

# HPG Background Paper

**Profits and poverty: aid,  
livelihoods and conflict in  
Afghanistan**

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## Abstract

Afghanistan is one of the least researched countries in the world. A dearth of pre-war data, the inherent difficulties of conducting research in a war zone and the low priority accorded to Afghanistan before 11 September have all contributed to this problem. Consequently, international interventions have rarely been based upon sound analytical foundations. While this applies to both diplomatic and humanitarian actors, this study focuses on the latter. It examines both the context of humanitarian action – in particular the political economy of the conflict and its effects on livelihoods – and the humanitarian actors themselves – specifically how they conceptualise and interact with these conflict dynamics and support (or undermine) livelihood strategies. The ultimate purpose is to enable aid agencies to better analyse situations of chronic political instability, and thus develop practical strategies and programmes.

## Acronyms

AREU	Afghan Research and Evaluation Unit (formerly the Strategic Monitoring Unit (SMU))
ATTA	Afghan Transit Trade Agreement
CIA	Central Intelligence Agency
DFID	UK Department for International Development
FCO	UK Foreign and Commonwealth Office
GDP	gross domestic product
GGLS	Guaranteed Group Lending Scheme (Afghanistan)
IMU	Islamic Movement for Uzbekistan
ISI	Inter-Services Intelligence
MSF	Médecins Sans Frontières
PRA	participatory rural appraisal
UAE	United Arab Emirates
UNDCP	UN Drug Control Programme

## 1. Introduction

Afghanistan combines many of the challenges faced by aid agencies working in situations of chronic political instability. There has been a significant degree of agency experimentation and innovation, while improved practice in the assistance sphere has consistently been held back by knowledge gaps. There is limited understanding of how macro-level political and economic processes interact with micro-level coping and survival strategies. Linking political economy and livelihoods analysis may be one way around this problem. While the gap between theory and practice is common to all aid contexts, it is particularly wide in Afghanistan. The literature on Afghanistan's political economy offers little about how it might be converted into practicable policies and programmes. Similarly, the livelihoods literature has very little to say about violent conflict and how aid agencies might use such approaches.

The research for this study was designed to develop a multi-level analysis, which explicitly links political economy and livelihoods approaches. First, a macro survey was conducted to: collect information on the Afghan political economy's international, regional and national dimensions; understand the interaction between aid and conflict; and map out how different aid agencies conducted political economy and livelihoods analysis. Data was gathered through a review of secondary literature and through interviews in Islamabad, Peshawar, Kabul, London and Washington. A cross-section of the international community was interviewed, from diplomats and security experts to NGO headquarters and field staff. This was complemented with key informant interviews with Afghan and Pakistani aid workers, journalists, refugee groups and businessmen. A focus group was held with a number of aid agencies in Peshawar to check and validate the key questions and research design.

Second, community-level surveys were conducted in five areas to generate insights into processes at the micro-level. The research questions were clustered around the following themes: livelihoods (assets, strategies and outcomes), aid, conflict and security, social relations and social capital, governance and local institutions. Qualitative participatory rural appraisal (PRA)-type methods were used, including observation, semi-structured interviews, mapping (geographical, resource flows and institutions), historical timelines and focus-group interviews. A team of up to four researchers spent approximately one week in each location. While questions of access and security influenced the selection of research sites, efforts were made to ensure diversity in location, environmental/physical endowments, security regimes, ethnicity and livelihood strategies.

Third, commodity chain analysis was used to reveal inter-linkages between the different levels and the related incentive systems, institutional relationships and degree of Taliban involvement.

A number of methodological lessons and shortcomings can be highlighted. First, given the limited duration of the research, the findings represent only a 'snap shot' of a particular context, and therefore do not adequately capture the temporal dimension of the war economy. Commodity chains, for instance, constantly adapt to changing political and economic circumstances. Longitudinal surveys would be better able to capture the mutating and adaptive nature of war economies and livelihoods. Second, the geographical scope of the research was limited. Community surveys were not conducted in the west of the country, and this analysis solely examines the links between Afghanistan and Pakistan, not with Iran. Third, the research focuses on the micro and meso levels and less on the regional and international dimensions of the Afghan political economy. More research is required on the channels through which commodities are transported to Western markets. It was beyond the scope of the research to examine the role of external resource flows, including the financial and military support of neighbouring countries. While excellent work has been done on this subject (Human Rights Watch, 2001), this remains an under-researched area. Fourth, the team was unable to interview military groups, and therefore did not generate new knowledge on the structures, incentive systems and strategies of armed groups.

Other constraints and challenges encountered were both practical and methodological.<sup>1</sup> Both research and policy in Afghanistan are hindered by a lack of reliable quantitative data on the macro level. Even before the war, statistics on Afghanistan were 'wild guesses based on inadequate data' (Dupree, 1980). The rural economy remains statistically unknown (Pain and Goodhand, 2002: 2). Partly because of the lack of quantitative data, the research team applied a 'bottom up' approach utilising qualitative, case study-based methods. While this may yield rich data about particular contexts, comparisons and generalisations are difficult, given Afghanistan's varied geography and political economy.<sup>2</sup> These and other constraints (including access to women, security and the sensitivity of information) highlight the problems aid agencies face in collecting and analysing information.

This research was conducted before the events of 11 September, the fall of the Taliban and the investiture of a new Western-backed political regime. Despite the changed context, the rationale for this research and its key findings remain valid. Whether Afghanistan navigates a difficult transition towards peace, or descends back to the warlordism of the early 1990s, depends greatly on the extent to which international policies are cognisant of the country's political economy. This is particularly important in light of the significant development resources being pledged and the arrival of new international actors with limited experience or knowledge of the country.

## 2. The macro dimensions of the Afghan political economy

### 2.1 Historical development

The history of the Afghan conflict has been examined elsewhere (see Rubin, 2000; Hyman, 1992; Maley, 1998). Table 1 provides a brief summary, highlighting the historical interplay between the crisis and collapse of the state, violent conflict and changing economic regimes – at the international, national and local levels.

#### 2.1.1 Pre-war Afghanistan

Modern Afghanistan emerged in the nineteenth century as a buffer state, its borders determined by Russia and Britain and dependent for its support and legitimacy on external largesse. Rentier incomes allowed the domestic elite to rule without being domestically accountable. There was limited interaction between the state and citizens, and the administration was too weak to alter traditional patterns in rural areas. In parts of the east, for example, taxation and conscription were resisted – the price for tribal support in the civil war of 1929 had been the favourable treatment of

landed interests by the state.<sup>3</sup> One of the reasons for the paucity of statistics in Afghanistan has been what Dupree (1980) terms the ‘mud curtain’, which was erected by villagers to keep an interfering state at bay. State officials visiting the countryside were met with evasion on questions related to land (because of taxation) and family members (because of conscription).

By the 1960s, Afghanistan depended for nearly half of its budget on foreign aid, primarily from the Soviet Union.<sup>4</sup> The benefits of rentier income were unevenly distributed; the eastern Pashtuns, for example, were the primary beneficiaries of irrigation projects, while the central highlands, populated by Hazaras, received limited state support. During the 1970s, the Afghan–Pakistan trucking sector became a growing economic force. A smuggling economy developed, encouraged by the Afghan Transit Trade Agreement (ATTA) with Pakistan. This enabled landlocked Afghanistan to import selected commodities duty free. Goods were then smuggled back across the border and sold in Pakistan. The trade was controlled by the Pashtun tribes that straddle the Pakistan–Afghan border. Road construction in the 1970s and investment in heavy trucks with the help of West German credit further facilitated this trade. Political

Table 1: The evolution of the Afghan war economy

Period	The state	The economy
Pre-war	<ul style="list-style-type: none"> <li>• Buffer state</li> <li>• Rentier state</li> <li>• Centralised but weak, limited power and legitimacy</li> </ul>	<ul style="list-style-type: none"> <li>• Rural subsistence economy</li> <li>• Bifurcation of urban and rural economies</li> <li>• Afghan Transit Trade Agreement (ATTA) – early foundation for cross-border smuggling economy</li> </ul>
Proxy civil war (1979–1992)	<ul style="list-style-type: none"> <li>• Expansion of state institutions with Soviet support, but remit limited to urban areas</li> <li>• Refugee warrior communities in Pakistan and Iran</li> <li>• Growth of political parties</li> <li>• Alternative rural power structures (commanders)</li> </ul>	<ul style="list-style-type: none"> <li>• Deliberate targeting of infrastructure in the countryside by Soviets</li> <li>• CIA/ISI arms pipeline</li> <li>• Monetisation of the economy</li> <li>• Growth of smuggling networks with Pakistan</li> </ul>
Fragmentation (1991–95)	<ul style="list-style-type: none"> <li>• State collapse</li> <li>• Expanded role of regional powers</li> <li>• Growth of regionalised conflict</li> <li>• Aid community as surrogate government</li> </ul>	<ul style="list-style-type: none"> <li>• Decline of superpower largesse</li> <li>• Increased importance of internally generated resources</li> <li>• Expansion of opium and smuggling economies</li> <li>• Fragmentation/‘peripheralisation’ of the economy</li> </ul>
Taliban (1995–2001)	<ul style="list-style-type: none"> <li>• Taliban attempts to establish monopoly over means of violence (and predation)</li> <li>• Growing strength of transnational religious networks</li> <li>• International isolation (e.g. sanctions)</li> </ul>	<ul style="list-style-type: none"> <li>• Consolidation and expansion of war economy (e.g. in 1999, 75% of global opium production)</li> <li>• Transport and marketing corridor</li> <li>• Growing political and economic importance of transport and trading sector</li> </ul>

liberalisation led to growing instability and competition between communist and Islamist parties. A communist coup in 1978 (the Saur Revolution) sparked rural resistance and, ultimately, the Soviet invasion in 1979.

### 2.1.2 Proxy civil war

While the state did not collapse during this period, its primary functions were eroded, including its monopoly over the means of violence as the *mujahideen* opposition increasingly took control in the countryside. External resources transformed Afghan governance and economic structures. The government depended on Soviet financial and military support and revenue from gas sales. The American–Pakistani Central Intelligence Agency (CIA)/Inter-Services Intelligence (ISI) pipeline delivered massive support to the opposition, with political parties in Pakistan and Iran serving as logistical conduits between external Afghan resistance commanders and internal ‘fronts’. This system of brokerage around the arms pipeline laid the foundations for the regionalised war economy of the 1990s. Soviet campaign strategy deliberately terrorised rural populations and transport, communications and pipelines – with Central Asia. The Taliban also had the backing of businessmen from the Afghan–Pakistani transport sector, whose economic interests had been damaged by the warlordism of the early 1990s. The Taliban brought security, which enabled cross-border trade to flourish once more. At its peak in 1996–97, the cross-border transit trade produced approximately \$2.5 billion (Naqvi, 1999), and the Taliban generated \$75 million through taxing this trade (Rashid, 2000). Afghanistan became the world’s largest producer of opium; in 1999, production amounted to 4,500 tons. Related to the illicit trade were a range of connected service industries including fuel stations, shops and tea houses. The licit economy also benefited from stability, and agricultural production increased substantially during this period (although adversely affected by drought after 1997).

