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GROWING OUT OF POVERTY?

Questioning agricultural policy in Afghanistan

EXECUTIVE SUMMARY

This report argues that agricultural policies in Afghanistan since 2001 have been selectively based on earlier examples, mainly from Asia, of technology-driven and market-supported agricultural reforms. These past examples have little in common with the conditions of Afghanistan today, and the assumptions made in these policies take little account of the evidence from Afghanistan's agrarian economy. Agricultural policy in Afghanistan has clearly failed to deliver on its objectives given the near constant rise in rural poverty rates. These reached 55 per cent of the population in 2016/17, and food insecurity rates at the same time rose to 45 per cent. The preconditions needed to favour strong agricultural growth have simply not been in place in Afghanistan. Therefore 'business as usual' economic approaches and policy models that might work elsewhere will not work in Afghanistan.

The report argues for a radical rethinking of agricultural policies in Afghanistan. Such changes should include

- focusing on supporting the generation of demand, particularly in urban areas, which current supply-side approaches to agricultural policies neglect;
- prioritising employment generation through large-scale, labour-intensive infrastructure

projects both in urban and rural areas in order to tackle rising poverty (projects that could, over time, contribute to providing and improving the necessary urban and rural infrastructure to support future economic growth);

- giving much greater policy significance to food security (as food tops the hierarchy of human needs, and food insecurity has long-term consequences for health, educational achievements and the productive capacity of labour);
- protecting domestic agriculture (as most other countries do) by imposing broad-based import duties on agricultural cash crops and products to stimulate domestic production;
- paying more attention to what poor rural people actually do and how they survive and accordingly recognizing the significance of migration and remittances to survival strategies;
- continuing to support – with much more modest ambition – agricultural development in 'local growth pockets', as they can have multiplier effects that include supporting the growth of local non-farm activities (but that however, are unlikely to drive broad-based growth even in the medium term).

These essentially pragmatic responses drawn from an existing repertoire of policy options do not in many respects go far enough. Greater imagination is needed in thinking about what policies to pursue. There needs

to be a move beyond a focus on production and supply in agriculture support and greater account taken of the structural constraints facing rural households and their risk environments. Markets are not a solution to these constraints, since Afghanistan's rural economy is structured and regulated more by social relationships than by market relations. A much more politically informed and context-centred approach to economic development is needed in Afghanistan.

1. INTRODUCTION

The core policy story told about agriculture in Afghanistan since 2001 has been about how growth and development in this sector would reduce poverty, create employment and lead to an economic transformation. The 2009 National Agricultural Development Framework¹ encapsulates this broad narrative:

- When the Afghan economy is overwhelmingly agricultural, agriculture is the dominant factor in the economy, in food security, livelihoods, sustainable natural resources and national security. Agriculture will determine whether Afghanistan will succeed or fail.
- It is a policy story that draws on the comparative historical evidence of past and more recent structural transformations where countries transitioned from poorer, agrarian-based economies to richer industrial ones. Central to that transformation has been rising farm productivity and commercialisation that moved agriculture from a subsistence to a market economy. This, in turn, led to increasing incomes, poverty reduction, growth of industry and the movement of rural people out of agriculture into the urban economy. The story draws strongly on the recent Asian experience (the Green Revolution) and the effects of new high yielding varieties of crops on production, food security and poverty during the 1970s and 1980s.²

The conditions of these recent and past agricultural transformations, however, are not those of

Afghanistan. Such transformations had strong and effective state involvement, a long history of investment in public goods, tariff barriers, a growing urban sector and a favourable demographic structure. Indeed, conditions that have required state intervention have been denied to Afghanistan because of the dominance of free market thinking in its policy making. Afghanistan, moreover, comes to these classic development processes 'late' and may be 'too late', burdened as it is by a sizeable landless rural population, a growing but young population, a stagnant urban economy and limited state capacity to support structural change in a globalised economy. Compounding these challenges are the effects of climate change: rising temperatures and increased risks of poor winter snowfall that reduces spring melt that feeds the rivers, and failed spring rains.³ Climate change will undermine the viability of the country's irrigated and rainfed agriculture and further expose an already vulnerable rural population to setbacks from which they may not recover.

Even so, a trail of policy documents has since 2002 argued that market-driven, agriculturally focussed development is the route for Afghanistan to follow. Many programmes and projects have been designed and implemented to that effect, with claims of success but without achieving the broader outcomes.

The aim of this paper is to challenge this dominant 'policy story' that market-driven agricultural development is the remedy for Afghanistan's poverty. As will be argued, the policy story is at odds both with evidence from other countries where similar policies have been attempted and with the wider evidence on the state of agriculture in Afghanistan. Recent analysis makes clear that poverty rates have steadily grown in Afghanistan over the last decade, particularly in rural areas, while urban rates have remained more stable.⁴ Between 2011/12 and 2013/14, rural poverty rates rose from 38 per cent to 43.6 per cent of the population. In 2016/17 they reached 55 per cent⁵ and

³ NEPA & UN Environment, "Afghanistan: Climate Change Science Perspectives" (Kabul: National Environmental Protection Agency & UN Environment, 2016).

⁴ Islamic Republic of Afghanistan, Ministry of Economy and the World Bank, "Afghanistan Poverty Status Update: Progress at Risk" (2017).

⁵ See also Thomas Ruttig and Jelena Bjelica, "The State of Aid and Poverty in 2018: A New Look at Aid Effectiveness in Afghanistan" (Kabul: Afghanistan Analysts Network, 2018, <https://www.afghanistan-analysts.org/the-state-of-aid-and>

¹ Ministry of Agriculture, Irrigation and Livestock, "National Agricultural Development Framework" (Kabul, 2009).

² C. P. Timmer, "Managing Structural Transformation: A Political Economy Approach" (WIDER Annual Lecture 018, Helsinki: UNU World Institute for Development Economics Research (UNU-WIDER), 2014).

are now probably even higher. Food insecurity has increased from 30 per cent in 2011/12 to 45 per cent in 2016/17. Levels of rural unemployment and underemployment have deepened,⁶ and each year the young and still-growing population produces an increasing number of entrants into the rural labour economy. The statistics on the agricultural economy show a very sluggish growth with a high degree of variability between years due to climatic conditions.

