

**NATHAN
BERGER**
Afghanistan
Studies
Project

PN-ABB-451

ISA 67496

Final Report
Expert Economic Services

Submitted to the
Office of the A.I.D. Representative for
Afghan Affairs

Under
Contract No. 306-0205-C-00-9385-00
Delivery Order No. 5

May 31, 1990

Submitted by
Nathan Associates Inc. and
Louis Berger International, Inc.
A Joint Venture

MEMORANDUM

May 31, 1990

TO: Curt Wolters
FROM: Harvey Lerner *HL*
RE: Contract No. 306-0205-C-00-9385-00, Afghanistan Studies Project
SUBJECT: Completion Report, Delivery Order No. 5
CC: Val Mahan

The services of Abdul Aziz Feroqh were provided to O/AID/Rep in Pakistan from November 3, 1989 through February 18, 1990. The objective of the assignment was to provide O/AID/Rep with the services of an expert with special knowledge of the economy of Afghanistan and distinctive insights into requirements for resettlement and rehabilitation of the country. The services consisted of oral counsel to O/AID/Rep and written memoranda.

Mr. Feroqh submitted six written memoranda to Mr. Larry Crandall, Mission Director, as follows:

Utilizing Professional Skills	November 13, 1989
Problems and Constraints Facing AIG	November 30, 1990
Swedish Committee Farm Power Report	December 17, 1989
Decision to Establish an Enterprise	January 7, 1990
AIG Plans for Elections and New Shuras	January 25, 1989
Commercial Phase of PL-480 Wheat Supply	February 1, 1990

These memoranda are reproduced as attachments to this Completion Report.

Mr. Feroqh reviewed his principal findings with the key members of the Nathan Berger staff during their field visits to Afghanistan and at a

meeting in Washington held on April 12, 1990. He also developed a general assessment of the current economic situation in Afghanistan.

MEMORANDUM

To: Larry Crandall

November 13, 1989

From: Ferogh, Abdul Aziz

Subject: Utilizing Existing Afghan Professional Skills

Introduction

The Afghan Interim Government (AIG), which now comprises 15 ministries, was set up by the Afghan Mujahiddeen in February 1989 with the objective to coordinate and manage the political, Military and economic affairs of the Afghan resistance. Over the last 10 months, however, the activities of the AIG, specially in the area of economic reconstruction and general administration has remained very limited for a variety of reasons.

One of the major constraints facing the AIG is the lack of adequate numbers of qualified Afghan staff and technical personnel to plan, implement, manage and coordinate the reconstruction activities in the liberated areas. In view of this situation, there is an urgent need for the provision of adequate institutional support to the AIG to enhance the capabilities of its ministries in the provision of essential services to the Afghan People both inside and outside the country.

Providing The Services of Qualified Afghans to the AIG.

Cognizant of these issues, the USAID, Afghanistan section, has recently provided financial support to the International Committee for Migration (ICM) to identify qualified Afghans abroad and find jobs for them in the Pakistan-based institutions, mainly the AIG ministries.

On my way to Pakistan I stopped in Geneva, at your request, to discuss the overall situation of this project with the ICM concerned authorities. According to information gathered, the ICM has lately prepared a roster, containing some basic information on 609 Afghan professionals and technicians who are residing in the following countries.

o + m'

United States	297	44.4 %
India	233	34.8 %
Fed. Rep. of Germany	68	10.1 %
Great Britain	28	4.2 %
France	22	3.3 %
Canada	10	1.5 %
Switzerland	7	1.1 %
Other countries	4	0.6 %
	-----	-----
Total	669	100

A summary of the structure of manpower identified and the categories of professions involved are presented in Annex I. ICM hopes to repatriate about 200 Afghans over the period of two years, but the actual repatriation process of Afghan professionals will depend on the following two factors:

1. Political Situation: Most of the highly qualified Afghans abroad are of the view that the AIG is not representative of the various [political groups and segments of the Afghan society and has so far failed to reach its declared objectives. In addition, there is a clear lack of unity among the political factions constituting the AIG. The continuation of these conditions over an extended period would no doubt prevent most of the Afghan professionals from participating in the AIG related activities.
2. Salary Scale: The salary scale of the AIG ranges from Rs. 7000 for the highest position to Rs. 1000 for the lowest rank in the AIG administration. Several Pakistan-based NGO's are presently employing Afghan professionals at international salary levels. The absence of competitive salaries, compared with the Afghan employees of the NGOs supported projects, hampers the possibility of recruiting adequate qualified staff in the AIG ministries. While the salary scale of the AIG may be compatible with the local conditions it is not high enough to meet the financial requirements of Afghan professionals who have family obligations abroad and could not accept local salary scales.

Actions to be taken by ICM.

1. ICM should be advised to select a group of 25 Afghan professionals from the existing list on the basis of some objective criteria, such as the educational background, current employment status, work experience, salaries earned, attitudes.... etc. The composition of the selected group would be as under:

- 4 Medical doctors
- 4 Engineers
- 4 Agronomists
- 2 Economists
- 2 Architects
- 2 Univ. and Higher Ed. teaches
- 2 Accountants
- 2 Administrators/Managers
- 2 Lawyers
- 2 Veterinarians

2. As a second step, ICM should consult the AIG on all matters pertaining to the employment and recruitment of the selected professionals, and solicit AIG's agreement to the placement of these persons in the AIG ministries and departments. It is suggested that at this stage, the Afghan professionals should be assigned to the advisory jobs. This will allow ICM to recruit Afghan professionals at International salary levels.
3. Immediately after these steps are taken ICM should contact the selected Afghans abroad and evaluate the terms and conditions, under which they will be prepared to work in the AIG administration. If the persons contacted are qualified and willing to serve in the AIG administration, then ICM should take the appropriate steps to recruit them on the basis of contracting arrangements. All terms and conditions, relating to the employment of each Afghan professional, including the salary levels and duration of assignments shall be included in such contracts.