A third constituency supporting the Taliban were radical Islamic groups in the region, particularly in Pakistan.<sup>5</sup> This period saw the consolidation of transnational political and religious networks with groups such as al’Qaeda, the Islamic Movement for Uzbekistan (IMU) and Kashmiri separatists and outlawed Pakistani groups establishing bases in the country. Although evidence is limited, during the late 1990s Islamic groups, the drug and trading mafia and the Taliban appeared to become increasingly entwined. Finally, the Taliban received significant financial aid from the Middle East, particularly Saudi Arabia and the United Arab Emirates (UAE) (Human Rights Watch, 2000).

## 2.2 Contemporary dimensions

Violent conflict has transformed the political economy of Afghanistan. However, it is difficult to disentangle the effects of the conflict from wider processes, and there are important continuities with the past. The current political economy builds upon much older patterns of organisation and interaction. For instance, the drugs, smuggling and religious networks draw upon pre-war social networks based on *qawm*<sup>6</sup> and tribal loyalties. The Taliban was a product of this

distinctive political economy, not simply a medieval theocracy as often portrayed in the media. It developed extremely sophisticated ways of operating in and exploiting regional and global economies – Duffield’s description of warlords who ‘act locally, but think globally’ is apt (Duffield, 2001). Although Afghanistan is in some respects on the periphery of the world economy, it is also intimately connected to it. The inability of the state to act as a mediating layer accentuates this ‘connectivity’ – profiteers may benefit from these linkages, while communities engaged in subsistence and survival become increasingly vulnerable as they are exposed to the turbulence of regional and international markets. Afghan communities have been subjected to a whole range of external shocks, from international sanctions to drought and the Taliban’s opium edict, which have placed successive downward pressures on household livelihood strategies.<sup>7</sup> As discussed below, the areas on the periphery – particularly in the east and west – are best positioned to exploit the opportunities presented by the regionalised ‘bazaar economy’, while the previously wealthy centre has become more vulnerable. Afghanistan is simultaneously experiencing processes of globalisation and localisation.<sup>8</sup> On the one hand, globalisation occurs through economic integration, refugee flows, militant Islamic networks and engagement with the international community. On the other, localisation is taking place with the emergence of new forms of governance at the local level, the reversal of relations between the bazaar and the countryside and the growing importance of ethnic identity.

Were the Taliban warlords or proto-statebuilders? They used many of the same state-building strategies as previous rulers, including their attempt to establish a monopoly of violence, fragmenting the political opposition, rotating provincial administrators, taxing the population and enforcing conscription. Their desire for international recognition tends to support this view. Control of the state and possession of sovereignty are key to gaining access to major external resources. Conversely, foreign companies ultimately require states or state-like entities to act as guarantors and to protect their interests. The protracted and ultimately aborted negotiations between the Taliban and US oil company UNOCAL highlighted the need for a strong, internationally recognised state to attract serious international funding.<sup>9</sup> The state-building strategies of neighbouring powers also hampered Afghan state formation. Pakistan’s search for strategic depth, Uzbekistan’s promotion of titular nationalism and repression of Islamic groups and Iran’s support for *Shia* groups have all had destabilising effects within Afghanistan.

Although one can identify broad shifts in the Afghan political economy at a regional and national level, as Table 2 (Pain and Goodhand, 2002) illustrates (overleaf), different kinds of economy involve different actors and have varying motivations. Broadly, three types of economy have emerged: the war economy, the black economy and the coping economy.

Table 2: Types of economy

	The war economy	The black economy	The coping economy
<i>Key actors</i>	Commanders, 'conflict entrepreneurs', fighters	Profiteers, transport mafia, businessmen; 'downstream' actors (truck drivers, poppy farmers)	Poor families and communities (the majority of the population)
<i>Motivations and incentives</i>	To fund the war effort or achieve military objectives Peace may not be in their interest as it may lead to decreased power, status and wealth Fighters may have an interest in peace if there are alternative sources of livelihood	To make a profit on the margins of the conflict Entrepreneurs profit from the lack of a strong state and a highly liberal economy Peace could be in their interest if it encourages long-term investment and licit entrepreneurial activity	To cope and maintain asset bases through low-risk activities, or to survive through asset erosion Peace could enable families to move beyond subsistence
<i>Key activities and commodities</i>	Taxation of licit and illicit economic activities (opium, smuggled consumer goods, lapis and emeralds, wheat, land tax) Money, arms, equipment and fuel from external state and non-state actors Economic blockades of dissenting areas Destruction of means of economic support Asset-stripping and looting	Opium economy Cross-border smuggling Mass extraction of natural resources (timber, marble) Smuggling of high-value commodities (emeralds, lapis, antiquities, rare fauna) <i>Hawala</i> (currency order and exchange system) Aid manipulation	Diverse livelihood strategies to spread risk Subsistence agriculture Petty trade and small businesses Agricultural wage labour Labour migration and remittances Redistribution through family networks Humanitarian assistance
<i>Impacts</i>	Disruption to markets and destruction of asset bases Violent redistribution of resources and entitlements Impoverishment of politically-vulnerable groups Out-migration of educated people	Concentrates power and wealth Undermines patron-client relationships, increasing vulnerability Smuggling circumvents Pakistan's customs duty and sales tax, affecting revenue collection and undercutting local producers. Increased drug use	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.

2.2.1 The war economy

Understanding Afghanistan's war economy has been hampered by the lack of empirically-based analysis of the internal structures, incentive systems, strategies and resource flows of warring groups, partly because of problems of access and security.<sup>10</sup> This has often constrained diplomatic and humanitarian actors and actions (Fielden and Goodhand, 2001). For instance, the international community was divided in its analysis of, and response to, the Taliban's poppy edict. Similarly, in an evaluation of the Strategic Framework (Duffield et al, 2001), it was noted that the diplomatic and humanitarian communities had contrasting understandings of the Afghan context in general, and more specifically of the nature of the Taliban.

Clearly, the Taliban was not a monolithic or uniform movement. While power appeared to be concentrated in the hands of Mullah Omar and the Kandahari *shura* (council), the external influence of Pakistani state and non-state actors and of transnational religious groups has already been noted.

Objectives and incentive systems appear to have changed over time, with a shift from a strongly nationalist agenda to one influenced by the religious transnationalists. Internal divisions were also apparent between hardliners and moderates, with the former rejecting policy reform because of potential opposition, particularly from the hardline mullahs and *madrasa* students at the frontline.<sup>11</sup> To understand the incentives of different actors in the war economy, one may need to look at different levels of the system. The 'top down' violence instigated by those at the apex of military structures is likely to involve very different kinds of incentives from the 'foot soldiers' engaged in 'bottom-up' violence. This is where the war economy and coping or survival economy start to merge.

2.2.2 The 'black' economy

'Black' and 'illicit' are deeply problematic and value-laden terms. In fact, much of the language used by classical economists – licit/illicit, employed/unemployed, formal/informal – has limited descriptive or analytical value in situations of chronic political instability. Nordstrom's 'shadow'

and 'extra-state' economies may be more appropriate (Nordstrom, 2000). Whichever term is used, the key point is to distinguish between those whose objective is to wage war and those who aim to profit – while in practice these categories may overlap, this need not be the case. In most cases, there are actors who profiteer on the edges of a conflict. However, unlike conflict entrepreneurs, economic entrepreneurs may have an interest in peace, if peace enables them to maintain or increase their profits. While transport merchants may have had close links to the Taliban, their interests may not always have coincided with those of frontline commanders.

Clearly, markets and profits are regulated by access to political power and the means of violence. While in the 1950s the Afghan merchant class was politically weak and heavily taxed, by the 1980s and 1990s the transport businessmen in Peshawar and Quetta were an important political force, due largely to their close ties with military groups. Markets in the east have become increasingly articulated towards Pakistan. In the mid-1990s, Pakistani dealers took advantage of the turmoil to augment their collection of antiquities. The grain markets in Kabul are controlled by Pashtuns who have direct credit relations with businessmen in Peshawar. As outlined below, the carpet business is increasingly controlled by Pakistani Pashtun entrepreneurs. In primary goods and resource movements for processing, the majority of profit and add-on manufacturing costs are incurred and accrued by Pakistan.

Violence has underpinned a primitive accumulation that is intensely exploitative, and which has led to a growing differentiation of the population. For example, farmers with land and capital lease out their land for poppy cultivation, while landless farmers who have no other sources of credit are pushed further into debt (Mansfield, 2000). Violent conflict has destroyed some markets while creating others – in Badakshan, for example, the livestock trade with Kabul was decimated due to insecurity, but the opium trade with Tajikistan has flourished (Goodhand, 2000). The informal economy also plays an important role in shaping formal economies and trans-border trade. Moreover, while the trading economy has mitigated some of the impacts of the drought, it is not productive in the sense that there is no long-term investment in infrastructure or industry. Entrepreneurs gravitate towards low-risk, quick-return activities, and profits are accumulated outside the country. Without a strong state and a legal framework, there are few incentives to make the shift towards longer-term productive activities.

According to a World Bank study, of the \$2.5bn in trade across the border in 1996–97 (which constituted 48% of Afghanistan's gross domestic product (GDP) and 12–13% of Pakistan's trade), official trade in local goods accounted for 2%, unofficial trade in local goods 14% and unofficial ATTA re-exports to Pakistan approximately 84% (Naqvi, 1999). While the ATTA is vital for supplying Afghanistan with essential products, the list of non-essential items (from electronics to air-conditioners) 'suggest that a large portion of the ATTA [is used as] a channel of evading tariff and non-tariff barriers and of smuggling goods in Pakistan'. In

general, the price of these smuggled goods was 30–40% lower than those either locally produced or officially imported. Some of these goods previously moved beyond Pakistan to India, Bangladesh, Iran and the Central Asian republics (Naqvi, 1999: 11–13). The trade route through Iran is also important, as evidenced by the preponderance of Iranian goods in Kabul's markets.

### 2.2.3 The coping economy

Overall, vulnerability has grown, with a gradual erosion of asset bases. Families have either retreated into subsistence or are adversely incorporated into the market, through for instance labouring in poppy fields or children working in the carpet industry.

Labour has become one of Afghanistan's primary exports. Remittances are central to the Afghan economy, and to Afghans living in neighbouring countries.<sup>13</sup> Social obligations fuel the remittance economy. It also increases social differentiation – in general families with relatives in the Gulf or Europe are able to accumulate, while the remittance economy in Pakistan and Iran is more commonly associated with survival.

Families have sought to spread economic and political risks through diversification, migration, switching to low-risk crops and spreading political affiliation. This was described by one interviewee as the 'octopus' model, whereby 'families deploy members on the basis of the attribute most suited to gaining employment at any given time (gender, qualification, and occupation, etc)', with it being 'equally important for families to establish and exploit as large a network of useful contacts as they can (Taliban, UN, NGO, commercial)' (Fielden and Azerbaijani-Moghadam, 2001). As a crisis progresses, families will resort to selling livestock, land and other household assets.

