan merchant houses and traders. Observation and informants indicate that trading and production have largely remained family affairs, operating on a basis of personal networks and trust. In part, this explains why such businesses have been able to continue operating. Larger scales of operation that relied on formal markets and state mechanisms to function, if they did exist in the past, have long disappeared. The skills and experience of Afghan traders and businessmen have been mainly small scale.

The extent to which these could move to scale and generate greater employment opportunities is a challenge for the future.

5. CONCLUSION

The employment challenges are enormous, but their tackling is essential for long-term peace building and poverty reduction. The very high unemployment rate, a quarter of the labour force, has to be solved through targeted measures within a comprehensive framework and as an integral feature of the post-crisis reconstruction and development effort. Already the Immediate and Transitional Assistance Programme (ITAP) for the Afghan People(2002), drawn up by the UN in cooperation with the Afghan Interim Authority, has employment as one of the key sectors requiring attention. It stresses that the objectives of the strategies under this sector should be to :

> "create employment opportunities for returning refugees, internally displaced people , ex-combatants, and for addressing income poverty of the poor and most vulnerable;
>
> build local governance institutions and processes for planning and implementation of small rural infrastructure projects at the district and local level; and
>
> provide alternative livelihoods, including on-farm and off-farm employment and socio-economic activities to prevent resumption of poppy cultivation in Afghanistan. This will also address food security at the household level".[102]

The ITAP also lists a number of strategies, which should be part of the integrated approach to addressing the huge employment problem. These include labour-based infrastructure works; capacity building of the relevant governmental and other institutions; guidance by ILO's international labour standards; promoting women's active participation in the labour market; and observance of gender and other forms of equality. As seen in this report, there is a call for geographical and rural-urban targeting. Some of the other relevant measures proposed; which also coincide with the ILO's crisis response framework, based on the decent work concerns of crisis, are rapid labour market assessments, emergency employment services, emergency public works programmes, vocational training linked to actual and potential skill needs of the labour market, promotion of small and micro enterprises such as through micro-finance and local economic development; employment promotion through infrastructure rehabilitation, providing alternative income-earning

[102]See Immediate and Transitional Assistance Programme for the Afghan People (2002) page 53.

opportunities to poppy growing and creating a fund to support income earning activities. [103]

It is also worth stressing that the various reconstruction programmes will have to reflect employment sensitivity to ensure that they maximize the employment potential of their activities.
Other principles of action that should be emphasized can be summarized as follows:

- Invest in both short- and long-term strategies to build quick gains but develop longer-term processes.

- Seek multiple points of entry, both at the micro and macro levels, addressing the building of household assets as well as reducing vulnerability and building institutions and processes.

- Be aware of the underlying causes of conflict at all levels and seek to address them.

- Recognize that there will be those who will gain and those who will lose in the processes of transition, and the needs of both will need to be addressed.

- Emphasize the building of local capacities.

- Build understanding and analysis of the context at all levels.

- The use of the ILO's decent work agenda or the complimentary livelihoods perspective can help to identify and set priorities for points of action and intervention.

[103] Ibid, page 54.

Annex 1

Boundaries and population

While the national boundaries of Afghanistan were created by the British and the Russians in the late 19th century sub-national divisions of territory have been changed over time. The major change was in 1964 when the 14 original provinces (originally created to disperse potential political opposition) were expanded to 28[1] and by 1998 these were further increased by the Taliban to 32, from the subdivision of three Pashtun provinces in the east of the country.

However the extent to which new districts were cleanly divided out of old ones or old ones have maintained their territorial integrity is not clear[2]. Comparing district data over time is confounded by boundary changes. Comparisons of land area and use by district over time also show changes and it is unclear if this is due to boundary realignments or re-estimations of area or both.