ANNEX-I

Distribution of Qualified Afghans by
Categories of Professions and Places
of Origin.

Categories of Professions	USA	IND	FRA	GBR	GER	CAN	OTHERS	TOTALS
Doctors	44	14	5	2	7	-	1	73
Engineers	35	18	3	4	10	2	-	72
- Civil	18	1	1	1	1	-	-	22
- Mechanical	4	3	1	1	1	1	-	11
- Electrical	7	1	1	1	3	-	-	13
- Others	6	13	-	1	5	1	-	26
Agronomists	7	2	-	-	2	-	-	11
Economists	6	9	1	1	1	-	1	19
Architects and Town Planners	4	3	-	-	1	1	2	11
Uni. & Higher Ed. Teachers	22	2	1	2	4	-	-	31
Accountants	8	1	-	2	1	-	-	12
Veterinarians	1	-	-	-	-	-	-	1
Administrators/ Managers	4	5	1	-	2	-	-	12
Lawyers	3	3	-	2	2	-	-	10
Sub total	134	57	11	13	30	3	4	252
Other Professions and Technicians	163	176	14	15	33	7	7	417
Total	297	233	25	28	63	10	11	669

Source: International Committee for Migration - ICM, Geneva.

Financing Arrangements:

The total cost of expatriating 25 qualified Afghans is estimated at US\$ 1,000,000 for a period of one year; detailed cost estimates will be prepared by the ICM when and as appropriate. A number of donors such as the USAID, Federal Republic of Germany, Japan, and Saudi Arabia may be interested in financing this project. These sources should be consulted once detailed cost estimates are prepared and some of the preliminary steps have positively been taken.

November 12, 1989

0 7'

To : Larry Crandall

November 30, 1989

From: Abdul Aziz Ferogh *A. A. Ferogh*

Subject: Problems and Constraints Facing AIG

A. THE OVERALL POLITICAL SITUATION

The main objective of the Afghan Interim Government (AIG), set up by the consultative shura in Islamabad last February was to establish itself inside Afghanistan, maintain peace and stability in the liberated areas, hold election and coordinate the reconstruction activities on a systematic basis. However, an objective evaluation of the overall situation suggests that at present the following conditions prevail.

1. The AIG has no presence inside Afghanistan and so far has been unable to create an administrative structure, at the local or provincial level to maintain peace and stability in the area.
2. The AIG has not yet prepared a cohesive strategy aimed at establishing a broad based political structure to meet the aspirations of the Afghan people,
3. Over the last couple of months, misunderstandings, rifts, and even some armed clashes, among some groups of Mujahideen has taken a dangerous course, indicating the fact that the AIG has been exercising very little or no control over the events inside the country.
4. On the economic front, the AIG has failed to prepare and implement a reconstruction program or take steps to coordinate the reconstruction activities being under taken by outside organizations.

In view of this situation it is generally believed that without the establishment of a political structure to represent the entire segments of the Afghan Muslim society it would be extremely difficult for the AIG or any other entity to realize the common objective of replacing the Kabul regime and maintaining peace and stability on a permanent basis. At this juncture, unless the Kabul regime is fully isolated it will continue to benefit from the existing political vacuum for its survival.

B. ADMINISTRATIVE AND ORGANIZATIONAL ISSUES

At the present stage the AIG comprises 15 Ministries and the Supreme Court, in which more than 120 divisions have been created; 12 deputy ministers and 36 advisors have also been appointed (Annex 1). In addition there are approximately 1400 staff members active in the AIG framework.

At present the administration of the AIG is extremely inexperienced and the total number of qualified staff is very limited, perhaps less than 30%. About 42% of the Deputy Ministers, 36% of Division Chiefs and over 66% of the Advisors at all levels are non-professionals; a large number of staff are also misplaced or lack work experience. It should also be noted here that very poor use is being made of those educated staff that are already available in the AIG due mainly to lack of leadership at higher levels. Other constraints are summarized as follows :

1. The AIG ministries have not yet prepared a set of cohesive and articulated objectives to be tackled during the interim period; work programs are generally missing and there is very little clear understanding of what is to be done.
2. The administration is out of touch with the resistance at large and the people inside Afghanistan as well as the needs of people in the liberated areas; very little or no systematic data is being collected.
3. The administration is entirely Peshawar-based and has expanded at a fast rate over the period. The present personnel practices, influenced by party politics, encouraged an excess of inexperienced and uneducated persons in the AIG administration. This process, even if financed generously by the Afghanistan friends could not be sustained over the long term and in addition may exert a negative impact on the level of the Afghan Government efficiency in future.

In view of this situation it is suggested that the further expansion of the AIG administration be constrained. The ministries should be asked to prepare the specific objectives and programs for the interim period and establish a mechanism to monitor performance. In-service training programs should be emphasized throughout the AIG ministries especially at the middle and lower level.

At present, lack of professional personnel is one of the major constraints to the AIG administration. The ICM has recently identified more than 500 professional Afghans abroad. The AIG should be encouraged to attract these professionals who are an extremely valuable asset to Afghanistan now and in the near future.

C. EXPENDITURE AND FINANCE

According to some informed sources the AIG has spent over Rs. 60 million over the last 3 1/2 months; The exact picture is not known to any body at this stage due to lack of proper reporting system in the AIG administration. The figures presented in annex II cover only 25 -30% of the AIG monthly expenditure on staff salaries and related services.