Women and children are involved in negative coping strategies, including begging and prostitution. As stated by one informant, 'everything is an asset in an Afghan family ... the drought has meant that people have had to squeeze the economic potential of their children even more'. The Taliban's policies on gender also had an important impact on livelihood strategies, particularly in urban areas. In the past, the degree of obedience to Islam and women's household roles have varied depending on the male head of the household, and also to changing concepts of prestige, as reflected in the linkage between the *burqa* and the community's perceptions of a woman's economic role. Previously, 'the men controlled women in Pashtun society, now the Taliban control women, and men have lost authority'.<sup>14</sup>

Evidently, this schema of the war, black and coping economy simplifies reality. In practice, there are no clear boundaries between these three economies, and networks have developed with complex overlapping connections. Incentive systems vary at different levels of the commodity chain. For a resource-poor farmer, poppy cultivation is part of the coping or survival economy; for the landowner leasing land, or for the opium trader, it is part of the black economy; and for the commanders that tax cultivation it is part of the war

Table 3: Representation of trade and goods flows through, to and from Afghanistan

From Afghanistan	To Afghanistan	Through Afghanistan
Timber to Dubai Agricultural, horticulture products and livestock to Pakistan Minerals to Pakistan and through Tajikistan (through Polish firm) (valued at \$60m) Antiquities <sup>12</sup> and exotic animals Narcotics to Iran, Pakistan and Central Asia	Tyres through Karachi Carpet material and household products and appliances from Pakistan, Iran, Dubai Wheat from Pakistan and Kazakstan Oil from Turkmenistan	Oil to Pakistan from Tajikistan Used cars to Pakistan from Dubai and Hong Kong (avoiding 250% tax) Scrap metal from former Soviet Union (and within Afghanistan) to Pakistan (for melting and reproduction) ATTA re-exports to northern Pakistan

economy. Different commodities – such as weapons, money, drugs, consumer goods or food – may travel along the same routes. The *sarafi* (money-changer) is an important node in this network: these services are used by warlords, profiteers, communities and aid agencies. Aid has played a varying role in relation to all three economies, according to the phase of the conflict and the type of assistance. Poorly monitored food for work programmes during the 1980s, for example, fed directly into the war economy. During the 1990s, rural rehabilitation projects supported the coping economy by boosting agricultural production. Similarly, humanitarian relief in Kabul has been an important element of the coping economy.

Illicit activities may promote development – they link remote rural areas to major commercial centres, both regionally and globally, though the benefits of this development are

unevenly distributed. These economies also involve complex socio-cultural and political as well as economic organisation, in networks of exchange and association. These networks are governed by rules of exchange, codes of conduct and hierarchies of deference and power (Nordstrom, 200: 37), reinforced through such strategies as inter-family marriage (wife-givers and wife-takers), gifts and partnerships (with family members presenting claims for profit, involvement and opportunity).<sup>15</sup> These are not anarchic processes, and they do not depend purely on coercion. Trust and social cohesion are critical. Counter-intuitively, the very *absence* of a state and predictable social relations may engender greater trust and solidarity at the local level; people depend upon it for their survival. Many Pakistanis use the *sarafi* system even though there is a functioning formal banking sector; evidently, the informal system provides the reliability and predictability lacking in the official economy

### 3. Case studies: the view from the village

Five areas were selected for field research (see Table 4). Cases were selected to provide a cross-section of differing locations, physical resources, security regimes, ethnic backgrounds and livelihoods opportunities.

#### 3.1 Livelihoods, vulnerability and response strategies

Key themes from the community-level studies include the destruction of assets and capital, the diversification of livelihoods, an increased reliance on market entitlements reflecting the growth of the bazaar economy; shifts to low-risk activities and the lack of long-term investment, with accumulated assets either invested in the war and black economies or in external activities and accounts. The overall context is characterised by high levels of vulnerability, with the generalised effects of conflict and state collapse, compounded by a range of external shocks, including drought, international sanctions, the Taliban's opium edict and restrictive gender policies and the changing policies of Pakistan towards Afghan refugees. However, generalisations should be treated with caution. There is a great deal of variety from area to area, and livelihood strategies depend upon a complex range of factors, including location (core/periphery); security regimes (level of stability and instability, and resulting political vulnerability); the proximity of borders; and access to roads, markets and water. This variability applies from village to village, even within the same locale. In Afghanistan, 'place' matters. For example, in Faryab villages relatively close together had markedly different economies, with considerable household differences in sources of income and access to food (production, market, exchange). One Qaramaqol village settled by one-time Turkmen nomads had no arable land and had been dependent on livestock and labouring opportunities in other villages. Poorer households tended to have more diverse income sources than richer ones. In certain villages in the Almar area of Faryab, the economy was entirely agrarian-based, with a high degree of mutual livelihood interdependence, while for others the degree of involvement with agriculture was extremely variable.

Broadly, households can be divided into those who profit (add to their asset base), those who cope (non-erosion of asset base) and those who survive (erosion of assets). These categories are not static and have changed over time, according to the influence of changing political regimes and various external shocks. Coping strategies have included reducing food consumption, seasonal migration, selling non-essential assets, carpet-weaving, reducing expenditure and seeking food relief. In Hutqul, Jaghori, the following livelihood strategies were identified: agriculture/horticulture, trading, out-migration for labour work to Iran, Pakistan, Europe and Australia, cutting and selling of timber, carpet-weaving, embroidery, gileem (non-pile carpet) production and car mechanics. Survival strategies which have depleted not only physical but also social and human assets include the disposal of core assets (oxen, land, house beams), taking children from school so that they can collect fuel and act as

servants, or marrying off daughters early for bride price. In Kabul, both chronically poor and wealthier households sought to sell assets, to either survive or to minimise the risk of looting, to send people overseas or to set up new businesses.

The drought has had a major impact on livelihood choices and coping strategies, although trade and remittances have mitigated its impacts in some areas. Households are affected by overlapping vulnerabilities. For instance, respondents in Jaghori and Kandahar's Dand district noted that, during the drought in 1971, the government provided subsidised rice, whereas in the latest drought there were few forms of public action, beyond aid agency assistance. There was a 'political economy of neglect' (Le Billion, 2000), with the Taliban providing virtually no public entitlements apart from a measure of security. In some areas, it was estimated that there had been a decrease of 75–95% in both agricultural production and livestock holdings, affecting both exports and subsistence. In both Jaghori and Kandahar, while the price of food had decreased compared to 2000, overall purchasing power had fallen more drastically. In Kabul, for instance, where many of the most vulnerable are dependent on daily labouring, wages have gone down and people can only get work for one or two days a week. In Dand, there has been an increase in the number of casual labourers, who travel from the village to Kandahar every day.

As a result of the drought, households previously able to accumulate or cope move into survival. The almond trade in Anghori, for example, has been badly affected. While each of the 15 traders previously purchased 300 77kg sacks of almonds annually for export to Ghazni province, by August 2001 each bought only 60 sacks (a reduction of almost 80%).<sup>17</sup> As 80% of almond trees have died, it will take approximately five to six years for new ones to bear fruit. Resources may be exploited to meet short-term survival needs (or in some cases to profit), but ultimately this undermines long-term coping strategies. Anghori villagers have engaged in woodcutting, which has led to a fall in prices and will ultimately deplete stocks. Respondents stated that three to four trucks full of timber are exported daily to Ghazni province, with each able to take about 200 pieces. In Kandahar, it was reported that some poor farmers were selling the topsoil of their agricultural land, while more desperate ones have been forced to sell land. This has also occurred in Anghori, despite the social stigma associated with this practice.

Vulnerability is partly a function of natural and financial assets, notably access to land, water and credit. In Kandahar, for example, drought-affected IDPs (about 20 families) and families with little land were viewed as being the most vulnerable in the village. More typically, in Hutqul village, the following groups were viewed as most vulnerable: war-affected IDPs from Yakowlang, Bamiyan and Mazar; female-headed households; disabled-headed households; and families without an able-bodied person. Those involved in survival are confronted with high degrees of indebtedness, forcing many to become involved in carpet-weaving and hashish and poppy production, activities that tend to further lock families into cycles of indebtedness to traders.

Table 4: Case study areas

Village (V) District (D) Province (P)	Sher-e-Sorkh Dand Kandahar	Sargal, Kooz Belawot, Sharif Kala Jaji Paktia	Hutqul/Angori Jaghori Ghazni	[n/a] Qaramqol/Almar Faryab	District 5, Ysef Bangi, Rahmanabad Kabul City Kabul
Population (V) Population (D)	2,751 595,426	3,390 52,000	8,400 (8,100 households) 56,700	n/a	3,840 households
Out-migration	107 families	High: 195 families abroad	20%	n/a	80% displaced
IDPs in residence	n/a	n/a	1,400 IDPs from Yakowlang, Bamyan, Mazar	n/a	Significant
Characteristics: Rural/urban Ethnicity Tribal groups Religion	Peri-urban Durrani Pashtun Alikozai Sunni	Rural (integrated) Southern Pashtun Jaji Sunni	Rural (isolated) Hazara Aowlad-e-Ata clan <i>Shi'a</i>	Semi-rural (integrated) Uzbek, eastern nomadic Pashtun (post-1890s), Turkmen (post- 1920s)	Urban Ethnically mixed (Hazaras, etc)
Land ownership: Percentage Average amount	Majority From 1–50 <i>jeribs</i>	n/a	50% <i>7 jeribs</i>	n/a	75% <i>2–3 jeribs</i> (average); 50 max
Imports	Iran/Pakistan: Cars, motorcycles, flour, ghee, rice, sugar, tea, fuel, clothing, utensils, floor mats	n/a	Cars, motorcycles, flour, ghee, rice, sugar, tea, fuel (kerosene, diesel, petrol), clothing, utensils, floor mats	n/a	n/a
Exports	Grapes, raisins, fresh/ dried fruit, drugs (poppy)	Timber, firewood, beans, apples, nuts, vegetables, potatoes, cannabis, livestock	Almonds, timber (4 types), gilleem, fruit, nuts; hides	Karakul skins, dried fruit, carpets, kilims, grain	n/a
Key markets	Sher-e-Sorkh, Quetta	Tera Mangal, Parachinar, Kabul, Peshawar	Ghazni centre, Kabul, Kandahar, Waish, Spin Boldak	Adkhoi market, Turkmenistan, Peshawar	Kabul market
Impact of drought	Decrease by 66% in agriculture, livestock	Reduced grazing land, failure of potato crop	Agriculture decreased by 99%, 80% decrease in almond, 75% in livestock	Substantial	In-migration due to drought- induced displacement
Coping/survival strategies	Casual labour, land sale	Hashish production, culling forest	Culling of forests, NGO assistance, selling topsoil	Reduced consumption, seasonal migration, carpet-weaving, selling core assets (oxen, land, house beams), child labour	Carpet-weaving, child labour, selling assets (land)
Key livelihoods sources	Agriculture vineyards, trade	Agriculture, forestry, trans- border trade, merchants, civil servants, transporters/drivers (10%), migrant workers (Middle East, Pakistan)	Agriculture/horticulture, trading, migrant labour (Iran, Pakistan, Europe, Australia), forestry, carpet-weaving, embroidery, gileem production, car mechanics	Varies by village and assets, includes agriculture, livestock, carpet production, trading	Civil servants, agriculture, craftsmen (carpenters, masons, carpet- weavers, barbers, mechanics), casual labour, traders, retail, private transport. Women run home schools, children collect rubbish, beg