Population data organised by province and compiled by different sources over time presents a further compounding of the problem. In addition to the uncertainty over provincial boundaries and their changes, different sources quote different values and methods of estimation are usually unclear[3]. Given the reported extent of emigration from Afghanistan, mortality rates and life span, it is unclear how estimates of population growth rates of 2.4% made by the Oak Ridge National Laboratory can be justified. Nor can the lower estimates of population made by the World Food Programme in 2001 be explained. For population therefore is probably more accurate to state an estimated range from 16 to 25 million and note that given mortality rates, emigration etc. the actual value is likely at the lower end of the range.

If basic facts of location and population are not convincingly established, it must be appreciated how difficult it is to accept at face value any of the statistics offered for Afghanistan. Given the extent to which state regulatory structures have disappeared over the last 20 years, statistics on the economy must be guestimates at

[1] See Annex 1, Table 1

[2] For example in Faryab some of the province's northern districts were transferred to Jowzjan province during the period of Commander Dostum' rule frm 1991 to 1998. See Adam Pain, 2001, Livelihoods under stress in Faryab Province, Northern Afghanistan. Opportunities for Support. A Report to Save the Children (USA) Pakistan/Afghanistan Field Office.

[3] See Annex 1, Table 2.

best and be treated with great caution. Much of the economy in the recent past has been in the black part of the spectrum – trade in drugs, armaments and consumer goods, the value of which can only be guessed at. Even in the so-called legitimate economy, statistics on production, particularly from the rural areas both now and in the past are thin.

Where data has been compiled it has been heavily used and re-quoted, often loosing sight of the caveats on data quality that were originally stated. A case in point is the results of the 1963 Population and Agricultural Survey[4], which summarised and interpolated data from a limited sample of villages. The admission of wide margins of error and problems over data quality in their original publication, have not adhered to later use of the information.

Table 1 Provincial Listings

Table1: List of provinces in Afghnistan by date

Pre 1964	**1964**	**1996**	**1998**
14 Provinces	**28 Provinces**	**29 Provinces**	**32 Provinces**
Badakshan	Badakshan	Badakshan	Badakshan
Farah	Farah	Farah	Farah
	Nimroz	Nimroz	Nimroz
Ghazni	Ghazni	Ghazni	Ghazni
Girishk	Hilmand	Hilmand	Hilmand
Herat	Herat	Herat	Herat
	Bagdis	Bagdis	Bagdis
	Ghur	Ghur	Ghur
Kabul	Kabul	Kabul	Kabul
	Logar	Logar	Logar
	Wardak	Wardak	Wardak
	Bamiyan	Bamiyan	Bamiyan
Maimana	Faryab	Faryab	Faryab
Mazar-e-sharif	Balkh	Balkh	Balkh
	Samangan	Samangan	Samangan
Ningrahar	Ningrahar	Ningrahar	Ningrahar
	Kunar	Kunar	Kunar
			Nuristan
	Laghman	Laghman	Laghman
Paktya	Paktya	Paktya	Paktya
		Paktika	Paktika
			Khost
Parwan	Parwan	Parwan	Parwan
	Kapisa	Kapisa	Kapisa
Qandahar	Qandahar	Qandahar	Qandahar

[4] See Annex 2

	Uruzgan	Uruzgan	Uruzgan
	Zabul	Zabul	Zabul
Qataghan	Kunduz	Kunduz	Kunduz
	Baglhan	Baglhan	Baglhan
	Takhar	Takhar	Takhar
Shibarghan	Jowzjan	Jowzjan	Jowzjan
			Sari Pul