It is widely believed that as long as the AIG administration expands or remains inactive, financial resources will appear to be a severe constraint to the AIG administration. At present resources are allocated to the departments on a nominal basis and there is no relationship between the programs and budgetary expenditures, even in the simplest meaning of the term.

The Ministry of Finance should ask the ministries to prepare a simple description of their objectives and programs as well as the functions of the staff members in the design and implementation of the proposed activities. This process, even if carried out in a simple form, would gear the budgetary resources to some sort of activities and programs, allowing the Ministry of Finance to allocate resources on priority basis.

I am of the view that even at this stage the AIG should have two kinds of budgets; a rehabilitation budget and a recurrent budget. These tools would sharpen AIG's financial and management capabilities and would rationalize the resource allocation processes. Both the recurrent and development budgets should be monitored closely, and reviewed every three months. A consolidated report on total expenditure and financing should be submitted to the cabinet on a quarterly basis for review of the AIG policies pertaining to the public finance issues.

D. ECONOMIC RECONSTRUCTION ACTIVITIES

As mentioned previously in this memorandum, the AIG exercises no presence and authority inside Afghanistan and has failed to create an effective administrative structure for planning and implementing the reconstruction activities in the liberated areas. Large numbers of NGOs' are currently active in cross-border operations under numerous programs and work mainly through local authorities. However, the AIG does not seem to be in a position to coordinate NGOs' activities even in the nearby border provinces.

According to AIG, lack of resources, coupled with shortages of technical staff and appropriate institutional arrangements has hampered the planning and implementation of its reconstruction activities inside Afghanistan. The UN does not recognize the AIG at this stage and therefore cannot adopt the AIGs' Ministry of Reconstruction as a partner for the purposes of reconstruction programs inside the country.

In order to overcome these constraints, the AIG, through its Ministry of Reconstruction, restructured the existing RAFA as a independent NGO. Based on its charter, prepared recently, RAFA is supposed to be an Afghan, non-government and non-party organization. However, unless RAFA shows that it has some technical and administrative capabilities to undertake work in Afghanistan the UN agencies would not support it as a partner for the reconstruction activities inside the country. At present, apart from the existing organizational issues, RAFA has suffered

from severe shortages of qualified administrative and technical personnel at all levels. RAFA's programs in the Kunar and Paktika Provinces are very modest which will not have any visible impact on the living conditions of the population in these areas.

The Ministry of Reconstruction has recently sent a few technical personnel to the Herat Province to examine the Salma Dam on the Herai Rud river, near the Chisht district. This project which was initiated in the mid-1970s' under the Saudi Arabia financial assistance, is a highly capital intensive project which cannot be reactivated with the meager financial and engineering resources now available to the AIG. The Ministry of Reconstruction should be advised to adhere to the short term priority needs of the Afghan people at this stage and refrain from wasting its resources and limited technical capacity on long term projects.

ANNEX-I

AIGA SUMMARY LIST OF HIGH RANKING OFFICIALS^{a/}

	<u>DEPY. MINIST.</u>	<u>ADVISORS</u>	<u>DIVIS. CHIEFS.</u>
President office		1	3
Prime Ministry		5	1
Supreme Court		-	3
Ministry of Defence		2	12
Ministry of Interior	1	5	8
Ministry of Foreign Aff.		5	-
Ministry of Justice	1		8
Ministry of National Sec.	1		2
Ministry of Education	2	3	13
Ministry of Public Health	2	2	16
Ministry of Agriculture	2	3	3
Ministry of Reconstruction	1	2	7
Ministry of Borders		5	
Ministry of Mines & Indust.	1		10
Ministry of Finance		3	7
Ministry of Haj			9
Ministry of Press & Inform.			14
Ministry of Communications	1		4
Total	<u>12</u>	<u>36</u>	<u>120</u>
of which : religious scholars and non professionals.	5	24	43

a/ Preliminary

- Note: 1. The table above indicates the actual numbers of officials employed and not the post provided in the organizational charts
2. In addition to the above list 3 other high ranking officials have also been appointed; these are not covered here in this list.

ESTIMATED MONTHLY EXPENDITURES - AIG

SELECTED CATEGORIES

	Pak Rs.
A. SALARIES	
President	11000
Prime Minister	9500
Supreme Judge	7000
Ministers (15*7000)	105000
Deputy Ministers (12*5500)	66000
Divisions Chiefs (120*4000)	480000
Advisors:	154500
Presidency (1*7000)	(7000)
Prime Ministry (5*5000)	(27500)
Ministeries (30*4000)	(120000)
Other high ranking officials (3*5500)	16500
Other staff and personnel (atleast 1400* Rs.2200-average monthly salary)	3080000
Sub Total:	3929500
B. WAGES	
Drivers (150*Rs 1900)	285000
Bodyguards (245*Rs 1300)	318500
Cooks (33*Rs 2000)	66000
Sub Total:	669500
C. PREMISES (LEASES) (30*Rs 20000 average)	600000
Total	5199000

December 17, 1989

To: Larry Crandall, AID/REP

From: Abdul A. Ferogh

Subject: SOME COMMENTS ON THE FARM POWER REPORT PREPARED BY THE SWEDISH COMMITTEE FOR AFGHANISTAN

The survey report states that from 1978 to 1987 nearly 50% of the country's animal traction was lost. On this basis about 500,000 oxen would be needed to meet the shortfall in order to reach pre war levels. The report assumes that a pair of oxen can plough about 5.0 ha. of land. Thus, 250,000 pairs of oxen would cultivate 1,250,000 ha.