Table 4: Case study areas (continued)

Village (V) District (D) Province (P)	Sher-e-Sorkh Dand Kandahar	Sargal, Kooz Belawot, Sharif Kala Jaji Paktia	Hutqul/Angori Jaghori Ghazni	[n/a] Qaramqol/Almar Faryab	District 5, Ysef Bangi, Rahmanabad Kabul City Kabul
Vulnerable groups	Drought-affected IDPs, families with little land	Landless, widows, disabled, ex-civil servants, military officers	War-affected IDPs, female-/disabled-headed households	n/a	Hazaras due to political persecution; civil servants
Impact of conflict	Heavy destruction, out-migration, fighting between <i>mujahideen</i> groups until Taliban assumed control in 1996	Extensive during Soviet period, out-migration, bombardment, mining, destruction of irrigation, forests; limited warlordism, tribal disputes afterwards, peace under the Taliban	Limited during Soviet period, aside from blockade of area in 1979, although increased under Taliban, with discrimination, etc	Substantial destruction, out-migration during Soviet period; predation in post-Soviet period until 1998. Conflict assumed ethnic dimension	Untouched until 1992, then 70% of houses destroyed, mass displacement, looting, development of local arms manufacturing and trade
Armed movements	110 <i>mujahideen</i> groups formed in 1979; Taliban conscription in area	Used as primary supply conduit for <i>mujahideen</i> , some joined Taliban initially	<i>Mujahideen</i> formation in 1979, groups form coordinating <i>shura</i> 1986–97, join Taliban after 1997	Post-1991: Dostum-Northern Alliance; 1998: Taliban control	1992–96: district divided between Sayeef, Wahdat, Jamiat groups until Massoud gained control; 1996: Taliban
Governance	Traditional <i>shura</i> weakened by conflict, current <i>shura</i> limited, subordinate to Taliban	Strong <i>shura</i> , high degree of autonomy; collective management of resources; Taliban district administration	Little involvement of Taliban district administrator, engaged, strong, largely autonomous local <i>shura</i>	Some autonomy, little extension of Taliban to below district level. Resettlement of Pashtun	Taliban administration, lack of local institutions, accusations of land confiscation

At the same time, however, classic forms of vulnerability may no longer apply. One Laghman family headed by a civil servant in Kabul, for instance, is now vulnerable because of its lack of land, resources, relevant skills and tribal connections. In Kabul, the WFP considered a family with a male wage earner working as a government servant as being as vulnerable to food insecurity as a family with a male casual labourer or with no male wage earner (WFP, 1999: 3). Ultimately, vulnerability is a function of political powerlessness. This has changed with different political and security regimes. Communities in Hazarajat are vulnerable because of a range of interlocking factors, including political vulnerability (manifest in an economic blockage and restrictions on mobility); geographic marginality (distance from markets); limited natural resources; and generalised poverty (which places limits on redistribution through social networks). In Peshawar, for example, one *sarafi's* vulnerability was as much a result of his Tajik ethnicity as his lack of wealth. With changing policies towards Afghan refugees, non-Pashtun groups have become increasingly vulnerable. Wealth may also become a source of vulnerability. For instance, in

1978 in Faryab after the Saur Revolution sections of the rural elite were threatened, and many left for Iran, Pakistan or the West. Thus, in such a complex political environment, the categorisation of vulnerability, based upon region, class or profession, will be highly fluid. Indeed, with the collapse of the Taliban movement, a new definition of vulnerability is likely to emerge, and new groups will become affected due to shifts in the political/economic environment.

Remittances and trade have played a central role in coping and in some cases accumulating wealth. Remittances in Angori were a key source of income; about 80% of young men have gone either to Iran/Pakistan or Europe/Australia. In Jaji, remittances funded not just individual families, but also communal institutions such as schools and mosques. Monetisation, marketisation and socio-economic differentiation have perhaps been greatest in Jaji and Dand. This is due to a range of factors, including proximity to markets; a history of aid provision (and military support); and primitive accumulation due to warlord predation, the opium economy and smuggling. The unregulated extraction

of timber from Jaji forest during the mid-1990s, for example, enabled conflict entrepreneurs and local businessmen to accumulate wealth.

Trade has been central to livelihood coping strategies. The conflict has altered trading networks – who is involved and who controls them. For example, before the war Angori traders exported almonds to India, while now almonds are only exported to Pakistan. Traders from Kandahar city used to buy grapes and raisins from local farmers for export to India in exchange for tea and sugar. In both Kandahar and Aghori, while local and national traders are involved, Pakistani middlemen and buyers have increasingly asserted control.

In Angori, traders import commodities from Pakistan and Iran, and then buy almonds, nuts, fresh fruit, gileem and wood from producers for sale to Ghazni-based traders and for export to Pakistani markets. Within the commodity chain, power is located with the buyers and dealers. Table 5 provides two examples of the price differences between the producing village and the final market, indicating the changing terms of trade as one goes up the commodity chain. Traders will operate in a process of delegation and sub-contracting; a mid-level trader will borrow money from a major exporter, then approach various producers for goods, while hiring other village members as sub-agents.

### 3.2 Conflict, security and governance

Changing security regimes have shaped local governance structures and, in turn, livelihoods. Different areas were affected at different times, following the changing geography of the conflict, as the centre of fighting shifted from the countryside during the Soviet period to the urban areas during the *mujahideen* government years. In Faryab, Paktia's Jaji and Kandahar's Dand district, fighting between the *mujahideen* and the Soviet army led to substantial destruction, forcing households to retreat into subsistence or illicit activities and producing extensive displacement. The entire population of Sher-e-Sorkh and its neighbouring villages, as well as a significant number of those interviewed in Jaji, migrated to Pakistan. Following the Soviet departure and the collapse of the government in 1991, Faryab was subject to considerable insecurity and substantial predation and asset-stripping at the hands of competing power centres. Instability disrupted trade routes, particularly with Pakistan.

In areas under Taliban control, effects varied from place to place. In the Pashtun areas, the positive benefits of security have been most marked, whereas for Kabul and Jaghori the effects have been more mixed as non-Pashtun communities have been subject to violence and predation. Even so,

respondents in Angori reported that the market had expanded by up to 70% as it has become one of the most important access routes to and from Hazarajat. The nature of local Taliban administration appeared to differ according to the movement's calculation of the locality's orientation, composition and power base. The Taliban employed the tactics of earlier state-builders, seeking to prevent district *shuras* from gaining power, and rotating their own administrators to remove competitors and prevent the establishment of local centres of power. Certain communities and regions with strong tribal ties proved capable of directly resisting or simply ignoring Taliban edicts, thus maintaining a degree of local autonomy. Urban areas were typically subject to more stringent Taliban control.

At the time of the research, negotiations between the centre and locality were particularly apparent in the areas of taxation, gender and religious policy (education and employment, for instance), and in the fulfilment of village combatant quotas. In Dand, each mosque was assessed and provided either a number of young men or paid 120,000 Afghani per two months per person. In some areas, these policies were resisted or subverted. In Jaji, for instance, Taliban penetration beyond the district level was limited. While the Taliban district administration in Jaji included a district administrator, his deputy, a police department and a district *shura*, Jaji and other districts of Paktia retained a privileged status in relation to the central government, enjoying a degree of internal autonomy, as has historically been the case. Thus, this inter-relationship was characterised by a significant degree of political accommodation and non-confrontation, with the Taliban levying a variety of taxes, but also failing to ban cannabis production and girls' schools, or to prevent women from seeking a degree of employment.

Transactions between the Taliban and local communities were mediated through the *shura*. Much depended on the strength of the local *shura*, and this varied by location. In Dand, while there is a functioning seven-member *shura* of elders, the institution was not viewed as being strong or active, as the strong pre-conflict council of elders had been replaced by young armed men, and as the Taliban controlled its functions and structure. In contrast, in Anghori the village *shura* appeared to be stronger and engaged in a wide variety of activities, from problem-solving to the representation of local populations in negotiations with NGOs, the Taliban authority and other groups. In Jaji, the importance of the *jirga* (council) and other tribal institutions is seen in many areas, from mobilisation to local conflict mediation, management of socio-economic spheres and acting as the gatekeeper between communities and the state. The re-

Table 5: Commodity price chains: timber and almonds (August 2001)

<b>Timber (Jaji) (per foot)</b>
Sargal: PRs200
Parachinar: PRs300
Karachi: PRs800–1,500
<b>Almonds (Jaghori) (per 7kg)</b>
Angori: Price varies by quality
Ghazni: +20,000 Afgs
Kabul: +10,000 Afgs

emergence of 'traditional' forms of governance ended predatory behaviour and protected dwindling forests.

The Taliban also developed methods of fragmenting local cohesion and gaining greater access to local resources. For example, in Ghazni, in order to determine the correct amount of *ushr* (a tax per household) required (10% of income), one community member estimated the size of each household's income. As an incentive, this individual received 2–5% of the amount collected. At the same time, an excessive estimate was deterred by the possibility of community recrimination against this individual. A Hazara source from Ghazni indicated that local Taliban authorities had sought to promote land disputes within the Hazara community through the application of different (*Shia* versus *Sunni*) legal codes. This was linked to support for *kuchis* in disputes over land and grazing rights, and was interpreted as a method of earning revenue and gaining control over local property.<sup>18</sup>

During the course of the war, ethnicity has become an important factor in determining political vulnerability. In Faryab, for example, the pattern of vulnerability has changed according to differing security regimes dominated by opposing ethnic groups. Having initially suffered oppression and resulting displacement during the *mujahideen* period, the Pashtuns returned with the Taliban, and Uzbek and Turkmen ethnic groups were subject to renewed discrimination. This affected the livelihoods and resources of opposing groups, as water was denied due to renewed Pashtun settlement upstream of the Andkhai River (Pain, 2001). However, the case studies demonstrate that warring groups have frequently built alliances which bridge ethnic fault-lines, while illicit economies such as the opium trade often depend on inter-ethnic collaboration.<sup>19</sup>

### 3.3 Social relations

Drought inevitably increased pressures both within and between households and between the village and the outside world, with the ability of households and villages to maintain solidarity varying considerably. In some of the Qaramqol villages, poorer households have historically derived a significant proportion of household grain from non-market exchanges with richer households. In other villages with extended ties of economic interdependence or a strong sense

of origin, reflected in shared histories, mutual support mechanisms have also been maintained. In others, where there have been periods of settlement by different ethnic groups and patterns of asset ownership have been highly differentiated, fault-lines between social groups have emerged. Of course, conflict and the governance strategies employed by armed groups also have direct ramifications for individual livelihood strategies. Survival and economic activity in situations of prolonged conflict is thus political. For an individual, political affiliation or connections is likely to determine access to capital, community and national assets, and professional opportunity. Yet social capital, particularly in relationships around reciprocity and sharing, is a buffer between extreme vulnerability and the total collapse of livelihoods (Loveless, 2001). These solidarity networks are particularly important for the extremely poor, who lack other assets. However, in certain areas prolonged crisis has exhausted even kinship systems, which indicates a further collapse in coping strategies. As mentioned above, communities with pronounced and longstanding social relationships were better able to resist external pressure from the Taliban. Thus, 'tribal capital' was important in keeping the Taliban at arm's length (Jaji), or enlisting the Taliban's support (Faryab).