The policy responses offered to these dismal outcomes have simply been to argue that the same policy story should be tried again: inclusive and broad-based growth through agricultural development, improved access to markets and rural-urban linkages, employment generation and labour-intensive growth.⁷

Implicit in the agricultural policy model offered to Afghanistan is a modernisation agenda that assumes that the path of agriculture-driven, structural transformations that have taken place elsewhere and in the past are possible now for Afghanistan. 'Evidence' from Afghanistan that this could be a successful path is often drawn from specific examples of commercialisation and small-scale successful projects in high-potential areas. However, these projects are unlikely to achieve the necessary scale to drive change, given the circumstances that Afghanistan's rural economy faces.

Questioning the assumptions underlying agricultural policies in Afghanistan, this paper argues for a rethinking that requires not just more effective policy implementation or a more ambitious pace of change. Rather, it is necessary to reformulate the objectives of agricultural policy in Afghanistan, and move food security to centre stage.

This paper first examines the evidence around the conditions that have generated structural transformations in other countries in the past, including the contexts under which that happened and the policy instruments that contributed. In so doing, it draws attention to some of the restrictions and limitations of the structural transformation narrative. It then goes on to examine in more detail the

Afghanistan policy narrative as reflected in key policy documents and points out how lessons from past structural transformations have been ignored and that the focus remains largely on production and supply issues. This then leads into a section that critically examines the narrative in the light of the empirical evidence around the nature of Afghanistan's rural economy and the political economy of its markets. It draws attention to the fact that the challenges Afghanistan's agricultural market development faces largely lie outside the sphere of production. It concludes that the mainstream policy narrative is both empirically and conceptually problematic. The paper ends with a set of recommendations, and proposes a rethinking of the assumptions underlying Afghanistan's agriculture policy narrative to be more attuned and relevant to the specific context of Afghanistan. But it also asks whether such pragmatic responses will be enough to address the challenges that Afghanistan's rural economy now faces.

2. THE STRUCTURAL TRANSFORMATION NARRATIVE

There is no question that, over the long term, economic growth has been the major driver of poverty reduction.⁸ Economic growth is a measure of the increase in the total value of all goods and services produced within a country over a period of time and often quantified through the metric of the gross domestic product (GDP). Countries that have experienced such sustained economic growth – many in the global north over several centuries and more recently and more quickly, several East Asian states such as China, Vietnam and South Korea – have gone through a process of structural transformation.

Two key factors have driven these changes:

- The first is rising agricultural productivity closely linked to market development that generates economic surplus that has been invested in non-agricultural activities.
- Second and closely linked is rising demand for food, goods and services stimulated by urbanisation, industrialisation and rising wages.

poverty-in-2018-a-new-look-at-aid-effectiveness-in-afghanistan/).

⁶ World Bank, "Afghanistan Development Update" (2018).

⁷ World Bank Agricultural Sector Review, "Islamic State of Afghanistan Agriculture Sector Review (ASR): Revitalizing Agriculture for Economic Growth, Job Creation and Food Security" (Washington, DC: World Bank, 2014).

⁸ A. Deaton, *The Great Escape: Health, Wealth, and the Origins of Inequality* (Princeton: Princeton University Press, 2013).

The ensuing shift or transition from a largely agrarian economy to an industrial one has typically had four characteristic elements⁹:

- First the contribution of agriculture to economic output and employment has fallen; thus the shares of GDP and labour in agriculture decline as countries develop.
- Second and in parallel, economic activity and employment has urbanised and the share of industry and services to economic output has risen.
- Third and linking these two changes, rural labour has migrated to urban employment, reducing the size of the rural population relatively and in time absolutely.
- Accompanying these three features, a demographic transition occurs as improved nutrition and health services result in a falling death rate that leads to a growth in population that then tapers off.

Increases in agricultural productivity before the twentieth century were driven by a gradual process of agricultural improvement and the rise of private property regimes. From the twentieth century onwards, increased use of fertilisers and mechanisation became significant. More recently plant breeding, as evidenced in the Green Revolution, has played a critical role (notably in Mexico, the Philippines and India). This resulted in a shedding of labour from agriculture, which however has rarely been accompanied by a synchronous absorption of that labour into urban labour markets. Usually agriculture's contribution to economic output has fallen faster than its contribution to employing labour, thus leading to surplus rural labour. In the case of Europe (see below) this led to massive international migration in the late nineteenth century. Only in the structural transformation of East Asian countries such as Taiwan and South Korea was there a rapid absorption of labour into industry and a labour-intensive industrialisation process, which explains the speed with which the structural transformation happened here. However, this was due to active policies by these states to both protect their infant industries from competition and safeguard rural food security, thus ensuring agricultural and industrial productivity increased in step. In Sub-Saharan Africa in general and India, for example, this has not happened

⁹ Timmer, "Managing Structural Transformation."

and surplus agricultural labour has found work only in low productivity informal-service-sector work, thus creating urban poverty.

The policy making world has not drawn on these context-specific lessons from the past. The 2008 World Development Report (WDR08), for example, was a strong advocate for free-market-driven agriculture growth as the engine for development.¹⁰ It stylised the stages of structural transformation into three worlds: "agriculture-based," "transforming" and "urbanised." There is an explicit evolutionary view within the WDR08 that countries can move through the stages of growth that the Western world did before the 1930s and that the agrarian transitions of the past are achievable now in countries that have yet to make that transition. Afghanistan, in this model, has been viewed as "agriculture-based," on its way to "transforming," to ultimately become "urbanised."