Since Pakistani sources will not be able to supply this number, therefore, the increasing use of tractors will be the only means to overcome farm power problem. Assuming that a 45 hp. tractor can cultivate about 60 ha of land, approximately 20,800 tractors would be needed to cultivate about 1,250,000 ha of abandoned land. However, while the survey ventures to draw such inferences, it is not clear about the base from which the estimated average changes or the absolute figures at the national level were measured.

Available data suggests that in 1978/79 about 3.9 million ha. were under cultivation of which 2.6 million ha were irrigated and about 1.3 million ha. rainfed. According to an earlier report prepared by the Swedish Committee for Afghanistan, between 1978 and 1987 the irrigated area declined by 23% and rainfed area by 33%; thus, the area of abandoned land could be estimated at 1.0 million ha. Thus for the cultivation of 1.0 million ha. of abandoned land, about 16,600 tractors would be needed as against 20,800 estimated by the report.

Given the state of the economy now and in the near future, this is a lot by any standard. According to the findings of the report only about 50% of the provinces had a history of tractor use which started before the war; in the remaining provinces use of tractors would continue to be limited. This implies that at least 90% of tractors would be concentrated in 14 provinces.

However, the deployment of 14000 to 15000 tractors in 14 to 15 provinces over a period of say 3-4 years should be the subject of a careful soul searching. Before the war tractors were increasing by 400 per year, mostly financed through the loans provided by the Agricultural Development Bank of Afghanistan (Ag. Bank). At that time the following factors were positively affecting this process:

1. The Afghan Governments were heavily subsidising fuel costs.

2. The Agricultural Bank was providing cheap and easy credits for procurement of farm machinery, mainly tractors.
3. The over valued exchange rates which are still maintained, made tractors available in Afghanistan at prices considered below world market prices.
4. In certain provinces, wealthy farmers and larger land owners were using tractors to bring some pastures under rainfed cultivation.
5. In the year 1977-78 more than 300,000 afghans were working abroad the, mainly in the Gulf countries. Therefore, some of the provinces specially in the north, and in the south west were faced with some labour shortages in the agricultural sector.

There is a need for tractors in the country, particularly during the rehabilitation/reconstruction stage. Tractors are useful in raising labour productivity, in coping with peak farm operations and improving the timing of planting. However, tractors should be adopted as supplementary to and not as replacement for traditional sources of farm power including farm labourers.

Prior to the war 80% of land owners in the country owned less than 3.9 ha. whereas 2% held about 40% of cultivated land. However, 30 to 40% of land cropped was cultivated by landless poor sharecroppers. Given this agrarian structure some people fear that rapid mechanization will have some negative impacts on the rural economy both in terms of labour displacement and the eviction of tenants. Some people also fear that availability of modern inputs along with tractorization will encourage larger land owners to resume their formerly rented-out land for owner cultivation, resulting in a rapid polarization in the sized distribution of the farms.

The report states that "studies in Pakistan Supported by the World Bank have shown that tractors cause a small and arguably acceptable, amount of tenant displacement". This may be true, but a similar study on Pakistan supported by the World Bank in 1975 estimated the labour displacement effect per tractor to be 11 full time farmers." The unemployment level in Pakistan is very high at present, some Pakistani scholars report unemployment rate in Pakistan to be about 15%, involving 4-5 million people. Over the last 10 years the employment capacity of the agricultural sector has declined rapidly.

Afghanistan's population is currently estimated at about 17 million people, growing at about 2% per year. The population is also very young, implying that about 45% is below the age of 15. According to a recent survey conducted by the United Nations'

15

Research Institute about 60% of the Afghan refugees in Pakistan were below the age of 18. About 70% of the male refugees were farmers, the same may be true of the refugees in Iran. According to this same study the working population aged 16-49 will have nearly doubled by 1996. Given these demographic characteristics of the afghan population every effort should be directed at promoting the employment capacity of the rural sector with a view to avoid rapid urbanization and the social costs involved.

As the report has aptly suggested "the potential damage that inappropriate agricultural mechanization can do, if not governed by policies" will be considerable. However, before a comprehensive policy option is worked out a special indepth study should be undertaken on a managable scale to evaluate the over all situation of farm power in a few key agricultural areas, serving as a complement to the extensive sample survey now being carried out by the Swedish Comittee. It is widely believed that without such case studies, to be sharply focused on key issues and linkages, the results obtained through the extensive survey alone will remain inconclusive.

Although some tractors will be supplied to afghan farmers during the rehabilitation stage, the issue of farm power as a structural constraint to the agricultural development may not be rapidly resolved. Over the recent years, farmers in Afghanistan have managed to meet farm power shortages through sharing and hiring of oxen and tractor services. During the interim period the NGOs as well as the AIG should assist farmers, particularly small farmers to continue these arrangements and use the existing means more effectively. These institutions should also examin and test the possibility of establishing rural credit schemes with the view to improve small farmers access to essential inputs including farm power supplies. They could also encourage individual entrepreneurs to purchase appropriate farm machinerics on credit and then to sell the services to small farmers in the rural area.

In the immediate future the agricultural policies must emphasize further intensification of agriculture, training of young farmers and the improvement of existing water supplies; in the long run however, these policies should focus on some basic institutional arrangements to provide farmers with security of tenure and production incentives. If these policies are supported by concrete action programmes the farm power constraints to the rehabilitation and development of the agricultural sector in Afghanistan could be rapidly resolved.