There is clearly a strong link between political and social capital; as already mentioned, modern political and economic structures have been grafted onto pre-existing social relations. For instance, the Taliban gave preferential access to trading networks and licensing based on tribal connections. Similarly, in Faryab *kuchis* benefited from Taliban connections for access to land and water.

To an extent, social capital has been a 'missing link' in research on Afghan livelihood strategies (Loveless, 2001). Clearly, social capital is important in coping and survival, and the black economy relies upon networks of solidarity and trust – the remittance economy, cross-border smuggling and the opium trade all depend upon relationships of trust based on tribal, ethnic, religious or political affiliations. Conflict entrepreneurs also draw upon endowments of social capital, though for 'anti-social' purposes – the Taliban for example mobilised through tribal solidarity networks or *Sunni-Shia* cleavages to attain military goals. This takes analysis away from positivist assumptions about the existence of *generalised* trust towards examining in which particular situations and at which particular times people build *selective* trust.

## 4. Commodity chain analysis

The following section draws out some of the themes from the community-level research by analysing particular commodities. A focus on commodity chains or 'objects in flow' allows us to view social relations in spatial terms, and make links between micro and macro analysis. This analysis is concerned less with the objects themselves than with identifying and locating different actors, power relations and governance structures at different points in the chain – and how such networks have been transformed by war.

### 4.1 Carpet production in Faryab province and Peshawar, Pakistan<sup>20</sup>

The carpet industry has changed in a number of ways during the course of the war. There have, for instance, been changes in the social groups involved in production, a reorientation of markets and a shift in the terms of trade away from producers. Ethnic groups that did not traditionally produce carpets are now becoming involved, due to a lack of viable alternatives. As in the agricultural sector, the role of traders in supplying the inputs (such as looms and wool) and access to markets is a prime driver of household involvement. While carpet production was largely carried out by Turkmen and Uzbeks, other groups including the Pashtun and the Hazaras are now involved. As the groups involved have changed, so has the style and quality of the carpets produced. As the research team witnessed in Haji camp in Peshawar, patterns for carpets of Persian, Kazak and Chechen design were supplied to producers by traders acting in accordance with external demand. In addition, as the demand for material has increased due to the increased number of producers, the overall quality has decreased, with many producers now using a wool/plastic/cotton hybrid thread from Pakistan.

The change in the carpet trade in Andkhoy market is part of a longer-term process in which war and changing power relations have played a key role. Faryab was a key carpet- and gileem-producing and exporting area up to the 1970s, drawing on local materials and a substantial skills base in quality and design. However, the collapse of local wool supply due to the decimation of the local sheep herd in the winter of 1970 led to the import of both Pakistani and foreign

wool, and later to the first use of chemical dyes. Previously, production and marketing systems were small-scale and local, working through a network of predominantly Uzbek and Turkmen producers and merchants, then linked through Kabul to external markets. With the Soviet invasion, agricultural markets were badly affected and households expanded carpet production to compensate. Also due to mass displacement, carpet production grew in Peshawar. Post-Soviet instability, combined with price inflation, insecurity and the collapse of infrastructure, led to a progressive isolation of Faryab from the carpet markets, with Pushtun Pakistan-based traders exerting increasing control. The drought led to increased reliance on carpet production. Production expanded from about 500 square metres of carpet per month in the 1970s to over 5,000m<sup>2</sup> per month in 2001 (Pain, 2001). The 30 traders based in Andkhoy in the 1970s had increased to 200, many of them Pashtuns who had arrived since the Taliban. Thus, the Andkhoy producers' previous control has been lost to Pashtun traders and to international markets, which increasingly set the prices and designs. Survival and prosperity for those Andkhoy traders that remain required their control and vertical integration of all stages of production – from purchasing wool to dyeing, determining design, contracting weaving and setting the price, all typically in response to a direct order from a family member overseas. Carpet producers and gileem weavers are now out-workers rather than independent producers.

Although carpet-weaving has long been a method of augmenting household income, it has now become the primary source of income for many families. Women and children are still the primary producers. In certain cases, income from household production is the only factor preventing displacement or increased vulnerability. In general, average monthly production per individual is approximately 1–1.5m<sup>2</sup>, with an individual earning approximately 900–1,250 rupees per square metre. Household profit will differ by approximately 330 rupees if a family owns its own loom, instead of using the loom and material provided by the trader. In the latter case, the household is engaged in the equivalent of piecework. A lesser businessman will own between 20 and 100 looms, and a larger between 1,000 and 1,500. One source revealed that, of the 30,000 families in District 6 of Kabul, approximately 90% were involved in

Table 6: Cost breakdown for NGO-sponsored carpet production per m<sup>2</sup> (rupees), August 2001

	NGO (Ghazni)	Kabul household	Haji camp, Peshawar
Materials	1,250	1,200	
Wages	1,000		1,000/child
Transport	180	130	
Other	20		
Administration	400		
Product cost	2,850		
Sell for:	3,400	2,000–3,000	
Export price	4,500		
Market price		\$80–180 (1999) \$50–100 (2001)	

Note: Cost breakdowns were provided by NGO staff.

Table 7: Carpet exports from Pakistan by value and volume, 1996–2001

	Value (bn rupees; fob <sup>a</sup> )	Volume (million m <sup>2</sup> )
1996–97	7.82	4
1997–98	8.71	4
1998–99	10.21	4
1999–2000	13.69	5
2000/01 (July–March)	11.45	4

Note: <sup>a</sup> 'fob' indicates a traded good's price excluding transport cost.

Source: Economic Intelligence Unit, *Pakistan-Afghanistan*, EIU Country Profile, 2001.

carpet-weaving. Weaving households have become increasingly dependent on credit for raw materials and food supplies. While the margins of the local carpet traders might be under pressure, the returns to producers have clearly been reduced even more.

Interviews in Haji camp, in a village in southern Samangan, revealed that, out of 70 villagers, 40 had migrated to northern Pakistan, with the remaining sending between one and four of their children to these families in order to earn money weaving carpets. Families will go into debt initially in order to send their children abroad, or will rely on donations from relatives or family elders. The host will generally market the output from the looms, and subtract the children's living expenses from the payment provided by the businessmen for the carpets.<sup>21</sup>

According to one source, of the 'Afghan' carpets exported from Pakistan, 40% are produced in Afghanistan (for intermediate export to Pakistan) and 60% in Pakistan itself. This may, however, be changing yet again as many Afghan carpet-weavers begin to return to their homes. The traditional production and input chain involved the export of Afghan wool to Pakistan for processing and re-export to Afghanistan. Currently, approximately 30% of the wool used is from Afghanistan, with the remainder imported from Iraq, Turkmenistan and Australia. Upon completion, the carpet is then re-exported to Pakistan for cutting and washing. Although certain communities utilise local traders to send their carpets into Pakistan, most of the cross-border trade is controlled by border Pashtuns. There are an estimated 22 main carpet markets in Peshawar, all of which are under the control of five Pakistani companies.

Evidence from Faryab indicates that market (and monopoly) control is exerted from Peshawar, with the small volume of carpets and gileems from Faryab encountering difficulties with customs. Payments are often delayed for several months, crippling small traders. Kilims made in Maymana have been reportedly relabelled as products of Pakistan. The attempt by Pakistan to 'nationalise' or 'indigenise' the Afghan carpet industry is further seen in the status of Afghan refugees. The Afghan population and new migrants have experienced growing hostility from the government and certain elements of the press and public. Indeed, recent Afghan refugees are popularly viewed as economic rather than political migrants, and as a source of crime (theft) and fundamentalism. At the same time, while the government has pushed for the

registration of Afghans in Jalozi camp, discrimination and harassment have increased, and there has even been forced deportation. However, Afghans involved in the carpet industry have been offered incentives to remain, including ID cards and the possibility of internal relocation in hamlets.<sup>22</sup> Pakistan's Ministry of Industry has sponsored the creation of three villages for carpet-weaving, in order to attract carpet-weavers from Peshawar and to reduce dye-related pollution.

The carpet industry reveals some of the paradoxes and problematic dimensions of NGO involvement in micro-credit and income-generation projects. As one Afghan NGO official noted, in those cases where the NGO is simply providing the loom, materials and basic training to a household, the NGO is replicating the role of the traders, although it does provide greater long-term security through consistent work. In particularly egregious cases, NGOs are taking advantage of the difference between local and foreign prices in order to earn a substantial profit. The role of NGOs was criticised by a number of individuals; one woman described such projects as 'disempowering', while another stated that this kind of assistance was 'not appropriate' due to the negative effects on the health of women and children. Indeed, although women and children may assume a role as the sole bread-winner, 'men will still control the marketing of the carpets'. Yet, as argued by one respondent, 'Every father wants to have an improved life for his family, [we do this] because we have to do this. We need carpets for life, what else can we do when many people have nothing to eat at night?'

One example of the role of NGOs in providing micro-credit is the Guaranteed Group Lending Scheme (GGLS), established by Save the Children (US) in northern Afghanistan in 1995. The project, designed to focus exclusively on disadvantaged women with no access to micro-credit, was based on comparable experiences in Bangladesh. It was viewed as relatively successful: the programme disbursed some 14,803 loans worth a total of \$1,267,625 to 3,688 women from 1995–99, achieving a repayment rate averaging 99% during the first two years.

The operational achievements of the GGLS scheme in staying on the ground under extremely difficult conditions should be emphasised. This was achieved through constant flexibility, the re-invention of organisational methods and lending approaches, and careful and continuous negotiation with

local authorities. However, in its effort to find ways of effectively distributing and recovering loans, the project focused solely on carpet production, although this was not originally intended. If the GGLS scheme had considered and examined the changes occurring in this market, as well as the place of producers in the market and methods of strengthening their position, supplementary activities might have been possible. By failing to address issues surrounding prices and the control of markets, the scheme's business models were too narrow. It is also clear that there was limited understanding – or little that was formally documented – of how the role of carpet production in the household economy varied by different socio-economic groups, villages or locations. The absence of household and livelihood analysis both at the project's outset and in the later impact evaluation limited the understanding of the GGLS scheme's contribution to household accumulation, risk spreading and coping or survival strategies. One should, however, be realistic about the capacity of an individual NGO to have an impact on the wider political and institutional environment shaping the carpet industry. This analysis may perhaps indicate the need for a collective approach from a group of NGOs to tackle the marketing issues highlighted. It also clearly points towards the need for long-term approaches.