Table 2 . Reported Provincial Populations reported by year and source

1998 Provinces	CSO[1]	USAID[2]	UNIData[3]	CSO[1]	Oak[4] Ridge	Oak[4] Ridge	WFP[5]
	1979	**1990**	**1991**	**1997**	**1998**	**2000**	**2001**
Badakshan	497758	554374	615156	663700	924747	923144	842703
Farah	234621	377802	404778	313500	488069	483891	554505
Nimroz	103634	139850	128163	138400	180204	199576	175570
Ghazni	646623	770684	779712	863000	1184863	1245589	1079933
Hilmand	517645	541554	640165	691000	989514	1034672	902298
Heart	769111	870403	931473	1091900	1415949	1519882	1178044
Bagdis	233613	317526	288906	279400	369255	413254	395772
Ghur	337492	318379	418003	450500	812186	810213	572622
Kabul	1373572	2280417	2074301	2727200	2760450	2838587	2946848
Logar	216241	264973	267498	270500	406643	424621	366446
Wardak	285557	398911	363362	383300	697358	729982	497770
Bamiyan	268517	317143	332070	315100	453179	475750	477318
Faryab	582705	674002	670922	724400	1008021	1070072	955146
Balkh	580146	629224	703990	867200	1107857	1113620	1046769
Samangan	261693	312524	337101	281800	556635	594751	461795
Ningrahar	745986	1002873	922550	1007000	1398477	1451917	1372369
Kunar	250122	308093	309333	298100	464416	493962	464955
Nuristan	0	0	0	0	0	0	0
Laghman	310650	379065	384301	449500	615126	627050	562504
Paktya	482158	523813	597818	663300	908991	930768	506345
Paktika	245229	250856	302651	326800	291318	493691	479944
Khost	0	0	0	0	0	0	353147
Parwan	504750	530680	506434	673600	893712	918898	693764
Kapisa	250553	433163	427614	333900	493464	529855	585788
Qandahar	567204	737762	711037	798500	1149973	1159095	1131013
Uruzgan	444168	501795	539711	592100	704112	736805	739350
Zabul	179362	186113	221815	239300	338367	349960	303864
Kunduz	555437	576575	791192	755400	1188912	1253565	1083854

Baglhan	533782	484474	610788	704700	935165	944407	836718
Takhar	519752	557532	645237	694700	828590	845393	883910
Jowzjan	588609	677884	778635	841600	1180850	1193643	516844
Sari Pul	0	0	0	0	0	0	549794
Total	13086690	15918444	16704716	18439400	24746403	25806613	23517702

1Central Statistics Office, Afghanistan, 1997. Population Growth Rate(1.92%); 2 UNIDATA 1991. Population Growth Rate (2.4%); 3 USAID 1990. Population Growth Rate (2.4%) 4 Data from the Oak Ridge National Laboratory, LandScan Global Population 1998 & 2000 Database. The LandScan Global Population Project is a worldwide population database at 30" X 30" (arc second) resolution for estimating ambient populations at risk. Best available census counts are distributed to cells based on probability coefficients which, in turn, are based on road proximity, slope, land cover, and night time lights. Global coverage has been completed
5 World Food Programme. Source of estimates unknown.

Annex 2

A Comment on Land and Occupation

" We do have several general censuses which help clarify the sedentary vs non-sedentary picture, at least in the gross quantitative sense. Charts 8,9, and 1 1 are taken from Population and Agricultural Survey of 1963, undertaken by the Ministry of Planning. The Department of S tatistics and Research admits wide margins for error in several of the interpolations, primarily because of the reluctance of villagers to answer questions concerning ownership of property and livestock (they feared increased taxes) and the number of sons (they feared conscription), in spite of assurances of anonymity given by the poll takers. However the number of villages (Chart 8) tends to coincide with the rough field counts I have made in several provinces on the ground and with the use of aerial photos. This is also true of the percentage of land (Chart 1 1) owned by cultivators (about 50%) and the lack of non-agricultural occupational specialisation in villages (Chart 9). I suspect that any villager listing an occupation other than farmer-herder still functions primarily as a farmer, which is certainly true in the villages I have studied. Therefore with these warnings I present several tables from the survey. Chart 10 must be also considered with the same precautions in mind"
(Dupree, 1980 pp142)

Chart 9 Reported Occupations of Village Population: 1963

Occupation	Provincial Weighted Average	Range
Religious teacher	8.5	2.0 – 12.8
Farmer	80.3	65.7 – 94.2
Shepherd	5.4	1.9 – 12.6
Blacksmith	1.1	0.1 – 4.1
Carpenter	1.0	0 – 3.7
Barber	1.0	0 – 4.4
Other	3.4	0 – 24.8
Percent of males listing an occupation	35.5	17.4 – 59.5