-
1. John P. McInerney and Graham F. Donaldson, "The Consequences of Farm Tractors in Pakistan" World Bank Staff Working Paper Number 210, February 1975, page 52
 2. Institute of Policy Studies "State of Employment in Pakistan" Islamabad, 1987, page 8

January 7, 1990

Abdul Aziz Ferogh, AID/REP Consultant

A. A. Ferogh

About Ministry of Mines and Industries Decision to Establish an Enterprise in Peshawar

Larry Crandall, AID/REP

Some officials of the AIG have told me that the AIG's Ministry of Mines and Industries had obtained some funds from the Ministry of Finance for establishing a Shawl Weaving Plant here in Peshawar. According to information gathered the proposed project will cost about Rs. 2.5 million at this stage of which about Rs. 0.17 million has already been committed to the financing of land required and other initial expenses. It is supposed to operate under the overall supervision of the Ministry concerned and will be attached to the Ministry's Department of Small Scale Industries.

I am very concerned with this issue and believe it does not provide any structural link between the AIG and Afghanistan. It revives the old pattern of public sector involvement in the productive areas and constrains the adoption of appropriate industrial policies in future. Let me elaborate on this point further:

Available data suggests that since mid-1950's Afghanistan has invested considerable amounts of financial resources in the industrial public enterprises with the hope to maximize economic growth and employment. However, due to the shortcomings of this strategy these hopes were frustrated; in 1978/79 for which data exists this ownership form accounted for only 2.7% of the GDP; private sector firms and handicrafts accounted for about 8% of GDP. This means that the magnitude of total investment that went into these enterprises was not commensurate with the level of output produced or the level of employment provided. There were about 30 enterprises in Afghanistan providing employment to 21,000 workers. The picture has not changed dramatically over the last 10 years.

By now experience has shown that as an alternative to private enterprises the performance record of public enterprises has not been a satisfactory one. The public entities in Afghanistan were constrained by the following factors:

1. Idle capacity and weaknesses in management.
2. Low level of productivity and over staffing.
3. Lack of appropriate accounting system and efficient production, planning, control and supervision.
4. Inefficient pricing policies.

5. Interference of central ministries in the day-to-day operations and the management of enterprises.

I believe the AIG Ministry of Mines and Industries under the prevailing conditions may not be in a position to avoid these constraints and thus the outcome of the decision already made would add only to our bitter experience.

As a matter of principle the AIG should withdraw from activities which are most suited for private sector involvement. Experience in Afghanistan shows that private sector has a major comparative advantage in the areas of small scale production. Experience in other developing countries indicate that the economies in which the private sector has a dominant role have experienced more rapid growth than those characterized by extensive government involvement. In most developing countries the governments now expect the private sector to share the responsibility of developing their economy.

In view of these observed facts the Ministry of Mines and Industries should not overlook the benefit of private sector based rehabilitation strategy in future Afghanistan; this will maximize efficiency and the resource use which is a very vital factor in a resource deficient country such as Afghanistan. These statements are not intended to make a plea for the establishment of a laissez faire economy in the country, far from this, I believe that in the Afghan context the private and public sectors are complimentary. The government should continue to provide public goods such as health and education, natural monopolies also provide a very strong case for the public-form of ownership. In general, however, the government should take necessary measures to facilitate market processes rather than taking over the market. This is imperative for the development of private sector activities in the country.

Based on these points the Ministry of Mines and Industries could have encouraged private investors to take up the project. I believe there are a large number of managers in the refugee camps who could do the job effectively. I believe the direct involvement of the Ministry of Mines and Industries in these activities is not in line with the priorities of AIG at this critical stage. These activities deviate scarce resources from the more priority areas to less priority needs.

January 25, 1990

Abdul Aziz Ferogh, TDY Consultant *A. A. Ferogh*

AIG's Plan for Election and the Formation of a New Shura

Larry Crandall, AID/REP

The bilateral agreement between Pakistan and the Kabul regime signed in Geneva on April 14, 1988, under the auspices of the United Nations was primarily intended to bring peace and stability to Afghanistan. However, this agreement did not bring respite to Afghanistan as expected. Nor did it facilitate the return of Afghan refugees to their homeland.

The Afghan Mujahadeen and refugees have rejected the Geneva accords on the ground that these documents did not recognize the right of self-determination for the Afghan people and that the Afghan Mujahadeen were not represented in the Geneva process. Thus, maintaining the self-determination right for the Afghan people remained one of the main objectives of the Afghan resistance.

However, in order to achieve this objective there must be a transfer of political structure from the installed Kabul regime to a representative government to be acceptable to the majority of the Afghan people. The present AIG structure set up by the consultative shura in Islamabad last February marked a first step towards establishing a representative government in Afghanistan.

It is rather unfortunate to see that during the last 12 months the AIG has shown very little in the way of achievement. The AIG has failed to coordinate the resistance and weld it as a cohesive fighting force against the common enemy. As a result of ever widening division and rift in the Mujahadeen ranks the Kabul regime continued to survive against all odds. In addition, the AIG has failed to broaden the political base of the government in a bid to make it more acceptable to the Afghan people.

The existing situation has been a matter of serious concern both to the Afghans and the Afghanistan friends who are committed to assisting the Afghan people to exercise their right of self-determination and achieve their national objectives. The Special Envoy of the United States Government to the Afghan Mujahadeen Mr. Peter Tomson has recently told one of the Peshawar-based Mujahadeen leaders that the base of the AIG should be broadened and the new shura be convened in such a manner that the Iran-based Mujahadeen's alliance, famous commanders, ex-King Zahir Shah, and his supporters could be represented in it so as to make it acceptable to all the Afghan people.

The AIG was formed with the objective to transfer the

structure of the government inside Afghanistan within one month and make arrangements for election in a period of about six months. It has so far failed to meet these objectives. However, a commission was formed to prepare proposals for the formation of a new shura to ensure the continuity of the AIG mechanism.