#### 4.2 Cannabis production in Jaji District

A range of factors related to vulnerability, risk and regulation have induced farmers in Sargal village, Jaji, to become increasingly involved in hashish production. Whereas in 1999 and 2000 only four or five families attempted to grow cannabis, by 2001 this had increased to over 20. In 1999–2000, the village *shura* reploughed the land of families growing cannabis since this contravened an agreement with the Danish NGO DACAAR. However, by 2001 neither the Taliban's edict nor DACAAR's proscriptions were enforced. The decision to switch to cannabis was spurred by a number of factors, including drought, a failure of the potato crop, conflict in Parichinar on the Pakistan border and the absence of seed credit. 'Pull' factors included the potential high return and low risk of cannabis compared to other crops, and the availability of credit from drug traders affected by the Taliban's opium ban, who were looking to invest in other sectors. Although productivity varies from area to area, according to respondents one *jerib* (half an acre) of land can produce 30–35kg of hashish (during both first and second collection of the powdered hemp-leaves), with a total net income per *jerib* of around \$750 for an initial investment of \$13. In comparison, the total net income per *jerib* for wheat is \$230, and \$130 for potatoes.

Cannabis production requires less investment, less water, less work, less tractor use and less risk than other products. Attempts by aid agencies to provide profitable alternatives, such as cumin, saffron or fruit orchards, have so far proven

unsuccessful. Conditionality is not only ineffective, but is also ethically questionable since many lives and livelihoods are tied up with this economy. Attempts to enforce a ban have increased tensions between growers and non-growers, between aid agencies and drug traders, and between those benefiting from hashish and the real poor. The case points to the importance of understanding the incentives of different actors involved at different levels of the commodity chain. Conditionalities or crop substitution by themselves leave unchanged the wider institutional environment which drives this economy.

#### 4.3 The *sarafi* and *hawala* systems

Capital and currency movements are linked directly to the informal *sarafi* (money-changer) and *hawala* (money-transfer) systems. These systems are significant not only in Afghanistan, but throughout the region. The informal global movement of capital denies neighbouring countries revenue, and will affect an embryonic Afghan state's attempts to develop a sound tax base. *Sarafis* interviewed in Pakistan did not trust the Pakistani banking system (partially due to a fear of asset seizure), and thus do not invest money in Pakistan. Remittances to Pakistan in the first three quarters of 2000–2001 were calculated at \$855m (EIU, 2001: 29).

The *sarafi* and *hawala* systems demonstrate the importance of social capital and trust. Transactions depend upon shared norms and practices across global networks. The very standardisation of this practice, and the fact that it can occur without the need for enforcement or the continuous elucidation of rules, indicates shared concepts among Afghans despite geographic dislocation. Of course, this trust is selective in the sense that one's choice of *sarafi* is largely determined by family, community or extended relations.

In Peshawar, there are two main areas for currency exchange, the Chawki, which has approximately 20 *sarafi*, and the Andesher bazaar, with approximately 300. Although the dollar was by far the most prevalent extra-regional currency, the currencies in trade in August 2001 included the Saudi riyal, the German mark and the British pound. The Andesher bazaar is divided by both level and group affiliation. According to the first *sarafi* interviewed, there is an ascending hierarchy of *sarafi* in the main market in central Peshawar, informally divided into three groups (low, middle and high). At each level, the exchange rate increases by .05 rupees. For example, based upon the exchange rates in mid-August, the Central Bank of Pakistan would trade the US dollar at 66.5 rupees, a low- to mid-level *sarafi* at 67 and a high-level *sarafi* at 67.05, who would then transfer his accumulated currency to the Karachi market, where the exchange rate is approximately 67.1. Typically, a low- or mid-level *sarafi* will exchange his accumulated currency at day's end with a higher-level *sarafi*, with each group making a marginal profit at each level of exchange. Of course, the higher exchange rate offered by the larger *sarafi* – of which there are approximately ten in Peshawar – is profitable due to the larger volume of money dealt in. The *sarafi* typically has two primary sources of income: that gained from differences in the rates of exchange and the small interest rate applied, and that obtained from involvement in the *hawala* system. Yet

**Table 8: Commodity price chain: hashish (per kg) August 2001**

Farm price	\$30
Barra (Pakistan)	\$46–61
Karachi (export)	\$180

access to capital and the relative level of the *sarafi* not only determine the size of a *sarafi*'s business, and his ability to avoid extortion, but also whether the *sarafi* can become involved in the *hawala* system and engage in trade.

The *sarafi* interviewed were all from the educated professional class. The level of start-up capital and one's personal and professional contacts are key to success. For example, a mid-level *sarafi* was able to sell land and business assets in Afghanistan (primarily Kabul) in order to obtain the starting capital for his business, avoid indebtedness and obtain a formal shop within the bazaar, which reduced his vulnerability to extortion from the Pakistani police. In contrast, without access to starting capital (in the form of housing or land, for instance), another *sarafi* was forced to borrow money from his relatives, which was lent without interest. As a Panjshiri Tajik without the economic base necessary for the required market licence, he was forced to pay a monthly bribe to the police, with the threat of deportation in the event of non-payment.

If involved in the transfer of money from abroad, the *sarafi* will typically charge a 1–2% tax. Accumulated capital may be invested in related businesses. One *sarafi* had become involved in financing the transit trade in partnership with

local businessmen, and had personally imported cars and tyres from Germany to Karachi, as well as tea. He charged a 25% interest rate on all loans for the import of goods, and 20% interest on loans used to finance small businesses, weddings and migration abroad.

NGOs use the *hawala* system as a way of transferring money to Afghanistan. The use of a money-changer typically involves a commission of about 3%. Does this mean that NGOs inadvertently contribute to the war economy, since the *hawala* system is also used by conflict entrepreneurs and profiteers? According to Naqvi (1999: 16), these 'open currency markets ... are facilitating illegal trade activities'. However, a simplistic division between an illicit war economy and a licit peace economy is unhelpful. The *hawala* system is central to the coping/survival economy as well as the war and black economies. Remittances have been an important buffer for much of the population in Afghanistan. Attempting to ring-fence and criminalise such systems would in the current context deepen the vulnerability of many Afghans.<sup>23</sup> It is also based on a poor conceptualisation of the processes at work. This is not a separate, closed and bounded category – the networks involved in survival, profiteering and war-making overlap with, and to an extent reinforce, one another.

## 5. Aid, the political economy of conflict and livelihoods

This last section examines how aid has interacted with the political economy of conflict and livelihoods, and also how aid agencies conduct political economy and livelihoods analysis. This leads to recommendations on how this analysis could be used to improve policy and practice.

### 5.1 'Generations' of aid in Afghanistan: changing analysis, changing responses

#### 5.1.1 Pre-war aid

International assistance to Afghanistan has always been tied to particular political agendas and has had particular effects (intended and unintended) on the constellations of power within the country. British subsidies to Afghan rulers in the nineteenth and early twentieth centuries aimed to shore up the country as a buffer state between the British and Russian empires. Russian and American aid in the twentieth century was similarly motivated by geostrategic concerns, this time within the context of the Cold War.

While foreign aid in the short term enabled a fractious dynasty to maintain its precarious rule, in the long term it contributed to growing fault-lines within, and tensions between, the state and society. Growing dependence of aid meant that Afghan rulers were never forced to develop domestic accountability through internally derived revenue. Foreign assistance projects favoured particular groups and regions, and was used to support clientelist networks. Khans in the countryside competed with one another for state patronage, and government corruption contributed to a growing sense of grievance. Aid also contributed to growing contradictions within Afghan society – between a rural subsistence-based society and an urban elite dependent on the foreign-funded state sector. Aid-funded schools contributed to the creation of new elites during the 1960s who were to join the Islamist and communist movements, which ultimately challenged and overthrew the state.

#### 5.1.2 Aid during the war years

Three broad 'generations' of Western aid can be identified during the war years in Afghanistan: a 'first generation' of humanitarian relief (during the 1980s), a 'second generation' of developmental relief and rehabilitation (the late 1980s to the mid-1990s) and a 'third generation' of peacebuilding and human rights assistance (from the mid-1990s to 2001) (Goodhand, 2002).<sup>24</sup> These generations reflect shifting responses to changing conditions, and cycles of international engagement and neglect.

During the first generation, relief aid served as the non-lethal component of anti-Soviet support, occurring in concert with the arms and monetary payments sent through the CIA/ISI pipeline. The refugee camps in Pakistan became a rear base for the *mujahideen* and cross-border relief programmes mirrored to a large extent the system of brokerage that developed around the arms pipeline to resistance groups. The majority of relief aid went to eastern Afghanistan because of proximity to Peshawar and links to local commanders. Secrecy surrounding the delivery of aid

impeded the development of accountability standards and professionalisation.

Aid had a range of direct and indirect effects on the conflict. Systematic manipulation developed, particularly around food aid. Some donors were willing to accept 'wastage levels' of up to 40%. Gaining access depended on accepting and indirectly legitimising the control of commanders on the ground. Aid was allocated according to proximity and political ties rather than according to humanitarian needs. Leakage from the arms and aid pipelines provided the 'start-up' capital which commanders and entrepreneurs invested in the illicit economy.

Solidarity and an unconditional sympathy for freedom fighters eroded the humanitarian principles of impartiality and neutrality and affected the ability of NGOs to make critical judgements, even more so as they became deeply infiltrated by resistance party agents. At the same time, aid agencies operating across the border needed to be politically astute since security depended on a network of contacts with field commanders and Peshawar-based political parties. Some kept extensive dossiers of field commanders – about their political, tribal and religious affiliations, resources and support base, for instance. However, there was limited analysis of how programmes affected the conflict, or people's lives and livelihoods. Monitoring and evaluation were patchy, and understanding of local livelihood strategies was never developed in a systematic way. Few agencies had either a presence on the ground or the requisite skills.

Second-generation aid followed the Soviet withdrawal, when fighting increasingly shifted from the countryside to the cities and aid agencies were able to pursue longer-term developmental approaches in rural areas. With the collapse of the state and the consequent erosion of public entitlements, the aid community increasingly assumed a role as the surrogate government. Declining superpower interest in Afghanistan was mirrored by declining funding levels. Professionalisation led to an overall improvement in the management, monitoring and evaluation of aid programmes. Agencies sought to withdraw from their solidarity positions of the 1980s by disengaging from particular groups or commanders and employing a more representative cross-section of staff, in terms of ethnic backgrounds and political affiliations. More NGOs set up field offices inside Afghanistan, and played an important role in rehabilitating rural infrastructure. Partly due to the efforts of aid agencies, by 1997 food production had grown to about two-thirds of pre-war levels.