However the circumstances of previous transitions are very different from those that agriculture-based countries face today.¹¹ Western and North American agrarian transitions happened when European and American political domination created captive markets and restricted competition. In Europe the extraordinary level of international migration between 1850 and 1930, where over 60 million people are estimated to have left for the Americas, helped address the problem of surplus labour in their rural economies and eased the transition. For the Latin American and East Asian countries that have undergone more recent agrarian transitions, state intervention, notably through protecting domestic markets, has played a critical role. Indeed a history of public policy in agriculture shows that in the past there has been a wide and diverse range of state intervention – through input and output policies – to support agricultural growth.¹² Rarely if ever have solely state or free market positions produced positive outcomes for agricultural development.

¹⁰ World Bank, "World Development Report 2008" (Agriculture for Development, Washington DC: The World Bank, 2007).

¹¹ B. Losch S. Freguin-Gresh and T. E. White, "Structural Transformation and Rural Change Revisited: Challenges for Late Developing Countries in a Globalizing World" (African Development Forum series, Washington DC: The World Bank and Agence Francaise Development, 2012).

¹² Ha-Joon Chang, "Rethinking Public Policy in Agriculture: Lessons from History, Distant and Recent," *The Journal of Peasant Studies*, 36, no. 3 (2009): 477–515.

Thus, the structural transformation framework faces at least four challenges concerning its relevance to Afghanistan's agricultural development.

First, the evolutionary terminology assumes that the path that other countries have taken is still relevant for those countries that have yet to make the transition. All that is required is for markets to be developed and the rural poor to be connected to them. This view, in which market exclusion is seen as the main cause of poverty, has been called a "residual" position: the poor are those who have been left out or behind and have simply to be brought in. This residual position linked to an evolutionary model of development has been a core assumption in rural development. But evidence is that in other parts of Asia, for example India, growing proportions of rural labour cannot find work, in either urban or rural areas. In this sense they are 'surplus' to the economy. Some countries are not just late, but may be 'too late' to catch up on the normative development trajectory, or they can do so only by accepting that a portion of the rural population will remain permanently unemployed.

Second, prices in the past were a major driver of the structural transformation process. But since the early 1970s there has been a long-term fall in commodity prices, which has limited the profitability of market-driven agriculture. Although since 2007 they have risen, they have been highly volatile. Moreover, since the 1990s the global economy and politics have seen significant changes. Agricultural production and trade have both grown substantially, with significant expansion in agricultural exports pushing prices downwards for producers. In 1970 the total value of all agricultural exports was \$52 billion, but by 2005 it had risen to \$654 billion.¹³ In addition, the role of agribusiness corporations in international agricultural trade has risen significantly, exerting a strong influence on the terms and conditions of global commodity markets.¹⁴ A further constraint on 'free' market prices has been the extent to which developed countries continue to subsidise and protect their own agriculture, depressing global prices.¹⁵

¹³ S. M. Borras, "Agrarian Change and Peasant Studies: Changes, Continuities and Challenges – an Introduction," *Journal of Peasant Studies*, 36 no. 1 (2009): 5–31.

¹⁴ S. Clapp, *Food*, Volume 8 of PRS – Polity Resources Series (Cambridge: Polity, 2016).

¹⁵ One source in 2004 reported that "more than one-fifth of world cotton producer earnings during 2001/02 came from

Third, an agriculturally centred development approach usually has several overlapping motivations. These include its potential contribution to growth, poverty reduction and food security. But agricultural growth can also take place without reducing poverty or increasing food security.¹⁶ The early arguments made for the poverty reducing effects of agricultural growth in the Green Revolution focused on the multiplier effects of rising farm incomes, which would stimulate the local rural non-farm economy, which in turn would benefit the poor.¹⁷ This was an effect that has been seen with opium poppy cultivation in Afghanistan.¹⁸ However with improvements in transport the protective barriers of isolation in rural locations fell away, reducing opportunities in the local economy for labour, thus depressing the multiplier effects. Thus for growth to reduce poverty and improve food security, specific pro-poor policy measures are required. This has not happened in Afghanistan.

Finally there have been many types of agrarian transition.¹⁹ These can only be understood in terms of the dynamics between internal structural factors and the external global economic environment – factors that are largely ignored in Afghanistan's agricultural policy story. The drivers of agrarian change are not just improved technologies and better access to markets. The interests of elites and the role of national and international political institutions have also to be

government support to the sector. Support to cotton producers has been greatest in the US, followed by China and the EU. For 2001/02, US combined support to the cotton sector was US\$2.3 billion. The EU's support (to Greece and Spain) totalled US\$700 million and China provided US\$1.2 billion. Subsidies encourage surplus cotton production, which is then sold on the world market at subsidised prices. This has depressed world cotton prices, damaging those developing countries which rely on exports of cotton for a substantial component of their foreign exchange earnings." I. Gillson, C. Poulton, K. Balcombe and S. Page, "Understanding the Impact of Cotton Subsidies on Developing Countries" (ODI Working Paper, London, 2004, <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/4721.pdf>).

¹⁶ IFAD, "Rural Development Report 2016: Fostering Inclusive Rural Transformation" (Rome: International Fund for Agricultural Development, 2016).

¹⁷ D. Start, "The Rise and Fall of the Rural Non-farm Economy: Poverty Impacts and Policy Options," *Development Policy Review* 19, no. 4 (2001): 491–506.

¹⁸ A. Pain, "Opium Poppy and Informal Credit" (AREU Issues Paper, Kabul, 2008).

¹⁹ T. J. Byres, "The Landlord Class, Peasant Differentiation, Class Struggle and the Transition to Capitalism: England, France and Prussia Compared," *The Journal of Peasant Studies* 36, no. 1 (2009): 33–54.

considered. Politics sets the rules and must be understood if we are to grasp the nature of transitions and why certain paths are followed and technologies adopted and others are not. There is little to suggest that the behaviour of Afghanistan's political elites from city to village reflect a strong social agenda.