Chart 10 Distribution of Labor Force in Afghanistan: 1966-67

Sector	Numbers	Percent
Agriculture	2942000	77.0
Industry, handcrafts	231000	6.0
Construction & mines	83000	2.2
Transport &	30,000	0.8

communication		
Education	12,000	0.3
Health	6,000	0.2
Trade	106,000	2.8
Civil Service	60,000	1.6
Miscellaneous activities in rural areas (undefined)	350,000	9.1
	3820000	100

Chart 1 1 Estimated distribution of Agricultural Land by Form of Tenure by Province: 1963

	Percent of total land which is (derived estimates):
Province	Share-cropped Mortaged Owner Operated Other
Paktya	2.03.794.30
Parwan	5.89.180.05.1
Uruzgan	12.11.279.810.9
Ghazni	8.111.279.61.1
Badakhshan	1.30.875.422.4
Maimana	2.40.675.221.8
Kabul (Faryab)	16.16.674.92.4
Bamiyan	1.60.673.923.8
Qataghan (Kunduz)	22.25.863.28.7
Heart	13.40.7662.723.2
Farah	24.111.260.114.3
Mazar-e-Sharif	23.61.560.014.8
Qandahar	9.17.554.129.3
Ningrahar	5.443.645.15.9
Girishk (Helmand)	6.45.718.769.2

Annex 3

Regional Food Economies (adapted from 1998 unpublished draft WFP report on Food Economy Zones)

Region	Grain sources	Sources of income	Vulnerability
Badakhshan Highlands	Exchange	Seasonal wage labour in other provinces Livestock	Disruption labour markets Failure snow-fed crops Loss of livestock / decline in livestock prices
Badakhshan Lowlands	Production Exchange Market	Opium Livestock Seasonal wage labour in other provinces Quarrying, handicrafts, gemstones	Disruption of cereal markets Disruption of labour markets Disruption of opium trade Loss of livestock / decline in livestock prices
Takhar Rainfed	Production Exchange	?	Crop failure Loss of livestock / decline in livestock prices
Takhar / Kunduz irrigated	Production Market	Cereal sales On-farm labour (Oil crops, cotton, fruit in past)	Crop failure Market failure for inputs / input prices Market failure for exports Wage labour shortage
Northern Rainfed	Production Animal Products Exchange	Livestock Products Cross-border trade Remittance Cereals	Rain failure Livestock mortality Disruption livestock marketing system/ low prices
Northern Irrigated	Production Animal products	Cereal sales Opium Livestock sales Carpets	Crop failure Market failure for inputs / input prices High livestock mortality Disruption livestock marketing system / low prices
North western irrigated	Production Animal Products Exchange	??	??
North western rainfed	Production Exchange Animal products	Livestock & livestock products Wage labour Remittance	Rain failure Livestock mortality Disruption livestock marketing systems / low prices

			Disruption of labour markets
Ghor	Production Potatoes Animal products	Cereals Livestock Seasonal wage labour Carpets, wood & salt sales	Rainfall failure Livestock mortality Disruption livestock marketing systems/ low prices Disruption of labour markets
Herat	Production Market	Cereals (Cotton, Oil crops, horticulture, spices) Silk spinning Seasonal labour	Crop failure Disruption of inputs markets / high prices Disruption of silk markets / low prices processed silk
Upper Hari Rud	Production Exchange	Cereal Fruit Sales Livestock Seasonal labour / remittance / silk	High cereal prices Disruption of labour markets Crop failure Disruption of silk markets / low prices processed silk
Western pastoralist	Market Exchange	Livestock & livestock product sales Fuel wood Seasonal labour Remittance	Decline in livestock production Lack of access to seasonal pasture Increase in cereal prices Decrease in livestock prices
Farah	Exchange Production Market	Cereals Opium Fruit Labour migration and carpet weaving	High cereal prices / disruption markets Disruption of labour markets Crop failure Disruption of opium trade
Helmand	Production Exchange Markets	Opium Cereals Livestock Wage labour / remittances / commerce	Crop failure Increase in cereal prices Disruption of opium markets
Kandahar	Market Production Animal products	Fruit Opium Urban wage labour / remittances Livestock sales	Disruption of markets High cereal prices / crop failure in Helmand Crop failure (fruit) Decline in fruit prices
N.Kandahar	Production	Cereals Opium & fruit	Crop failure Disruption of opium markets
Zabul	Production Market	Cereals Fruit & almonds Livestock sales Remittance income	Crop failure Disruption livestock markets / decline in prices
E.Paktika	Exchange	Livestock & livestock	Decline in livestock returns