Arguably, the growing focus on aid management was at the expense of contextual and political economy analysis. The typical staff profile of aid agencies changed, as technical experts and aid managers replaced 'Afghan experts' and 'political fixers'. This may have led to 'better projects', but the limitations of the project-based approach were increasingly exposed. Small-scale rehabilitation tended to have localised and transitory impacts. Attempts to work at the level above the village, for instance with district development *shuras*, enjoyed only limited success. The UN Drug Control Programme (UNDCP)'s 'alternative

development' strategy had almost no impact on opium production, as micro-projects by themselves failed to tackle the underlying incentive systems and the wider crisis of governance (Mansfield, 2000). A project-driven and fragmented aid strategy tended to mirror the growing fragmentation and regionalisation of the country. Aid was not the primary centrifugal force, but it is likely that it reinforced the trend towards regionalisation.

The Strategic Framework process marked the 'third generation' of aid strategies, in which human rights and peacebuilding were increasingly emphasised alongside humanitarian concerns and diplomacy. New conditionalities were placed on aid, and the late 1990s were therefore marked by a 'repoliticisation' of aid reflecting the emergence of new Western concerns and interests. The Strategic Framework was based on a number of assumptions about the role of aid in relation to the conflict, and to other forms of intervention. First, it was assumed that aid could modulate the behaviour of actors in the conflict, and could induce behavioural change within the Taliban on issues such as gender, human rights, peace and drugs. Second, it was assumed that the Strategic Framework would ensure coherence and inter-agency coordination. Third, it was assumed that the political and aid strategies could complement one another (Goodhand, 2002).

All three assumptions may be questioned. Firstly, aid actors had very limited understanding of the internal structures and incentive systems of the Taliban. Whereas agencies understood *mujahideen* groups and commanders in the 1980s, by the late 1990s few organisations invested in this kind of analysis. Although the Swedish Committee, an international solidarity NGO, prepared a profile of the main actors within the Taliban in 1998, this was the exception. Another problem with the first assumption was that it tended to over-estimate the impact of aid on the wider political economy of the conflict. If one compares, for example, the value of aid to Afghanistan (roughly \$300m per year) with the \$2.5bn generated in 1999 through cross-border trade between Afghanistan and Pakistan, it is clear why threatening to halt aid had a limited effect. Some agencies adopted 'do no harm' approaches, with the aim of promoting peacebuilding from below. The UNOPS PEACE programme and Habitat community fora aimed to promote peace through supporting local governance. However, such approaches were also based on questionable analysis. First, they tended to assume a clear division between pro-war and pro-peace constituencies, or between a criminalised war economy and a licit peace economy. Second, they assumed that micro-level interventions would have a cumulative impact at the meso and macro levels. But peacebuilding projects, like development projects in a context of chronic political instability, have found it difficult if not impossible to scale up impacts.

The second assumption, about system coherence and effective aid coordination, was exposed by an intrinsically competitive aid system. A top-down managerial framework was not the appropriate model for such a diverse group of organisations operating in a complex and changeable environment. The Strategic Framework was undermined

from above by donors, from within by conflicts between UN agencies, and from below by resistance from NGOs. Médecins Sans Frontières (MSF), for example, distanced itself from the process, arguing that it threatened its independence of action.

The final assumption – of complementarity between aid and diplomatic strategies – can also be questioned (Macrae and Leader, 2000). As one evaluation of the Strategic Framework has highlighted, there were fundamental differences in the analyses and prescriptions of the diplomatic and humanitarian communities (Duffield et al., 2001). While the former understood Afghanistan as a rogue state which needed to be contained and isolated, the latter saw it as a failed state needing engagement and assistance.

## 5.2 Mapping contemporary analysis

Interviews with diplomatic and aid officials revealed a range of different types of analysis used by different actors for different purposes. Table 9 provides a summary – examples are given, but they are meant to be illustrative rather than exhaustive.

A number of tentative conclusions can be drawn from this. Fundamentally, as mentioned above there is a dearth of hard data and analysis. Although information centres have been established, they are only as good as the data fed into them, which is often recycled and unreliable.<sup>25</sup> Basic statistics about mortality rates and nutritional status are lacking at the national level. The last census was in 1979. There have been no serious long-term anthropological studies since the war started, and to an extent knowledge is stuck at pre-war levels. The Human Development Index has not included Afghanistan since 1996, and the data used then was highly questionable anyway (Suhrke and Harpviken, 2001: 25).

Information and analysis are also fragmented. Needs assessments have been limited to short-term objectives. There is virtually no standardised and aggregated data at the national level. This deficiency has been exposed by the drought, since Afghanistan lacks a nationwide model of food security assessment, surveillance and intervention. Early-warning systems in relation to the famine have been weak, as have wider mechanisms for learning and sharing.<sup>26</sup> For instance, the data generated by a UNDP-prepared reconstruction plan in 1993 appeared to have been forgotten five years later, when similar discussions were initiated through the Strategic Framework process.

It is also clear that analysis is not value-free. Different actors with different mandates draw different conclusions from the same data. For instance, the British Foreign and Commonwealth Office (FCO)'s security analysis – that there were well-founded fears that UK and US nationals would be targeted by terrorist groups – led the Department for International Development (DFID) to ban international aid personnel it funded from travelling to Afghanistan. This security assessment was questioned by aid personnel with long experience on the ground inside Afghanistan. Evidently, analysis tends to be mandate-driven – a health NGO will focus on mortality rates and immunisation data, for instance

Table 9: Types of analysis utilised by aid actors in Afghanistan

Type of analysis	Who's doing it?	Why?	Methodology, frameworks, examples
Political economy	Diplomatic and donor community; UNSMA; NGOs; UNOCHA; ICRC	Humanitarian negotiations/creating space; political negotiations; developing aid strategies	Dossiers of commanders and military groups; reports on the leadership of the Taliban; academic studies (Rubin, Rashid); informal meetings; diplomatic briefings; 'grey' reports
Humanitarian needs	UN/Promis; other UN agencies (UNHCR, WHO); NGOs (ACF); ACBAR database	Emergency response; humanitarian space; advocacy	Kabul Emergency Programme needs assessments; ethical frameworks/principles (CARE study)
Livelihoods	WFP; FAO; Habitat; UNOPS-PEACE; UN/Promis; NGOs	Rehabilitation/development programming	VAM, AREU livelihood studies; ICRC Kabul livelihoods study; SC (US) micro-credit study
Human rights	UNSMA civil affairs office; ICRC, NGOs (CCA); UN; Amnesty, HRW; UN gender advisor	Protection, advocacy	Amnesty/HRW reports; CCA reports; UNSG reports; UNICEF report on child rights
Peace and conflict resolution	CPAU, NCA, ADA	Minimising inadvertent negative effects of aid; support for local peacebuilding/conflict resolution	'Do no harm'/LCP analysis; conflict resolution workshops; conflict mapping
Project monitoring and evaluation	All agencies	Assessing project activities, outcomes, impacts	CARE evaluation of SoFAR programme
Aid effectiveness	Donor agencies; SMU	System-wide reviews to assess impacts, draw lessons, revise/develop new strategies	DANIDA evaluation; review of Strategic Framework

– but the project system encourages agencies to look exclusively at immediate project concerns, at the expense of the wider context. The lack of project contextualisation in Afghanistan has been noted elsewhere (see Pain, 2001). The focus of aid agencies has also shifted over time. With each generation of aid, different types of analysis were emphasised, and professionalisation has meant that some forms of knowledge are valued over others. Political economy analysis has been one of the main victims of this process, as analysis is increasingly geared to immediate project concerns. Partly as a result of this neglect, the 'third generation' strategy carries unrealistic expectations about the role and leverage of aid in relation to conflict.

There are a number of reasons why analysis has tended to be poor.

The inherent difficulties of the operating environment, including the fluidity and insecurity of the ground situation, the lack of strong central institutions and access problems, particularly to women.

The politicisation of aid, particularly during the 1980s and the late 1990s, which meant that external political agendas rather than field-based learning shaped aid strategies. Policies were developed in New York or London, based on limited understanding of the local context.

A foreign-dominated aid system. Although not unique to Afghanistan, it was accentuated there by the limited interaction with successive political regimes at the centre (elevated to the level of policy during the Taliban years), the lack of sustained engagement with civil society and the limited number of Afghans in senior policy-making positions. Admittedly, the Afghan 'brain drain' has been a constraint,

but attempts at ‘Afghanisation’ have never been pursued vigorously enough. Limited investment in building up the knowledge bank.<sup>27</sup> Ninety per cent of funding is short-term in nature (six months to one year) and pre- and post-project analysis may be seen as a costly luxury. Evaluations tend to be tied to funding decisions, so mistakes (and opportunities for learning) get pushed underground. The introduction of formal planning frameworks by donors since the early 1990s discourages aid agency staff to think outside the immediate project environment. Political issues are likely to get only a cursory mention in the ‘assumptions’ column of the project log frame. Meanwhile, it is rare to find a donor policymaker in Islamabad whose single portfolio is Afghanistan. Of the 16 members of the Afghan Support Group, only four to six visit the country regularly (Atmar and Goodhand, 2002: 47).

Poor empirical modelling means that current policies and programmes are based on questionable assumptions. These are not always made explicit, but are implicit in how problems are framed and responded to. Table 10 outlines some of these assumptions, contrasts them with the research findings and outlines programming implications. Many of these assumptions can also be found in agency reports and publicity materials.<sup>28</sup>

It should be noted that there have been individual and collective attempts to improve the quality of agency analysis. The latest and perhaps most promising initiative has been the formation by the Afghanistan Programming Board in 2000 of the Strategic Monitoring Unit (SMU, now called the Afghan Research and Evaluation Unit (AREU)). The SMU was conceived as an independent unit for facilitating action-oriented research to inform policy and improve practice.

Table 10: Assumptions, findings and programming implications

Assumptions and hypotheses	Research findings	Programming implications
Conflict has led to state collapse and the breakdown of social institutions.	Conflict has led to new forms of governance at the national and local levels.	Develop a more nuanced understanding of emerging forms of governance. Support forms of governance that help sustain lives and livelihoods.
Aid may have a significant impact on the incentive systems and decision-making structures of warring groups.	Aid in relation to other resource flows is relatively insignificant and its impact on decision-making is likely to be negligible.	Stop conditionalities on aid. Be aware of the potential negative impacts. Strengthen advocacy for political and diplomatic initiatives.
Social relations/social capital have been depleted/eroded – there has been a breakdown of ‘trust’.	Social capital has been central to people’s survival – redistributive networks continue to function.	Develop a better understanding of social networks. Greater focus on the ‘software’ aspects of programming.
Coping strategies have been destroyed by conflict.	Coping strategies have been affected, but in general have been robust.	Develop a better understanding of coping strategies – more focused support to prevent groups from moving from coping into survival. Support risk-spreading activities.
Vulnerability is due to poverty.	Vulnerability is due to powerlessness and the denial of rights.	Develop a better understanding of the politics of vulnerability. Stronger focus on rights and protection.
Support for subsistence agriculture is central to livelihood support – Afghanistan is a nation of peasant farmers.	Livelihoods have become more diversified as a result of the war. Market entitlements have been central to coping and survival (and profiting).	In addition to supporting productive activities, think more about protecting market entitlements – terms of trade, access to markets, engaging with the private sector.
Aid has been central to people’s survival.	Aid has been important for certain groups at certain times, but in general has not been central.	Improve early-warning systems and targeting of humanitarian aid.