In sum while a model of structural transformation might speak in part to the historical record of agriculture's role in stimulating economic change, it is far from clear that a market-driven route offers the means for poverty reduction or that agriculture is the route for Afghanistan's growth and economic development.²⁰

3. THE AFGHANISTAN AGRICULTURAL POLICY STORY

3.1 Afghanistan's Agricultural Past

Afghanistan has long had an agrarian market economy²¹ with trading systems that stretched across the region exporting primary and processed agricultural products to these markets and to Europe. Before 1979 Afghanistan had an established position in specific export niche markets including dried fruits and nuts and industrial crops such as cotton and sugar beet,²² markets that it lost during the long period of conflict and has not regained in the new globalized market place.²³ This past has provided the basis for hopes that a market-driven agricultural economy can drive economic development in Afghanistan now.

²⁰ S. Dercon, "Agriculture and Development: Revisiting the Policy Narratives," *Agricultural Economics* 44 (2013).

²¹ S. H. Hanifi, *Connecting Histories in Afghanistan: Market Relations and State Formation on a Colonial Frontier* (Redwood, CA: Stanford University Press, 2011).

²² A. Fitzherbert, "Rural Resilience and Diversity across Afghanistan," in A. Pain and J. Sutton (eds) *Reconstructing Agriculture in Afghanistan* (Rome: FAO and Rugby: Practical Action, 2007).

²³ One source claims (p. 16) that "the world market for raisins, pistachios, dried apricots, almonds, and walnuts is more than \$2.2 billion, of which Afghanistan has less than a 3 per cent share. Many of these products were formerly produced on a large scale and have international recognition for quality. Raisins, for example, are Afghanistan's primary agricultural export commodity and once accounted for 60 per cent of the world's market." M. Rasoly and H. M. Chandrashekar, "Export Performance of Dried Fruits from Afghanistan – A Study in Afghanistan," *International Journal of Research in Business Studies and Management* 5, no. 5 (2018): 16–22, <http://www.ijrbms.org/papers/v5-i5/3.pdf>.

Understandably, ambitions exist for what Afghanistan's agricultural sector could achieve. The period between 1979 and 2001, when real gross domestic product (GDP) did not increase, has often been seen as one long period of agricultural stagnation and decline. But FAO's work on improving wheat production bore dividends in the agricultural recovery in the 1990s and post-drought recovery after 2001. In the long period of conflict, markets were not destroyed and did not fail. During the drought of the late 1990s and into early 2000, market systems continued to function ensuring that grain markets delivered. Import levels of wheat have always been highly responsive to shortfalls in domestic production.²⁴

After 2001 commercialisation and technical change in agriculture continued. Opium poppy cultivation is one example. Others are the expansion of onion production in Nangrahar and saffron and grapes in Herat. Intensive commercial vegetable crop production has developed in the irrigated districts of Nangrahar adjoining Jalalabad and in parts of the Shomali plain in Parwan province north of Kabul. Commercial potato production in the central districts of Bamyan has expanded, as has the traditional melon crop in the northern provinces. Temperate fruit orchards – including apples and plums in certain districts of Wardak and Ghazni – provide a reasonable income for their owners. All these crops have a ready market in Kabul and other urban centres. So in some senses it is understandable why ambitions abound for Afghanistan's agricultural sector.

3.2 Policy History

Thus between 2001 and 2007 policies produced by the Asian Development Bank, the Food and Agricultural Organization, the World Bank, donors, government and line ministries all asserted that agriculture would be the engine of Afghanistan's growth and the main source of livelihood for the majority of Afghans.²⁵ All

²⁴ P. Chabot and F. Tondel, "A Regional View of Wheat Markets and Food Security in Central Asia with a Focus on Afghanistan and Tajikistan" (Famine Early Warning Systems Network, World Food Programme and the United Nations State Agency for International Development, 2011).

²⁵ A. Zezza and M. Migotto, "Towards a Framework for Agricultural Development and Food Security in Afghanistan," in A. Pain and J. Sutton (eds) *Reconstructing Agriculture in Afghanistan* (Rome: FAO and Rugby: Practical Action Publishing, 2007).

implicitly equated rural areas with agriculture and poor farmers, and agriculture with food security and livelihoods. But most policy documents were essentially agriculture-sector reviews rather than strategies, strong on aspirations and priority lists but weak in analysis and understanding or exploration of trade-offs between food security needs, poverty reduction objectives, and agriculture and export driven growth.²⁶ They were particularly blind to a context of conflict, and they showed programmatic short termism.

Programmes were designed and implemented, but despite the investments and hopes, the desired agricultural growth has not taken place. Agricultural growth has been highly volatile with a small upturn in 2016 after several years of decline.²⁷ The country's rural economy remains in poor health. As the World Bank's Agriculture Sector Review (ASR), the most significant policy review since 2007, admitted in its title, "Revitalizing Agriculture for Economic Growth, Job Creation and Food Security," agriculture's contribution to employment and wellbeing has fallen far short of policy expectations.²⁸ In common with the orientation of most policy outputs in Afghanistan, the ASR's perspective was to the future, with little consideration of why, after almost 15 years making the same claims, the same means were asserted to realise an assumed potential for agriculture that has yet to be shown. Specifically the ASR assumed that "higher yields in agriculture, access to non-farm rural income-earning activities, migration of family members to cities and transition to wage employment" would be the route to prosperity.²⁹ The means by which a transformation would be brought about were said to include

*paying attention to production risk management, by investing in climate-smart agriculture, by promoting agricultural trade and by integrating smallholders into the value chains of commercial agriculture.*³⁰

²⁶ Zezza and Migotto, "Towards a Framework," 279.

²⁷ World Bank, "Afghanistan Development Update" (2017), <http://documents.worldbank.org/curated/en/471191495626000119/pdf/115229-REVISED-PUBLIC-AFG-Development-Update-Spring-2017-final.pdf>.

²⁸ World Bank and Islamic State of Afghanistan, "Agricultural Sector Review (ASR) Revitalizing Agriculture for Economic Growth, Job Creation and Food Security" (2014).

²⁹ World Bank, "Agricultural Sector Review," 1.

³⁰ World Bank, "Agricultural Sector Review," 1.