In this context the Prime Minister of AIG, Mr. Sayif, has recently announced a framework for election and the formation of a new shura. According to Mr. Sayif the process of election will start in February and will be completed within four months. Details of the plan proposed has been published several times and should not be repeated here. However, some critical aspects of Mr. Sayif's proposal will be presented below.

1. The framework proposed reflects a nomination process as people at the district level will be required to select ten people for the loya Jargah (the Grand Assembly). The concept of loya Jargah has been endorsed, albeit with some modification. According to the framework the loya Jargah consists of about 2,175 members. It should be pointed out that the sheer number of participants in the Jargah may not solve the AIG's problems as well as the Afghanistan crisis; what is most required is to have a representative Jargah to reflect the aspirations of the majority of people, and form a government which can establish itself inside Afghanistan.
2. The venue for the loya Jargah has not been decided, but indications are that it will be held in Pakistan; a novel thing in the political history of Afghanistan. I should emphasize the fact that the majority of the Afghan people would like to see that the loya Jargah is held inside Afghanistan. The people feel that the Afghan Governments formed in foreign countries would not enjoy the full confidence of the Afghan nation.
3. Mr. Sayif's proposal is totally uncertain about participation of the Afghan women in the election and representation in the loya Jargah. According to the present arrangements they would be kept outside the political process. This means that 54% of the entire Afghan population would not be represented in the Afghan loya Jargah. This will certainly tarnish the image of AIG among the educated Afghan women and indeed in the world community as a whole, including the Islamic countries.
4. Available information suggests that more than 3 million people live in Kabul and other cities in Afghanistan which are at present under the loose control of the Kabul regime. AIG's formula has not yet contained any suggestion as to how these people could or should be represented in the loya Jargah. This issue has important political repercussions and should be critically examined by the AIG in a highly constructive manner.

Likewise, about 200,000 Afghans, most of them professional live in U.S.A., Europe, India, Canada and Australia. The AIG's framework does not explain the methods according to which these people could be represented in the anticipated Jargah.

The overall objectives of the Loya Jargah are not clearly mentioned in the AIG plan and therefore the majority of the people of Afghanistan both inside and outside the country do not know in clear terms why and for what purposes the Loya Jargah has been planned.

Due to lack of administrative and legal structures inside the country, AIG has appealed to field commanders to ensure a peaceful atmosphere for holding elections at the district level. Since the situation is totally fluid and tightly controlled by the individual commanders, AIG should provide simple and effective procedures to ensure that a free and fair election will take place at the district level.

It is too early to conclude about the reactions of the mujahadeen and refugees to the proposals put forward by the AIG. However the following points have so far been recorded.

Mr. Hekmaytar, head of the Hezb-i-Islami of Afghanistan, has categorically rejected AIG's formula for election and described it as absurd and impractical. According to Hekmaytar the proposed formula aims are prolonging the AIG's tenure for another 5 months in the interest of those who would like to keep it outside the country. He also announced that his party would strictly avoid participation in a selected shura and a government which is based on such a process. Hezb wants elections on the basis of universal adult franchise to ensure maximum participation. It also wants the people to vote for political parties rather than the individual candidates. According to a large number of organizations and people, these proposals are not practical under the prevailing conditions in the country.

A spokesman of the three small Pakistan-based Iran-related parties also rejected AIG's proposal for election. The spokesman added that the Jihad Council consisting of these three parties as well as the Iran-based 8 political groups would not participate in the implementation of the AIG's proposed plan. As far as I know these groups are not in favor of election at this stage; they would like the AIG to broaden the existing base of the government and make it more acceptable to them.

Mr. Jamilur Rehman, head of Tanzeem-i-Salafia, operating in the Konar province also criticized the policies of AIG and

added that they were not interested in establishing a purely Islamic system of government inside Afghanistan. While some individuals from Quetta rejected the AIG's proposal the reaction of commanders inside Afghanistan has not been clear.

The Prime Minister of AIG, Mr. Sayif, had earlier announced that AIG would proceed with the proposed program of election even if others had boycotted it. The AIG would be able to implement its plan provided it approaches the overall issues involved with caution, determination and absolute impartiality.

The political situation inside Afghanistan is highly fragmented and therefore the AIG should avoid the introduction of rigid procedures for the implementation of the proposed framework, particularly in the sensitive areas inside Afghanistan. The main objective of the AIG should be to provide optimum conditions in which the people will be able to form a truly representative body to facilitate transfer of political structure and maintain peace and stability in the country during the interim period. This objective cannot be achieved unless a representative government has been established inside Afghanistan and the Kabul regime is fully isolated.

It is also suggested that AIG should continue its efforts to encourage Mr. Hekmaytar, the smaller political groups and the Iran-based political parties to fully participate in the implementation of the proposed plan for election. It is widely believed at this critical stage that the support of all the Mujahadeen groups and political elements of the Afghan society including ex-King Zahir Shah will be needed if the proposed plan of the AIG is to be fully implemented. If these measures are not considered or ignored then the new shura planned may achieve much less than the one held in Islamabad in February 1988.

It seems to me that the AIG formula and plan concerning elections and the formation of loya Jargah are still on the anvil. The AIG therefore has sufficient time to modify the factors that will possibly constrain the implementation of the proposal. The AIG should also establish a reliable monitoring mechanism to enable it to evaluate the situation on a continuous basis. In my opinion the Afghan Mujahadeen groups should be left to themselves to resolve their political differences through dialogue and reach an agreement on the formation of a representative government. Any interference in this process from outside would certainly aggravate the existing already complex situation.