### 5.3 Implications for aid agencies

Highlighting deficiencies in current analysis is relatively easy, and many aid workers are only too aware of, and frequently bemoan, these problems. The role of action research is not simply to argue for 'better analysis'. How in practical terms can improved political economy and livelihoods analysis inform aid policy and practice in Afghanistan? Complete knowledge is not possible, so which kinds of knowledge are essential for more effective programming? Using Chamber's phrase, what is 'optimal ignorance'? (Chambers, 1998). This depends to an extent on an agency's mandate and capacities. As a general point, political economy/livelihoods analysis should encourage agencies to think beyond projects, by both looking 'upwards' (i.e., thinking more strategically about their interventions in the wider context), and looking 'downwards' (i.e., greater disaggregation of communities, groups and individual households). More specifically, it is possible to highlight a number of research findings that have practical implications at the policy and programming levels.

#### 5.3.1 The policy level

While conflict has brought profound changes, there are important continuities with the past. This has a number of implications for aid agencies, including the skills of staff (valuing historical/political analysis), career structures (developing cadres of regional experts) and the duration of interventions (from one year to multi-year programmes).

Afghanistan's political economy and the livelihood strategies of Afghan households need to be located within a regional framework. As aid agencies have found, the opium economy cannot be addressed only through poppy-eradication programmes inside Afghanistan. Similarly, the research on hashish and carpets highlights the transnational linkages involved in these economic activities. Donors and aid agencies need to think beyond their country frameworks. An obvious example of this is refugee policy – the changing climate for refugees in Pakistan is having an impact not only on the livelihood strategies of the refugees themselves, but also on families in Afghanistan that rely on remittances. This would indicate a need for aid agencies to work collaboratively at a regional level to tackle specific issues.

Determining the relative importance of internally and externally generated resources to the war economy is difficult. However, it appears from this research – and this needs to be further tested – that external funding is much greater and far more important to warring groups than internally generated income through, for instance, the taxation of the opium and smuggling economies. Previous studies, by focusing on the latter, have tended to 'internalise' the war economy.<sup>29</sup> The implication for aid actors (and the wider international community) is that there is a need for a more rigorous and sustained policy to limit the external arming and financing of warring groups in Afghanistan. The one-sided sanctions regime imposed in 2000 had a limited impact, apart from compromising the neutrality of the UN. This tentative finding would also direct aid agencies towards a more coordinated and forceful advocacy strategy on issues such as small arms and 'smart' sanctions

The term 'war economy' has become a 'catch-all' phrase. It is automatically seen as something negative and predatory. This is not very helpful analytically or in terms of informing policy. This research has attempted to disaggregate and analyse the different types of economies that have emerged – the war, black and coping economies. This takes us closer to an understanding of the different types of actors, networks and motivation systems involved. It may also remind us that the economies that emerge in wartime can also have positive outcomes. In some respects, the 'bazaar economy' has brought development to previously peripheral areas (Goodhand, 2000). The eventual transition from war to peace is unlikely to happen by attempting to 'ring fence' and marginalise the war economy and conflict profiteers. Thought will need to be given to how to engage with entrepreneurs and create the right incentives for accumulated profits to be invested in the licit economy. For aid agencies, there appears to be scope for thinking more innovatively about how to engage with the private sector.

#### 5.3.2 The programmatic level

Political economy and livelihoods analysis should provide aid agencies with a better perspective about the role of aid in conflict. This research has highlighted that aid can and does have an impact on peace and conflict, but its magnitude is relatively small. Development policy before the conflict perhaps had a greater impact on underlying tensions than humanitarian aid during the war. Second, aid has played a limited role in providing sustained support for livelihoods. These two findings suggest that aid may not be as significant as aid actors often think it is. If political economy analysis helps aid agencies to move towards a more realistic assessment of their role, this is no small step. More specifically, it can inform programming in the following ways:

It may encourage agencies to revisit the assumptions in their log frames, particularly between the output-to-purpose and purpose-to-goal levels. For instance, the assumption that cleaning irrigation systems will necessarily increase the food security of the poorest groups in a community can be questioned, as can projects based on an assumption of stable political structures and markets. Donors could perhaps be more insistent that there is evidence of political economy/livelihoods analysis underpinning project planning and design.

The research highlights the importance of political vulnerability. Aid agencies tend to focus at the micro level on humanitarian and socio-economic needs. There is a danger of them being blind to the wider political processes that shape livelihood strategies. For instance, NGO support for carpet producers, while responding to immediate socio-economic needs, runs the risk of reinforcing an exploitative economy, which is controlled and shaped by dealers in Pakistan. An alternative strategy based on a more nuanced analysis might involve a range of complementary activities. These could include the empowerment of producer groups, developing alternative marketing outlets, lobbying on the rights of women, and children producers. As a general point, one would expect this form of analysis to lead agencies into a much stronger focus on targeted advocacy *as well as* implementing micro-level projects.

Political economy analysis should encourage a more disaggregated analysis of communities – fine-grained analysis should lead to more fine-grained programming. To an extent this may constitute no more than ‘good practice’, involving an analysis of who gains and who loses as a result of project interventions. Thinking carefully about who is profiting, coping and surviving should lead to better targeting of aid. The construction of tube wells in Dand, for example, probably benefited those with land and access to water, and may have adversely affected those who are coping and surviving. This type of analysis should also assist in the area of early warning – a general weakness within the aid community that has been exposed by the drought. Finally, political economy and livelihoods analysis can help agencies to ensure that they ‘do no harm’, but in a more sophisticated way than simplistic divisions between constituencies for peace or war.

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## Endnotes

<sup>1</sup> At the time of the research, relations between the Taliban and the international community had deteriorated. It was extremely difficult to obtain visas for international staff. Two of the international researchers were thus unable to conduct community-level research as originally planned.

<sup>2</sup> It should also be noted that, where this research has drawn on secondary sources for statistical information, these figures should be treated as illustrative rather than authoritative.

<sup>3</sup> In 1972, the two greatest single sources of national wealth – agriculture and livestock – yielded just 1% of state revenues (Hyman, 1990: 32). State-generated finances during the 1960s depended almost entirely on heavy duties on imported goods, which the merchant class were too politically weak to resist.

<sup>4</sup> From 1956 to 1978, the Soviet Union provided Afghanistan with \$1,265 million in economic aid and roughly \$1,250m in military aid (Rubin, 1995: 22).

<sup>5</sup> Virtually all the Taliban leaders studied in *madrassas* in Pakistan with strong links to the Deobandi political party, Jamiat ul-Ulema-I Islam (JUI).

<sup>6</sup> A group united by a norm of solidarity and by competition with parallel groups (Rubin, 1996: 346).

<sup>7</sup> On 27 July 2000, Taliban leader Mullah Omar declared the cultivation of opium poppy to be ‘unIslamic’ or *haram*. The ban was rigidly enforced, bringing opium production down from its peak in 1999 of 4,500 metric tons to 79 metric tons in 2000.

<sup>8</sup> This point draws upon the analysis of the UNDP Human Development Report for Somalia (2001), which outlines similar processes in the ‘stateless’ society of Somalia.

<sup>9</sup> See Rashid (2000) for a more extensive analysis of the negotiations between UNOCAL and the Taliban.

<sup>10</sup> The lack of political interest in the region has also been significant.

<sup>11</sup> Interview, Peshawar, Pakistan, August 2001.

<sup>12</sup> For instance, most of the relatively expensive houses in Hyattabad outside Peshawar are rented to Afghans.

<sup>13</sup> Interview, Peshawar, Pakistan, August 2001.

<sup>14</sup> Interview, Washington DC, September 2001.

<sup>15</sup> The data in this table is based upon interviews with villagers; figures should be treated as approximate.

<sup>16</sup> Before the drought, total production and export was 346,500kg; now total production and export is 69,300kg, a reduction of 277,200kg.

<sup>17</sup> *Kuchis* are nomadic pastoralists who have traditionally followed migration routes between Pakistan and Afghanistan.

<sup>18</sup> A further example of inter-ethnic collaboration might be the case of Pashtun traders who, during the Taliban blockade of Hazarajat, smuggled in essential commodities, profiting from the price difference.

<sup>19</sup> This section is based on Pain (2001), supplemented by additional interviews in Peshawar and Kabul.

<sup>20</sup> According to the host, the costs for the household per

month were: 1,000 PRs for electricity, 2,500 PRs for rent for one room, 500 PRs for gas and 5,000–6,000 PRs for food for 16 people. Total production is approximately 28 square metres per month, which is sold for approximately 1,200–2,000 PRs per square metre.

<sup>21</sup> One source noted the overall deterioration of the protection regime in north-west Pakistan, with UNHCR focusing on the formal camps, and thus neglecting the urban and non-Pashtun minority and failing to criticise the government for its policy of forced deportation (which affected as many as 400,000 Afghans).

<sup>22</sup> After 11 September, there have been efforts by the US in both Somalia and Afghanistan to criminalise such networks because of suspected links to terrorist groups.

<sup>23</sup> In practice, the distinctions between these three generations are not as neat or as linear as the model implies. The model is meant to be illustrative of broad shifts in policy and thinking within the aid community.

<sup>24</sup> The Afghan Resource and Information Centre (ARIC) contains an excellent archive on Afghanistan, though like other databases and information centres, there is a lack of reliable contemporary data.

<sup>25</sup> Early-warning was, however, only part of the problem. A WFP official interviewed in 1998 by one of the authors of this paper predicted the current food security crisis, based on ongoing VAM assessments. The problem is evidently as much about an inability to act upon information as the absence of information.

<sup>26</sup> Some of the best anthropological work was done in the last century by British colonial administrators. Incentives were paid for learning the language and developing an understanding of local issues. The contrast with today’s aid workers, on six-month to one-year contracts, is striking (see Goodhand, 2000; Duffield, 1999).

<sup>27</sup> Not all aid agencies subscribe to all these assumptions; many operational organisations are, for instance, sceptical about the capacity of agencies to affect the incentive systems of warring groups. However, this is still a sufficiently common notion to merit inclusion here.

<sup>28</sup> Human Rights Watch (2000) is an important exception here, though more work is still required in terms of hard facts and figures and comparative analysis of internal and external resource flows.