While the state – drawing selectively on the lessons from the Green Revolution model – was seen to play a lead role in coordinating strategy across value chains to encourage growth, it was expected that it would work with the private sector and NGOs in market-led solutions. This perspective paid little attention to the conditions under which past Green Revolutions came about, where the state provided financial support to smallholders against market risks and often protected national markets from global competition.³¹ In addition a precondition for the Green Revolution transformations were substantial prior investments in infrastructure and rising urban demand that stimulated supply. These conditions do not exist in Afghanistan.

3.3 Market Development in Afghanistan since 2001

The most recent government statement of agricultural policy, released in 2016, has essentially taken the position of the ASR in focusing on commodity value chain development and relying on the private sector and markets, with the government playing a coordinating and regulatory role.³²

Policymakers in 2001 were largely working under the assumption that markets had simply disappeared during the drawn-out political conflict. Others, however, came to realise that this had not happened. Grain markets had been functioning rather well during the conflict years given the circumstances. Opium markets more closely resembled a "competitive market, rather than a criminal cartel" with production that was price-responsive.³³ The horticulture sector had far from collapsed. An early study on the *hawala* system in Afghanistan also showed that there was a rather effective, informal market at work.³⁴

³¹ A. Dorward, J. Kydd, J. Morrison, and I. Urey, "A Policy Agenda for Pro-poor Agricultural Growth," *World Development* 32, no. 1 (2004): 73–89.

³² Ministry of Agriculture, Irrigation and Livestock, "National Comprehensive Agriculture Development Priority Program 2016-2021: A Strategic Framework for Agriculture Sector Development and Reform" (Kabul: Government of Islamic Republic of Afghanistan, 2016).

³³ World Bank, "Afghanistan State Building, Sustaining Growth, and Reducing Poverty. A Country Economic Report" (No 29551-AE, Washington, DC: World Bank, 2004), 84.

³⁴ S. Maimbo, "The Money Exchange Dealers of Kabul: A Study of the Hawala System in Afghanistan" (Working Paper 13, Washington, DC: International Bank for Reconstruction and Development (IBRD), World Bank, 2003).

But policy and programming mainly focused on the challenges of either ‘rebuilding’ markets or making the so-called informal sector ‘formal’ so that the ‘private sector’ could become the engine of growth. (‘Informal’ essentially means that which is not regulated or known about by the state; it does not mean that informal markets are not regulated at all.) The policy aim was thus to promote a conducive investment climate and address constraints to private-sector development. These constraints were defined in terms of poor infrastructure, the lack of access to finance, a poor regulatory environment and considerable corruption. However, such issues were all too often assumed to be technical shortcomings that could be tackled without an understanding of the institutional context in which they were embedded.

One of the core programmes of the Ministry of Agriculture, Irrigation and Livestock (MAIL) has been Afghanistan’s Comprehensive Agriculture and Rural Development-Facility (CARD-F). This focused on what is termed ‘value chain development’ (strengthening the relationships between actors in a commodity market system as it moves from farm to consumer) and has sought to provide input services with infrastructural support for selected commodities, such as saffron, grapes, dairy, vegetables and poultry. Its aim is to “increase employment, income and business opportunities for rural masses” in 14 target provinces.³⁵ Core barriers to the development of the rural economy in this view are lack of information about prices and lack of access to credit, which in turn prevent farmers from taking risks and engaging with the market. The programme’s ‘value added’ ideas seek to drive commodity flows from field to market through its representation of the value chain.³⁶ It aims to increase production, trade through ‘standard practices’ and facilitation to acquire deals, and it aims to support the establishment of producers’ organisations. It is a model that is consistent with the ASR and its view that value chain development is the key to driving growth and creating jobs.

CARD-F’s accomplishments, as with most programmes, are framed in terms of input provision, infrastructure

³⁵ CARD-F, “About Us” (undated), <http://www.cardf.gov.af/about-us/>, accessed 15 August, 2019. The 14 provinces included Balkh, Badakhshan, Kunar, Nangahar, Laghman, Kandahar, Helmand and Herat.

³⁶ See, for example, CARD-F, “Vegetable Value Chain” (undated) <http://www.cardf.gov.af/vegetable-value-chain/> accessed 15 August 2019.

construction and farmers trained;³⁷ the focus is more on quantitative outputs than on outcomes – a feature also of MRRD’s Afghanistan Rural Enterprise Development Project (AREDP), as illustrated in Table 1. These indicators say nothing about the effects of the programme. This is not entirely surprising given the challenge of attributing higher-level changes to specific modest interventions. As a result, how value chain development will create employment and for whom, and what that employment will look like, is largely unaccounted for, even if a programme might claim it. Indeed an earlier exercise in seeking to quantify job creation from agricultural development³⁸ faced considerable methodological challenges because programme monitoring and evaluation frameworks do not coherently or consistently address job creation outcomes.

Table 1
AREDP: Stated Achievements

- Established 5260 savings groups
- Established 1,360 enterprise groups
- Supported 593 SMEs (small or medium enterprises)
- Established 493 village savings and loan associations
- Supported 1,304 people with disabilities and their families
- Supported 1,258 Kuchis and their family members
- Achieved total savings of 169.3 million afghanis
- Disbursed loans valued at 255 million afghanis and recovered loans valued at 132 million afghanis, with 26,566 total borrowers (male and female)

Source: World Bank, “Jobs from Agriculture in Afghanistan,” Washington DC: The World Bank, 2018, 92.

The evidence on how real commodity markets function in Afghanistan questions the assumptions of the CARD-F programme and AREDP, in particular with regard to the centrality of lack of information about prices and limited access to credit. Moreover, such a strict focus on value chains pays little attention to which key social actors and power players in the market place structure market exchange and the context of risk and conflict.³⁹ Analytical approaches to

³⁷ CARD-F, “Factsheets” (2018) <http://www.cardf.gov.af/about-us/factsheets/>, Accessed 15 August 2019.

³⁸ World Bank, “Jobs from Agriculture in Afghanistan” (Washington DC: The World Bank, 2018).