	Animal Products	products Seasonal and remittance labour	Disruption grazing routes Disruption cross-border marketing routes Disruption in labour markets (Pakistan) Crop failure
Ghazni	Production Exchange Animal products	Potatoes, cereals, fruit Livestock Remittance income Wage labour & handicrafts; Trade	Crop failure Disruption of cereal markets
S.W.Pakia	Production Animal products	Livestock sales Sale of timber and pine nuts Remittances	Decline in livestock returns Disruption in livestock markets/ prices Disruption cross-border marketing routes Disruption of labour markets (Pakistan)
N.Paktia	Production Animal Products	Cereal & cannabis sales Livestock sales Remittances Cross-border trade Rope making, pine nut & timber sales	Crop failure Decline in livestock returns Disruption in livestock markets / prices Disruption cross-border marketing routes Disruption in labour markets (Pakistan)
Logar/Paktia	Production Exchange Animal products	Cereals Fruit, vegetables Transport , commerce Urban & rural labour (Ainack copper mine)	Crop failure Market failure (Kabul)
Wardak	Production Market Animal products	Potatoes & apples Agricultural labour Livestock sales; Trade	Crop failure Disruption of markets for potatoes & fruit High cereal prices
Nangarhar 1	Market Production Animal Products Exchange	Poppy Timber Wage labour Cross border trade	High cereal prices Disruption of cross-border trade (Pakistan) Disruption of opium marketing
Nangarhar 2	Production Animal Products Market	Cereals Livestock products Opium Cross-border trade	Crop failure Disruption of cross-border trade

		Local labour & remittances	
Kunar	Production Exchange Animal products	Cereals & vegetables Livestock sales Remittances ; Cross-border trade	Crop failure Disruption of labour markets (Pakistan)
Laghman	Production Market Animal Products	Cereals Farm products (vegetables, fruit, milk) Urban labour Cross-border trade	Crop failure Cereal prices Disruption of cross-border trade Disruption of labour markets (Kabul, Jalalabad.Pakistan)
Nuristan	Exchange Production Animal products	Livestock exchange Remittance income (Pakistan & Gulf) Forest produce & timber	Livestock mortality / price decline Disruption of livestock markets Cereal price Disruption cross-border trading
Parwan / Kapisa Highland	Exchange Production Animal products	Remittance (Iran) Wage labour Livestock products	Cereal price Disruption of labour markets
Bamyan	Production Animal products Market	Potatoes Remittance (Kabul, Iran) Carpets & timber	Crop failure Disruption potato markets Decrease livestock productivity
Central mountains	Production Exchange Market	Remittance (Kabul, Iran, Pakistan) Livestock sales Potatoes Wage labour	Disruption of transport routes Price increases Crop failure Decrease livestock prices Disruption of labour markets (Iran / Pakistan)
Southern Hindu Kush 1	Production Animal products Market	Livestock Wage labour	Crop failure Decline in livestock productivity Disruption livestock marketing routes/ price changes
Southern Hindu Kush 2	Production Animal products Market	Livestock Wage labour Opium	Crop failure Decline in livestock productivity Disruption livestock marketing routes / price changes Disruption of opium market
S.W.Uruzgan	Production	Fruit & opium Cereals	Crop failure Disruption of opium/fruit markets

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