February 01, 1990

Abdul Aziz Ferogh, TDY Consultant *A. A. Ferogh*

Commercial Sales of PL 480 Wheat

Larry Crandall, AID/REP
Court C. F. Wolters, Program Officer

Available information confirms that Afghanistan's rural economy has been badly damaged by the effects of war. According to some preliminary estimates, between 1978-79 and 1989-90 the production of food grains declined at an average rate of about 2.7 per cent per year; the total amount of food deficit is currently estimated at 360000 - 400000 tons. However, there is no central government acceptable to the majority of people to make choices concerning the design and implementation of a food distribution strategy.

The administrative and political structures are highly fragmented and unstable with the actual power resting with the local authorities or the individual commanders at the district and sub-district level. A major part of the urban area is also controlled by the Kabul regime. However, despite the distortions that occurred in the functioning of the free market mechanisms as a result of the war, the pricing of agricultural products are still largely determined by the market forces.

In this situation, reliance on the market mechanisms for the provision and supply of food to people inside the country is an efficient and cost effective strategy. This approach will also help minimize the involvement of NGOs' and aid giving agencies in the local political struggles both inside and outside Afghanistan. In future also, when normalcy comes back to Afghanistan, the operations of this system should be strengthened and facilitated to maximize allocative efficiency in the economy.

In this context the recent proposal of USAID which aims at organizing sales of PL 480 wheat through private channels seems to be totally justified in principle. This is a pilot scheme which tests the capacity and efficiency of the Afghan traders (Private sector) to deliver wheat inside Afghanistan and would be implemented on a small scale, involving only 10000 tons of PL 480 wheat in the initial phase. The longer term objective of the proposed project will be to find out whether relatively large quantities of wheat can be effectively supplied to markets inside Afghanistan through private sector with minimum outside interventions and subsidy. The proposed scheme involves the following basic arrangements :

1. The USG and GOP will appoint an experienced agent to implement the program
2. Qualified Afghan traders will be selected to obtain wheat from GOP's Department of Food in both NWFP and Baluchistan and then ship the same to market centers inside Afghanistan
3. The GOP is assumed to provide the Afghan traders with the required facilities such as the export and transit permits

While the USAID proposal is quite sound in principle, a number of points should be taken into account while planning for the implementation of the proposed pilot scheme. These are briefly presented in the following paragraphs.

The proposed project links the Afghan traders with the Pakistani bureaucracy, at least through the implementing agent which in all probability would be a Pakistani firm. Whether this arrangement will be attractive and acceptable to the Afghan traders at this juncture is still an open question. However experience has shown that the Afghan traders prefer to procure wheat and other essential commodities from traders in the border areas due to a number of social and administrative complexities involved.

In order to maintain the existing situation undisturbed the implementing agent could be authorized to make arrangements for shipment of wheat to border areas for transshipment to Afghanistan. The Afghan traders (private sector) will purchase PL 480 wheat from pre-planned and pre-determined sales centres in these areas for delivery to urban or rural centers inside Afghanistan as the case may be.

These arrangements will not affect the substance of the pilot scheme in any way but will facilitate a lot of things for the Afghan traders ; no transit or export permits will be required and at the same time the Afghan dealers will not be obliged to make arrangements with the tribales, Pakistani police, Political agents and the like.

The implementation of the proposed strategy is based on the basic assumption that the people inside Afghanistan are equipped with adequate purchasing power and can obtain wheat from the internal markets at the market determined prices. At the moment very little or no information is available on purchasing power in Afghanistan. This issue must be tested through the proposed programme as well as by other independent studies.

The market mechanism through which the private sector is expected to operate usually allocates goods, including wheat, among those buyers who can afford and are willing to pay the market price; all those who cannot afford to pay the price will be unable to get them no matter how badly they need them.

Even before the war purchasing power was very limited, particularly in the food deficit areas. According to the world Bank, about 30 % of the population were below the poverty line. Over the last ten years the situation has aggravated further due to loss of assets, such as the livestock and the lack of employment opportunities. According to my preliminary estimates, between 1978-79 and 1989-90 GDP dropped by 22 %, agricultural crops by 31 %, and the livestock production by 46 % over the period. These indicators emphasise the fact that the purchasing power at the macro level is now at its lowest level. In addition severe food shortages have been reported in certain areas due to natural calamities and locust attacks.

Available information and highly systematic studies reveal that increasing market segmentation, transport constraints, lack of security and above all the taxes imposed by the local authorities has severely disrupted the market mechanisms and created the conditions for monopoly pricing practices at various levels. As a result of these distorting factors and also because of the food shortages the price of wheat in certain areas, including Kabul appears to be sky-high and prohibitive.

However, if the results obtained from the proposed experimental scheme show that the distribution costs cannot be fully met by the final consumers then the USAID will have to review the programme once more and consider practical alternatives, even if these alternatives may involve provision of some sort of subsidies to the Afghan private traders. It is suggested that free distribution of wheat should be curtailed as much as possible to avoid the creation of an overdependence on external assistance for a long time. It is also stated that the distribution of food as a gift over a long period will lead to accusations of discrimination from those who will have to buy food or work for it.