³⁹ For an analysis of how actors structure the market place see this account of Afghanistan’s onion market: G. Minoia,

understanding markets have moved on considerably from the frameworks that appear to have been adopted in Afghanistan and there is a need to pay much more attention to how markets work in practice.⁴⁰

In sum, agriculture policy in Afghanistan speaks to an ambition or a vision of what agricultural development should be, but fails to take into account how things actually are. In fact, reality seems to be explicitly ‘caveated out’ of the plans. The stated core preconditions underpinning the claim that agriculture can play in generation jobs include

*the absence of extreme weather events and abrupt changes in climatic patterns; a stable security, political and institutional environment; availability of adequate infrastructure and access to finance; and investments in additional or improved equipment to expand the scope and quality of production.*⁴¹

These assumptions are fantastical and are invalidated by the evidence of climate change, absence of adequate infrastructure and the unstable security, political and institutional environment.

4. CHALLENGING THE ASSUMPTIONS

While the policy narrative of the primacy of agriculture has largely remained unchanged since 2001, the contribution of agriculture to Afghanistan’s GDP has steadily fallen from about 38 per cent in 2002 to about 21 per cent in 2015.⁴² This has been driven in large part by the rise of a military, reconstruction and service economy, which drew in rural labour, pulled by the possibility of a better life and pushed out by physical insecurity and a rural economy that offered subsistence and not much more. With the foreign troop drawdown beginning in 2011, Afghanistan’s economy collapsed. Its growing urban poor population has since grown even further, due to large numbers of

returning refugees, mainly from Pakistan and Iran.⁴³ That growth has continued despite the estimated outflow of a quarter of a million Afghans who left for Europe in 2015/16.

So the contribution of agriculture to GDP has fallen, but without the rise in overall agricultural productivity anticipated by policy and without the generation of an economic surplus that could be invested in non-agricultural activities. As a result there has been no growth in urban and industrial employment to absorb excess rural labour. Nor have income levels in general risen to generate demand from the agricultural sector. The failure to secure so far even a modest industrial base in Afghanistan is likely to condemn it at best to a modest service economy with negative consequences on long-term economic growth potential.⁴⁴

Thus three critical assumptions are made, but not justified, in the normative policy model. The first is that there is a rural economy with farmers waiting to embrace the market economy once the conditions are right, which would then lead to the desired agricultural growth. The second is that there are emergent markets supported by a latent private sector that will help drive this growth. The third is that the demand exists to support such growth.

A relevant question concerns the extent to which people who live in rural areas are farmers. The evidence on land holdings and declining farm sizes raises doubts about the extent to which rural households can survive on agriculture alone. The average size of irrigated farm areas has significantly declined, falling from 1.3 hectares to 1.0 hectares per household in the period between 2007/08 and 2016/17, with only 38 per cent of households owning any irrigated land and just over 41 per cent having access to it.⁴⁵ Even fewer households either own or have access to rain-fed land. Despite these findings, the lack of attention to issues of inequalities in land

W. Mumtaz and A. Pain, “Peeling the Onion. Social Regulation of the Onion Market, Nangrahar, Afghanistan,” *Economic and Political Weekly* 50, no. 9 (2015): 79–86.

⁴⁰ R. Mallett and A. Pain, “Post-War Recovery and the Role of Markets: Policy Insights from Six Years of Research,” *Global Policy* 9, 2 (2018): 264–75.

⁴¹ World Bank, “Jobs from Agriculture,” 85.

⁴² The Global Economy.com, “Afghanistan: GDP Share of Agriculture (undated), https://www.theglobaleconomy.com/Afghanistan/Share_of_agriculture/ Accessed 15 August 2019.

⁴³ On the economic consequences of the arrival of more than 600,000 Afghans returning from Pakistan in 2016 to Nangrahar province, see F. Muzhary, “Resettling Nearly Half A Million Afghans in Nangrahar: The Consequences of the mass return of refugees,” (AAN Report, 2017), <https://www.afghanistan-analysts.org/resettling-nearly-half-a-million-afghans-in-nangrahar-the-consequences-of-the-mass-return-of-refugees/>.

⁴⁴ D. Rodrik, “Premature Deindustrialisation” (NBER Working Paper 20935, Cambridge MA, National Bureau of Economic Research, 2015).

⁴⁵ Central Statistics Organisation, “Afghanistan Living Conditions Survey, 2016–17” (Kabul, 2018).

holdings has been remarkable and the issue of landlessness has barely featured in the policy story. The ASR hardly mentions these issues. Yet between 2012 and 2014 the proportion of rural households that were landless rose from 32 per cent to 37 per cent.⁴⁶ Village-specific data points to much higher levels of landlessness in certain areas, particularly in well irrigated areas.⁴⁷

Early evidence after 2001 already pointed to a highly diversified rural economy in which a majority of the households with land did not produce sufficient wheat to meet annual household needs and relied on farm labour work and non-farm work to survive. Remittances from labour working in Afghanistan's cities and abroad was a key source of additional income. That picture still holds true and even though the dynamics of the opium poppy economy has at times and in places infused large income flows into the rural economy, levels of un- and underemployment have remained high and rising. By 2013/14 rural unemployment levels reached averages of some 45 per cent across the country, with regional variation, and high (52 per cent) underemployment levels as well.⁴⁸ In short, the work available in the rural economy is already insufficient.

Only a relatively small share of income from the rural economy is provided by agriculture, even though most rural individuals are involved in some agricultural activity, even if not on a full-time basis. According to the World Bank, this low contribution of agriculture to income is caused by the high number of unpaid family members, particularly women and rural youth and their limited participation in a market economy.⁴⁹ It is a position that stems from a particular analytical lens that ignores the logic in a peasant household of unpaid household labour under conditions of acute insecurity. It assumes an appetite by such labour for and the availability of market opportunities. Both points need consideration.