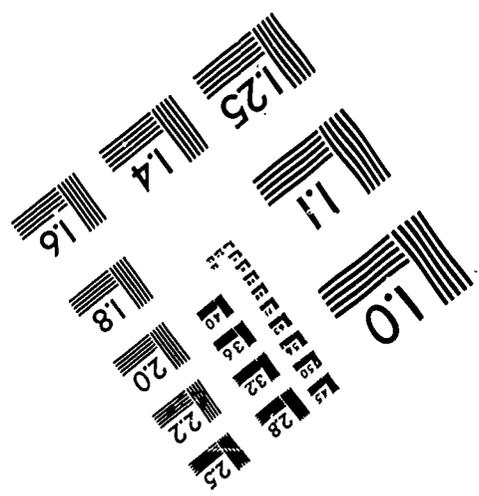
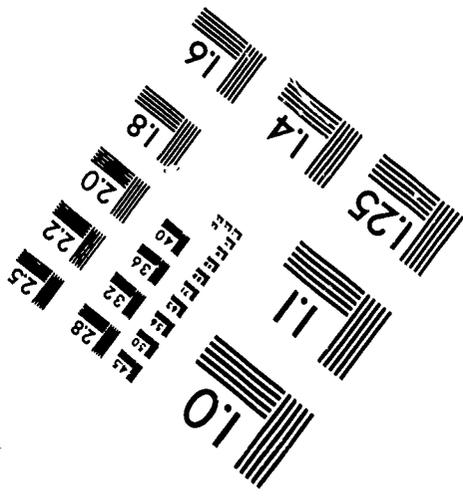
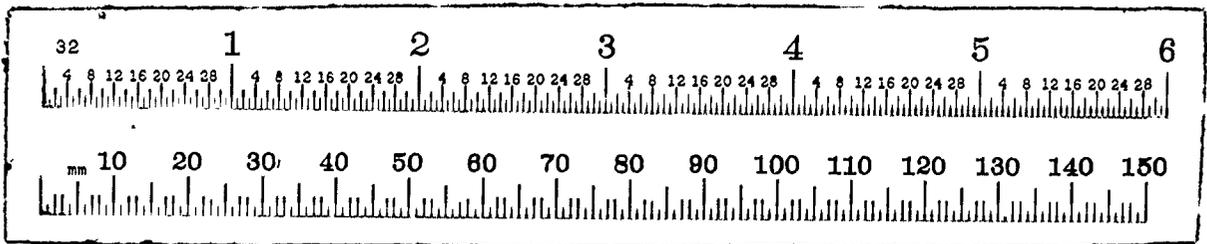
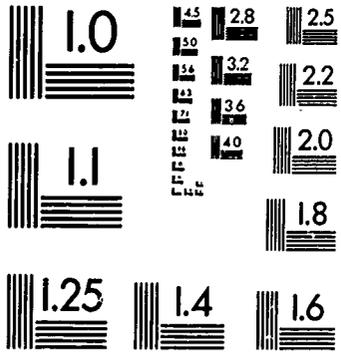
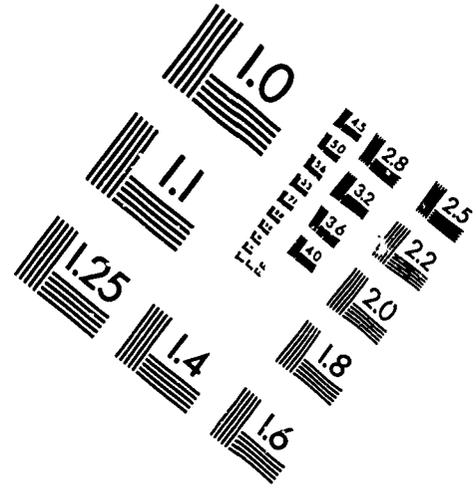
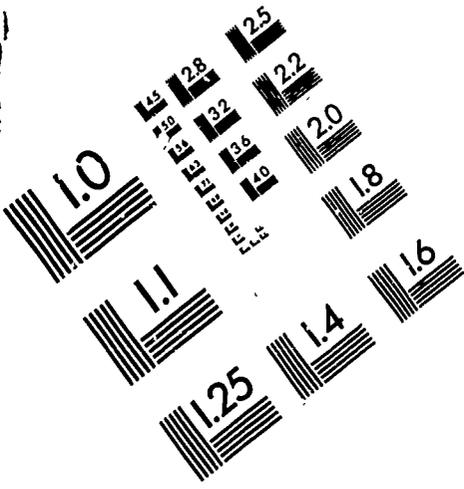
It should be noted however, that the vulnerable groups in the society cannot be served through the market mechanisms and the private sector which operates through these mechanisms. There is therefore, a need for the implementation of direct support measures to meet the basic requirements of the vulnerable segments of the Afghan society.

Under any circumstances provision of food- for-work should receive the highest priority under the external aid programmes as increased production of domestic food and the restoration of the productive capacity of the economy will be the only optimum solution to the food supply problem in the country during the long run. Provisions of cash-for-food on a selective basis would also provide the Afghan labourers in the rural area with the purchasing power, facilitating the operations of commercial market mechanisms.

In view of these considerations, a flexible approach which combines the market mechanisms with the existing measures of direct support will be an optimum strategy during the interim period. While the proposed strategy of commercial sales of PL 480 is quite sound it has to be expanded gradually as the economic conditions permit. At present a number of NGOs' political parties, and UN agencies are providing food for the Afghan people at various level. Unfortunately no coordination and standardization exists; while some sources are trying to avoid free distribution of food and essential commodities others are allocating these items free of cost. Experience has shown that lack of coordination and standardization of aid serves as a severe constraint to the implementation of a rigid commercial distribution system.

It will not be out of context to mention here that prior to the war Afghanistan benefitted from the US supplied wheat under Title I , PL 480 programme in a number of critical years. According to the procedures prevailing at the time, after the PL 480 wheat arrived at the Karachi port, the Government of Afghanistan called the wheat forward and shipped it directly inside Afghanistan, using the transit facilities provided under the transit agreements between Afghanistan and Pakistan.

In the context of the proposed scheme the role of the Peshawar based AIG has not yet been determined. This matter is quite understandable at this juncture. However, my impression as an individual is that the procedures contained under the proposed programme would not limit the options that would be available to the future government of Afghanistan, once such a representative government is in place inside the country.



06