On the first assumption, that an appetite exists for such labour to 'join the market', the work of Russian Economist A. V. Chayanov, and his concept of the

peasant household economy, is relevant. He drew attention to a rationale of farm activity that focused on household survival and reproduction rather than profit maximisation. The household draws on unpaid family labour rather than wage labour in order to survive, minimise costs and reduce risks. The imperative in rural Afghanistan to maintain the joint multi-generational household, and the investment levels that such households make in marriage in order to ensure that, points to a different logic than that of the market. This "dependent security" that individuals seek within the household is a response to a lack of freedom from external threats, risks and hazards.⁵⁰ There are of course costs to personal autonomy for both women and men in this dependent security, but the risk environment of Afghanistan severely limits freedoms for many people to act autonomously. The persistence of small farms, unengaged or only partially so in market economies with both unpaid male and female labour, and Chayanov's account are relevant to understanding the reasons for this.⁵¹

But it is not just the logic of Afghan rural households that we need to understand, but also the context in which they live. The lens through which the policy narrative looks at the rural economy is of a productive economy that will be driven by market relations. But for large parts of the rural economy these are not the circumstances under which rural households now function. Rather than being structured by market relations, access to land is governed more by patron-client relations and non-contractual obligations, as the pervasiveness of share-cropping arrangements testifies to. Wages are often paid in kind rather than cash, as set by custom and segmented by gender, locality and age. It is social relationships rather than market relations that characterise the nature of exchange and economic behaviour.⁵² This accounts for the extent to which land and labour relations remain fundamentally not based on market relations. The persistence of this heavily socially-embedded economy can be accounted for by the relative security it offers under conditions of conflict and economic uncertainty.

⁴⁶ Central Statistics Organisation, "Afghanistan Living Conditions Survey 2013–14" (National Risk and Vulnerability Assessment, Kabul, 2016).

⁴⁷ A. Pain and D. Huot, "Challenges of Late Development in Afghanistan. The Transformation That Did Not Happen," *Asian Survey* 58 no. 6 (2018): 1111–35.

⁴⁸ World Bank, "Jobs from Agriculture."

⁴⁹ World Bank, "Jobs from Agriculture," 1.

⁵⁰ G. Wood, "Using Security to Indicate Wellbeing," in I. Gough and J. A. McGregor (eds), *Wellbeing in Developing Countries: From Theory to Research* (Cambridge, Cambridge University Press, 2007), 109–32.

⁵¹ J. D. van der Ploeg, *Peasants and the Art of Farming. A Chayanovian Manifesto* (Rugby, UK: Practical Action Publishing, 2014).

⁵² Pain and Huot, "Challenges of Late Development."

Markets are of course pervasive in rural Afghanistan and trading systems for clothing, food stocks and agricultural commodities permeate the economy. But these are not in any sense free markets. They are heavily structured by social relations and networks, where the market economy is intertwined with the political. Most function on informal credit based on personalised networks of trust. The network basis regulates access and strongly influences returns, according to an individual's positioning within the network. Studies on how actual commodity markets work, in Afghanistan⁵³ and elsewhere, show⁵⁴ that higher-level traders manipulate the market through political connections by setting prices, controlling volumes and creating risks and acute uncertainties for those lower down the hierarchy. These markets are thus subject to heavy forms of informal social regulation.

Indeed to talk of the development of a private sector to support market-driven agriculture is to create an 'imaginary' of something that does not exist. Given the interwoven nature of the political with the economic – where “networks of access not only dominate the state and the economy in Afghanistan, they constitute the state and economy”⁵⁵ – the assumption that an economic sphere exists separately from that of government is deeply problematic. From a pragmatic position and as another observer has noted,⁵⁶ even well-designed, technically suitable private sector initiatives and reforms are unlikely to make headway in the short term, and thinking that they might in the medium term appears deeply optimistic, given the networks of access that permeate Afghanistan's economic and political marketplaces.

So why has policy making in agriculture not taken these factors into account? Why have policy makers not thought more about why things are not working the way that was expected or been more attentive to Afghanistan's specific context?

In part it is a reflection of the tendency to adopt normative models and business-as-usual approaches

⁵³ Minoia, Mumtaz and Pain, “Peeling the Onion,” 79–86.

⁵⁴ Mallett and Pain, “Post-War Recovery and the Role of Markets.”

⁵⁵ A. Jackson and G. Minoia, “Political and Economic Life in Afghanistan,” *Asian Survey* 58 no. 58 (2018): 1090–10, p. 1096.

⁵⁶ W. A. Byrd, “What Can Be Done to Revive Afghanistan's Economy” (Special Report 387, United States Institute of Peace, Washington DC, 2016).

while sticking to the orthodox policy narrative. But it is a narrative that has failed to take into account the increasing evidence of blocked agrarian transitions elsewhere in Asia, where jobless growth traps surplus rural labour in a world of limited, poorly paid and insecure work. Underpinning it is also a tendency to focus on the production side of markets and their efficiency and to completely ignore the exchange relations that underpin marketing systems.⁵⁷ Compounding this is an approach to markets that is issue-driven and focused on the practical and that makes no effort to critically engage with the theoretical constructs that should drive empirical enquiry. This leads to unsubstantiated generalisations and unquestioned assumptions, such as how all rural farmers are entrepreneurs in waiting and that family members have sufficient security to act independently.

5. RETHINKING AGRICULTURAL POLICY IN AFGHANISTAN

So generalising from specific projects and their claims of success to argue for the transformational role of agriculture in Afghanistan is several steps too far. The evidence is against it. As various commentators have noted, the scale of most projects in Afghanistan is simply too small to have much of an impact on overall rural employment⁵⁸ while large national rural programmes simply spread resources too thinly.⁵⁹ More importantly pre-conditions that would favour strong agricultural growth are simply not in place, which means that ‘business as usual’ economic approaches and policy models that might work elsewhere, will not work in Afghanistan.⁶⁰

It would certainly be possible to refine the existing policy narrative to be more relevant to Afghanistan. Such a policy story would give

a more precise identification of the relative role of agriculture in the overall growth strategy . . . a much clearer identification of where the opportunities are in agriculture, carefully

⁵⁷ M. A. Jan and B. Harriss-White, “The Three Roles of Agricultural Markets: A Review of Ideas about Agricultural Commodity Markets in India,” *Economic & Political Weekly* XLVII, no. 52 (December 29, 2012): 39–52.

⁵⁸ World Bank, “Jobs from Agriculture,” 18.

⁵⁹ Byrd, “What Can Be Done.” Several of the policy recommendations draw from his paper.

⁶⁰ Byrd, “What Can Be Done.”

*specifying particular contexts and the specific parts of the value chains where gains are highest . . . and highlight the specific pay-offs in terms of poverty reduction from succeeding in identifying the relevant growth pocket in agriculture.*⁶¹

Afghanistan's economic development opportunities are difficult to foresee and approaches that are more grounded in its current predicament should be prioritised.

First, there are fundamental issues of demand that supply-side approaches to agricultural development have not addressed. With rising poverty levels over the last decade, in both rural and urban areas, the demand to support generalised growth is not in place in Afghanistan and it is folly to suggest that this can be met by fickle global commodity markets. The most strategic response, as Byrd suggests, would be to find means to increase urban demand by addressing rising poverty levels in the expanding urban populations.⁶²

Second, to address demand issues, the generation of employment through large-scale labour-intensive infrastructure projects are needed, both in urban and rural areas. These could, over time, contribute to providing and improving the necessary urban and rural infrastructure to support future economic growth. Increased employment would help address the level of food insecurity that has now reached some 45 per cent of the population, an appalling figure given the high level of resource flows into Afghanistan since 2001.

Three, it is paramount to give much greater policy priority to food security. Food is at the top of the hierarchy of human needs, and food insecurity has long-term consequences for health, educational achievements and the productive capacities of labour. Emphasising food security is not an argument for a national self-sufficiency policy in grain, but rather for ensuring that households have sufficient purchasing power to be food secure.⁶³ At this stage food security

should be at the top of the country's policy priorities and not secondary.⁶⁴

Four, given the extraordinarily open nature of Afghanistan's economy, domestic commodity production is often severely undermined by low-cost imports from neighbouring countries that protect or subsidize their own agricultural sectors. As Byrd suggests, there is a good case to impose broad-based import duties on agricultural cash crops and products to stimulate domestic production.⁶⁵ These are policy instruments that most, if not all, agriculturally transforming countries used in the past. Many industrialised countries in the West continue to protect their agricultural sectors in this way. But enforcing and collecting these duties would face formidable challenges, given the limits of border control.

Fifth, and more difficult from a political viewpoint but consistent with the view that the response to agricultural development in Afghanistan largely lies outside the sphere of production, is to pay more attention to what poor rural people actually do and how they survive. This specifically includes the role of migration and the influx of remittances to maintain a rural distributional economy. Wider evidence shows that returns from working as migrants in overseas labour markets can be considerable and are key means of both supporting the household at home and stimulating demand in the local economy.⁶⁶

This leads to a sixth point, about local economies. Some areas of Afghanistan are indeed better located than others in terms of irrigation, infrastructure and access to local markets, and these are where CARD-F activities tend to be clustered. Agricultural development in these 'local growth pockets' can have multiplier effects that include supporting the growth of local non-farm activities, although these effects have not been well documented. This of course should be supported. But it does not provide the evidence for a broader role of agriculture in Afghanistan's economic development.

⁶¹ Dercon, "Agriculture and Development."

⁶² Byrd, "What Can Be Done."

⁶³ "Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and health life" (World Food Summit 1996). Cited in "Food Security," (FAO Policy Brief Issue 2, June 2006), http://www.fao.org/fileadmin/templates/faoitally/documents/pdf/pdf_Food_Security_Cocept_Note.pdf.

⁶⁴ Chang, "Rethinking Public Policy in Agriculture," 482.

⁶⁵ Byrd, "What Can Be Done."

⁶⁶ M. A. Clemens and H. Postel, "Temporary Work Visas as US-Haiti Development Cooperation: A Preliminary Impact Evaluation" (Policy Paper 101, Washington, DC: Center for Global Development, 2017).

5.1 Towards greater policy imagination

However, these essentially pragmatic responses draw from an existing repertoire of policy options that do not in many respects go far enough. Greater policy imagination is needed to address the challenges. It needs to move beyond a focus on production and supply in agricultural support and take account of the structural constraints and risk environment that rural households face. Markets are not a solution to these constraints and may amplify the risks. First given the extent of landlessness or near-landlessness and the role of non-farm income in rural areas, a much more deliberate effort must be made to generate income for this landless group, possibly through rural infrastructure work, thus ensuring access to food markets.

Second it needs to be appreciated that most rural households live in an environment of acute risk and uncertainty, and this constrains personal autonomy. The significance of joint households and the dependent security that they provide reflect the lack of freedom from wider threats, risks and hazards. It is not enough to assume away these constraints and talk of stable security, political and institutional environments and proceed as if they were. Rather an analysis of risks, and a recognition of the limited way in which technical interventions can address them, should be more central to programme design. Without a reduction of the risk and hazard environment, economic development and poverty reduction will not be achieved.

Finally the fact that the rural economy is structured and regulated more by social relationships than by market relations reflects the relative security that social relations offer under conditions of conflict. It is social rather than market relations that structure the nature of exchange. Not all poor rural people are simply entrepreneurs in waiting.⁶⁷ Thus an open market does not mean a free market. As the reconstruction economy unfolded after 2001 and drove a rentier economy,⁶⁸ the economic market place became inexorably intertwined with the political one. Commodity markets, such as onions and opium, have

become subject to strong informal regulation through networks of access, where the position in the network determines risks and returns.

There is a need in policy making for a much greater understanding of how markets work in practice and the ways in which they are structured and regulated. This, in turn, requires a much more politically informed and context centred approach to economic development. This will not drive an agricultural transformation, but it might just subdue the risk environment that poor households face and give them more room to manoeuvre.

⁶⁷ Mallett and Pain, "Post-War Recovery and the Role of Markets."

⁶⁸ An economy where powerful people by virtue of the position that they hold are able to draw rent or payments by virtue of the position that they occupy rather for any specific economic activity that they undertake. In this sense it is unearned income

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